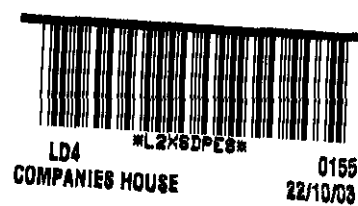


HERMÈS (GB) LIMITED

Report and Financial Statements

31 December 2002



**Deloitte & Touche LLP
London**

REPORT AND FINANCIAL STATEMENTS 2002

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REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Jean-Louis Frederic Robert Dumas (Chairman)
Bertrand Emile Puech
Gilles Duval
Pierre-Alexis Philippe Dumas
Charles-Henri Leroy

SECRETARY

Comat Registrars Limited
8 Gray's Inn Square
Gray's Inn
London
WC1R 5JQ

REGISTERED OFFICE

Knowsley House
176 Sloane Street
London SW1X 9QG

BANKERS

HSBC Bank plc
202 Sloane Street
London
SW1X 9RG

SOLICITORS

Lewis Silkin
Windsor House
50 Victoria Street
London SW1H 0NW

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

DIRECTORS' REPORT

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

ACTIVITIES

The principal activities of the company continue to be retailing and wholesaling of luxury goods and accessories.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Future developments are dictated by the parent company in accordance with overall group objectives.

The directors continue to be optimistic about the company's prospects for 2003.

RESULTS AND DIVIDENDS

The company made a profit after tax of £702,000 (2001 loss – £210,000). The directors do not recommend payment of a final dividend (2001 – £nil).

DIRECTORS

The present membership of the Board is set out on page 1. All of the directors served throughout the year.

None of the directors has any beneficial interests in the shares of the company or any other UK group company.

CHARITABLE DONATIONS

The company has made charitable donations in the United Kingdom of £1,610 (2001 - £3,020).

AUDITORS

On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989.

The company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

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



Charles-Henri Leroy
Director

17 October 2003

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
HERMÈS (GB) LIMITED**

We have audited the financial statements of Hermès (GB) Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 15. 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 Companies Act 1985. We also report 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 with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

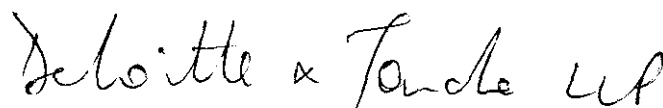
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

London

20 October 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £'000	2001 £'000
TURNOVER	1	16,393	15,208
Cost of sales		<u>(8,446)</u>	<u>(8,397)</u>
GROSS PROFIT		7,947	6,811
Distribution costs		(5,138)	(5,266)
Administrative expenses		<u>(1,747)</u>	<u>(1,759)</u>
OPERATING PROFIT/(LOSS)	3	1,062	(214)
Interest receivable and similar income		6	52
Interest payable and similar charges	4	<u>(13)</u>	<u>(43)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,055	(205)
Tax charge on profit/(loss) on ordinary activities	5	<u>(353)</u>	<u>(5)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION BEING RETAINED PROFIT FOR THE FINANCIAL YEAR		702	(210)
Profit and loss account brought forward		<u>852</u>	<u>1,062</u>
Profit and loss account carried forward		<u><u>1,554</u></u>	<u><u>852</u></u>

The above results derive from continuing operations. There has been no movement in shareholders' funds other than the retained profit/ (loss) in the current and the preceding financial years.

BALANCE SHEET
As at 31 December 2002

	Note	2002 £'000	2001 £'000
FIXED ASSETS			
Tangible assets	6	2,022	2,316
CURRENT ASSETS			
Stocks	7	4,149	3,726
Debtors	8	2,292	2,522
Cash at bank and in hand		175	96
		<u>6,616</u>	<u>6,344</u>
CREDITORS: amounts falling due within one year	9	<u>(3,787)</u>	<u>(4,511)</u>
NET CURRENT ASSETS		<u>2,829</u>	<u>1,833</u>
TOTAL ASSETS LESS CURRENT LIABILITIES BEING NET ASSETS		<u>4,851</u>	<u>4,149</u>
CAPITAL AND RESERVES			
Called up share capital	11	3,265	3,265
Share premium account		32	32
Profit and loss account		<u>1,554</u>	<u>852</u>
EQUITY SHAREHOLDERS' FUNDS	14	<u>4,851</u>	<u>4,149</u>

These financial statements were approved by the Board of Directors on 17 October 2003.

Signed on behalf of the Board of Directors



Charles-Henri Leroy
Director

NOTES TO THE ACCOUNTS**Year ended 31 December 2002****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied on a consistent basis with the prior year, are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

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

Depreciation is provided to write off the cost over the estimated useful lives of the assets. The rates of depreciation are as follows:

Short-leasehold property	Over the term of the lease
Fixtures, fittings and equipment	10% - 33 1/3% per annum on a straight-line basis

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided in full on timing differences that 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.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences are dealt with in the profit and loss account.

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.

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Turnover

Turnover comprises retail and wholesale sales net of discounts given. It arises and originates wholly within the United Kingdom.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard 1 (revised) from including a cash flow statement in the financial statements. The grounds for this are that more than 90% of the voting rights are controlled within the group, and that consolidated financial statements in which this company's results are included as a subsidiary undertaking, are publicly available.

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £'000	2001 £'000
Directors' emoluments		
Aggregate emoluments excluding pension contributions	229	195
Pension contributions	-	3
	<u>229</u>	<u>198</u>
	2002 £'000	2001 £'000
Employee costs during the year (including directors)		
Wages and salaries	2,002	2,004
Social security costs	169	150
Other pension costs	59	52
	<u>2,230</u>	<u>2,206</u>
	No.	No.
Average number of persons employed		
Retail	59	47
Wholesale	2	4
Administration	12	11
	<u>73</u>	<u>62</u>

3. OPERATING PROFIT/(LOSS)

	2002 £'000	2001 £'000
Operating profit/(loss) is stated after charging:		
Depreciation on owned tangible fixed assets	479	557
Rentals under operating leases:		
Hire of plant and machinery	34	31
Other operating leases	1,859	1,510
Auditors' remuneration – audit fees	18	17
	<u></u>	<u></u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
Bank interest	6	-
To group undertakings	7	43
	<u>13</u>	<u>43</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

5. TAX CHARGE ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES

The tax charge comprises:

	2002 £'000	2001 £'000
Current tax		
UK corporation tax at 30% (2001 – 30%) based on profit for the year	157	144
Adjustment in respect of prior years	(32)	4
	<u>125</u>	<u>148</u>
Group relief	186	-
Adjustment in respect of prior years	18	-
	<u>329</u>	<u>148</u>
Total current tax		
Deferred tax		
Origination and reversal of timing differences	13	(143)
Adjustment in respect of prior years	11	-
	<u>24</u>	<u>(143)</u>
Total deferred tax (see note 10)		
	<u>353</u>	<u>5</u>
Total tax on profit on ordinary activities		

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

	2002 £'000	2001 £'000
Profit/(loss) on ordinary activities before tax	<u>1,055</u>	<u>(205)</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2001 – 30%)	316	(61)
Effects of:		
Expenses not deductible for tax purposes	40	22
Capital allowances in excess of depreciation	7	41
Movement in short term timing differences	(21)	141
Adjustments to tax charge in respect of previous periods	(13)	4
	<u>329</u>	<u>148</u>
Current tax charge for year		

The company earns its profits primarily in the UK. Therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 30%.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

6. TANGIBLE FIXED ASSETS

	Short Leasehold property £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost:			
At 1 January 2002	390	4,531	4,921
Additions	-	208	208
Disposals	-	(60)	(60)
At 31 December 2002	390	4,679	5,069
Accumulated depreciation:			
At 1 January 2002	237	2,368	2,605
Charge for the year	37	442	479
Disposals	-	(37)	(37)
At 31 December 2002	274	2,773	3,047
Net book value:			
At 31 December 2002	116	1,906	2,022
At 31 December 2001	153	2,163	2,316

7. STOCKS

	2002 £'000	2001 £'000
Finished goods for resale	4,149	3,726

8. DEBTORS

	2002 £'000	2001 £'000
Trade debtors	935	933
Amounts owed by fellow subsidiary undertakings	179	167
Amounts owed by parent company	320	542
Deferred tax asset (see note 10)	58	82
Other debtors	258	198
Prepayments and accrued income	542	600
	2,292	2,522

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Trade creditors	1,049	1,194
Amounts owed to fellow subsidiary undertakings	1,884	2,259
Taxation and social security	558	557
Other creditors	6	3
Accruals and deferred income	290	498
	<u>3,787</u>	<u>4,511</u>

10. DEFERRED TAX ASSET

	2002 £'000	2001 £'000
Deferred tax:		
As at 1 January	82	3
(Charge) / Credit to the profit and loss account	(13)	143
Adjustment in respect of prior years	(11)	(64)
	<u>58</u>	<u>82</u>
As at 31 December 2002		

The amount of deferred taxation provided in the accounts is as follows:

	2002 £'000	2001 £'000
Capital allowances in excess of depreciation	149	(145)
Other short term timing differences	(207)	227
	<u>58</u>	<u>82</u>

11. CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised:		
3,500,000 ordinary shares of £1 each	<u>3,500</u>	<u>3,500</u>
Called up, allotted and fully paid:		
3,265,000 ordinary shares of £1 each	<u>3,265</u>	<u>3,265</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

12. OPERATING LEASE COMMITMENTS

At 31 December 2002 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2002 £'000	Land and buildings 2001 £'000	Other 2002 £'000	Other 2001 £'000
Leases which expire:				
Within 1 year	-	-	21	-
Within two to five years	-	50	-	37
After five years	1,386	1,290	-	-

13. RELATED PARTY TRANSACTIONS

During the year Hermès (GB) Limited paid Rena Dumas Architecture Intérieure £33,000 for its services. Rena Dumas Architecture Intérieure is controlled by the mother of Pierre-Alexis Dumas, a director of this company.

The company has taken advantage of the exemption granted by paragraph 3(c) of FRS 8, Related Party Disclosures, not to disclose transactions with Hermès International group companies or interests of the group which are related parties, as the consolidated financial statements, in which the company is included, are publicly available.

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
Opening equity shareholders' funds	4,149	4,359
Profit for the financial year	702	(210)
Closing equity shareholders' funds	4,851	4,149

15. PARENT COMPANY

The ultimate parent and controlling company is Hermès International, a company incorporated in France, and the smallest and largest group that produces consolidated accounts. Copies of the financial statements of the ultimate parent company may be obtained from the registered office of the company at 24 Rue de Faubourg, St Honoré, 75008 Paris, France.

The intermediate parent undertaking is Hermès Holding GB Limited, a company incorporated in Great Britain. Copies of the financial statements may be obtained from Hermès Holding GB Limited, Knowsley House, 176 Sloane Street, London, SW1X 9QG.