

Company Registration No. 4169969

Stella McCartney Limited

Report and Financial Statements

31 December 2008

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Stella McCartney Limited

Report and financial statements 2008

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Independent auditors' report	6
Profit and loss account	8
Balance sheet	9
Cash flow statement	10
Notes to the cash flow statement	11
Notes to the accounts	12

Stella McCartney Limited

Report and financial statements 2008

Officers and professional advisers

Directors

A Babeau
S McCartney
H Newman
R Polet
C Solomon
A Willis

Secretary

Chalfen Secretaries Limited

Registered office

Chalegrove House
34-36 Perrymount Road
Haywards Heath
West Sussex
RH16 3DN

Bankers

HSBC Bank plc
40 South Road
Haywards Heath
West Sussex
RH16 4LU

Independent auditors

KPMG LLP
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

Stella McCartney Limited

Directors' report

Principal activity

The profit and loss account for the year is included on page 8.

The principal activity of the company continues to be the strategic development of the Stella McCartney brand in conjunction with the operation of the UK retail business.

Business Review

The Directors of Stella McCartney Limited are highly pleased with the continued progress that has been made with the Stella McCartney business during 2008. The Company recorded a healthy increase in profits following the company's turn to profit two years ago. This is indicative of the sustained strength of the brand in the global arena.

In 2008 Stella McCartney Limited posted an operating profit of £2,182,475 (Net profit £1,790,283) which compares to a £1,370,317 operating profit in 2007 (Net profit £1,005,938) and to £395,000 operating profit in 2006, the year the company first turned to profit.

Gucci Group and Stella McCartney herself, as shareholders of the business, have expressed their delight with the 2008 results and have confirmed to the Directors their intention to continue to give the business their full support, in accordance with the agreed strategic plan for the business.

Company Structure

Stella McCartney Limited is the UK legal entity within the worldwide Stella McCartney business. It is responsible for the strategic development of the global Stella McCartney brand and management (directly or through third parties) of the related businesses, in particular through the provision of design services and administration of trademarks and licences. The Company operates directly the Stella McCartney flagship store located at 30 Bruton St. London. However, the brand's substantial wholesale activities and the operation of its retail stores located at 429 West 14th Street in New York (opened in September 2002) and at 8823 Beverley Boulevard in Los Angeles (opened in September 2003) and the more recent opening of the Paris Store at 114 le jardin du palais royal (opened November 2008) are handled through related entities whose results are not reflected in the accounts of Stella McCartney Limited. As such, the financial statements presented in this report do not reflect a worldwide financial overview of the Stella McCartney business and should not be interpreted as such.

Strategy

Stella McCartney Limited was established in April 2001. The business has since continued to grow turning to profit in 2006. The 2008 results have demonstrated the success and strength of the brand with healthy, solid, profitable growth year on year.

The main focus of the brand is the womens' ready-to-wear collections with a broadening portfolio into accessories. The brands ethos of existing and new products are congruent with the brand and Stella's principle of non use of leather and other animal products. Press exposure of the brand and its principles has been well covered during 2008.

Stella McCartney Limited

Directors' report (continued)

The company has maintained its global market development strategy with strong partnerships in key domains whilst protecting the trademark in all locations.

The company's ongoing restricted licence collaborations have exceeded expectations in 2008 again demonstrating year on year the leverage capabilities of the brand.

Given the structure of the Stella McCartney business, management do not consider it meaningful to discuss KPIs within the statutory accounts of Stella McCartney Ltd other than those relating to turnover and profit and loss accounts on page 8.

People

The Directors acknowledge that the achievement of such results would not be possible without the continued efforts of the staff throughout the Company.

Risks & Uncertainties

The macro economic environment is a major element to every business, in particular in a sector with an inherent risk factor such as the fashion industry.

The principle risk to the business remains the unpredictable market conditions: as a fashion and lifestyle company every season confronts Stella McCartney with the risk that new collections may not be received as well as anticipated. International events are attended constantly to identify key trends without compromising the essence of this company. This is evident with the collections shown which have been received very positively by the press.

A key risk lies in trademark protection. Trademark protection is enforced mainly by securing and defending industrial property rights in various product categories and countries worldwide.

Outlook

The macro economic environment with current global difficulties naturally is posing a risk to our customers propensity to spend. Management do feel however that the company is well positioned to deal with these adverse market conditions whilst the economy recovers. Continued opportunities exist to increase performance through leverage of the existing brand, people and assets employed.

Press enquiries should be directed to Stephane Jaspar at (001) 212 627 1583 or stephane.jaspar@us.stellamccartney.com

Results and dividends

The results for the year are set out in the profit and loss account – page 8. The directors do not recommend the payment of a dividend (31st December 2007 - £nil)

Financial Instruments

The company has no derivatives and does not trade in financial instruments.

The company operates within the United Kingdom and the majority of transactions are dominated in Sterling. Foreign currency transactions are monitored by the directors to ensure that currency risks are kept at acceptable levels.

The company funds operations through agreements with other group companies.

Stella McCartney Limited

Directors' report (continued)

Directors

The directors of the company during the year ended 31 December 2008 were as follows:

A Babeau
S McCartney
H Newman
R Polet
C Solomon
A Willis

Stella McCartney and Gucci Group each own 50% of the ordinary share capital of Stella McCartney Limited.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Political and charitable contributions

The company has been involved with various initiatives throughout 2008, the main event being "LIPA - Liverpool Performing Arts". These initiatives have resulted in charitable donations totalling £12,649, together with other product donations. This does not include any of Stella McCartney's personal charitable work.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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

Cheryl Solomon
Director



July 20 2009

Stella McCartney Limited

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Stella McCartney Limited

We have audited the financial statements (the "financial statements") of Stella McCartney Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. 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 auditor's 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

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgments 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.

**Independent auditors' report to the members of Stella McCartney Limited
(continued)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st December 2008 and of the company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

*Chartered Accountants
Registered Auditor*

20 July 2009

Stella McCartney Limited

Profit and loss account For year ended 31 December 2008

	Note	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Turnover	2	13,479,226	11,267,736
Cost of Sales		(1,180,202)	(1,254,890)
Gross Profit		12,299,024	10,012,846
Distribution and selling costs		-	-
Administrative Expenses		(10,198,056)	(8,726,029)
Other Operating Income		81,507	83,500
Operating profit	3	2,182,475	1,370,317
Interest receivable and similar income	6	87,264	80,592
Interest payable and similar charges	7	(431,356)	(369,924)
Profit on ordinary activities before taxation		1,838,383	1,080,985
Tax on profit on ordinary activities	8	(48,100)	(75,047)
Retained profit for the financial year	16	1,790,283	1,005,938

All results relate to continuing operations.

There are no recognised gains or losses other than those passing through the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

Stella McCartney Limited

Balance sheet At 31 December 2008

		31 December 2008	31 December 2007
	Note	£	£
Fixed assets			
Investments	9	24,510	24,510
Intangible assets	10	4,507,587	4,942,639
Tangible assets	11	1,549,882	1,758,321
		6,081,979	6,725,470
Current assets			
Stocks	12	450,158	648,969
Debtors	13	9,412,685	8,741,086
Cash at bank and in hand		1,843,498	1,896,896
		11,706,341	11,286,951
Creditors			
Amounts falling due within one year	14	(9,522,790)	(11,537,174)
Net current assets/(liabilities)		2,183,551	(250,223)
Net assets		8,265,530	6,475,247
Capital and reserves			
Called up share capital	15	201	201
Share premium account	16	20,842,998	20,842,998
Profit and loss account	16	(12,577,669)	(14,367,952)
Total equity shareholders' funds	16	8,265,530	6,475,247

These financial statements were approved by the Board of Directors on *July 20, 2009*
Signed on behalf of the Board of Directors

Cheryl Solomon



Director

Stella McCartney Limited

Cash flow statement For year ended 31 December 2008

	Year Ended 31 December 2008	Year Ended 31 December 2007
Note	£	£
Net cash inflow from operating activities	A 3,266,060	1,508,910
Returns on investments and servicing of finance		
Interest received	87,264	80,592
Interest paid	(226,823)	(340,281)
Net cash outflow from returns on investment and servicing of finance	(139,559)	(259,689)
Taxation	(25,821)	-
Capital expenditure		
Purchase of intangible assets	(19,408)	(56,438)
Purchase of tangible assets	(134,670)	(223,556)
Proceeds of sale of tangible assets	-	75,135
Net cash outflow from capital expenditure, taxation and financial investments	(179,899)	(204,859)
Net cash inflow before financing	2,946,602	1,044,362
Financing		
Loans received from group undertakings	-	2,000,000
Loans repaid to group undertakings	(3,000,000)	(3,100,000)
Net cash outflow from Financing	(3,000,000)	(1,100,000)
Decrease in cash in the year	B,C (53,398)	(55,638)

Stella McCartney Limited

Notes to the cash flow statement For year ended 31 December 2008

A. Reconciliation of operating profit to net cash inflow from operating activities

	Year Ended 31 December 2008	Year Ended 31 December 2007
	£	£
Operating profit	2,182,475	1,370,317
Loss on disposal of fixed assets	-	879
Depreciation charges	343,109	358,923
Amortisation	454,460	452,238
Increase in creditors	758,804	449,303
Decrease/(Increase) in stock	198,811	(148,344)
Increase in debtors	(671,599)	(974,406)
Net cash inflow from operating activities	3,266,060	1,508,910

B. Reconciliation of net cash flow to movement in net debt

	Year Ended 31 December 2008	Year Ended 31 December 2007
	£	£
Decrease in cash in year	(53,398)	(55,638)
Cash outflow from change in debt	3,000,000	1,100,000
Change in net debt resulting from cash flows	2,946,602	1,044,362
Opening net debt	(3,603,104)	(4,647,466)
Closing net debt	(656,502)	(3,603,104)

C. Analysis of net debt

	At 1 January 2008	Cashflow	At 31 December 2008
	£	£	£
Cash at bank and in hand	1,896,896	(53,398)	1,843,498
Debt due within 1 year (included within intercompany creditors - See note 14)	(5,500,000)	3,000,000	(2,500,000)
Net debt	(3,603,104)	2,946,602	(656,502)

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, and under the historical cost accounting rules.

Consolidation

As the company is consolidated within the accounts of Gucci Group NV, it has taken advantage of the exemption provided in s228 of the Companies Act 1985 not to prepare group accounts. Therefore, these financial statements present information about the company as an individual undertaking and not about its group.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, it is probable that the economic benefit will flow to the company and the amount of revenue can be measured reliably.

The turnover shown in the profit and loss account, with the exception of royalty income, represents the invoiced value of goods and services supplied, exclusive of value added tax and settlement discounts. Retail revenue is recognised at point of sale in store and royalties are recognised on an accruals basis when the terms of the royalty contract have been met.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation 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 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.

Intangible fixed assets

Trademarks are capitalised at cost and are amortised over their useful economic lives. The directors estimate these to be between five and twenty years.

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

1. Accounting policies (continued)

Tangible fixed assets

Fixed assets are stated at cost less depreciation and, when appropriate, provision for impairment. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	7% - 33% per annum
Fixtures and fittings	20% - 33% per annum
Computer equipment	20% per annum

Investments

Investments are stated at cost, less any provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Operating leases

Rentals paid under operating leases are charged as incurred over the lease term.

Pension scheme arrangements

The company contributes to employees' personal pension schemes. Contributions are charged to the profit and loss account in the period in which they are made.

Share based payments

Certain employees and Directors of the Company have been granted Gucci Group Share Appreciation Rights (SARs) by the parent company, which constitute cash-settled share based payments.

For cash-settled share based payment transactions, the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking into account the terms and conditions upon which the instruments were granted. The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account.

Long term incentive plans

In the past 3 years, certain executives of the Company were offered an annual bonus grant which is based on the achievement of financial targets by its parent Company, Gucci Group, over the course of the three year time frame.

The obligation of the Company over the term of this plan is estimated and its costs are spread over the length of the plan (3 years).

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

2. Turnover

Turnover and profit on ordinary activities before taxation are wholly attributable to the company's principal activity.

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Trading Activities with third parties	2,029,222	2,216,107
Trading Activities with Gucci Group undertakings	4,019	9,301
Royalties from third parties	3,935,198	1,512,195
Royalties from Gucci Group undertakings	7,510,787	7,530,133
	13,479,226	11,267,736

3. Operating profit

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Operating profit is stated after charging/(crediting):		
Depreciation charge for the year	343,109	358,923
Amortisation charge for the year	454,460	452,238
Auditors' remuneration:		
audit fees	11,894	9,864
Rental Income from Properties	(81,507)	(83,500)
Operating leases – other	538,049	491,578
(Gain)/Loss on foreign exchange transactions	(1,344,728)	37,791
Gain on foreign currency deposits	(338,677)	(17,217)

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

4. Information regarding directors and employees

Directors' emoluments

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Aggregate emoluments	1,484,423	930,495
Company Pension Contributions	50,000	28,100
	<hr/>	<hr/>
	1,534,423	958,595
	<hr/>	<hr/>

Only one Director received remuneration from the Company.

Average number of persons employed (including executive directors) during the year

	Year Ended 31 December 2008 No.	Year Ended 31 December 2007 No.
Design	16	12
Administration	25	20
	<hr/>	<hr/>
	41	32
	<hr/>	<hr/>

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

4. Information regarding directors and employees (continued)

Staff costs (including executive directors) during the year

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Wages and salaries	4,767,716	3,654,235
Long term incentive plan	116,402	512,052
Share based payments (see note 5):		
- Change in the net liability	(169,599)	473,598
- Foreign currency loss on cash settlement of early buy-back	-	6,817
Social security costs	508,100	296,698
Other pension costs	92,608	71,578
	<hr/>	<hr/>
	5,315,227	5,014,978
	<hr/>	<hr/>

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

5. Cash-settled share-based payment transactions

The Gucci Group grants certain Stella McCartney Limited directors and employees Share Appreciation Rights (SARs) which constitute cash-settled share-based plans.

The nature and principal characteristics of these plans are presented below:

SARS outstanding as at 01.01.08	10,000		
Weighted Average exercise price (in €/£)		43.08	41.03
SARS transferred in 2008	(2,400)		
Weighted Average exercise price (in €/£)		40.18	38.27
SARS exercised in 2008	Nil		
Weighted Average exercise price (in €/£)		n/a	n/a
SARS covered by early buyback program in 2008	Nil		
Weighted Average exercise price (in €/£)		n/a	n/a
SARS expired/forfeited in 2008	Nil		
Weighted Average exercise price (in €/£)		n/a	n/a
SARs outstanding as of 31.12.2008	7,600		
Weighted Average exercise price (in €/£)		44.00	41.91
SARs exercisable as of 31.12.2008	Nil		
Weighted Average exercise price (in €/£)		n/a	n/a

All SARs plans have a term of 10 years commencing on the grant date.

SARs transferred in 2008 represent a transfer of personnel and the corresponding liability from Stella McCartney Limited to another Group entity.

SARs vest at a rate of 20% per full year of employment, except on redundancy (excluding dismissal for gross negligence or misconduct) when all rights vest immediately. If an employee is dismissed for gross negligence or misconduct, all rights are lost.

The SAR exercise price is determined by applying price-earnings ratios for a basket of comparable companies to the results of the Gucci Group.

The weighted average exercise price of SARs outstanding as of 31 December 2008 range between €40.18 to €54.68 and the weighted average residual contractual term is 6.1 years (31 December 2007: 7.2 years).

The fair value of services rendered by beneficiaries is recalculated at each balance sheet date by an independent expert using an option valuation model, which is then adjusted for the time value of money.

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

5. Cash-settled share-based payment transactions (continued)

The fair value of the share appreciation rights at grant date is determined using a model such as the Black Scholes model with a trinomial algorithm. The model inputs included an expected volatility of 33%, and expected dividend of €4.00. The fair value of the liability is remeasured at each balance sheet date and at settlement date.

The intrinsic value of the remaining SARs at 31 December 2008 is nil (31 December 2007: nil).

Balance Sheet Analysis

	31 December 2008	31 December 2007
	£	£
B/fwd carrying value of liabilities	601,919	908,947
Cash settlement of early buy-back program	-	(780,626)
Movement in the liability	(169,599)	473,598
	<hr/>	<hr/>
Total carrying amount of liabilities	432,320	601,919
	<hr/>	<hr/>

The movement in the liability is recognised through the profit and loss account.

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

6. Interest receivable and similar income

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Bank interest receivable	87,264	74,139
Late payment interest receivable	-	6,453
	<hr/>	<hr/>
	87,264	80,592
	<hr/>	<hr/>

7. Interest payable and similar charges

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Interest payable to group companies	430,477	369,924
Other interest payable	879	-
	<hr/>	<hr/>
	431,356	369,924
	<hr/>	<hr/>

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

8. Tax on profit / loss on ordinary activities

(a) Analysis of tax charge for the year

Current tax	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
UK Corporation Tax at 28.5% (2007: 30%) on ordinary activities	48,100	49,227
Under provision in prior year corporation tax	-	25,820
	<hr/>	<hr/>
Total actual amount of current tax charge	48,100	75,047
	<hr/>	<hr/>

At 31 December 2008 there is an unprovided deferred tax asset as follows:

Deferred tax	31 December 2008 £	31 December 2007 £
Tax effect of timing differences due to:		
Tax losses carried forward	1,751,071	2,709,077
Accelerated capital allowances	304,906	95,027
	<hr/>	<hr/>
	2,055,977	2,804,104
	<hr/>	<hr/>

The amount has not been recognised in the financial statements on the basis that there is insufficient evidence that the asset will be recovered through future taxable profits. The above amounts are all tax amounts.

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

8. Tax on profit / loss on ordinary activities (continued)

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2007: lower) than that resulting from applying the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The difference is explained below:

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Profit on ordinary activities before taxation	1,838,383	1,080,985
Current tax charge		
Tax on profit on ordinary activities at standard rate of corporation tax in the UK of 28.5% (2007: 30%)	523,939	324,296
Effects of:		
Disallowed expenses	137,280	247,609
Temporary differences relating to fixed assets not recognised	97,786	(38,020)
Utilisation of tax losses previously not recognised	(710,905)	(458,838)
Total actual amount of current tax	<u>48,100</u>	<u>75,047</u>

9. Investments

	31 December 2008 £	31 December 2007 £
Cost and net book value at 31 December	<u>24,510</u>	<u>24,510</u>

The investment represents the cost of a 100% ordinary share capital holding in Stella McCartney France SAS, a company incorporated in France, and the cost of a 100% ordinary share capital holding in Stella McCartney America Inc., a company incorporated in the USA.

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

10. Intangible Fixed Assets

Cost	Trademarks
	£
At 1 January 2008	7,593,099
Additions	19,408
	<hr/>
At 31 December 2008	7,612,507
	<hr/>
Amortisation	
At 1 January 2008	2,650,460
Charge for the year	454,460
	<hr/>
At 31 December 2008	3,104,920
	<hr/>
Net book value	
At 31 December 2008	4,507,587
	<hr/>
At 31 December 2007	4,942,639
	<hr/>

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

11. Tangible Fixed Assets

Cost	Leasehold Improvements £	Fixtures and Fittings £	Computer Equipment £	Total £
At 1 January 2008	2,561,229	361,149	274,538	3,196,916
Additions	43,558	69,631	21,481	134,670
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	2,604,787	430,780	296,019	3,331,586
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At 1 January 2008	1,071,026	207,496	160,073	1,438,595
Disposals	-	-	-	-
Charge for the year	225,110	76,783	41,216	343,109
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	1,296,136	284,279	201,289	1,781,704
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2008	1,308,651	146,501	94,730	1,549,882
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	1,490,203	153,653	114,465	1,758,321
	<hr/>	<hr/>	<hr/>	<hr/>

12. Stocks

	31 December 2008 £	31 December 2007 £
Finished goods and goods for resale	450,158	648,969
	<hr/>	<hr/>

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

13. Debtors

	31 December 2008	31 December 2007
	£	£
Trade debtors	1,144,625	631,806
Amounts due from group undertakings	7,009,054	7,742,643
Other debtors	1,058,893	182,318
Prepayments	200,113	184,319
	<hr/>	<hr/>
	9,412,685	8,741,086
	<hr/>	<hr/>

14. Creditors

	31 December 2008	31 December 2007
	£	£
Trade creditors	444,337	326,999
Amounts owed to group undertakings	6,307,174	8,163,968
Other taxes and social security	282,109	182,936
Accruals and deferred income	2,489,170	2,863,271
Other creditors	-	-
	<hr/>	<hr/>
	9,522,790	11,537,174
	<hr/>	<hr/>

'Amounts owed to group undertakings' includes a £2.5m loan repayable in less than 1 year (31 December 2007 - £5.5m).

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

15. Called up share capital

	31 December 2008 £	31 December 2007 £
Authorised, called up, allotted and fully paid:		
100 'A' Ordinary shares of £1 each	100	100
100 'B' ordinary shares of £1 each	100	100
1 Preference share of £1 each	1	1
	<hr/>	<hr/>
	201	201
	<hr/>	<hr/>

The 'A' ordinary shares have no rights to dividends other than that recommended by the directors. The shares carry 50% of the voting rights of the company and have no preferential right to a return of capital on a winding up of the company.

The 'B' ordinary shares have no rights to dividends other than that recommended by the directors. The shares carry 50% of the voting rights of the company and have no preferential rights to a return of capital on a winding up of the company.

The issued preference share has no rights to a dividend, is non-voting and has no right to receive notice of or attend any general meeting of the company.

16. Combined reconciliation of movements in equity shareholders' funds and statement of movements on reserves

	Share Capital £	Share Premium Account £	Profit & Loss Account £	Total 31 December 2008 £	Total 31 December 2007 £
Opening equity - shareholders' funds	201	20,842,998	(14,367,952)	6,475,247	5,469,309
 Profit for the financial year	-	-	1,790,283	1,790,283	1,005,938
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Closing equity - shareholders' funds	201	20,842,998	(12,577,669)	8,265,530	6,475,247
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

17. Financial commitments

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as follows:

Land and buildings

	31 December 2008 £	31 December 2007 £
Expiring in 2 - 5 years	164,660	-
Expiring after five years	370,500	517,160
	<hr/>	<hr/>

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

18. Related party transactions

During the year transactions were entered into, in the ordinary course of business, with the following fellow Gucci group undertakings:

Gucci Group NV
Luxury Goods International S.A.
Stella.McCartney America Inc.
Stella McCartney France SAS
Stella McCartney Italia S.r.l
Gucci Group Services Limited
G.F. Services S.r.l.
YSL Beaute Limited (this entity ceased to be a group undertaking on 1st July 2008)
Guccio Gucci S.p.A.
GF Logistica S.p.A
Gucci Logistica S.p.A
Gucci (UK) Limited
Bottega Veneta UK Limited

	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
The nature and amounts of transactions are as follows:		
The company sold goods and recharged operating expenses totalling:		
At the year end the amount due was:	2,687,218	4,814,787
	1,290,191	3,030,127
The company made purchases and incurred operating expenses recharges totalling:		
At the year end the amount owed was:	6,605,852	6,810,219
	3,807,174	2,663,968
The company billed for royalty and other license-related income totalling:		
At the year end the amount due was:	7,510,787	7,530,133
	5,718,863	4,712,516
The company was provided with working capital loans of:		
The company repaid working capital loans of:	-	2,000,000
At the year end the amount owed was:	3,000,000	3,100,000
	2,500,000	5,500,000

Stella McCartney Limited

Notes to the accounts For year ended 31 December 2008

19. Ultimate holding company and controlling party

Gucci Group NV, a company incorporated in the Netherlands, is the immediate parent company and the smallest group to consolidate these financial statements. Consolidated accounts including the results of the company are available from Rembrandt Tower, 1 Amstelplein 1096, HA Amsterdam, The Netherlands.

PPR S.A., a company incorporated in France, is the ultimate parent undertaking and controlling entity and the largest group to consolidate these financial statements. Consolidated accounts including the results of the company are available from 10 Avenue Hoche, 75381, Paris Cedex 08.