

**Liberty of London Limited**  
**Directors' Report and Accounts**  
**For the year ended**  
**31 December 2011**



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**DIRECTORS' REPORT**

For the year ended 31 December 2011

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**Introduction**

The Directors present their report and the audited accounts for the year ended 31 December 2011

**Directors and Directors' Interests**

The Directors who held office during the year were

P Harris  
M Capello  
E Di Spiezio Sardo  
M Anatriello  
V Srivastava

None of the Directors have any interests in the share capital of the Company

M Capello, E Di Spiezio Sardo, M Anatriello, V Srivastava and P Harris are also Directors of the immediate parent company, Liberty Ltd

M Capello and E Di Spiezio Sardo are Directors of the ultimate parent company, Blue Gem Alpha Ltd

**Principal Activities**

The principal activities of the Company are the focus and development of an internationally distributed luxury goods brand and retailing of this brand in the Liberty flagship retail store situated in Great Marlborough Street, London

**DIRECTORS' REPORT (continued)**  
**For the year ended 31 December 2011**

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**Business Review**

The Company is a wholly owned subsidiary of Liberty Ltd. Led by a committed and experienced management team, the Company wholesales to approximately 100 worldwide retailers and has an established presence within the Tudor building on Great Marlborough Street.

The Company is dependent upon its ability to interpret and offer fashion products that consumers wish to purchase. The Liberty of London business is susceptible to industry change. Failure to be successful in this area of activity, particularly noting the long lead times before product is available for sale in the store, would cause an adverse impact on the Company's revenues and profitability. If there was a failure to sustain the appeal of Liberty's brands to its customers, this could have an adverse impact on the Company's revenues and resultant shareholder value. In addition, the value of Liberty's brands is influenced by a number of external factors including consumer preference and perceptions. The Company is focused on service delivery to ensure that the product provided matches customer preferences. Controls are in place to help ensure adherence to all legislative aspects affecting the business and experienced Executives manage these important areas of the Company.

For the year ended 31 December 2011, revenue continued to improve over the previous year and operating margins were enhanced. The results achieved for the year are set out on page 7 of the financial statements.

The Directors use a number of KPI's which they consider are effective in measuring delivery of their strategy, and which assist in the management of the business. They assess store performance by monitoring changes in sales, margins and profitability. The main measure of profitability is EBITDA (earnings before interest, tax, depreciation and amortisation).

For the year ended 31 December 2011, turnover has increased by 14% and the gross profit margin has increased to 34%.

**Dividends**

The Directors do not recommend the payment of an ordinary dividend (2010: £nil).

**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.

**DIRECTORS' REPORT (continued)**  
**For the year ended 31 December 2011**

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**Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the Board



**P. Harris**  
Director  
179 Great Portland Street  
London W1W 5LS

27 September 2012

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

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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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 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 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 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 LIBERTY OF LONDON LTD

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KPMG Audit Plc  
15 Canada Square  
London E14 5GL

We have audited the financial statements of Liberty of London Ltd for the year ended 31 December 2011 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 (APB's) Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

## **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 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIBERTY OF LONDON LTD (CONTINUED)**

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### **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

**Mike Barradell (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square,  
London,  
E14 5GL

27 September 2012



**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2011

	Notes	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Turnover		1,376	1,208
Cost of Sales		(903)	(1,046)
Gross profit		473	162
Selling and distribution costs		(812)	(1,457)
Administrative expenses		2	(206)
Other operating income		-	422
Loss on ordinary activities before taxation	3	(337)	(1,079)
Taxation on loss on ordinary activities	4	-	-
<b>Loss for the financial year</b>		<b>(337)</b>	<b>(1,079)</b>

The Company has no recognised gains or losses other than the losses stated above and therefore no separate Statement of Total Recognised Gains and Losses has been prepared

There is no material difference between the loss for the year and its historical cost equivalent

All operations are continuing

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS / (DEFICIT)**  
for the year ended 31 December 2011

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Opening shareholders' funds / (deficit)	134	(12,147)
Issued Share Capital	-	13,360
Loss for the financial year	(337)	(1,079)
<b>Closing shareholders' funds / (deficit)</b>	<b>(203)</b>	<b>134</b>

The notes on pages 9 to 14 form part of these financial statements

**BALANCE SHEET**  
as at 31 December 2011

	Notes	31 December 2011 £'000	31 December 2010 £'000
Fixed assets			
<b>Tangible assets</b>	5	79	261
<b>Current Assets</b>			
Stocks	6	217	324
Debtors	7	431	329
<b>Current Liabilities</b>			
Creditors	8	(930)	(780)
<b>Net current liabilities</b>		(282)	(127)
<b>Net (Liabilities)/Assets</b>		(203)	134
<b>Capital and reserves</b>			
Called up share capital	9	13,360	13 360
Profit and loss account	10	(13,563)	(13,226)
<b>Equity shareholders' (deficit)/funds</b>		(203)	134

Notes on pages 9 to 14 form part of these financial statements

Approved by the Board of Directors on 27 September 2012 and signed on its behalf by -



**P. Harris**  
Director

NOTES TO THE ACCOUNTS

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**1 ACCOUNTING POLICIES**

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The following accounting policies have been applied consistently in dealing with items which are considered material to the accounts

**Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention

The Company is part of the BlueGem Alpha Ltd Group of companies (the "Group"). Treasury management is undertaken on a Group basis rather than at an individual company level and the Company is dependent for its working capital on access to funds forming part of those facilities

The financial statements have been prepared on a going concern basis in view of the fact the parent undertaking BlueGem Alpha Limited has formally indicated that it is its present intention to provide sufficient funding to the Company to enable it to meet its liabilities as they fall due, for at least the next twelve months

The directors have no reason to believe that the parent company will not be in a position to provide the support referred to above and, accordingly, they have prepared the financial statements on a going concern basis

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of Liberty Ltd, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of BlueGem Alpha Ltd, within which this Company is included, can be obtained from the address given in note 12

During December 2011 the Company opened an On-Demand Multi Option Facility with Barclays Bank Plc ("BBPLC") in order to assist with the troughs seen in working capital throughout the Liberty Group. The facility allows a maximum liability with BBPLC of £5.0m together with Liberty Fabric Limited and Liberty Retail Limited. Funds may be drawn in Sterling, Euros, US Dollars and Japanese Yen. Interest accrues on any indebtedness with BBPLC at 3.0% per annum

NOTES TO THE ACCOUNTS

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**1. ACCOUNTING POLICIES (continued)**

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**Turnover**

Turnover is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of staff discounts and the costs of loyalty scheme rewards and is stated net of value added tax and other sales-related taxes. Turnover on Flagship store sales of goods and commission on concession sales are recognised when goods are sold to the customer. Internet sales are recognised when the goods are delivered to the customer. Turnover from gift vouchers, gift cards and gift coins sold are recognised on redemption of the gift voucher, gift card or gift coin. It is the Company's policy to sell its products to the end customer with a right of return. Accumulated experience is used to consider the need for a provision for such returns on an annual basis.

**Tangible fixed assets**

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives, over the following periods -

Fixtures and equipment	5 to 10 years
IT equipment	5 to 7 years

**Stocks**

Stocks are stated at the lower of cost and estimated net realisable value. Provisions against book values are recorded principally by reference to the age of stock.

**Corporation tax and deferred taxation**

The charge for taxation is based on the result for the year, which takes account of taxation deferred because of timing differences between the treatment of certain items for taxation purposes and the treatment under the Company's accounting policies.

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition for taxation purposes. In accordance with FRS19, deferred tax is provided in respect of all timing differences that have originated but not reversed at the balance sheet date, that may give rise to an obligation to pay more or less tax in the future. Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. A 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 tax is measured on a non-discounted basis.

## NOTES TO THE ACCOUNTS

**2 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)**

All staff are employed and paid by the Company's fellow subsidiary, Liberty Retail Ltd, and their costs are recharged to the Company

Directors' emoluments are borne by Liberty Retail Ltd

**3. LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION**

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Loss on ordinary activities before taxation is stated after charging the following		
Operating lease payments		
- other operating leases	-	176
Depreciation	195	525

Audit fees are borne by Liberty Retail Limited

**4. TAXATION ON LOSS ON ORDINARY ACTIVITIES**

The current tax for the year is lower (2010 lower) than the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Loss on ordinary activities before tax	(337)	(1,079)
Loss on ordinary activities multiplied by the standard rate in the UK 26.5% (2010 28%)	(89)	(302)
Effects of		
Expenses not deductible for taxation purposes	-	2
Excess of depreciation over capital allowances	(8)	40
Group relief available from other companies for no consideration	97	260
Current taxation charge	-	-

## NOTES TO THE ACCOUNTS

**4. TAXATION ON LOSS ON ORDINARY ACTIVITIES (continued)**

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012.

It has not yet been possible to quantify the full anticipated effect of the announced further rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

The company has trading losses carried forward of £4,028,000 (2010: £3,428,000) and an asset in respect of accelerated capital allowances of £206,000 (2010: £145,000) which produces a total deferred tax asset at 25% (2010: 27%) of £1,213,000 (2010: £1,070,000).

No deferred tax asset has been recognised as the company is uncertain of when in the future it will have taxable profits.

**5. TANGIBLE FIXED ASSETS**

<b>Cost</b>	<b>Plant fixtures &amp; equipment £'000</b>
At 1 January 2011	1,115
Additions	13
<b>At 31 December 2011</b>	<b>1,128</b>
<b>Depreciation</b>	
At 1 January 2011	(854)
Charge for period	(195)
<b>At 31 December 2011</b>	<b>(1,049)</b>
<b>Net Book Value at 31 December 2011</b>	<b>79</b>
<b>Net Book Value at 31 December 2010</b>	<b>261</b>

## NOTES TO THE ACCOUNTS

## 6. STOCKS

	31 December 2011 £'000	31 December 2010 £ 000
Work in progress	83	21
Finished goods	134	303
	217	324

## 7. DEBTORS

	31 December 2011 £'000	31 December 2010 £ 000
Trade debtors	47	212
Amounts due from fellow subsidiary undertakings	352	-
Prepayments and accrued income	32	117
	431	329

## 8. CREDITORS

	31 December 2011 £'000	31 December 2010 £'000
Bank Overdraft	167	-
Trade creditors	96	182
Amounts due to fellow subsidiary undertakings	-	150
Amounts due to fellow group undertakings	601	319
Other creditors	-	8
Accruals and deferred income	66	121
	930	780

## 9. SHARE CAPITAL

	31 December 2011 £'000	31 December 2010 £'000
Allotted, called up and fully paid ordinary shares of £1 each (2010 13 360 002)	13,360	13,360

## NOTES TO THE ACCOUNTS

## 10. RESERVES

	Profit & Loss Account £'000
At 1 January 2011	(13,226)
Loss for the financial year	(337)
At 31 December 2011	(13,563)

## 11. OPERATING LEASE COMMITMENTS

Annual payments due on operating leases expire as follows

	Land & buildings 31 December 2011 £'000	Plant & equipment 31 December 2011 £'000	Total 31 December 2011 £'000	Land & buildings 31 December 2010 £'000	Plant & equipment 31 December 2010 £'000	Total 31 December 2010 £'000
Within one year	-	-	-	44	-	44
Between two and five years	-	-	-	-	-	-
In more than five years	-	-	-	-	-	-

## 12. IMMEDIATE AND ULTIMATE PARENT COMPANY

The Company's immediate parent company is Liberty Ltd, a company registered in England and Wales

The Company's ultimate parent company is BlueGem Alpha Limited, a company registered in England and Wales and owned by BlueGem LP

The largest and smallest group in which the results of the Company are consolidated is that headed by BlueGem Alpha Limited. The consolidated financial statements of this group are available to the public and may be obtained from 16 Berkeley Street, London, W1J 8DZ