Mosaic Fashions Limited

Directors' Report and Accounts

Period ended 26 January 2008

Company Registration No. 4871389 (England and Wales)

Contents

Mosaic Fashions Limited

Company information

For the period ended 26 January 2008

Directors	Derek Lovelock Richard Glanville Margaret Lustman Stewart Binnie Gunnar Sigurðsson Michael Shearwood
Secretary	Jessica Wilks
Company number	4871389
Registered office	The Triangle Stanton Harcourt Industrial Estate Stanton Harcourt Witney Oxfordshire OX29 5UT
Auditor	KPMG Audit Plc
Bankers	Bank of Scotland Threadneedle Street London
Solicitors	Heatons

Mosaic Fashions Limited

Directors' Report

For the period ended 26 January 2008

The directors present their annual report and the audited financial statements for 52 weeks ended 26 January 2008. The comparative period is the 52 weeks ended 27 January 2007.

Principal activities and business review

The principal activity of the Company is the provision of administrative services to the retailing members of the Mosaic Fashions Group.

In both the current period and comparative period the Company was the holding company of Mosaic Fashions Finance Limited and Sonora Holdings Limited.

Directors

The following directors have held office during the period:

Derek Lovelock	
Richard Glanville	
Margaret Lustman	
Stewart Binnie	
Gunnar Sigurðsson	
Jane Woolf	(resigned 01 March 2007)
Michael Shearwood	(appointed 23 October 2007)

Dividends

There was a preference share dividend payable of £3.6 million for the period (2007: £3.6 million).

Political and charitable contributions

The Company made charitable donations of £68,089 (2007: £nil) and no political contributions during this period (2007: £nil).

Mosaic Fashions Limited

Directors' Report (continued)

For the period ended 26 January 2008

Disclosure of information to auditors

The directors who held office at the date of approval of this report of the board 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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

J. Wilks

Jessica Wilks — 13 **February 2009**

Secretary

Mosaic Fashions Limited
Statement of Directors' Responsibilities
For the period ended 26 January 2008

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 period. 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).

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 judgements 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.

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of Mosaic Fashions Limited

We have audited the financial statements of Mosaic Fashions Limited for the period ended 26 January 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses 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

he 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 6.

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.

Independent auditors' report to the members of Mosaic Fashions Limited
(continued)

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 26 January 2008 and of its loss for the period 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.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company is dependent for its working capital on access from other Group companies to funds within facilities available to the Group, of which the Company forms a part. Note 1 includes discussion of the following material uncertainties:

- the achievability of the cash flow projections for the Group and the key assumptions therein;
- the availability to the Group of additional working capital funding from the Group's Bank before 28 March 2009; and
- the ability to restructure the Group's borrowings, or obtain further covenant waivers and rescheduled payment terms on existing loans, before 31 May 2009.

These issues, along with other matters set out in note 1, indicate the existence of material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Date: 13 February 2009

Mosaic Fashions Limited

Profit and Loss Account

For the period ended 26 January 2008

	Note	2008 £m	2007 (Restated) £m
Administrative expenses before exceptional items		-3.2	-1.6
Exceptional item	3	-32.0	-
Administrative expenses		-35.2	-1.6
Operating loss	2	-35.2	-1.6
Interest receivable and similar income	5	2.6	2.3
Interest payable and charges before exceptional items		-15.2	-9.7
Exceptional item	3	-12.8	-
Interest payable and similar charges	6,16	-28.0	-9.7
Loss on ordinary activities before taxation		-60.6	-9.0
Tax on loss on ordinary activities	7	7.0	2.4
Loss after taxation for the financial period		-53.6	-6.6

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Mosaic Fashions Limited
Balance Sheet
As at 26 January 2008

	Note	2008 £m	2008 £m	2007 (Restated)* £m	2007 (Restated)* £m
Non-current assets					
Tangible assets	8	5.3		-	
Investments	9	103.9		135.9	
			109.2		135.9
Current assets					
Debtors	10	94.1		31.9	
Cash at bank and in hand		0.2		-	
			94.3		31.9
Creditors : amounts falling due within one year	11		-199.7		-71.0
Net current liabilities			-105.4		-39.1
Total assets less current liabilities			3.8		96.8
Creditors : amounts falling due after more than one year	12		-32.7		-72.1
Net (liabilities) assets			-28.9		24.7
Capital and reserves					
Called up share capital	14		11.1		11.1
Share premium account	15		27.5		27.5
Profit and loss account	15		-67.5		-13.9
Shareholders' (deficit) funds - equity interests	16		-28.9		24.7

* Refer to note 16 for details in respect of restatement

These financial statements were approved by the board of directors on 18 February 2009 and signed on its behalf by:

Richard Glanville
Finance Director

Mosaic Fashions Limited

Statement of recognised gains and losses

For the period ended 26 January 2008

	Note	2008 £m	2007 (Restated) £m
Loss for the period		-53.6	-6.6
Prior year adjustment	16	-3.6	
Total recognised gains and losses since the last annual report		-57.2	

1. Accounting policies

1.1 Basis of preparation - going concern

The Company is part of the Mosaic Fashions hf. group of companies (the "Group"). The Group meets its day to day working capital requirements and medium term funding requirements through banking facilities with Kaupthing Bank hf. ("Kaupthing" or the "Bank") which are repayable in stages over the period to 2015 and subject to certain quarterly financial and other covenant requirements. The treasury management function is undertaken on a Group basis rather than at an individual subsidiary level. The Company is dependent for its working capital on access from other Group companies to funds forming part of those facilities and ongoing Group support. Further, the Company has granted fixed and floating charges over all of the Company's assets and undertakings, under a debenture granted to secure the banking facilities.

On 09 October 2008, Kaupthing (which is also a shareholder of Mosaic Fashions hf.) was nationalised by the Icelandic government by virtue of the Icelandic Financial Supervisory Authority assuming control of it. On 27 October 2008 the Group drew down a further £9 million on its revolving credit facility. On 05 November 2008 Kaupthing waived its rights relating to events of default arising at 31 October 2008 which arose on the breach of certain of the financial covenants. It also consented to certain interest payments, due to be made by the Group in cash in the period to 31 January 2009, being satisfied by the issue of PIK notes. In addition, the Bank agreed that an amount equal to a repayment of principal which was due to be made in cash on 31 January 2009 be capitalised and added to the outstanding principal amount. This is now repayable in full on the termination date applicable to that loan facility. Consequently, no further cash payments of principal or interest become payable to the Bank by the Group until 31 July 2009, subject to the paragraph below. The waivers and consents given were provided on the basis that the Group waived its right to make any further drawdown on its revolving credit facility.

On 29 January 2009, following the anticipation of breaches of certain financial covenants at 31 January 2009 and 30 April 2009, the Bank agreed to a further waiver of its rights in respect of the events of default arising on these breaches for the period up to 31 May 2009 or, if sooner, up to the occurrence of other defaults under the facilities. The directors of the Group have confirmed to the Company that they are not currently aware of any such other defaults which are unremedied or unwaived. The Bank has also confirmed to the directors of the Group its intention to work with the Group to restructure the debt before the expiry of this waiver, in order to enable the Group to continue to trade as a going concern. The restructuring may include the potential disposal of assets within the Group. On 15 January 2009, the directors of the Group announced that they had commenced a process to realise the value of Shoe Studio, which is part of the Group, by way of a sale of the business. This process is currently ongoing.

The Group has prepared projected cash flow information for the period ending 12 months from the approval of these financial statements (the "Projections"). The Projections are based on certain assumptions. The directors of the Group and the Company recognise in the current economic environment, risks exist regarding the achievability of the Group's forecast sales and margins and the timing of cash flows. The cash flows would also be impacted by further weakening of sterling against the dollar (as the Group's currency swap contracts with Kaupthing Singer & Friedlander Limited have been closed-out following the administration of this bank), and by changes to supplier payment terms. The directors of the Group have tested the impact of variations from these projections by assessing the adequacy of the Group's funds under a combination of different scenarios constructed to reflect downside risks to the assumptions contained within the Projections.

These Projections show that in order for the Group to meet its liabilities as they fall due, it will require additional working capital funding by 28 March 2009, and either a successful outcome to the debt restructure, referred to above, or further covenant waivers and rescheduled repayment terms to the current loans, before 31 May 2009.

Kaupthing have indicated that they are considering making available an additional working capital facility. The directors of the Group have informed the Company that discussions with the Bank about the additional working capital facility are ongoing and that, subject to the points highlighted above, they expect to have obtained the additional facility before 28 March 2009 and to have restructured facilities in place before the end of the waiver period, 31 May 2009.

The restructuring of facilities is dependent on a number of factors including the actions of the Bank, the agreements of terms suitable to all parties, the Group's financial performance, financial position, the economic environment, the level of borrowings the Group will require and conditions in the credit market, at the time of any restructuring. No binding commitment has been entered into on the part of the Bank to complete a consensual restructuring of the debt, but rather the waivers referred to above envisage ongoing discussions in relation to such a restructuring.

1.1 Basis of preparation - going concern (continued)

The directors of the Company have concluded that the above factors represent material uncertainties that could cast significant doubt on the ability of the Company to continue as a going concern and it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, having discussed the basis of preparation and the assumptions underlying the Group's cash flow projections (of which the company forms a part), together with assessing the position of the Group's current lenders, and assuming additional working capital and restructured facilities or further waivers are put in place within the required timescales, the directors of the Company expect that the Company will be able to meet its liabilities as they fall due for the foreseeable future. It is on this basis that the directors consider it appropriate to prepare the financial statements on a going concern basis. These financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

1.2 Accounting convention

The financial statements are prepared under the historical cost convention.

1.3 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the cashflows of the Company are included in the consolidated financial statements of Mosaic Fashions hf. group.

As the Company is a wholly owned subsidiary of Mosaic Fashions hf., 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 Mosaic Fashions hf., within which this Company is included, can be obtained from Mosaic Fashions Limited, The Triangle, Stanton Harcourt Industrial Estate, Stanton Harcourt, Witney, Oxfordshire OX29 5UT.

The Company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are depreciated to their estimated residual value over their expected useful lives as follows:

On a straight line basis:

Short leasehold property	Over the period of the lease
Fixtures and Fittings	Over five to ten years
Computer hardware and software	Over three to five years

On reducing balance basis:

Motor vehicles	At a rate of 25% per annum

1.5 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.

Deferred taxation is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and for accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

1.6 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction where no forward cover exists or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at their average rates of exchange during the period. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

1.7 Investments

Investments are included at cost less amounts written off.

An impairment is recognised when the carrying amount of the investment exceeds the recoverable amount from the investment. The recoverable amount of the investment being based upon the higher of net realisable value or value in use. To the extent that the carrying amount exceeds the recoverable amount will be recognised as an impairment loss through the profit and loss account.

1.8 Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company;

and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges.

2. Operating loss is stated after charging the following amounts:

	2008 £m	2007 £m
Depreciation of tangible fixed assets	0.3	-
Impairment of investments	32.0	-
Auditors' and their associates' remuneration		
Auditing	0.3	-
Other services	1.2	-

In the current year, the remuneration payable in relation to audit services for the whole Mosaic Fashions group, including £7,000 specifically relating to the Company, was borne by, and included in the fees of the financial statements of the Company. In the comparative period, the remuneration payable in relation to audit services specifically relating to the Company of £7,000 was borne by, and included in the aggregate fees of the financial statements of Oasis Stores Limited, a fellow group subisidiary.

3. Exceptional items

The exceptional administrative expense relates to impairment of fixed asset investments (see note 2 and 9).

The exceptional item within interest payable and similar charges relates to the accelerated interest charge on the unsecured loan note (see note 12)

4. Staff numbers and costs

	2008 £m	2007 £m
Directors' emoluments	1.7	-
Company contributions to personal pension schemes	0.2	-
Total	1.9	-

The directors are the only employees of the Company.

Remuneration of the highest paid director was £0.7 million (2007: £0.4 million), including pension contributions of £0.1 million (2007: £0.1 million).

Details of share interests are shown in the accounts of Mosaic Fashions hf.

In the comparative period, the directors were remunerated by Oasis Stores Limited in respect of their services to the Mosaic Fashions Group as a whole. Their emoluments were dealt with in Oasis Stores Limited's accounts as they received no emoluments from the Company.

5. Interest receivable and similar income

	2008 £m	2007 £m
Interest receivable from Group companies	2.6	2.3

6. Interest payable and similar charges

	2008 £m	2007 £m (Restated)
Interest payable to Group companies	7.6	4.3
On bank loans	0.1	-
On other loans (note 12)	16.7	1.8
Finance costs on shares classified as liabilities	3.6	3.6
	28.0	9.7

7. Taxation

	2008 £m	2007 £m
UK corporation tax		
Current tax on income for the period	-7.2	-1.6
Adjustments in respect of prior years	0.2	-0.8
Total current tax	-7.0	-2.4

The current tax credit for the year is lower (2007: lower) than the standard rate of corporation tax in the UK of 30% (2007: 30%). The differences are explained below:

	2008 £m	2007 £m (Restated)
Current tax reconciliation		
Loss on ordinary activities before tax	-60.6	-9.0
Current tax at 30%	-18.2	-2.7
Factors affecting charge for the period		
Expenses not deductible for tax purposes	10.9	1.1
Capital allowances for period less than depreciation	0.1	-
Adjustment to tax charge in respect of previous periods	0.2	-0.8
Total actual amount of current tax	-7.0	-2.4

The tax rate of corporation tax in the UK was reduced from 30% to 28% with effect from 1 April 2008. The change in rate was substantively enacted by the House of Commons on 26 June 2007 by the passing of a Bill to approve the Finance Act 2007. UK deferred tax assets and liabilities have therefore been calculated at either 30% or 28% depending on whether the timing differences will reverse before or after 31 March 2008. The possible impact of the reduced tax rate on closing deferred tax assets is shown as a separate component of the deferred tax charge for the year.

8. Tangible assets

	Fixtures & fittings	Computer hardware & software	Motor vehicles	Total
	£m	£m	£m	£m
Cost				
At 27 January 2007	-	-	-	-
Additions	3.1	2.4	0.1	5.6
Disposals	-	-	-	-
At 26 January 2008	3.1	2.4	0.1	5.6
Depreciation				
At 27 January 2007	-	-	-	-
Charge for the period	0.1	0.2	-	0.3
Disposals	-	-	-	-
At 26 January 2008	0.1	0.2	-	0.3
Net Book Value				
At 26 January 2008	3.0	2.2	0.1	5.3
At 27 January 2007	-	-	-	-

9. Investments

	2008 £m	2008 £m	2007 £m	2007 £m
Fixed asset investments				
At the start of the period	96.8		96.8	
Impairments recognised during the period	-32.0		-	
At the end of the period		64.8		96.8
Financial investments				
At the start of the period	39.1		-	
Additions	39.1		39.1	
Disposals	-39.1		-	
At the end of the period		39.1		39.1
Total		103.9		135.9

The carrying value of the fixed asset investments at the period end relate to the 32% shareholding in Sonora Holdings Limited.

As noted in note 1.1, there have been a number of events occurring after the balance sheet date impacting the Company and the Group (of which the Company forms a part). These may have led to a decline in the market value of the investments held by the Company since the period end. As the decline in market value does not relate to the condition of the investments at the balance sheet date and reflects circumstances that have arisen subsequently, this change in value is a non-adjusting post balance sheet event. An estimate of its financial effect cannot be made due to the material uncertainties which are outlined in note 1.1.

On 27 September 2006 the Company subscribed for a zero interest convertible loan note with a face value of £39.1 million issued by Mosaic Fashions Finance Limited. The loan note expired on 18 January 2008 and no income was recognised in the financial statements since the loan was interest free. The loan note was replaced by a short term loan (LIBOR +2.5%) of £39.1 million until 24 January 2008. On 24 January, a new zero interest convertible loan note with a face value of £39.1 million was issued by Mosaic Fashions Finance Limited. No income has been recognised in the financial statements of the new convertible loan note since the loan note is interest free.

The principal undertakings in which the Company's interest at period end is more than 20% are as follows:

Name	Country of incorporation	Principal activity	%	Class of share
Subsidiary:				
Mosaic Fashions Finance Limited	UK	Holding Company	100%	Ordinary
Sonora Holdings Limited	UK	Holding Company	32%	A Ordinary

10. Debtors

	2008 £m	2007 £m
Amounts owed by group undertakings	80.0	25.6
Corporation tax	12.1	6.3
Other taxation and social security	0.2	-
Other debtors	1.0	-
Prepayments and accrued income	0.8	-
	94.1	31.9

All of the above amounts are due within one year

11. Creditors: amounts falling due within one year

	2008 £m	2007 £m
Amounts owed to group undertakings	185.5	69.8
Other creditors	1.2	-
Shares classified as liabilities	10.1	-
Accruals and deferred income	2.9	1.2
	199.7	71.0

12. Creditors: amounts falling due after more than one year

	2008 £m	2007 £m (Restated)
Amounts owed to group undertakings	7.0	6.1
Shares classified as liabilities	25.7	35.8
Unsecured loan notes	-	30.2
	32.7	72.1

Analysis of debt:

	2008 £m	2007 £m (Restated)
Debt can be analysed as falling due:		
In one year or less, or on demand	12.8	-
Between one and two years	12.8	11.8
Between two and five years	19.9	30.1
In five years or more	-	30.2
Total	45.5	72.1

During the year unsecured loan notes, with a face value of £45.0 million were redeemed early. Accelerated accretion of £12.8 million was charged to the Profit and Loss Account.

13. Deferred taxation

	2008 Provided £m	2008 Unprovided £m	2007 Provided £m	2007 Unprovided £m
Difference between accumulated depreciation and capital allowances	-	0.1	-	-
Other short term timing differences	-	0.1	-	0.2
	-	0.2	-	0.2

Under the provisions of FRS 19, management do not believe the deferred tax asset should be recognised until there is more certainty as to the use of these timing differences.

14. Share capital

	2008 £m	2007 £m
Authorised:		
10,743,776 A Ordinary Shares of £1 each	10.7	10.7
244,000 C Ordinary Shares of £1 each	0.2	0.2
141,263 D Ordinary Shares of £1 each	0.2	0.2
35,832,440 Preference Shares of £1 each	35.8	35.8
	46.9	46.9
Allotted, called up and fully paid:		
10,743,226 A Ordinary Shares of £1 each	10.7	10.7
244,000 C Ordinary Shares of £1 each	0.2	0.2
133,263 D Ordinary Shares of £1 each	0.2	0.2
35,832,440 Preference Shares of £1 each	35.8	35.8
	46.9	46.9
Shares classified as liabilities	35.8	35.8
Shares classified in shareholders' funds	11.1	11.1
	46.9	46.9

The ordinary shares rank equally with the following exceptions:

A shareholders have the right to appoint two directors, each with two votes
C and D shareholders have the right to appoint four directors

In the comparative period 9,753,501 A Ordinary Shares of £1 each were issued for a consideration of £9,753,501.

The preference shares are entitled to a fixed cumulative preference dividend at the annual rate of 10% of the amount subscribed per preference share, which shall accrue on a daily basis. The accrued preference share dividend shall automatically become payable by the company on any redemption of the preference shares, but not beforehand.

The Company was due to redeem the preference shares as follows:

10,114,666 preference shares on 31 January 2008;
10,114,666 preference shares on 31 January 2009;
15,603,108 preference shares on 31 January 2010.

To date the Company has not redeemed any of the preference shares currently in issue. As per FRS21, penalty interest accruing at 11% on the unpaid preference dividend has not been reflected in these financial statements due to this being a non-adjusting post balance sheet event.

15. Statement of movements on reserves

	Share premium account £m	Profit and loss account £m (Restated)
At the start of the period	27.5	-13.9
Loss for the financial period	-	-53.6
At the end of the period	27.5	-67.5

16. Reconciliation of movements in shareholders' funds

	2008 £m	2007 £m (Restated)
Opening shareholders' funds as originally stated in the balance sheet	28.3	21.6
Prior year adjustment	-3.6	-
Opening shareholders' funds restated	24.7	21.6
New share capital subscribed	-	9.7
Loss for the financial period	-53.6	-6.6
Net increase in shareholders' funds	-53.6	3.1
Closing shareholders' funds	-28.9	24.7

The prior year adjustment relates to a preference share dividend (classified as interest) which was omitted from the financial statements for the period ended 27 January 2007. Restating the preference share dividend payable has resulted in an increase in interest payable in 2007 of £3.6 million and an increase in amounts owed to group undertakings greater than one year by £3.6 million. As a result, opening shareholders' funds and reserves have decreased by £3.6 million.

In addition, the reconciliation of movements in shareholders' funds disclosed in the financial statements for the period ended 27 January 2007 omitted the new share capital subscribed and therefore reported a closing balance of £18.6 million.

17. Guarantees and other commitments

A composite debenture exists between the Company and certain trading subsidiaries of Mosaic Fashions hf. in favour of Kaupthing Bank hf. dated 28 December 2007 in the form of fixed and floating charges over the undertakings and all property and assets. Please refer to Note 1.1.

18. Post balance sheet events

On 24 October 2008 a claim in the order of £1.0 million for services rendered was received by the Company from a supplier. The directors of the Company are involved in an ongoing dispute in respect of the basis of this claim. It relates to provision of services between February and October 2008. Under FRS21 this is a non-adjusting post balance sheet event.

19. Ultimate parent company and parent undertaking of larger group

The largest Group in which the results of the Company are consolidated is that headed by Mosaic Fashions hf., incorporated in Iceland. The consolidated accounts of Mosaic Fashions hf. are available to the public and may be obtained from Mosaic Fashions Limited, The Triangle, Stanton Harcourt Industrial Estate, Stanton Harcourt, Witney, Oxfordshire OX29 5UT.