

Company Registration No. 4434550

Fashion Box UK Limited

Report and Financial Statements

31 December 2005



Fashion Box UK Limited

Report and financial statements 2005

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Fashion Box UK Limited

Report and financial statements 2005

Officers and professional advisers

Directors

A Biancardi
B Kreel
N Kreel

Secretary

L Lee

Registered office

4 Holford Yard
Cruikshank Street
London
WC1X 9HD

Bankers

HSBC Bank Plc
13 Chapel Street
Stratford-Upon-Avon
Warwickshire
CV37 6ET

Solicitors

Field Fisher Waterhouse
35 Vine Street
London
EC3N 2AA

Auditors

Deloitte & Touche LLP
Chartered Accountants
London WC2R 1BL

Fashion Box UK Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activity and review of the business

The company was incorporated on 9 May 2002 and is a wholly owned subsidiary of Fashion Box International S.A., and was set up to distribute the key Fashion Box Group S.p.A. brands within the UK and Ireland.

Results and dividends

The company made a profit after tax of £445,000 (2004: £50,000). The directors do not recommend the payment of a dividend (2004: £nil).

Directors

The directors who served throughout the year were as follows:

A Biancardi

B Kreel

N Kreel

None of the directors had any interests in the shares of the company at the beginning or end of the year.

Financial risk management

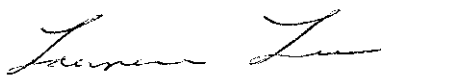
The Directors believe that they have the policies in place to ensure all potential financial risks are managed effectively. The Company has receivable balances from third party customers and group companies. The Directors do not consider that the Company is exposed to significant credit risk due to there being no reliance on an individual customer.

They have reviewed the potential financial risks and believe no further action is required.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board


L Lee

Secretary

28 NOVEMBER 2006

Fashion Box UK Limited

Statement of directors' responsibilities

United Kingdom 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 as at the end of the financial year 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; and
- 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Fashion Box UK Limited

We have audited the financial statements of Fashion Box UK Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

30th November 2006

Fashion Box UK Limited

Profit and loss account Year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Turnover	1, 2	13,884	8,422
Cost of sales		(9,555)	(5,625)
Gross profit		<u>4,329</u>	<u>2,797</u>
Other operating expenses		(3,960)	(2,818)
Other operating income		<u>63</u>	<u>63</u>
Operating profit	3	<u>432</u>	<u>42</u>
Financial charges (net)	5	<u>19</u>	<u>12</u>
Profit on ordinary activities before taxation		<u>451</u>	<u>54</u>
Tax on profit on ordinary activities	6	<u>(6)</u>	<u>(4)</u>
Retained profit for the financial period	13	<u><u>445</u></u>	<u><u>50</u></u>

All transactions are derived from continuing operations. There are no recognised gains or losses other than as shown above. Accordingly no statement of total recognised gains and losses is presented.

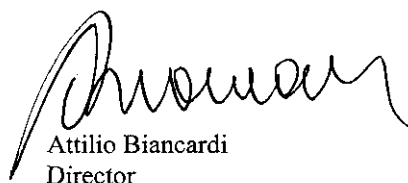
Fashion Box UK Limited

Balance sheet 31 December 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	7	94	104
Tangible assets	8	670	393
		<u>764</u>	<u>497</u>
Current assets			
Stock		303	130
Debtors	9	2,346	2,175
Cash at bank and in hand		390	858
		<u>3,039</u>	<u>3,163</u>
Creditors: amounts falling due within one year	10	<u>(3,230)</u>	<u>(3,532)</u>
Net current (liabilities)/assets		<u>(191)</u>	<u>(369)</u>
Total assets less current liabilities		573	128
Creditors: amounts falling due after more than one year	11	<u>-</u>	<u>-</u>
Net assets		<u>573</u>	<u>128</u>
Capital and reserves			
Share capital	12	950	950
Capital contribution		800	800
Profit and loss account	13	<u>(1,177)</u>	<u>(1,622)</u>
Total equity shareholders' funds		<u>573</u>	<u>128</u>

These financial statements were approved by the Board of Directors on 28 November 2006.

Signed on behalf of the Board of Directors


Attilio Biancardi
Director

Fashion Box UK Limited

Notes to the accounts

Year ended 31 December 2005

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been adopted consistently in the current year and prior period.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Fashion Box S.p.A., which prepares consolidated financial statements that are publicly available. The company is also, on this basis, exempt from the requirement of FRS 1 to present a cash flow statement.

Turnover

Turnover comprises the value of invoiced sales and store takings net of Value Added Tax.

Intangible fixed assets

Intangible fixed assets represent an acquired lease premium recorded at historical cost and being amortised on a straight line basis over the lease term.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation has been provided in order to write off the cost of depreciable fixed assets over their useful lives, as follows:

Fixtures and fittings	20%	Straight line
Plant and machinery	25%	Straight line

Stocks

Stocks are stated at lower of cost and net realisable value. Stocks represent finished goods only.

Taxation

Current UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currency

Transactions in foreign currency are recorded at the rate of exchange at the date of the transaction.

Fashion Box UK Limited

Notes to the accounts

Year ended 31 December 2005

1. Accounting policies (continued)

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Pension costs

The company provides pensions to certain employees through a number of defined contribution pension schemes. The amounts charged to the profit and loss account are the contributions payable in the year.

2. Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and Value Added Tax and any other tax based on the amounts so derived.

	2005 £'000	2004 £'000
<i>Principal activities</i>		
Wholesale business	12,184	7,235
Retail business	1,700	1,187
	<u>13,884</u>	<u>8,422</u>
<i>Geographical analysis</i>		
Europe	13,871	8,422
Rest of the World	13	-
	<u>13,884</u>	<u>8,422</u>

3. Operating loss

Is stated after charging:

	2005 £'000	2004 £'000
Depreciation and amounts written off fixed assets	361	143
Amortisation of lease premium	72	59
Operating lease rentals:		
- Plant and machinery	7	7
- Land and buildings	603	727
Auditors' remuneration – audit fees	11	9
Auditors' remuneration – non audit fees (tax compliance services)	4	3

Fashion Box UK Limited

Notes to the accounts Year ended 31 December 2005

4. Staff costs

	2005 £'000	2004 £'000
Directors' remuneration		
Aggregate emoluments	10	
Compensation for loss of office	-	-
	<u>10</u>	<u>-</u>
	No.	No.
Average number of persons employed		
	46	31
	<u>46</u>	<u>31</u>
Total staff		
	£'000	£'000
Staff costs during the period (including directors)		
Aggregate salaries and wages	787	635
Social security costs	98	54
	<u>885</u>	<u>689</u>

5. Finance charges (net)

	2005 £'000	2004 £'000
<i>Interest receivable:</i>		
Bank interest	(19)	(12)

Fashion Box UK Limited

Notes to the accounts Year ended 31 December 2005

6. Tax on loss on ordinary activities

	2005 £'000	2004 £'000
Current tax		
United Kingdom corporation tax at 30%	6	4

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	£'000	£'000
Profit on ordinary activities before taxation	451	54
UK corporation tax at 30 % (2004 - 30%) thereon:	135	16
Expenses not deductible for tax purposes	33	43
Capital allowances in excess of depreciation	19	(16)
Utilisation of tax losses	(181)	-
Unprovided deferred tax movement	-	(39)
Current tax charge	6	4

A deferred tax asset of £289,000 at 31 December 2005 has not been recognised in respect of timing differences relating to tax losses carried forward. This is due to there being insufficient evidence that the asset will be recovered.

7. Intangible fixed assets

	Lease premium £000
Cost	
At 1 January 2005	250
Additions	62
At 31 December 2005	312
Amortisation	
At 1 January 2005	146
Charge for the year	72
At 31 December 2005	218
Net book value	
At 31 December 2005	94
At 31 December 2004	104

Fashion Box UK Limited

Notes to the accounts Year ended 31 December 2005

8. Tangible fixed assets

	Fixtures and fittings £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2005	609	48	657
Additions	584	55	639
	<hr/>	<hr/>	<hr/>
At 31 December 2005	1,193	103	1,296
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2005	245	20	265
Charge for the year	330	31	361
	<hr/>	<hr/>	<hr/>
At 31 December 2005	575	51	626
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2005	618	52	670
	<hr/>	<hr/>	<hr/>
At 31 December 2004	364	28	392
	<hr/>	<hr/>	<hr/>

9. Debtors

	2005 £'000	2004 £'000
Trade debtors	2,005	1967
Amounts owed by group undertakings	57	53
Other debtors	128	9
Prepayments and accrued income	156	146
	<hr/>	<hr/>
	2,346	2,175
	<hr/>	<hr/>

10. Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Trade creditors	573	2,525
Amounts owed to group undertakings	2,159	485
Other creditors including taxation and social security	441	475
Accruals and deferred income	57	47
	<hr/>	<hr/>
	3,230	3,532
	<hr/>	<hr/>

Fashion Box UK Limited

Notes to the accounts Year ended 31 December 2005

11. Creditors: amounts falling due after more than one year

	2005 £'000	2004 £'000
Loan from immediate parent undertaking	-	-

12. Called up share capital

	2005 £'000	2004 £'000
Authorised:		
950,000 ordinary shares of £1 each	950	950
Called up, allotted and fully paid:		
950,000 ordinary shares of £1 each	950	950

13. Profit and loss account

	£000
At 1 January 2005	(1,622)
Retained profit for the year	445
At 31 December 2005	1,177

14. Reconciliation of movement in shareholders' funds

	2005 £'000	2004 £'000
Retained profit/(loss)loss for the period	445	50
New share capital	-	-
Capital contribution	-	-
Net addition to shareholders' funds	445	50
Opening shareholders' funds	128	78
Closing shareholders' funds	573	128

Fashion Box UK Limited

Notes to the accounts

Year ended 31 December 2005

15. Lease commitments

The minimum annual operating lease rentals are as follows:

	2005		2004	
	Plant and machinery £000	Land and buildings £000	Plant and machinery £000	Land and buildings £000
Leases which expire:				
Within one year	3	-	2	-
Within two and five years	4	-	4	470
After five years		121	-	121
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16. Ultimate parent company

The company's immediate parent company is Fashion Box International S.p.A. The directors regard Fashion Box Group S.p.A, a company incorporated in Italy, as the ultimate parent company and the ultimate controlling party.

Fashion Box Group S.p.A. is the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from Fashion Box Group S.p.A.

As a subsidiary undertaking of Fashion Box Group S.p.A. the company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Fashion Box Group S.p.A.