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Company Registration No. 1034349 (England and Wales)

ANN SUMMERS LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

Ref. 16482-01

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ANN SUMMERS LTD

COMPANY INFORMATION

Chief Executive	J Gold
Directors	J Gold D Gold R Gold J Harris C Ord V Gold J Clarke
Secretary	C Ord
Company number	1034349
Registered office	Gold Group House Godstone Road Whyteleafe Surrey CR3 0GG
Auditors	MRI Moores Rowland LLP 3 Sheldon Square Paddington London W2 6PS

ANN SUMMERS LTD

CONTENTS

	Page
Chief Executive's Report	1
Directors' report	2 - 3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 15

ANN SUMMERS LTD

CHIEF EXECUTIVE'S REPORT

I am delighted once again to report another superb year for Ann Summers, with healthy growth in all areas of the business for the year ending June 2003.

The Ann Summers Group (including franchises, overseas entities and UK operations) achieved Gross Retail and Catalogue sales, including VAT and before Party Plan discount, of just under £95 million. Net sales were up 33% on last year.

So far in 2004, our Retail Division continues on target through our expansion plan, achieving a like-for-like sales increase of 14% for the year ended 30 June 2003. We now have a portfolio of 113 stores on prime high street locations across the UK and Ireland including new stores in Birmingham's Bullring, Covent Garden and Cork. We are currently developing a new store format, which we hope to roll out later this year.

Our Party Plan division continues to grow, with sales at the year-end up 10% on last year. This growth in what is for us a mature business is a testament to the passion, energy, enthusiasm and professionalism of both our Party Plan Team and the 7,500 inspirational Organisers in the field. New Catalogue designs and continued investment in new product development, quality standards and motivational sales techniques have helped to maintain the unique Party Plan offer and increase sales.

Our website, annsummers.com, has shown a significant increase in like-for-like sales. With 500,000 unique users every month and 2 million hits per day at peak times, it is one of the most successful sites on the Internet. annsummers.com will undergo further development this year to realise its full potential.

This growth across all three divisions has been supported by significant investment in key personnel in areas of logistics, retail, marketing and buying and merchandising functions.

We are looking forward to an increased presence on the high street and continued growth within Party Plan and via our website as we further establish ourselves as the UK's leading pleasure retailer.

Jacqueline Gold
Chief Executive

ANN SUMMERS LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2003

The directors present their report and financial statements for the year ended 30 June 2003.

Principal activities and review of the business

The principal activity of the company continued to be that of retailing and distribution.

At the year end the company operated 82 (2002 - 75) high street stores in its retail capacity alongside the distribution activities of its party plan division.

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend the payment of a dividend (2002 - £nil).

Directors

The following directors have held office since 1 July 2002:

J Gold
D Gold
R Gold
J Harris
C Ord
V Gold
J Clarke

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary Shares of £ 1 each	
	30 June 2003	1 July 2002
D Gold	-	-
R Gold	-	-
J Harris	-	-
J Gold	-	-
C Ord	-	-
V Gold	-	-
J Clarke	-	-

The interests of D Gold, R Gold, J Gold and V Gold in the ultimate parent company are disclosed in those financial statements.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

ANN SUMMERS LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2003

Disabled persons

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

On average, trade creditors at the year end represented 83 (2002- 108) days' purchases.

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, MRI Moores Rowland LLP, will be deemed to be reappointed for each succeeding financial year.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



J Gold

Director

26.4.04

ANN SUMMERS LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ANN SUMMERS LTD

We have audited the financial statements of Ann Summers Ltd on pages 5 to 15 for the year ended 30 June 2003. These financial statements have been prepared under the historical cost convention and 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 the directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out on page 3. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chief Executive's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MRI Moores Rowland LLP

MRI Moores Rowland LLP

Chartered Accountants

Registered Auditor

30.4.04

3 Sheldon Square
Paddington
London
W2 6PS

ANN SUMMERS LTD

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2003

	Notes	2003 £	2002 £
Turnover	2	64,758,587	48,783,363
Cost of sales		(16,994,652)	(13,800,501)
Gross profit		47,763,935	34,982,862
Distribution costs		(20,436,918)	(14,184,651)
Administrative expenses		(19,379,789)	(13,598,608)
Other operating income	6	1,004,455	353,953
Operating profit	3	8,951,683	7,553,556
Other interest receivable and similar income	4	5,075	192
Interest payable and similar charges	5	(6,597)	(3,467)
Profit on ordinary activities before taxation		8,950,161	7,550,281
Tax on profit on ordinary activities	7	(3,012,641)	(2,364,383)
Profit on ordinary activities after taxation	15	5,937,520	5,185,898

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

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 7 to 15 form an integral part of these financial statements.

ANN SUMMERS LTD

BALANCE SHEET AS AT 30 JUNE 2003

	Notes	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	8	7,694,119		6,726,867	
Investments	9	2,541		2,541	
		<u>7,696,660</u>		<u>6,729,408</u>	
Current assets					
Stocks	10	7,531,076	4,440,492		
Debtors	11	26,511,177	26,998,353		
Cash at bank and in hand		5,022,458	563,443		
		<u>39,064,711</u>	<u>32,002,288</u>		
Creditors: amounts falling due within one year	12	(28,006,909)	(25,914,754)		
Net current assets		<u>11,057,802</u>		<u>6,087,534</u>	
Total assets less current liabilities		<u>18,754,462</u>		<u>12,816,942</u>	
Capital and reserves					
Called up share capital	14	500,000	500,000		
Profit and loss account	15	18,254,462	12,316,942		
Shareholders' funds - equity interests	16	<u>18,754,462</u>	<u>12,816,942</u>		

The financial statements were approved by the Board on 26-4-04

Jacqueline Gold

J Gold
Director

The notes on pages 7 to 15 form an integral part of these financial statements.

ANN SUMMERS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1 Accounting policies

1.1 Accounting convention

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

1.2 Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Short leasehold land and buildings	over the period of the lease
Fixtures, fittings & equipment	25% Straight line
Motor vehicles	25% Straight line

1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Stock

Stock is valued at the lower of cost and net realisable value. Cost is computed on a first in, first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

1.7 Pensions

The company operates money purchase pension arrangements. Pension contributions are paid to separate administered funds. Contributions to these funds are charged to the profit and loss account as and when they are due.

1.8 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

ANN SUMMERS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1 Accounting policies (continued)

1.10 Cashflow

The company has taken advantage of the exemption applicable to wholly owned subsidiaries under Financial Reporting Standard 1 Cash Flow Statements (revised) where the parent company produces consolidated financial statements including a consolidated cashflow statement showing the cashflows of the group. Therefore no cashflow statement has been produced.

1.11 Consolidation

As an intermediate parent company whose securities are not listed anywhere in the European Community and whose immediate parent company is incorporated under the law of an EC member country, the company is exempt from the requirement to prepare group financial statements. The results of the company and of its subsidiaries are included in the consolidated financial statements prepared by the parent company, Gold Group International Limited. For a listing of subsidiary undertakings of the company, please refer to note 9.

1.12 Corresponding amounts

In certain cases the directors have reanalysed corresponding amounts in order to make their disclosure more meaningful.

2 Turnover

The turnover for the year was derived from the company's principal activity. The majority of the turnover is attributable to the UK market.

3 Operating profit

	2003 £	2002 £
Operating profit is stated after charging:		
Depreciation of tangible assets	2,826,680	2,038,966
Loss on disposal of tangible assets	-	30,278
Loss on foreign exchange transactions	158,738	70,538
Operating lease rentals	7,850,913	4,676,160
Auditors' remuneration	18,000	20,750
Remuneration of auditors for non-audit work	24,123	30,705
and after crediting:		
Profit on disposal of tangible assets	(8,781)	-

4 Investment income

	2003 £	2002 £
Bank interest	5,075	192

5 Interest payable

	2003 £	2002 £
Other interest	6,597	3,467

ANN SUMMERS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

6	Other operating income	2003	2002
		£	£
	Sundry income	989,526	402,252
	Bad debts written back	6,148	6,545
	Profit/(loss) on disposal of fixed assets	8,781	(30,278)
	Amount written off from subsidiary	-	(24,566)
		<u>1,004,455</u>	<u>353,953</u>
7	Taxation	2003	2002
		£	£
	Domestic current year tax		
	U.K. corporation tax	1,755,453	2,264,404
	Adjustment for prior years	(88,035)	(57,418)
	Payment in respect of group relief	1,345,223	201,067
	Receipt in respect of group relief	-	(43,670)
		<u>3,012,641</u>	<u>2,364,383</u>
	Current tax charge		
		<u>3,012,641</u>	<u>2,364,383</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>8,950,161</u>	<u>7,550,281</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2002: 30.00%)	<u>2,685,048</u>	<u>2,265,084</u>
	Effects of:		
	Non deductible expenses	122,485	158,698
	Depreciation add back	848,004	611,690
	Capital allowances	(676,443)	(574,289)
	Adjustments to previous periods	(8,994)	(57,418)
	Chargeable disposals	42,663	16,186
	Other tax adjustments	(122)	(55,568)
		<u>327,593</u>	<u>99,299</u>
	Current tax charge	<u>3,012,641</u>	<u>2,364,383</u>

ANN SUMMERS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

8 Tangible fixed assets

	Short leasehold land and buildings £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost				
At 1 July 2002	392,000	8,990,467	2,443,168	11,825,635
Group transfers	-	81,863	(34,780)	47,083
Additions	-	3,677,950	410,443	4,088,393
Disposals	-	(113,616)	(717,275)	(830,891)
At 30 June 2003	392,000	12,636,664	2,101,556	15,130,220
Depreciation				
At 1 July 2002	101,634	4,024,075	973,059	5,098,768
Group transfers	-	55,832	(32,129)	23,703
On disposals	-	(86,269)	(426,781)	(513,050)
Charge for the year	44,449	2,257,543	524,688	2,826,680
At 30 June 2003	146,083	6,251,181	1,038,837	7,436,101
Net book value				
At 30 June 2003	245,917	6,385,483	1,062,719	7,694,119
At 30 June 2002	290,366	4,966,392	1,470,109	6,726,867

ANN SUMMERS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

9 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 July 2002 & at 30 June 2003	2,643
Provisions for diminution in value	
At 1 July 2002 & at 30 June 2003	102
Net book value	
At 30 June 2003	2,541
At 30 June 2002	2,541

Principal entities in which the company holds more than 20% of the share capital:

Company	Country of registration or incorporation	Shares held Class	%	Principal Activity
Subsidiary undertakings				
Ann Summers (Ireland) Limited	Republic of Ireland	Ordinary	100	Party plan
Ann Summers S.L.	Spain	Ordinary	100	Retail
Greenwich House Properties Limited	England & Wales	Ordinary	67	Property development
*York Place Investments Limited	England & Wales	Ordinary	67	Property investment
*Stockwell Park Limited	England & Wales	Ordinary	67	Property development & investment

* - held as a 100% subsidiary of Greenwich House Properties Limited.

10 Stocks	2003 £	2002 £
Finished goods and goods for resale	7,531,076	4,440,492

ANN SUMMERS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

11 Debtors	2003 £	2002 £
Trade debtors	884,099	759,579
Amounts owed by group undertakings	23,799,746	24,301,277
Other debtors	141,840	614,608
Prepayments and accrued income	1,685,492	1,322,889
	<u>26,511,177</u>	<u>26,998,353</u>

12 Creditors: amounts falling due within one year	2003 £	2002 £
Trade creditors	3,877,899	4,073,281
Amounts owed to group undertakings	18,121,583	16,603,768
Corporation tax	1,745,072	2,264,447
Other taxes and social security costs	1,053,769	1,337,988
Other creditors	1,372,644	182,003
Accruals and deferred income	1,835,942	1,453,267
	<u>28,006,909</u>	<u>25,914,754</u>

13 Pension costs

The company contributes to defined contribution pension policies held individually by directors and staff. The pension cost charge represents contributions payable by the company in the year to these policies and amounted to £39,399 (2002 - £33,941).

14 Share capital	2003 £	2002 £
Authorised		
500,000 Ordinary Shares of £1 each	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid		
500,000 Ordinary Shares of £1 each	<u>500,000</u>	<u>500,000</u>

ANN SUMMERS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

15 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 July 2002	12,316,942
Retained profit for the year	5,937,520
	<u> </u>
Balance at 30 June 2003	18,254,462
	<u> </u>

16 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	5,937,520	5,185,898
Opening shareholders' funds	12,816,942	7,631,044
	<u> </u>	<u> </u>
Closing shareholders' funds	18,754,462	12,816,942
	<u> </u>	<u> </u>

17 Contingent liabilities

The company has given a cross guarantee to secure the banking arrangements of the group. At the balance sheet date the group's indebtedness to its bankers was £nil (2002 - £nil).

The company has a joint and several liability for VAT under a group registration scheme. At the balance sheet date amounts outstanding and covered by the scheme totalled £962,721 (2002 - £624,676). The liability included for Ann Summers Ltd is £772,824 (2002 - £942,990).

18 Financial commitments

At 30 June 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2003 £	2002 £
Expiry date:		
Within one year	37,000	-
Between two and five years	281,900	37,000
In over five years	6,980,650	4,741,050
	<u> </u>	<u> </u>
	7,299,550	4,778,050
	<u> </u>	<u> </u>

ANN SUMMERS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

19 Capital commitments	2003	2002
	£	£

At 30 June 2003 the company had capital commitments as follows:

Contracted for but not provided in the financial statements	635,800	-
	<u> </u>	<u> </u>

The above represents consultancy costs incurred in the provision of financial reporting systems.

20 Directors' emoluments	2003	2002
	£	£

Emoluments for qualifying services	576,958	483,252
Company pension contributions to money purchase schemes	20,123	18,309
	<u> </u>	<u> </u>
	597,081	501,561
	<u> </u>	<u> </u>

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	171,087	141,961
Company pension contributions to money purchase schemes	5,603	5,225
	<u> </u>	<u> </u>

21 Transactions with directors

Included in other debtors at the year end are balances owed by J Gold of £4,051 (2002 - £6,046) and V Gold £4,878 (2002 - £4,820). These were the maximum amounts outstanding during the year. All amounts were repaid after the year end.

ANN SUMMERS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

22 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2003 Number	2002 Number
Distribution and retail staff	814	541
Administration staff	184	183
	<u>998</u>	<u>724</u>

Employment costs

	£	£
Wages and salaries	10,703,841	7,857,835
Social security costs	864,531	633,915
Other pension costs	39,399	33,941
	<u>11,607,771</u>	<u>8,525,691</u>

23 Ultimate parent undertaking

The company's ultimate parent undertaking and immediate controlling party at the balance sheet date continued to be Gold Group International Limited, a company registered in England and Wales.

The ultimate controlling parties continued to be David Gold and Ralph Gold, majority shareholders of Gold Group International Limited.

24 Related party transactions

The company is a wholly owned subsidiary of Gold Group International Limited and utilises the exemption contained in Financial Reporting Standard 8 Related Party Disclosures not to disclose any transactions with entities that are part of the Gold Group International group. The address at which the consolidated financial statements are publicly available is Gold Group House, Godstone Road, Whyteleafe, Surrey CR3 0GG.