

DIESEL (LONDON) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2000



DIESEL (LONDON) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2000

Company Registration Number: 3005257

Registered Office: 55 Argyle Street
London
WC1 8EF

Directors: M Tosin
P Philippou
P S Lawley
A Guérard

Secretary: A Guérard

Bankers: NatWest Bank Plc
246 Regent Street
London
W1R 7PB

Solicitors: Nabarro Nathanson
Lacon House
Theobald's Road
London
WC1X 8RW

Auditors: Grant Thornton
Registered Auditors
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

DIESEL (LONDON) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2000

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DIESEL (LONDON) LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 DECEMBER 2000

The directors present their report together with the audited financial statements for the year ended 31 December 2000.

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year of £1,880,261 (1999: £375,203).

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The principal activity of the company is that of a clothing distributor and retailer.

The result for the year reflects the current UK retail trading market. The directors are confident of further growth in 2001 and beyond.

Significant changes in fixed assets

Movements in fixed assets are disclosed in note 7 to the financial statements.

Directors

The directors of the company during the year were:

M Tosin
P Philippou
P S Lawley
A Guérard

No director has any interest in the share capital of the company.

Directors' responsibilities for the financial statements

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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIESEL (LONDON) LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 DECEMBER 2000

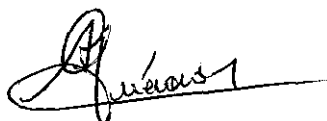
European Monetary Union

The Board believe that the costs associated with the change will not be significant.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

A handwritten signature in dark ink, appearing to read 'A Guérard', with a long horizontal flourish extending to the right.

A Guérard
Secretary
8 March 2001

**REPORT OF THE AUDITORS TO THE MEMBERS OF
DIESEL (LONDON) LIMITED**

We have audited the financial statements on pages 4 to 16 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of the directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

LONDON
8 MARCH 2001

DIESEL (LONDON) LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

TURNOVER

Turnover represents net sales to outside customers.

DEPRECIATION

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, over their expected useful lives. It is calculated at the following rates:

Leasehold improvement	10% straight line basis
Fixtures, fittings, tools and equipment	33% straight line basis
Plant and machinery	33% straight line basis
Computer equipment	33% straight line basis
Motor vehicles	25% straight line basis

STOCKS

Stocks are stated at the lower of weighted average cost and net realisable value. Cost comprises the purchase price including import duties, transport and handling costs and any other directly attributable costs, less trade discounts, rebates and subsidiaries.

DEFERRED TAXATION

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, except that no provision is made where it can be reasonably foreseen that such deferred taxation will not be payable in the future.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transactions. Exchange differences are taken into account in arriving at the operating profit,

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

DIESEL (LONDON) LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 DECEMBER 2000

	Note	2000 £	1999 £
Turnover	1	32,593,449	25,799,678
Cost of sales		<u>(19,145,386)</u>	<u>(15,478,913)</u>
Gross profit		13,448,063	10,320,765
Selling and distribution expenses		(7,387,351)	(6,927,460)
Administrative expenses		<u>(3,200,975)</u>	<u>(2,510,680)</u>
Operating profit		2,859,737	882,625
Interest receivable		<u>53,700</u>	<u>52,485</u>
		2,913,437	935,110
Interest payable	3	<u>(161,156)</u>	<u>(234,237)</u>
Profit on ordinary activities before taxation	1	2,752,281	700,873
Tax on profit on ordinary activities	6	<u>(872,020)</u>	<u>(325,670)</u>
Profit on ordinary activities after taxation		1,880,261	375,203
Accumulated profit brought forward		440,172	64,969
Profit retained and transferred to from reserves		<u>2,320,433</u>	<u>440,172</u>

All transactions arise from continuing operations.

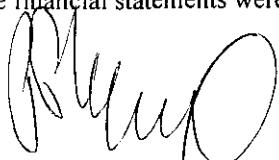
All recognised gains and losses are included in the profit and loss account.

The accompanying accounting policies and notes form an integral part of these financial statements.

DIESEL (LONDON) LIMITED**BALANCE SHEET AT 31 DECEMBER 2000**

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	7	<u>3,781,389</u>	<u>2,460,728</u>
Current assets			
Stocks	8	1,896,162	2,389,938
Debtors	9	5,494,063	5,105,013
Cash at bank and in hand		<u>2,902,862</u>	<u>725,645</u>
		<u>10,293,087</u>	<u>8,220,596</u>
Creditors: amounts falling due within one year	10	<u>(11,046,089)</u>	<u>(9,510,447)</u>
Net current liabilities		<u>(753,002)</u>	<u>(1,289,851)</u>
Total assets less current liabilities		<u>3,028,387</u>	<u>1,170,877</u>
Creditors: amounts falling due after more than one year	11	<u>(7,954)</u>	<u>(30,705)</u>
		<u>3,020,433</u>	<u>1,140,172</u>
Capital and reserves			
Called up share capital	13	700,000	700,000
Profit and loss account		<u>2,320,433</u>	<u>440,172</u>
Equity shareholders' funds		<u>3,020,433</u>	<u>1,140,172</u>

The financial statements were approved by the Board of Directors on 8 March 2001



P Philippou - Director

The accompanying accounting policies and notes form an integral part of these financial statements.

DIESEL (LONDON) LIMITED**CASH FLOW STATEMENT**

For the year ended 31 DECEMBER 2000

	Note	2000 £	1999 £
Net cash inflow from operating activities	15	7,245,352	649,093
Returns on investments and servicing of finance			
Interest paid		(187,621)	(234,237)
Interest received		53,700	52,485
Net cash outflow from returns on investments and servicing of finance		(133,921)	(181,752)
Taxation			
Corporation tax paid		(655,098)	(43,482)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,285,005)	(1,162,668)
Proceeds on sale of tangible fixed assets		8,000	31,800
Net cash outflow from capital expenditure and financial investment		(2,277,005)	(1,130,868)
Financing			
Repayment of borrowing		(2,000,000)	-
Increase/(decrease) in cash	16	<u>2,179,328</u>	<u>(707,009)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

DIESEL (LONDON) LIMITED**OTHER PRIMARY STATEMENTS**For the year ended 31 DECEMBER 2000

	2000 £	1999 £
Reconciliation of movements in shareholders' funds		
Shareholders' funds at 1 January 2000	1,140,172	764,969
Profit for the financial year	1,880,261	375,203
Shareholders' funds at 31 December 2000	<u><u>3,020,433</u></u>	<u><u>1,140,172</u></u>

DIESEL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2000

1 TURNOVER AND PROFIT

The turnover and profit before taxation is wholly attributable to distribution and sale of clothing within Great Britain and the Republic of Ireland.

2 EMPLOYEES

Staff costs consist of:

	2000 £	1999 £
Wages and salaries	3,469,990	2,864,576
Social security costs	293,321	245,716
Pension costs	47,378	40,760
	<u>3,810,689</u>	<u>3,151,052</u>

The average number of employees during the year was as follows:

	2000 Number	1999 Number
Warehouse and sales	144	152
Administration	20	19
	<u>164</u>	<u>171</u>

3 INTEREST PAYABLE

	2000 £	1999 £
Interest on bank borrowings	147,252	171,578
Interest payable to group undertakings	10,877	60,773
Finance charges in respect of finance leases	3,027	1,886
	<u>161,156</u>	<u>234,237</u>

DIESEL (LONDON) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2000

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000	1999
	£	£
This is stated after charging/(crediting):		
Depreciation		
- on assets held under finance leases	35,290	21,642
- on other assets	922,179	839,792
Hire of other assets		
- operating lease	929,298	502,842
Finance charges on leases	3,027	1,886
Profit on sale of assets	1,125	(14,375)

5 DIRECTORS' EMOLUMENTS

	2000	1999
	£	£
Remuneration in respect of directors was as follows:		
Emoluments	239,000	227,918
Pension contributions to money purchase pension schemes	17,838	16,565
	<u>256,838</u>	<u>244,483</u>

Emoluments (excluding pension contributions) of the highest paid director and chairman were £95,000 (1999: £92,084). Pension contributions to the highest paid director amounted to £7,125 (1999: £6,875).

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2000	1999
	£	£
UK corporation tax at 30% (1999: 30%)	892,259	325,670
Adjustments in respect of prior year	(20,239)	-
	<u>872,020</u>	<u>325,670</u>

DIESEL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2000

TANGIBLE FIXED ASSETS

7

	Assets held under finance leases £	Leasehold improve- ments £	Plant and machinery £	Fixtures and fittings £	Computers £	Motor vehicles	Total
Cost							
At 1 January 2000	100,711	1,652,346	202,269	2,483,593	518,230	222,316	5,179,465
Additions	5,452	1,108,351	-	1,034,137	113,415	23,650	2,285,005
Disposals	-	-	-	-	-	(16,700)	(16,700)
At 31 December 2000	106,163	2,760,697	202,269	3,517,730	631,645	229,266	7,447,770
Depreciation							
At 1 January 2000	24,202	465,002	179,220	1,643,853	313,182	93,278	2,718,737
Provided in the year	35,290	212,481	21,436	522,375	112,695	53,192	957,469
Disposals	-	-	-	-	-	(9,825)	(9,825)
At 31 December 2000	59,492	677,483	200,656	2,166,228	425,877	136,645	3,666,381
Net book amount at 31 December 2000	46,671	2,083,214	1,613	1,351,502	205,768	92,621	3,781,389
Net book amount at 31 December 1999	76,509	1,187,344	23,049	839,740	205,048	129,038	2,460,728

Assets held under finance leases consist entirely of computer equipment.

DIESEL (LONDON) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2000

8 STOCKS

	2000 £	1999 £
Finished goods and goods for resale	<u>1,896,162</u>	<u>2,389,938</u>

9 DEBTORS

	2000 £	1999 £
Trade debtors	3,935,346	4,046,236
Amounts owed by other group undertakings	-	8,361
Prepayments and accrued income	783,435	383,353
Other debtors	<u>775,282</u>	<u>667,063</u>
	<u>5,494,063</u>	<u>5,105,013</u>

Included within debtors are the following amounts receivable after more than one year:

Other debtors	<u>490,520</u>	<u>393,533</u>
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10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank loans and overdrafts	1,000,006	3,002,117
Leases	28,793	38,853
Other creditors	816,661	732,591
Amounts owed to group companies	6,294,450	4,518,874
Corporation tax	560,259	343,337
Taxation and social security	1,222,398	577,322
Accruals	<u>1,123,522</u>	<u>297,353</u>
	<u>11,046,089</u>	<u>9,510,447</u>

Bank loans and overdrafts are repayable within one year.

Leases are secured over assets with a net book value of £46,671 (1999: £76,509).

DIESEL (LONDON) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2000

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Leases	<u>7,954</u>	<u>30,705</u>

All leases are due within one to two years.

12 DEFERRED TAXATION

	2000 Unprovided £	2000 Provided in accounts £	1999 Unprovided £	1999 Provided in accounts £
Accelerated capital allowances	<u>(76,236)</u>	<u>-</u>	<u>(56,515)</u>	<u>-</u>

13 SHARE CAPITAL

	2000 £	1999 £
Authorised 700,000 ordinary shares of £1 each	<u>700,000</u>	<u>700,000</u>
Allotted, called up and fully paid 700,000 ordinary shares of £1 each	<u>700,000</u>	<u>700,000</u>

14 COMMITMENTS UNDER OPERATING LEASES

As at 31 December 2000, the company had annual commitments under non-cancellable operating leases as set out below:

	2000 Land and buildings £	2000 Other £	1999 Land and buildings £	1999 Other £
Operating leases which expire:				
In two to five years	93,130	-	73,838	-
After five years	<u>919,955</u>	<u>-</u>	<u>668,800</u>	<u>-</u>
	<u>1,013,085</u>	<u>-</u>	<u>742,638</u>	<u>-</u>

DIESEL (LONDON) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2000

15 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating profit	2,859,737	882,625
Depreciation	957,469	861,434
Decrease in stocks	493,776	151,253
(Increase) in debtors	(389,050)	(1,167,598)
Increase/(decrease) in creditors	3,324,545	(64,246)
(Profit) on disposal	(1,125)	(14,375)
Net cash inflow from operating activities	<u>7,245,352</u>	<u>649,093</u>

16 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	2000 £	1999 £
Increase/(decrease) in cash in the period	2,179,328	(707,009)
Cash outflow from financing	<u>2,000,000</u>	<u>-</u>
	4,179,328	(707,009)
Net debt at 1 January 2000	<u>(2,276,472)</u>	<u>(1,569,463)</u>
Net debt at 31 December 2000	<u>1,902,856</u>	<u>(2,276,472)</u>

17 ANALYSIS OF CHANGES IN NET FUNDS

	At 31 Dec 1999 £	Cashflow £	At 31 Dec 2000 £
Cash at bank and in hand	725,645	2,177,217	2,902,862
Bank overdraft	(2,117)	2,111	(6)
	<u>723,528</u>	<u>2,179,328</u>	<u>2,902,856</u>
Debt	(3,000,000)	2,000,000	(1,000,000)
	<u>(2,276,472)</u>	<u>4,179,328</u>	<u>1,902,856</u>

18 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital £
Balance at 1 January 2000	700,000
Issued in the year	<u>-</u>
Balance at 31 December 2000	<u>700,000</u>

DIESEL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2000

19 PENSIONS

Defined contribution scheme

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

20 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2000 and 31 December 1999.

21 CONTINGENT ASSETS/LIABILITIES

There were no contingent liabilities at 31 December 2000 and 31 December 1999.

22 ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Diesel International BV, a company registered in Holland.

The company's ultimate parent undertaking and controlling related party is Diesel SpA, a company registered in Italy.

23 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related party disclosures" and has not disclosed transactions with group undertakings.

There are no other related party transactions.