

FASHOFF UK LIMITED

Financial statements

for the year ended 31 December 2002

Registered Number 3405119



FASHOFF UK LIMITED

Financial statements

for the year ended 31 December 2002

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FASHOFF UK LIMITED

Company information

Directors

M Gobbetti

N Friso

A Indaimo

Secretary

P Hilly (resigned 18 October 2002)

Temple Secretarial Ltd (appointed 18 October 2002)

Registered office

12 Plumptree Court

London

EC4A 4HT

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 2002

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

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 charging 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 (2001: Nil).

Directors

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

M Gobetti
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 2002	31 December 2001
M Gobetti	-	-
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 2002 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.

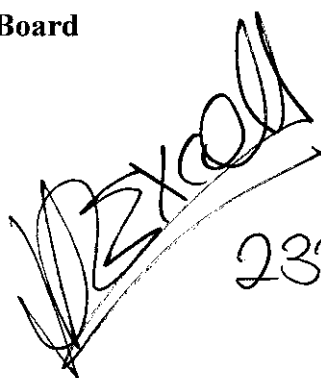
The directors are also responsible for the maintenance of the company's website, however information published on the internet is accessible in many different countries where legislation governing the preparation and dissemination of financial statements may differ from that applicable in the United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

Auditors

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 31 December 2002 and the directors appointed its successor, PricewaterhouseCoopers LLP, as 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

Secretary

A handwritten signature in black ink, appearing to be 'D. Z. Coll', written over a horizontal line.

23rd May 2003

Independent auditors' report to the members of FASHOFF UK LIMITED

We have audited the 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.

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 financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

28 May 2003

FASHOFF UK LIMITED

Profit and loss account for the year ended 31 December 2002

	Notes	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Turnover	2	5,959,788	6,572,077
Cost of sales		<u>(4,282,248)</u>	<u>(4,758,599)</u>
Gross profit		1,677,540	1,813,478
Distribution costs		<u>(546,331)</u>	<u>(545,727)</u>
Administrative expenses		<u>(1,229,389)</u>	<u>(1,325,950)</u>
Other operating income		85,440	76,000
Operating (loss)/ profit	3	<u>(12,740)</u>	<u>17,801</u>
Interest receivable and similar income	6	16,905	16,532
Interest payable and similar charges	7	-	<u>(10,474)</u>
Profit on ordinary activities before taxation		4,165	23,859
Tax credit/ (charge) on profit on ordinary activities	8	338	<u>(19,644)</u>
Profit on ordinary activities after taxation	17	<u>4,503</u>	<u>4,215</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 2002

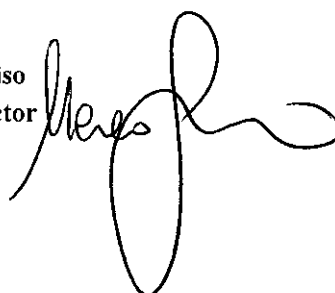
	Notes	31 December 2002 £	31 December 2001 £
Fixed assets			
Intangible assets	9	32,500	37,500
Tangible assets	10	928,513	1,002,343
Investments	11	100	-
		<u>961,113</u>	<u>1,039,843</u>
Current assets			
Stocks	12	140,126	130,681
Debtors	13	1,012,751	1,019,409
Cash at bank and in hand		481,930	492,435
		<u>1,634,807</u>	<u>1,642,525</u>
Creditors: amounts falling due within one year	14	<u>(1,181,641)</u>	<u>(1,272,592)</u>
Net current assets		<u>453,166</u>	<u>369,933</u>
Total assets less current liabilities		<u>1,414,279</u>	<u>1,409,776</u>
Creditors: amounts falling due after more than one year	15	<u>(1,471,000)</u> <u>(56,721)</u>	<u>(1,471,000)</u> <u>(61,224)</u>
Capital and reserves			
Called up share capital	16	1,550,000	1,550,000
Profit and loss account – deficit	17	<u>(1,606,721)</u>	<u>(1,611,224)</u>
Equity shareholders' deficit	18	<u>(56,721)</u>	<u>(61,224)</u>

The financial statements comprising the profit and loss account, balance sheet and related notes were approved by the board on 23rd May 2003 and signed on its behalf by:

M Gobbeti
Director



N Friso
Director



FASHOFF UK LIMITED

Notes to the financial statements for the period ended 31 December 2002

1 Accounting policies

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.

Stock

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

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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)/ profit

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Operating (loss)/ profit is stated after charging:		
Amortisation of intangible assets	5,000	5,000
Depreciation of tangible assets	77,134	225,176
Operating lease rentals	370,128	330,000
Auditors' remuneration – audit services	13,500	12,500
Auditors' – non audit services	22,400	14,345

4 Directors' emoluments

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Aggregate emoluments	-	1

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5 Employees

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

	Year ended 31 December 2002 Number	Year ended 31 December 2001 Number
Retail sales	7	10
Wholesale sales	6	6
Management and administration	10	10
	<u>23</u>	<u>26</u>

Employment costs

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Wages and salaries	541,214	544,910
Social security costs	64,965	62,078
	<u>606,179</u>	<u>606,988</u>

6 Interest receivable and similar income

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Bank interest	<u>16,905</u>	<u>16,532</u>

7 Interest payable and similar charges

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
On bank loans and overdrafts	<u>-</u>	<u>10,474</u>

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8 Taxation

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

	2002 £	2001 £
The charge for taxation is made up as follows:		
UK corporation tax at 19.25% (2001: 20%) on profits for the year	3,254	19,644
Adjustments in respect of (over provision)/under provision in previous periods	(3,592)	-
Total tax (credit)/ charge on profit on ordinary activities	(338)	19,644

(b) Factors affecting the tax charge in the year

	2002 £	2001 £
Profit before tax	4,165	23,859
Profit multiplied by standard rate of corporation tax in the UK of 19.25% (2001: 20%)	804	4,772
Effects of:		
Permanent differences	2,450	17,087
Prior period of corporation tax adjustment	(3,592)	-
Current tax (credit)/ charge for the year (see note 8 (a))	(338)	21,859

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.

	2002 £	2001 £
Excess of capital allowances over depreciation	(15,748)	123,320
Losses	231,664	251,534
Unrecognised deferred tax asset	215,916	374,854

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9 Intangible fixed assets

	Patents £
Cost	
At 1 January 2002	50,000
Additions	-
At 31 December 2002	50,000
Amortisation	
At 1 January 2002	12,500
Charge for the year	5,000
At 31 December 2002	17,500
Net book value	
At 31 December 2002	32,500
At 31 December 2001	37,500

10 Tangible fixed assets

	Plant and machinery £	Fixtures, fitting and equipment £	Leasehold improvements £	Short life leasehold improvements £	Total £
Cost					
At 1 January 2002	165,161	548,756	1,156,706	-	1,870,623
Additions	3,304	-	-	-	3,304
Transfers	-	-	(108,153)	108,153	-
At 31 December 2002	168,465	548,756	1,048,553	108,153	1,873,927
Depreciation					
At 1 January 2001	161,646	529,455	177,179	-	868,280
Transfers	-	-	(17,075)	17,075	-
Charge for the year	1,810	12,342	41,351	21,631	77,134
At 31 December 2002	163,456	541,797	201,455	38,706	945,414
Net book value					
At 31 December 2002	5,009	6,959	847,098	69,447	928,513
At 31 December 2001	3,515	19,301	979,527	-	1,002,343

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11 Fixed assets – investments

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

	2002 £	2001 £
Moschino UK Limited	<u>100</u>	<u>-</u>

The investment was acquired to protect the Moschino name.

12 Stocks

	31 December 2002 £	31 December 2001 £
Finished goods and goods held for resale	<u>140,126</u>	<u>130,681</u>

13 Debtors

	31 December 2002 £	31 December 2001 £
Trade debtors	308,798	524,374
Amounts owed by parent and fellow subsidiary undertakings	111,560	100,496
Other debtors	18,050	77,852
Prepayments and accrued income	<u>574,343</u>	<u>316,687</u>
	<u>1,012,751</u>	<u>1,019,409</u>

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14 Creditors: amounts falling due within one year

	31 December 2002 £	31 December 2001 £
Bank overdrafts	6,552	-
Trade creditors	911,956	954,889
Amounts owed to parent and fellow subsidiary undertakings	153,924	151,592
Corporation tax	16,000	11,272
Other taxes and social security costs	46,995	136,353
Accruals and deferred income	46,214	18,486
	<u>1,181,641</u>	<u>1,272,592</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 2002 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 2002 £	31 December 2001 £
Loans due to the parent company (interest free and no repayment date)	<u>1,471,000</u>	<u>1,471,000</u>
Analysis of loans		
Wholly repayable within five years	<u>1,471,000</u>	<u>1,471,000</u>
Loan maturity analysis		
Between two and five years	<u>1,471,000</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 2002 £	31 December 2001 £
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>

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17 Profit and loss account

	Profit and loss account £
Balance at 1 January 2002 – deficit	(1,611,224)
Retained profit for the year	4,503
Balance at 31 December 2002 - deficit	<u>(1,606,721)</u>

18 Reconciliation of movements in shareholders' deficit

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Profit for the financial period	4,503	4,215
Opening shareholders' deficit	(61,224)	(65,439)
Closing shareholders' deficit	<u>(56,721)</u>	<u>(61,224)</u>

19 Financial commitments

At 31 December 2002 the company had annual commitments for land and buildings under non-cancellable operating leases as follows:

	31 December 2002 £	31 December 2001 £
Expiry date		
In over five years	<u>404,770</u>	<u>330,000</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.

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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 AEFEE 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
	2002	2002	2002	2002
	£	£	£	£
AEFFE S.p.a. (owns 70% of Moschino S.p.a)	273,421	267,489	223,699	153,265
Sportswear S.p.a. (subsidiary of SIN V Spa which owns 30% of Moschino S.p.a)	244,301	3,396,448	243,807	689,034
Volemosebbene Sarl (100% owned by Moschino S.p.a)	154	1,958	-	432
Moschino France Sarl (100% owned by Moschino S.p.a)	27,000	-	27,000	-
Pollini (100% owned by AEFEE S.p.a)	15,188	18,487	15,188	18,487