

Company Registration No. 3405119 (England and Wales)

FASHOFF UK LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999



FASHOFF UK LIMITED

COMPANY INFORMATION

Directors	M Gobbetti L Martignoni
Secretary	P Hilly
Company number	3405119
Registered office	66 Wigmore Street London W1H 0HQ
Auditors	Levy Gee 66 Wigmore Street London W1H 0HQ
Business address	28/29 Conduit Street London W1R 9TA

FASHOFF UK LIMITED

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FASHOFF UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1999

The directors present their report and financial statements for the year ended 30 June 1999.

Principal activities and review of the business

The principal activity of the company continued to be that of the retail and wholesale of fashion garments.

The directors are disappointed with the results of the company's first full year of trading but are confident that the company will achieve profitability in the near future.

Results and dividends

The results for the year are set out on page 4.

Year 2000 and the Single European Currency

The directors have undertaken a review of the company's computerised systems and are confident that the systems in place are year 2000 compliant. The directors are also keen to seek assurances from the company's suppliers that similar reviews have also been undertaken so as to minimise any potential risks to the company.

The directors are aware of the introduction of the Single European Currency and are satisfied that no material impact will result on the company.

Directors

The following directors have held office since 1 July 1998:

M Gobbetti

L Martignoni

E Morton

(Appointed 1 July 1998 and resigned 17 March 1999)

Directors' interests

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

	Ordinary Shares of £ 1 each	
	30 June 1999	1 July 1998
M Gobbetti	-	-
L Martignoni	-	-

The interests of the directors in the shares of the ultimate parent company are publicly available from Moonshadow S.p.a, Via G Baretta 1, 20122 Milano, Italy.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Levy Gee be reappointed as auditors of the company will be put to the Annual General Meeting.

FASHOFF UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 1999

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;
- 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.

By order of the board

28/10/99
.....
L Martignoni
Director
.....
.....

FASHOFF UK LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF FASHOFF UK LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. 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

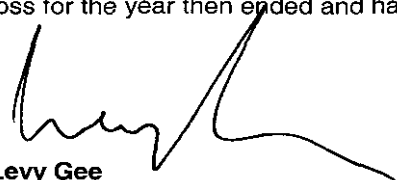
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

Qualified opinion arising from disagreement about accounting treatment

Because of the reasons explained in note 1.3, the Company has changed its accounting policy to reflect wholesale commissions as earned once orders have been confirmed, as opposed to delivery of the goods. A prior year adjustment has not been made to restate the comparatives. The effect of this is that turnover in the current year is overstated by £239,696 and the loss for the year is understated by the same amount. Nevertheless the aggregate amount of the profit and loss reserves carried forward are correctly stated.

Except for the prior year adjustment referred to above affecting the results for the year, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Levy Gee

Registered Auditor

18/11/99

66 Wigmore Street
London
W1H 0HQ

FASHOFF UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1999

	Notes	1999 £	1998 £
Turnover	2	1,858,027	236,069
Cost of sales		(753,051)	(115,196)
Gross profit		1,104,976	120,873
Distribution costs		(307,482)	(256,696)
Administrative expenses		(1,138,723)	(535,687)
Other operating income		1,751	-
Operating loss	3	(339,478)	(671,510)
Other interest receivable and similar income	4	742	-
Loss on ordinary activities before taxation		(338,736)	(671,510)
Tax on loss on ordinary activities	5	-	-
Loss on ordinary activities after taxation	13	(338,736)	(671,510)

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

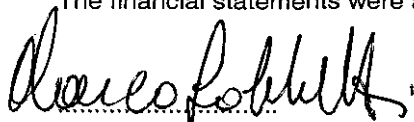
There are no recognised gains and losses other than those passing through the profit and loss account.

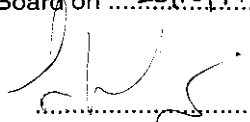
FASHOFF UK LIMITED

BALANCE SHEET AS AT 30 JUNE 1999

	Notes	1999 £	£	1998 £	£
Fixed assets					
Tangible assets	6	1,514,804		1,657,074	
Current assets					
Stocks	7	259,906		168,351	
Debtors	8	491,400		147,469	
Cash at bank and in hand		72,772		77,983	
		<u>824,078</u>		<u>393,803</u>	
Creditors: amounts falling due within one year	9	<u>(428,128)</u>		<u>(451,387)</u>	
Net current assets/(liabilities)		<u>395,950</u>		<u>(57,584)</u>	
Total assets less current liabilities		<u>1,910,754</u>		<u>1,599,490</u>	
Creditors: amounts falling due after more than one year	10	<u>(1,921,000)</u>		<u>(1,600,000)</u>	
		<u>(10,246)</u>		<u>(510)</u>	
Capital and reserves					
Called up share capital	12	1,000,000		671,000	
Profit and loss account	13	<u>(1,010,246)</u>		<u>(671,510)</u>	
Shareholders' funds - equity interests	14	<u>(10,246)</u>		<u>(510)</u>	

The financial statements were approved by the Board on 28/10/99


M Gobbetti
Director


L Martignoni
Director

FASHOFF UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The financial statements have been prepared on a going concern basis, which assumes that financial support provided by this company's ultimate parent undertaking will be made available for the next 12 months.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a small company.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

In accordance with the clauses contained in the contracts signed during the year ended 30 June 1999, the accounting policy for the recognition of wholesale commissions has been changed to reflect the commissions as earned once orders have been confirmed as opposed to delivery of the goods.

A prior year adjustment has not been made as the directors do not consider the difference to be significant.

1.4 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:

Plant and machinery	25% Straight Line
Fixtures, fittings & equipment	25% Straight Line
Leasehold Building	Over the Period of the lease on a straight line basis

1.5 Leasing

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

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

1.8 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 1999

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss	1999 £	1998 £
Operating loss is stated after charging:		
Depreciation of tangible assets	211,403	100,398
Operating lease rentals	342,492	158,623
Auditors' remuneration	7,100	3,900
	<u> </u>	<u> </u>

4 Other interest receivable and similar income	1999 £	1998 £
Bank interest	742	-
	<u> </u>	<u> </u>

5 Taxation

The company has estimated losses of £1,500,000 (1998 - £1,150,000) available for carry forward against future trading profits.

On the basis of these financial statements no provision has been made for corporation tax.

FASHOFF UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 1999

6 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Leasehold Building	Total
	£	£	£	£
Cost				
At 1 July 1998	159,906	474,833	1,122,733	1,757,472
Additions	345	23,472	45,317	69,134
At 30 June 1999	160,251	498,305	1,168,050	1,826,606
Depreciation				
At 1 July 1998	19,988	59,353	21,058	100,399
Charge for the year	40,063	124,618	46,722	211,403
At 30 June 1999	60,051	183,971	67,780	311,802
Net book value				
At 30 June 1999	100,200	314,334	1,100,270	1,514,804
At 30 June 1998	139,918	415,480	1,101,676	1,657,074

7 Stocks

	1999 £	1998 £
Finished goods and goods for resale	259,906	168,351

8 Debtors

	1999 £	1998 £
Trade debtors	38,373	-
Other debtors	3,753	70,469
Prepayments and accrued income	449,274	77,000
	491,400	147,469

FASHOFF UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 1999

9	Creditors: amounts falling due within one year	1999	1998
		£	£
	Trade creditors	333,586	402,853
	Taxes and social security costs	28,690	9,682
	Other creditors	333	-
	Accruals and deferred income	65,519	38,852
		<u>428,128</u>	<u>451,387</u>
10	Creditors: amounts falling due after more than one year	1999	1998
		£	£
	Other loans	<u>1,921,000</u>	<u>1,600,000</u>
	Analysis of loans		
	Wholly repayable within five years	<u>1,921,000</u>	<u>1,600,000</u>
		<u>1,921,000</u>	<u>1,600,000</u>
	Loan maturity analysis		
	Between two and five years	<u>1,921,000</u>	<u>1,600,000</u>
11	Pension costs		
	The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £1,650 (1998 - £Nil).		
12	Share capital	1999	1998
		£	£
	Authorised		
	1,000,000 Ordinary Shares of £ 1 each	<u>1,000,000</u>	<u>1,000,000</u>
	Allotted, called up and fully paid		
	1,000,000 Ordinary Shares of £ 1 each	<u>1,000,000</u>	<u>671,000</u>

During the year 329,000 Ordinary shares of £1 each were issued at par to further strengthen the capital base of the company.

FASHOFF UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 1999

13 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 July 1998	(671,510)
Retained loss for the year	(338,736)
	<u> </u>
Balance at 30 June 1999	(1,010,246)
	<u> </u>

14 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Loss for the financial year	(338,736)	(671,510)
Proceeds from issue of shares	329,000	671,000
	<u> </u>	<u> </u>
Net depletion in shareholders' funds	(9,736)	(510)
Opening shareholders' funds	(510)	-
	<u> </u>	<u> </u>
Closing shareholders' funds	(10,246)	(510)
	<u> </u>	<u> </u>

15 Financial commitments

At 30 June 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 1999 £	1998 £
Expiry date:		
In over five years	330,000	330,000
	<u> </u>	<u> </u>

16 Directors' emoluments

	1999 £	1998 £
Emoluments for qualifying services	6,854	-
	<u> </u>	<u> </u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 1999

17 Employees

Number of employees

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

	1999 Number	1998 Number
Retail Sales	8	7
Wholesale Sales	6	3
Management and Administration	7	5
	<u>21</u>	<u>15</u>

Employment costs

	£	£
Wages and salaries	404,420	139,717
Social security costs	48,083	13,403
Other pension costs	1,650	-
	<u>454,153</u>	<u>153,120</u>

18 Control

The ultimate parent company is Moonshadow SPA, a company registered in Italy. The ultimate controlling party is Angelo Moschino.

19 Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 from the requirement to make disclosures concerning related parties on the grounds that the company is a more than 90% subsidiary of a company for which consolidated accounts are prepared incorporating this company and which are publicly available.