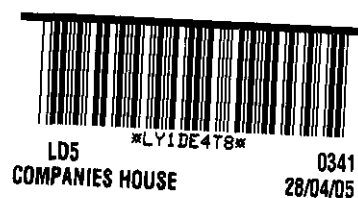


FASHOFF UK LIMITED

Revised Financial statements

for the year ended 31 December 2003

Registered Number 3405119



FASHOFF UK LIMITED

Financial statements

for the year ended 31 December 2003

Contents

Company information.....	1
Directors' report.....	2 - 3
Independent auditors' report	4 - 5
Profit and loss account.....	6
Balance sheet	7
Notes to the financial statements	8 - 16

FASHOFF UK LIMITED

Company information

Directors

A Indaimo

Antonella Tomasetti (appointed 1 April 2004)

Luigi Martignoni (appointed 1 October 2004)

Secretary

Temple Secretarial Ltd

Registered office

16 Old Bailey

London

EC4M 7EG

Auditors

PricewaterhouseCoopers LLP

1 Embankment Place

London

WC2N 6RH

Business address

28/29 Conduit Street

London

W1R 9TA

Registered Number

3405119

Bankers

Natwest Bank

Mayfair Business Centre

65 Piccadilly

London

W1A 2PP

FASHOFF UK LIMITED

Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements of the company for the year ended 31 December 2003.

Principal activities

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

Review of business and future developments

The directors consider the level of business and year end financial position to be satisfactory. Sales are expected to decrease with the changing from distribution to agency agreements.

Results and dividends

The results for the year are set out in the profit and loss account.

The directors do not propose payment of a dividend (2002: Nil).

Directors

The following directors who have held office throughout the year are given below:

M Gobbetti
A Indaimo
N Friso

Directors' interests

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

	Ordinary shares of £1 each	
	31 December 2003	31 December 2002
M Gobbetti	-	-
A Indaimo	-	-
N Friso	-	-

The interests of the directors in the shares of the ultimate parent company are publicly available from AEFPE S.p.a., Via Delle Querce 51, 47842 S.Giovanni in Marignano (Rimini), Italy.

FASHOFF UK LIMITED

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

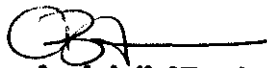
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance of the company's website, however information published on the internet is accessible in many different countries where legislation governing the preparation and dissemination of financial statements may differ from that applicable in the United Kingdom.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the next annual general meeting and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



For and on behalf of Temple Secretarial Limited

Secretary

Independent auditors' report to the members of FASHOFF UK LIMITED

We have audited the revised financial statements which comprise the profit and loss account and the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies. These replace the original financial statements approved by the directors on 31 August 2004.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 United Kingdom Companies Act. 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 is not disclosed.

Basis of audit 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.

FASHOFF UK LIMITED

Opinion

In our opinion the revised financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985 as they have effect under the Companies (Revision of Defective Accounts and Report) Regulations 1990.

In our opinion the original financial statements for the year ended 31 December 2003 failed to comply with the Companies Act 1985, in the respects identified by the directors in the statement contained in note 1 to the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

26 April 2005

FASHOFF UK LIMITED

Profit and loss account for the year ended 31 December 2003

	Notes	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Turnover	2	2,196,786	5,959,788
Cost of sales		<u>(977,414)</u>	<u>(4,282,248)</u>
Gross profit		1,219,372	1,677,540
Distribution costs		<u>(556,931)</u>	<u>(546,331)</u>
Administrative expenses		<u>(1,286,166)</u>	<u>(1,229,389)</u>
Other operating income		<u>66,070</u>	<u>85,440</u>
Operating loss	3	(557,655)	(12,740)
Intercompany loan written off		-	-
Interest receivable and similar income	6	<u>1,458</u>	<u>16,905</u>
(Loss)/profit on ordinary activities before taxation		(556,197)	4,165
Tax credit/ (charge) on (loss)/profit on ordinary activities	8	<u>-</u>	<u>338</u>
(Loss)/profit on ordinary activities after taxation	17	<u>(556,197)</u>	<u>4,503</u>

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 31 December 2003

	Notes	31 December 2003 £	31 December 2002 £
Fixed assets			
Intangible assets	9	-	32,500
Tangible assets	10	863,595	928,513
Investments	11	100	100
		<u>863,695</u>	<u>961,113</u>
Current assets			
Stocks	12	143,681	140,126
Debtors	13	1,117,001	1,012,751
Cash at bank and in hand		7,281	481,930
		<u>1,267,963</u>	<u>1,634,807</u>
Creditors: amounts falling due within one year	14	<u>(1,138,981)</u>	<u>(1,181,641)</u>
Net current assets		<u>128,982</u>	<u>453,166</u>
Total assets less current liabilities		<u>992,677</u>	<u>1,414,279</u>
Creditors: amounts falling due after more than one year	15	<u>(1,055,595)</u> <u>(62,918)</u>	<u>(1,471,000)</u> <u>(56,721)</u>
Capital and reserves			
Called up share capital	16	1,550,000	1,550,000
Capital contribution		550,000	-
Profit and loss account – deficit	17	<u>(2,162,918)</u>	<u>(1,606,721)</u>
Equity shareholders' deficit	18	<u>(62,918)</u>	<u>(56,721)</u>

The financial statements comprising the profit and loss account, balance sheet and related notes were approved by the board on 15 April 2005 and signed on its behalf by:

A Tomasetti

Director

Antonio Tomasetti

FASHOFF UK LIMITED

Notes to the financial statements for the period ended 31 December 2003

1 Accounting policies

These revised financial statements replace the original financial statements for the year ended 31 December 2003. They are now the statutory accounts for that period. They have been prepared as at the date of the original financial statements, 31 August 2004, and not at the date of the revision, accordingly they do not deal with events between those dates. In the original financial statements, the administrative expenses figure on page 6 was misstated because of a typographical error. This has been corrected in these revised financial statements.

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently with the exception of the change described below, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Change of accounting policies

Financial reporting standard 19 – “Deferred Tax”, effective for accounting periods ending on or after 23 January 2002, has been adopted for the first time in the preparation of these financial statements. There is no material impact on these financial statements as a result of the introduction of this standard.

Turnover

Turnover represents amounts receivable for goods and services delivered net of VAT and trade discounts. In accordance with the clauses contained in the company’s agency contracts, wholesale commissions are recognised as earned once orders have been confirmed as opposed to delivery of the goods.

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 which the directors consider is 10 years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated 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 and equipment	25% straight line
Long life Leasehold improvements	Over the period of the lease on a straight line basis
Short life Leasehold improvements	20% straight line

Leasing

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

FASHOFF UK LIMITED

Stock

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

Deferred taxation

Deferred taxation is provided in respect of all timing differences that have originated but not been reversed by the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred taxation assets are recognised to the extent that it is considered more likely than not that they will be recovered. Deferred tax assets and liabilities are calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date. The company does not discount deferred tax assets and liabilities.

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 timing differences are taken to profit and loss account.

2 Turnover

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

3 Operating loss

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Operating loss is stated after charging:		
Amortisation of intangible assets	2,500	5,000
Profit on disposal of intangible asset	20,000	-
Depreciation of tangible assets	72,124	77,134
Operating lease rentals	384,750	370,128
Auditors' remuneration – audit services	14,000	13,500
Auditors' – non audit services	22,000	22,400

4 Directors' emoluments

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Aggregate emoluments	-	-

FASHOFF UK LIMITED

5 Employees

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

	Year ended 31 December 2003 Number	Year ended 31 December 2002 Number
Retail sales	7	7
Wholesale sales	5	6
Management and administration	9	10
	<u>21</u>	<u>23</u>

Employment costs

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Wages and salaries	520,214	541,214
Social security costs	51,706	64,965
	<u>571,920</u>	<u>606,179</u>

6 Interest receivable and similar income

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Bank interest	<u>1,458</u>	<u>16,905</u>

7 Interest payable and similar charges

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
On bank loans and overdrafts	<u>-</u>	<u>-</u>

FASHOFF UK LIMITED

8 Taxation

(a) Analysis of (credit)/ charge in the year

	2003 £	2002 £
The charge for taxation is made up as follows:		
UK corporation tax at 19.25% (2002: 19%) on profits for the year	-	3,254
Adjustments in respect of (over provision)/under provision in previous periods	-	(3,592)
Total tax (credit)/ charge on profit on ordinary activities	-	(338)

(b) Factors affecting the tax charge in the year

	2003 £	2002 £
(Loss)/profit before tax	(556,197)	4,165
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 17% (2002: 19%)	(94,553)	804
Effects of:		
Permanent differences	3,990	2,450
Other movement	(8,505)	-
Prior period of corporation tax adjustment	-	(3,592)
Losses available for carry forward	99,068	-
Current tax (credit)/ charge for the year (see note 8 (a))	-	(338)

There is an unrecognised deferred tax asset as detailed below. The deferred tax asset has not been recognised in the financial statements, on the basis the company continues to make operating losses.

	2003 £	2002 £
Excess of capital allowances over depreciation	(19,105)	(15,748)
Losses	330,732	231,664
Unrecognised deferred tax asset	311,627	215,916

FASHOFF UK LIMITED

9 Intangible fixed assets

	Patents £
Cost	
At 1 January 2003	50,000
Disposals	(50,000)
At 31 December 2003	<u>-</u>
Amortisation	
At 1 January 2003	17,500
Charge for the year	2,500
Disposals	(20,000)
At 31 December 2003	<u>-</u>
Net book value	
At 31 December 2003	<u>-</u>
At 31 December 2002	<u>32,500</u>

10 Tangible fixed assets

	Plant and machinery £	Fixtures, fitting and equipment £	Leasehold improvements £	Short life leasehold improvements £	Total £
Cost					
At 1 January 2003	168,465	548,756	1,048,553	108,153	1,873,927
Additions	4,716	2,240	250	-	7,206
At 31 December 2003	<u>173,181</u>	<u>550,996</u>	<u>1,048,803</u>	<u>108,153</u>	<u>1,881,133</u>
Depreciation					
At 1 January 2003	163,456	541,797	201,455	38,706	945,414
Charge for the year	2,644	5,897	41,952	21,631	72,124
At 31 December 2003	<u>166,100</u>	<u>547,694</u>	<u>243,407</u>	<u>60,337</u>	<u>1,017,538</u>
Net book value					
At 31 December 2003	<u>7,081</u>	<u>3,302</u>	<u>805,396</u>	<u>47,816</u>	<u>863,595</u>
At 31 December 2002	<u>5,009</u>	<u>6,959</u>	<u>847,098</u>	<u>69,447</u>	<u>928,513</u>

FASHOFF UK LIMITED

11 Fixed assets – investments

The Company has a 100% subsidiary undertaking which is registered in the United Kingdom and is a dormant company:

	2003 £	2002 £
Moschino UK Limited		
	<u>100</u>	<u>100</u>

The investment was acquired to protect the Moschino name.

12 Stocks

	31 December 2003 £	31 December 2002 £
Finished goods and goods held for resale	<u>143,681</u>	<u>140,126</u>

13 Debtors

	31 December 2003 £	31 December 2002 £
Trade debtors	117,456	308,798
Amounts owed by parent and fellow subsidiary undertakings	145,077	111,560
Other debtors	24,889	18,050
Prepayments and accrued income	<u>829,579</u>	<u>574,343</u>
	<u>1,117,001</u>	<u>1,012,751</u>

FASHOFF UK LIMITED

14 Creditors: amounts falling due within one year

	31 December 2003 £	31 December 2002 £
Bank loans and overdrafts	275,300	6,552
Trade creditors	661,679	911,956
Amounts owed to parent and fellow subsidiary undertakings	-	153,924
Corporation tax	16,000	16,000
Other taxes and social security costs	89,748	46,995
Accruals and deferred income	96,254	46,214
	<u>1,138,981</u>	<u>1,181,641</u>

A change in disclosure has been made to the prior year numbers. £818,924 that was previously disclosed as 'amounts owed to group companies' has been disclosed as trade debtors because this balance relates to Sportswear S.p.a. which is a related party rather than a group company. The balance with Sportswear S.p.a at 31 December 2003 has also been included within trade debtors. Refer to note 21, 'Related party transactions'.

15 Creditors: amounts falling due after more than one year

	31 December 2003 £	31 December 2002 £
Loans due to the parent company (interest free and no repayment date)	<u>1,055,595</u>	<u>1,471,000</u>
Analysis of loans		
Wholly repayable within five years	<u>1,055,595</u>	<u>1,471,000</u>
Loan maturity analysis		
Between two and five years	<u>1,055,595</u>	<u>1,471,000</u>

The ultimate parent company has confirmed that the balance will not be recalled within the next twelve months from the date of signing of the financial statements.

16 Share capital

	31 December 2003 £	31 December 2002 £
Authorised		
2,000,000 ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>
Allotted, called up and fully paid		
1,550,000 ordinary shares of £1 each	<u>1,550,000</u>	<u>1,550,000</u>

FASHOFF UK LIMITED

17 Profit and loss account

	Profit and loss account £
Balance at 1 January 2002 – deficit	(1,606,721)
Retained profit for the year	(556,197)
Balance at 31 December 2003 - deficit	<u>(2,162,918)</u>

18 Reconciliation of movements in shareholders' deficit

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Capital contribution	550,000	-
(Loss)/profit for the financial period	(556,197)	4,503
Opening shareholders' deficit	<u>(56,721)</u>	<u>(61,224)</u>
Closing shareholders' deficit	<u>(62,918)</u>	<u>(56,721)</u>

19 Financial commitments

At 31 December 2003 the company had annual commitments for land and buildings under non-cancellable operating leases as follows:

	31 December 2003 £	31 December 2002 £
Expiry date		
In over five years	<u>404,770</u>	<u>404,770</u>

20 Ultimate controlling party

The company's parent company is Moschino S.p.a., a company registered in Italy. The directors consider the ultimate controlling party to be AEFPE S.p.a., a company registered in Italy.

. FASHOFF UK LIMITED

21 Related party transactions

The company's parent company is Moschino S.p.a. Fashoff UK has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 from the requirement to make disclosures concerning related parties within the group 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.

Moschino S.p.a. is jointly owned by AEF FE S.p.a. and SIN V S.p.a. The following transactions were made during the period with companies that were related to Fashoff UK Limited under the terms of Financial Reporting Standard No.8. All transactions were at arm's length and relate to the provision of fashion garments.

	Sales	Costs	Debtors	Creditors
	Year to	Year to	At	At
	31 December	31 December	31 December	31 December
	2003	2003	2003	2003
	£	£	£	£
AEFFE S.p.a. (owns 70% of Moschino S.p.a)			10,056	202,162
Sportswear S.p.a. (subsidiary of SIN V Spa which owns 30% of Moschino S.p.a)			134,710	120,894
Volemosebbene Sarl (100% owned by Moschino S.p.a)				2,587
Moschino France Sarl (100% owned by Moschino S.p.a)			73	
Pollini (100% owned by AEF FE S.p.a)				61,425
Moschino S.p.a			238	6,760