Company Registration No. 4169969

Stella McCartney Limited

Report and Financial Statements

31 December 2007

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Stella McCartney Limited

Report and financial statements 2007

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Stella McCartney Limited

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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

The Directors present their annual report and the audited financial statements for the year ending 31 December 2007, together with an update of activity for the subsequent period to the date of the filing of the accounts

Principal activity

The profit and loss account for the year is included on page 9

The principal activity of the company is the strategic development of the Stella McCartney brand and also the operation of a UK retail business

Business Review

The Directors of Stella McCartney Limited are delighted with the continued progress that has been made with the Stella McCartney business during 2007 The Company recorded a significant increase in profits following last year's turn to profit This indicates the sustained strength of the brand in the worldwide arena which has been supported by the necessary investments required to sustain this luxury brand

In 2007 Stella McCartney Limited posted an operating profit of £1,370,317 (Net profit £1,005,938) which compares to a £395,000 operating profit in 2006 (Net Profit £180,678) and to the £1 2m operating loss in the 11 month period in 2005

Gucci Group and Stella McCartney herself, as ultimate shareholders of the business, have expressed their satisfaction with this year's result 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 legal entity within the worldwide Stella McCartney business that is responsible for the strategic development of the Stella McCartney brand worldwide 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) 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

The Stella McCartney brand and business was established in April 2001, with its first collection of ready-to-wear unveiled to the world's media and leading wholesale clients in October that year Since then, the Stella McCartney business has gone from strength to strength

The primary product focus of the Stella McCartney business continues to be on its successful core womens ready-to-wear collections Press coverage of these collections has been strong and positive with increasing momentum There has been continued investment in the development of its accessories collections with further brand leverage in related areas broadening the accessories portflio It is a key principle that existing and new product cateogories are congruent with the brand's principles to avoid use of leather and other animal products

The Company is also heavily focussed on the global market and has developed foundations with strategically important and attractive partnerships with the vision of strategic market development in key domains of the global luxury business The strength of the Stella McCartney brand name has ensured strong interest from a number of partners along with the formulation of the company's long term plans The Company has selected carefully amongst those that have demonstrated the capability to respect and promote the brand's identity and values while at the same time evincing the entrepreneurial spirit and talent necessary to develop a material worldwide business in conjunction with the Company

Directors' report (continued)

Key licence partnerships previously established have been very successful during 2007 demonstrating the strength of brand leverage across different product catorgories All licence partnerships are reviewed and monitored regularly

Given the structure of the Stella McCartney business and the Company within that, management do not consider it meaningful to discuss KPIs within the statutory accounts of Stella McCartney Limited other than those relating to turnover and profit included in the profit and loss accounts on page 9

Performance for the year

Following initial investments in the past necessary to properly launch and support an emerging brand in the worldwide arena, 2007 saw Stella McCartney Limited post an operating profit of £1,370,317, (£1,005,938 Net profit) which compares to a £395,000 operating profit in 2006 (£180,678 Net profit), and to the £1 2m operating loss posted in 2005 - significant growth year on year

This is the result of an increase in all revenue streams from 2006, in particular the royalty income highlighting the strength of the brand This reflects the growing success of the strategic partnerships put in place in the past few years

Directors note that this significant increase is in line with expectations and not unexpected It is the result of the clear strategy developed previously and the management focus in consistently pursuing it and executing the necessary actions

The Directors of Stella McCartney Limited are pleased with the progress that has been made with the Stella McCartney business during 2007 Although the significant growth in profit is of no surprise, it is particularly pleasing to realise the benefits of passed investment that were required to adequately launch the brand The key focus for the directors will be on sustaining the success in line with the strategic plan Gucci Group and Stella McCartney herself, as ultimate shareholders of the business, have expressed their satisfaction with this result 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

People

A special mention on behalf of the company staff for their continuous hard work and dedication The Directors acknowledge that the achievement of such results would not be possible without the energy and positive attitudes that are demonstrated throughout the Company

Risks

The principal risk to the business remains the unpredictable market conditions as a fashion and lifestyle company every new season confronts Stella McCartney with the risk that the new collections may be received less positively than anticipated Constant market observation and regular attendance at international fashion events ensure that trends are identified early on to serve as a basis for the collection development

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

In view of the current macro economic environment which is likely to affect our customers propensity to spend management feels there are significant opportunities to increase performance through continued leverage of the existing assets of people, brand, products, range, clients, taking into account the risks mentioned above

Press enquiries should be directed to Stephane Jaspar at 0207-518-3111 or sjaspar@stellamccartney com

Directors' report (continued)

Results and dividends

The results for the year are set out ın the profit and loss account on page 9 The dırectors do not recommend the payment of a dıvıdend (31 December 2006 - £nıl)

Directors and their interests

The dırectors of the company durıng the perıod ended 31 December 2007 were as follows

A Babeau
J McArthur (Resıgned 11 May 2007)
S McCartney
H Newman
R Polet
C Solomon (Appoınted 7 June 2007)
A Wıllıs

None of the dırectors held any ınterest ın the ordınary share capıtal of the company or any other UK group company durıng the perıod wıth the exceptıon noted below

	'A' ordınary shares of £1 each	
	31 December 2007	**31 December 2006**
S McCartney	100	100

Stella McCartney and Guccı Group each own 50% of the ordınary share capıtal of Stella McCartney Lımıted

Disclosure of information to auditors

The dırectors who held office at the date of approval of thıs dırectors' report confirm that, so far as they are each aware, there ıs no relevant audıt ınformatıon of whıch the Company's audıtors are unaware, and each dırector has taken all the steps that he/she ought to have taken as a dırector to make hımself/herself aware of any relevant audıt ınformatıon and to establısh that the company's audıtors are aware of that ınformatıon

Political and charitable contributions

The company ıs ınvolved on varıous ınıtıatıves whıch have resulted ın charıtable contrıbutıons, ın partıcular "Marıne Connectıons" ın 2007, and product donatıons Thıs does not ınclude any of Stella McCartney's personal charıty work endeavours

Stella McCartney Limited

Directors' report (continued)

Auditors

KPMG LLP were appointed as auditors of the Company during the year to replace KPMG Audit Plc The Company has passed an elective resolution dispensing with the obligation to appoint auditors annually, and accordingly KPMG LLP shall remain in office until the Company or KPMG LLP otherwise determine

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

C Solomon
Director
July 9 2008

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 company 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 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 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 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 a 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 2007 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 6

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 2007 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

9 JULY 2008

Chartered Accountants

Registered Auditor

LONDON

Stella McCartney Limited

Profit and loss account
For year ended 31 December 2007

	Note	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
Turnover	2	**11,267,736**	**9,122,502**
Cost of Sales		(1,254,890)	(1,111,576)
Gross Profit		**10,012,846**	**8,010,926**
Administrative Expenses		(8,726,029)	(7,685,293)
Other Operating Income		83,500	69,312
Operating profit	3	**1,370,317**	**394,945**
Interest receivable and similar income	6	80,592	26,537
Interest payable and similar charges	7	(369,924)	(240,804)
Profit on ordinary activities before taxation		**1,080,985**	**180,678**
Tax on profit on ordinary activities	8	(75,047)	-
Retained profit for the financial year	16	**1,005,938**	**180,678**

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 2007

	Note	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
Fixed assets			
Intangible assets	9	4,942,639	5,338,439
Tangible assets	10	1,758,321	1,969,702
Investments	11	24,510	24,510
		6,725,470	**7,332,651**
Current assets			
Stocks	12	648,969	500,625
Debtors	13	8,741,086	7,766,680
Cash at bank and in hand		1,896,896	1,952,534
		11,286,951	**10,219,839**
Creditors: amounts falling due within one year	14	**(11,537,174)**	**(12,083,181)**
Net current liabilities		**(250,223)**	**(1,863,342)**
Total assets less current liabilities		**6,475,247**	**5,469,309**
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	(14,367,952)	(15,373,890)
Total equity shareholders' funds	16	**6,475,247**	**5,469,309**

These financial statements were approved by the Board of Directors on July 9, 2008

Signed on behalf of the Board of Directors

C Solomon
Director

Stella McCartney Limited

Cash flow statement
For year ended 31 December 2007

	Note	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
Net cash inflow/outflow from operating activities	A	1,508,910	(4,480,445)
Returns on investments and servicing of finance			
Interest received		80,592	26,537
Interest paid		(340,281)	(105,860)
Net cash outflow from returns on investment and servicing of finance		(259,689)	(79,323)
Capital expenditure			
Purchase of intangible assets		(56,438)	(79,598)
Purchase of tangible assets		(148,421)	(273,651)
Net cash outflow from capital expenditure and financial investments		(204,859)	(353,249)
Net cash inflow/(outflow) before financing		1,044,362	(4,913,017)
Financing			
Loans received from group undertakings		2,000,000	6,600,000
Loans repaid to group undertakings		(3,100,000)	-
Net cash (outflow)/inflow from Financing		(1,100,000)	6,600,000
(Decrease)/Increase in cash in the year/period	B,C	(55,638)	1,686,983

Stella McCartney Limited

Notes to the cash flow statement
For year ended 31 December 2007

A. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
Operating profit	1,370,317	394,945
Loss on disposal of fixed assets	879	5,941
Depreciation charges	358,923	349,423
Amortisation	452,238	415,169
Increase/(Decrease) in creditors	449,303	(3,028,758)
Increase in stock	(148,344)	(97,507)
Increase in debtors	(974,406)	(2,519,658)
Net cash inflow/(outflow) from operating activities	1,508,910	(4,480,445)

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

	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
(Decrease)/Increase in cash in year	(55,638)	1,686,983
Cash outflow/(inflow) from change in debt	1,100,000	(6,600,000)
Change in net funds/(debt) resulting from cash flows	1,044,362	(4,913,017)
Opening net (debt)/funds	(4,647,466)	265,551
Closing net debt	(3,603,104)	(4,647,466)

C. Analysis of net debt

	At 1 January 2007 £	Cashflow £	At 31 December 2007 £
Cash at bank and in hand	1,952,534	(55,638)	1,896,896
Debt due within 1 year (included within intercompany creditors – See note 14)	(6,600,000)	1,100,000	(5,500,000)
Net debt	(4,647,466)	1,044,362	(3,603,104)

Notes to the accounts
For year ended 31 December 2007

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

Turnover

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, royalties are recognised when receivable

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

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

Notes to the accounts
For year ended 31 December 2007

1. Accounting policies (continued)

Stocks

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

Operating leases

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

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

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

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 2007, 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 a 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 2007

2. Turnover

Turnover and profit on ordinary activities before taxation are wholly attributable to the company's principal activity and arises in the United Kingdom

	Year Ended 31 December 2007	Year Ended 31 December 2006
	£	£
Trading Activities with third parties	2,216,107	2,093,892
Trading Activities with Gucci Group undertakings	9,301	-
Royalties from third parties	1,512,195	1,245,540
Royalties from Gucci Group undertakings	7,530,133	5,783,070
	11,267,736	9,122,502

3. Operating profit

	Year Ended 31 December 2007	Year Ended 31 December 2006
Operating profit is stated after charging/(crediting)	£	£
Depreciation charge for the year	358,923	349,423
Amortisation charge for the year	452,238	415,169
Auditors' remuneration		
audit fees	9,864	7,970
Operating leases – other	491,578	490,811
Loss on disposal of fixed assets	879	5,941
Loss on foreign exchange transactions	37,791	83,504
(Gain)/Loss on foreign currency deposits	(17,217)	12,715

4. Information regarding directors and employees

	Year Ended 31 December 2007	Year Ended 31 December 2006
Directors' emoluments	£	£
Aggregate emoluments	930,495	743,456
Company Pension Contributions	28,100	208,813
	958,595	952,269

Only one Director received remuneration from the Company

Retirement benefits are accruing to one Director under a money purchase scheme

Stella McCartney Limited

Notes to the accounts
For year ended 31 December 2007

4. Information regarding directors and employees (continued)

Average number of persons employed (including executive directors) during the year:	**Year Ended 31 December 2007 No.**	**Year Ended 31 December 2006 No.**
Design	12	7
Administration	20	21
	32	28

Staff costs (including executive directors) during the year

	Year Ended 31 December 2007 £	**Year Ended 31 December 2006 £**
Wages and salaries	3,654,235	3,028,556
Long term incentive plan	512,052	194,394
Share based payments (see note 5)		
- Buy-back program	-	780,626
- Change in the net liability	473,598	(103,225)
- Foreign currency loss on cash settlement of early buy-back prograr	6,817	-
Social security costs	296,698	259,306
Other pension costs	71,578	259,516
	5,014,978	4,419,173

Notes to the accounts
For year ended 31 December 2007

5. Cash-settled share-based payment transactions

The Gucci Group grants certain Stella McCartney Ltd directors and employees Share Appreciation Rights (SARs) which constitute cash-settled share-based plans In addition, the Gucci Group has committed to an early buy back programme of SARs

The nature and principal characteristics of these plans are presented below

Plans for SARs

SARS outstanding as at 01 01 07	6,600		
Weighted Average exercise price (in €/£)		*41 50*	*27 86*
SARS transferred in 2007	3,400		
Weighted Average exercise price (in €/£)		*46 15*	*33 85*
SARS exercised in 2007	Nil		
Weighted Average exercise price (in €/£)		*N/A*	*N/A*
SARS covered by the early buyback program in 2007	Nil		
Weighted Average exercise price (in €/£)		*N/A*	*N/A*
SARS expired/forfeited in 2007	Nil		
Weighted Average exercise price (in €/£)		*N/A*	*N/A*
SARs outstanding as of 31 12 2007	10,000		
Weighted Average exercise price (in €/£)		*43 08*	*31 60*
SARs exercisable as of 31 12 2007	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 2007 represent a transfer of personnel and the corresponding liability from another Group entity to Stella McCartney Limited

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 2007 range between €40 18 to €54 68 and the weighted average residual contractual term is 7 2 years (31 December 2006 8 3 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

Notes to the accounts
For year ended 31 December 2007

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 28%, and expected dividends of between €3 30 and €4 50 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 2007 is nil

Balance Sheet Analysis

	31 December 2007 £	31 December 2006 £
B/fwd carrying value of liabilities	908,947	231,546
Provision for early buy-back program	-	780,626
Cash settlement of early buy-back program	(780,626)	-
Movement in the liability	473,598	(103,225)
Total carrying amount of liabilities	601,919	908,947

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

6 Interest receivable and similar income

	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
Bank interest receivable	74,139	26,537
Late payment interest receivable	6,453	-
	80,592	26,537

7. Interest payable and similar charges

	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
Interest payable to group companies	369,924	240,804

Notes to the accounts
For year ended 31 December 2007

8. Tax on profit on ordinary activities

(a) Analysis of tax charge for the year

Current tax	**Year Ended 31 December 2007**	**Year Ended 31 December 2006**
	£	**£**
UK Corporation Tax at 30% on Other Income	49,227	-
Under provision in prior year corporation tax	25,820	-
Total actual amount of current tax charge	75,047	-

At 31 December 2007, there is an unprovided deferred tax asset as follows

Deferred tax	**Year Ended 31 December 2007**	**Year Ended 31 December 2006**
	£	**£**
Tax effect of timing differences due to		
Tax losses carried forward	2,709,077	3,675,763
Accelerated capital allowances	95,027	79,351
	2,804,104	3,755,114

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

Notes to the accounts
For year ended 31 December 2007

8. Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 30% (31 December 2006 - 30%) The differences are explained below

	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
Profit on ordinary activities before taxation	1,080,985	180,678
Current tax charge		
Tax on profit on ordinary activities at standard rate of corporation tax in the UK	324,296	54,203
Effects of		
Disallowed expenses	310,609	105,322
Temporary differences relating to fixed assets not recognised	(38,020)	(40,254)
Previously disallowed pension costs	(63,000)	-
Utilisation of tax losses previously not recognised	(458,838)	(119,271)
Total actual amount of current tax	75,047	0

9. Intangible Fixed Assets

	Trademarks £
Cost	
At 1 January 2007	7,536,661
Additions	56,438
At 31 December 2007	7,593,099
Amortisation	
At 1 January 2007	2,198,222
Charge for the period	452,238
At 31 December 2007	2,650,460
Net book value	
At 31 December 2007	4,942,639
At 31 December 2006	5,338,439

Notes to the accounts
For year ended 31 December 2007

10. Tangible fixed assets

	Leasehold Improvements	Fixtures and Fittings	Computer Equipment	Total
Cost	£	£	£	£
At 1 January 2007	2,409,409	407,812	232,504	3,049,725
Additions	153,050	28,472	42,034	223,556
Disposals	(1,230)	(75,135)	-	(76,365)
At 31 December 2007	2,561,229	361,149	274,538	3,196,916
Accumulated depreciation				
At 1 January 2007	836,682	122,424	120,917	1,080,023
Disposals	(351)	-	-	(351)
Charge for the period	234,695	85,072	39,156	358,923
At 31 December 2007	1,071,026	207,496	160,073	1,438,595
Net book value				
At 31 December 2007	1,490,203	153,653	114,465	1,758,321
At 31 December 2006	1,572,727	285,388	111,587	1,969,702

11. Investments

	Year Ended 31 December 2007	Year Ended 31 December 2006
	£	£
Cost and net book value at 31 December	24,510	24,510

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

Notes to the accounts
For year ended 31 December 2007

12. Stocks

	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
Finished goods and goods for resale	648,969	500,625

13. Debtors

	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
Trade debtors	631,806	62,670
Amounts due from group undertakings	7,742,643	7,334,536
Other debtors	182,318	217,540
Prepayments	184,319	151,934
	8,741,086	7,766,680

14. Creditors: amounts falling due within one year

	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
Trade creditors	326,999	159,969
Amounts owed to group undertakings	8,163,968	8,831,843
Other taxes and social security	182,936	75,889
Accruals and deferred income	2,863,271	3,015,480
	11,537,174	12,083,181

'Amounts owed to group undertakings' includes a £5 5m loan repayable in less than 1 year (31 December 2006 - £6 6m)

Notes to the accounts
For year ended 31 December 2007

15. Called up share capital

	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
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
	201	201

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 Year Ended 31 December 2007 £	Total Year Ended 31 December 2006 £
Opening equity - shareholders' funds	201	20,842,998	(15,373,890)	5,469,309	5,288,631
Profit for the financial year			1,005,938	1,005,938	180,678
Closing equity - shareholders' funds	201	20,842,998	(14,367,952)	6,475,247	5,469,309

The directors have reconsidered the classification of the Other Reserves and have included the former Other Reserves as Share Premium

Notes to the accounts
For year ended 31 December 2007

17. Financial commitments

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
Expiring after five years	517,160	490,500

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
Gucci Group Services Limited
G F Services S r l
YSL Beaute Ltd
SMC Parfums
Guccio Gucci S p A
GF Logistica S p A
Gucci Logistica S p A
Gucci (UK) Limited

The nature and amounts of transactions are as follows	Year Ended 31 December 2007 £	Year Ended 31 December 2006 £
The company recharged operating expenses totalling	4,814,787	3,557,096
At the year end the amount due was	3,030,127	3,341,922
The company made purchases and incurred operating expenses recharges totalling	6,810,219	5,322,828
At the year end the amount owed was	2,663,968	2,330,428
The company billed for royalty and other license-related income totalling	7,530,133	5,783,070
At the year end the amount due was	4,712,516	3,992,614
The company was provided with working capital loans of	2,000,000	6,600,000
The company repaid working capital loans of	3,100,000	-
At the year end the amount owed was	5,500,000	6,600,000

Notes to the accounts
For year ended 31 December 2007

19. Ultimate holding company and controlling party

The ımmedıate parent company was Guccı Group NV, a company ıncorporated ın the Netherlands

The ultımate parent company and controllıng entıty was PPR S A , a company ıncorporated ın France

PPR S A ıs the parent undertakıng of the smallest and largest group to consolıdate these financıal statements Consolıdated accounts ıncludıng the results of the company are avaılable from 10 Avenue Hoche, 75381, Parıs Cedex 08

20. Subsequent event

The UK corporatıon tax rate wıll be reduced from 30% to 28% from 1 Aprıl 2008 Thıs change ıs not expected to have a materıal effect on the company