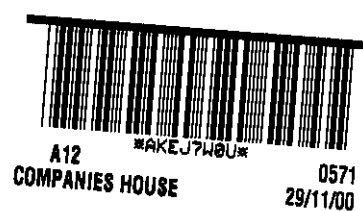


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Company Registration No. 3405119 (England and Wales)

FASHOFF UK LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000



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 W1U 2HQ
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 2000

The directors present their report and financial statements for the year ended 30 June 2000.

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 company expanded its activities during the year and has added direct sales to its lines. This has added over £2.3 m to its turnover, but has also incurred set up costs increasing overheads by 25%. Direct sales are expected to double in the forthcoming year and despite the lower margins achieved, with a tight control now in force over expenditure, the directors expect profitability to be achieved.

Results and dividends

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

The impact of Euro

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 1999:

M Gobbetti
L Martignoni

Directors' interests

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

	Ordinary Shares of £ 1 each	
	30 June 2000	1 July 1999
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 Baretto 1, 20122 Milano, Italy.

Auditors

Levy Gee will resign as auditors following the completion of the audit. New auditors will be appointed by the directors.

FASHOFF UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2000

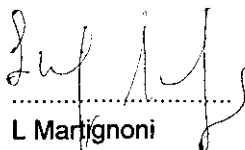
Directors' responsibilities

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.

On behalf of the board



L Martignoni

Director

26/10/00

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.

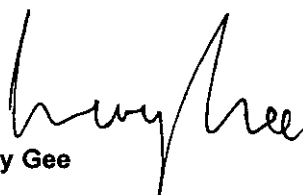
Basis of opinion

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.

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 2000 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

.....21/11/00.....

66 Wigmore Street
London
W1U 2HQ

FASHOFF UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2000

	Notes	2000 £	1999 £
Turnover	2	3,610,093	1,858,027
Cost of sales		(2,468,970)	(753,051)
Gross profit		1,141,123	1,104,976
Distribution costs		(389,683)	(307,482)
Administrative expenses		(1,360,198)	(1,138,724)
Other operating income		58,696	1,751
Operating loss	3	(550,062)	(339,479)
Other interest receivable and similar income	4	1,035	742
Interest payable and similar charges	5	(9,608)	-
Loss on ordinary activities before taxation		(558,635)	(338,737)
Tax on loss on ordinary activities	6	-	-
Loss on ordinary activities after taxation	15	(558,635)	(338,737)

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

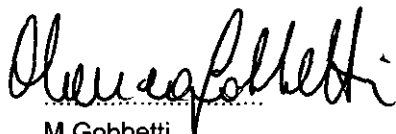
There are no recognised gains and losses other than those passing through the profit and loss account.


FASHOFF UK LIMITED

BALANCE SHEET AS AT 30 JUNE 2000

	Notes	2000 £	£	1999 £	£
Fixed assets					
Intangible assets	7		45,000		-
Tangible assets	8		1,281,220		1,514,804
			<u>1,326,220</u>		<u>1,514,804</u>
Current assets					
Stocks	9	199,590		259,906	
Debtors	10	854,337		491,399	
Cash at bank and in hand		25,274		72,772	
		<u>1,079,201</u>		<u>824,077</u>	
Creditors: amounts falling due within one year	11	(953,303)		(428,128)	
Net current assets			<u>125,898</u>		<u>395,949</u>
Total assets less current liabilities			<u>1,452,118</u>		<u>1,910,753</u>
Creditors: amounts falling due after more than one year	12		(1,471,000)		(1,921,000)
			<u>(18,882)</u>		<u>(10,247)</u>
Capital and reserves					
Called up share capital	14		1,550,000		1,000,000
Profit and loss account	15		(1,568,882)		(1,010,247)
Shareholders' funds - equity interests	16		<u>(18,882)</u>		<u>(10,247)</u>

The financial statements were approved by the Board on 26/10/00


M Gobetti
Director


L Martignoni
Director

FASHOFF UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

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 financial statements are 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, wholesale commissions are recognised as earned once orders have been confirmed as opposed to delivery of the goods.

1.4 Trademarks

Trademarks are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

1.5 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

1.6 Leasing

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

1.7 Stock

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

1.8 Pensions

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

1.9 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.

1.10 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.

FASHOFF UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2000

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	2000	1999
	£	£
Operating loss is stated after charging:		
Amortisation of intangible assets	5,000	-
Depreciation of tangible assets	209,427	211,403
Operating lease rentals	353,781	342,492
Auditors' remuneration	7,100	7,100

4 Other interest receivable and similar income	2000	1999
	£	£
Bank interest	1,035	742

5 Interest payable	2000	1999
	£	£
On bank loans and overdrafts	9,608	-

6 Taxation

The company has estimated losses of £1,600,000 (1999 - £1,500,000) 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 2000

7 Intangible fixed assets

	Patents £
Cost	
At 1 July 1999	-
Additions	50,000
At 30 June 2000	50,000
Amortisation	
At 1 July 1999	-
Charge for year	5,000
At 30 June 2000	5,000
Net book value	
At 30 June 2000	45,000

8 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings & equipment £	Leasehold Building £	Total £
Cost				
At 1 July 1999	160,251	498,305	1,168,050	1,826,606
Additions	-	46,755	(70,912)	(24,157)
At 30 June 2000	160,251	545,060	1,097,138	1,802,449
Depreciation				
At 1 July 1999	60,051	183,971	67,780	311,802
Charge for the year	40,063	129,260	40,104	209,427
At 30 June 2000	100,114	313,231	107,884	521,229
Net book value				
At 30 June 2000	60,137	231,829	989,254	1,281,220
At 30 June 1999	100,200	314,334	1,100,270	1,514,804

9 Stocks

	2000 £	1999 £
Finished goods and goods for resale	199,590	259,906

FASHOFF UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2000

10 Debtors	2000	1999
	£	£
Trade debtors	320,714	38,373
Amounts owed by parent and fellow subsidiary undertakings	58,696	-
Other debtors	26,694	3,753
Prepayments and accrued income	448,233	449,273
	<u>854,337</u>	<u>491,399</u>
11 Creditors: amounts falling due within one year	2000	1999
	£	£
Bank loans and overdrafts	203,529	-
Trade creditors	712,799	333,586
Taxes and social security costs	13,932	28,690
Other creditors	-	333
Accruals and deferred income	23,043	65,519
	<u>953,303</u>	<u>428,128</u>
12 Creditors: amounts falling due after more than one year	2000	1999
	£	£
Other loans	1,471,000	1,921,000
	<u>1,471,000</u>	<u>1,921,000</u>
Analysis of loans		
Wholly repayable within five years	1,471,000	1,921,000
	<u>1,471,000</u>	<u>1,921,000</u>
Loan maturity analysis		
Between two and five years	1,471,000	1,921,000
	<u>1,471,000</u>	<u>1,921,000</u>

13 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 £nil (1999 - £1,650).

FASHOFF UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2000

14 Share capital	2000 £	1999 £
Authorised		
2,000,000 Ordinary Shares of £ 1 each	2,000,000	1,000,000
Allotted, called up and fully paid		
1,550,000 Ordinary Shares of £ 1 each	1,550,000	1,000,000

On 20 June 2000 the company increased its authorised share capital to 2,000,000 ordinary shares of £1 each and issued 550,000 ordinary shares in order to finance general working capital requirements.

15 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 July 1999	(1,010,247)
Retained loss for the year	(558,635)
Balance at 30 June 2000	(1,568,882)

16 Reconciliation of movements in shareholders' funds	2000 £	1999 £
Loss for the financial year	(558,635)	(338,737)
Proceeds from issue of shares	550,000	329,000
Net depletion in shareholders' funds	(8,635)	(9,737)
Opening shareholders' funds	(10,247)	(510)
Closing shareholders' funds	(18,882)	(10,247)

17 Financial commitments

At 30 June 2000 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2000 £	1999 £
Expiry date:		
In over five years	330,000	330,000

FASHOFF UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2000

18 Directors' emoluments	2000	1999
	£	£
Emoluments for qualifying services	-	6,854

19 Employees

Number of employees

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

	2000	1999
	Number	Number
Retail Sales	8	8
Wholesale Sales	8	6
Management and Administration	7	7
	<u>23</u>	<u>21</u>

Employment costs

	£	£
Wages and salaries	485,485	404,420
Social security costs	44,810	48,083
Other pension costs	-	1,650
	<u>530,295</u>	<u>454,153</u>

20 Control

The ultimate parent company is Moonshadow S.P.A, a company registered in Italy. During the year the parent company was sold to Moschino SpA.

21 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.