

Esprit GB Limited
(Registered Number: 4104065)

Directors' Report & Accounts

For the period ended 30 June 2001



Esprit GB Limited

Directors' Report for the period ended 30 June 2001

The Directors present their report together with the audited financial statements of the company for the period ended 30 June 2001.

Principal activities and review of the business

The Company was incorporated on 8 November 2000 and commenced trading on 17 May 2001.

The Company's principal activity is retailing and wholesaling of clothing and fashion accessories.

Results and dividends

The Company's retained loss for the period is £2,104,680. This has been transferred to reserves. The directors do not recommend the payment of a dividend.

Future developments

No changes are expected in the business operations, with the exception of new store openings.

Directors and their interests

The Directors who held office during the year under review and up to the date of this report were as follows:

DWS Directors Limited	(appointed 8 November 2000; resigned 29 November 2000)
Heinz-Jurgen Krogen-Kornalik	(appointed 29 November 2000)
Andreas Kromer	(appointed 29 November 2000)
John Cho Ming Poon	(appointed 29 November 2000)
Finn Simper	(appointed 23 March 2001)
Chhibber Surinder	(appointed 29 November 2000)

None of the Directors in office as at the year-end had any interests in the share capital of the company.

The interests of the directors in the Company's ultimate parent undertaking are shown in the accounts of Esprit Holdings Limited.

Esprit GB Limited

Directors' Report (Continued)

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

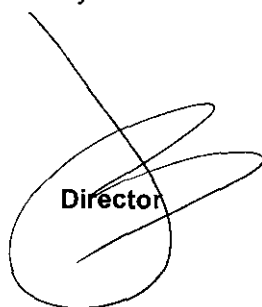
Statement of Directors' Responsibilities

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;
- 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 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


Director

29 November 2001

Esprit GB Limited

Auditors' Report to the Members of Esprit GB Limited

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

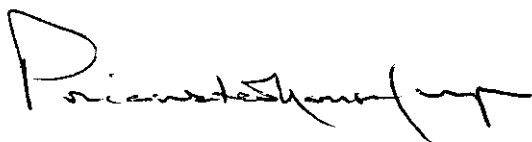
Basis of audit opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
1 Embankment Place
London WC2N 6RH

29 November 2001

Esprit GB Limited

Profit and Loss Account for the period ended 30 June 2001

	Note	Period to 30 June 2001 £
Turnover	1	779,364
Cost of sales		(471,803)
Gross profit		307,561
Administrative expenses		(2,290,072)
Operating loss		(1,982,511)
Interest receivable		1,794
Interest payable		(123,963)
Loss on ordinary activities before taxation	3	(2,104,680)
Taxation on profit on ordinary activities	4	-
Retained loss for the year		(2,104,680)

There were no gains or losses recognised in the period other than losses set out above.

There are no material differences between the reported profits of the Company for the year and those that would be reported under the historical cost basis.

The movement on shareholders' funds in the year is attributed solely to the retained losses transferred to reserves.

The notes on pages 6 to 10 form part of these accounts.

Esprit GB Limited

Balance Sheet as at 30 June 2001

	Note	As at 30 June 2001 £
Fixed assets		
Tangible assets	5	8,159,693
Current assets		
Stocks	6	651,185
Debtors	7	1,639,119
Cash at bank		857,699
		3,148,003
Creditors (amounts falling due within one year)	8	(1,362,376)
Net current assets		1,785,627
Creditors (amounts falling due after one year)	9	(7,000,000)
Total net assets		2,945,320
Capital and reserves		
Called up share capital	10	100,000
Share premium	11	4,950,000
Profit and loss account	11	(2,104,680)
Equity shareholders' funds		2,945,320

These accounts were approved by the Board of Directors on 29 November 2001.



Director

The notes on pages 6 to 10 form part of these accounts.

Esprit GB Limited

Notes to the Accounts at 30 June 2001

1 Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover represents the proceeds net of VAT from sales of clothing and fashion accessories.

Tangible fixed assets

Depreciation is provided to write off the cost of the assets to their recoverable value over their following estimated useful lives:

Leasehold Property	10yrs
Leasehold Improvements	10yrs
Office furniture	5yrs
Computer equipment	3yrs

The estimated recoverable value of the leasehold property interest is 70% of the original cost. Annual reassessments are made of this residual value by conducting an independent valuation.

Foreign exchange

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

Stocks

Finished goods are valued at the lower of cost and net realisable value.

Cash flow statement and related party transactions

The Company is a wholly owned subsidiary of Esprit Europe AG and is included in the consolidated financial statements of this company which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement and the exemption from disclosing related party transactions with related entities.

Esprit GB Limited

Notes to the Accounts at 30 June 2001

2 Directors and employees

No Director received any emoluments during the year.

	2001 £
Staff costs	
Wages and salaries	339,230
Social security costs	18,281
	<hr/>
	357,511

The average monthly number of persons, including part-time employees, employed by the Company during the period was 44.

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation for the period is stated after charging/(crediting) the following amounts:

	2001 £
Staff costs (note 2)	357,511
Depreciation	70,539
Auditors' remuneration – audit fees	7,000
Operating lease costs – land & buildings	485,516
Bank interest payable	3,258
Interest payable to group undertakings	120,705
Bank interest receivable	(1,794)

4 Taxation

There is no tax charge for the year. Subject to the agreement of the Inland Revenue, the company has trading losses of £1,533,686 to be carried forward.

No deferred tax asset has been recognised on the basis that it is not expected that these losses will be utilised in the immediately foreseeable future.

Esprit GB Limited

Notes to the Accounts at 30 June 2001

5 Tangible assets

	Leasehold Property £	Leasehold Improvements £	Office Equipment £	Computer Equipment £	Total £
Cost					
Additions	4,480,000	3,441,677	197,407	111,148	8,230,232
At 30 June 2001	4,480,000	3,441,677	197,407	111,148	8,230,232
Depreciation					
Charge for the period	33,508	24,231	9,755	3,045	70,539
At 30 June 2001	33,508	24,231	9,755	3,045	70,539
Net book amounts					
At 30 June 2001	4,446,492	3,417,446	187,652	108,103	8,159,693

6 Stocks

	2001 £
Finished goods	651,185

7 Debtors

	2001 £
Other debtors	1,338,304
Amounts owed by group undertakings	300,815
	1,639,119

Esprit GB Limited

Notes to the Accounts at 30 June 2001

8 Creditors (amounts falling due within one year)

	2001 £
Trade creditors	469,490
Amounts owed to group undertakings	161,306
Other taxes and social security	23,092
Accruals	382,500
Other creditors	325,988
	<hr/> 1,362,376

9 Creditors (amounts falling due after one year)

	2001 £
Loan from group undertaking	7,000,000
	<hr/>

The loan from the parent undertaking, Esprit Europe AG, was made under a frame agreement. It can be repaid at any time by the company, however cannot be called by Esprit Europe AG before 30 June 2002 at the earliest. The loan carries interest at 1% over the 3 month Euribor rate and is unsecured. Subsequent to the year-end, the loan was converted to capital (see note 14).

10 Share capital

	2001 £
Authorised:	
Ordinary shares of £1 each	100,000
	<hr/>
Issued and fully paid:	
Ordinary shares of £1 each	100,000
	<hr/>

Esprit GB Limited

Notes to the Accounts at 30 June 2001

11 Reserves

	Share Premium account £	Profit and loss account £	Total Reserves £
Issue of shares	4,950,000	-	4,950,000
Loss for the year	-	(2,104,680)	(2,104,680)
At 30 June 2001	4,950,000	(2,104,680)	2,845,320

12 Holding company

The immediate parent undertaking is Esprit Europe AG. This is the smallest group for which consolidated accounts have been prepared. Copies of these group accounts are available from the Company Secretary at Esprit Europe AG, Vogelsanger Weg 49, D-40470 Dusseldorf, Germany. The ultimate parent company is Esprit Holdings Limited, a company registered in Bermuda. The consolidated financial statements of this company can be obtained from Esprit Holdings Limited, 10/F, 11 Yuk Yat Street, Tokwawan, Kowloon, Hong Kong.

13 Financial commitments

At 30 June 2001 the company had annual commitments under non-cancellable operating leases for land and buildings expiring as follows:

	2001 £
Within one year	-
Within two to five years	-
After five years	2,404,000
	<u>2,404,000</u>

The company had no capital commitments not provided at 30 June 2001.

14 Subsequent events

On 1 October 2001, the immediate parent company, Esprit Europe AG, purchased a further 50,000 new £1 ordinary shares in Esprit GB Limited. The shares were purchased at a premium of £219 per share, contributing £50,000 to share capital and £10,950,000 to share premium. The shares were issued as fully paid by the conversion of the £7,000,000 long-term loan and a further cash contribution of £4,000,000.