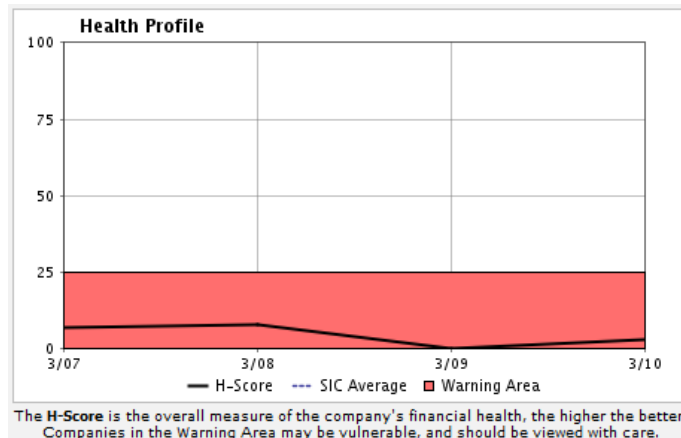


## La Senza

On 23 December 2011, La Senza, the UK lingerie retailer, announced its intention to enter administration. Company Watch investigates why the company, which was reportedly sold for £100m in 2006, has collapsed so dramatically.



*Health Profile of the Consolidated group parent of La Senza (Lion Silk Investments 1 Limited). 2010 accounts adjusted for post-balance sheet equity injection and refinance.*

### Company Watch Analysis

La Senza, the lingerie retailer previously owned by Dragon's Den star Theo Paphitis, was reported on 14 December to have appointed KPMG to advise on a possible restructuring. On 23 December, the company confirmed that it would enter a formal administration. The structure of the current UK Group was created by a leveraged buy-out in 2006, which saw Paphitis sell his stake in the business.

In a move which is increasingly common in this type of deal, the new group was structured so that the trading company, La Senza Limited, reports only the day-to-day operations, whilst the debt used to finance the acquisition is held elsewhere in the group. The full financial picture can only be seen by looking at the consolidated accounts of the parent company, Lion Silk Investments 1 Limited. The March 2010 financials for this company include a Going Concern audit qualification. They also disclose that a restructuring of the debt profile after the balance sheet date, combined with an injection of new equity, would enable the company to continue as a going concern.

However, as the Company Watch evaluation graph above shows, even after the March 2010 financials are adjusted to reflect the post balance sheet equity injection and debt restructuring, the company remains extremely weak – its H-Score is just 3 out of 100, well into our Warning Area (H-Score 25 or less) where 90% of all companies that fail can be found. Critically, the liabilities of the company continue substantially to exceed its assets. Furthermore, almost two thirds of the group's assets are tied up in purchased goodwill, the value of which must surely be in serious doubt.

The problems at La Senza are part of the escalating turmoil on UK high streets over the past few weeks, which has seen Barratts Priceless file for Administration and Blacks Leisure announce that it is putting itself up for sale. Company Watch will be closely monitoring developments in the retail sector as the true picture of this vital and challenging Christmas trading period begins to emerge.