

# Fashoff UK Limited

Company Registration No. 3405119 (England and Wales)

## Directors' report and financial statements

For the year ended 31 December 2004



# FASHOFF UK LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	A Indaimo A Tomasetti (Appointed 1 April 2004) L Martignoni (Appointed 1 October 2004)
<b>Secretary</b>	Temple Secretarial Limited
<b>Company number</b>	3405119
<b>Registered office</b>	16 Old Bailey London EC4M 7EG
<b>Auditors</b>	Mazars LLP Times House Throwley Way Sutton Surrey SM1 4JQ
<b>Business address</b>	28/29 Conduit Street London W1S 2YB
<b>Bankers</b>	National Westminster Bank plc 180 Brompton Road Knightsbridge London SW3 1HL

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# FASHOFF UK LIMITED

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# FASHOFF UK LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the year ended 31 December 2004.

### Principal activities and review of the business

The principal activity of the company continued to be that of retail and wholesale of fashion garments.

The directors consider the level of business and year end financial position to be satisfactory.

### Results and dividends

The results for the year are set out on page 4.

The directors do not propose payment of a dividend (2003: Nil).

### Directors

The following directors have held office since 1 January 2004:

M Gobbetti	(Resigned 31 March 2004)
A Indaimo	
N Friso	(Resigned 30 September 2004)
A Tomasetti	(Appointed 1 April 2004)
L Martignoni	(Appointed 1 October 2004)

### Directors' interests

	Ordinary shares of £1 each	
	31 December 2004	1 January 2004
A Indaimo	-	-
A Tomasetti	-	-
L Martignoni	-	-

The interests of the directors in the shares of the ultimate parent company are publicly available from AEFPE spa, Via Delle Querce 51, 47842 S. Giovanni in Marignano (Rimini), Italy.

Charitable donations	2004	2003
	£	£
During the year the company made the following payments:		
Charitable donations	300	-

### Auditors

Mazars LLP were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

# FASHOFF UK LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

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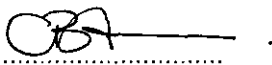
### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

  
.....

**For and on behalf of Temple Secretarial Limited**  
COMPANY SECRETARY

.....  
19 May 2005

# FASHOFF UK LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FASHOFF UK LIMITED

We have audited the financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared under the historical cost convention and 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 the directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

### Basis of audit 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars LLP

Mazars LLP

Chartered Accountants  
and Registered Auditors

27 May 2005

Times House  
Throwley Way  
Sutton, SM1 4JQ

# FASHOFF UK LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

		2004	2003 as restated (note 1.10)
	Notes	£	£
Turnover	2	2,487,644	2,196,786
Cost of sales		(745,341)	(977,414)
<b>Gross profit</b>		<b>1,742,303</b>	<b>1,219,372</b>
Distribution costs		(400,068)	(461,108)
Administrative expenses		(1,334,250)	(1,361,989)
Other operating income		-	46,070
<b>Operating profit/(loss)</b>	<b>3</b>	<b>7,985</b>	<b>(557,655)</b>
Waiver of debt from parent company		-	550,000
<b>Profit/(loss) on ordinary activities before interest</b>		<b>7,985</b>	<b>(7,655)</b>
Other interest receivable and similar income		2,468	1,458
Interest payable and similar charges	4	(32,219)	-
<b>Loss on ordinary activities before taxation</b>		<b>(21,766)</b>	<b>(6,197)</b>
Tax on loss on ordinary activities	5	12,935	-
<b>Loss on ordinary activities after taxation</b>	<b>13</b>	<b>(8,831)</b>	<b>(6,197)</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

# FASHOFF UK LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2004

		2004		2003 as restated (note 1.10)	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	6		819,945		863,595
Investments	7		100		100
			<u>820,045</u>		<u>863,695</u>
<b>Current assets</b>					
Stocks	8	215,145		143,681	
Debtors	9	1,175,597		1,117,001	
Cash at bank and in hand		90,490		7,281	
		<u>1,481,232</u>		<u>1,267,963</u>	
<b>Creditors: amounts falling due within one year</b>	10	(948,165)		(1,138,981)	
<b>Net current assets</b>			<u>533,067</u>		<u>128,982</u>
<b>Total assets less current liabilities</b>			<u>1,353,112</u>		<u>992,677</u>
<b>Creditors: amounts falling due after more than one year</b>	11	(1,424,861)		(1,055,595)	
		<u>(71,749)</u>		<u>(62,918)</u>	
<b>Capital and reserves</b>					
Called up share capital	12	1,550,000		1,550,000	
Profit and loss account	13	(1,621,749)		(1,612,918)	
<b>Shareholders' funds - equity interests</b>	14	<u>(71,749)</u>		<u>(62,918)</u>	

The financial statements were approved by the Board on 20 April 2005

Director



# FASHOFF UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis on the basis that the parent company has indicated its on-going support for the company for at least twelve months following the date of approval. The parent company will not seek settlement of the loan until such time as the company is in a position to repay the loan.

#### 1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. In accordance with the clauses contained in the company's agency contracts, wholesale commissions are recognised as earned once orders have been confirmed as opposed to delivery of goods.

#### 1.3 Patents

Trademarks are valued at cost less accumulated amortisation. Amortisation is provided at rates calculated to write off the cost in equal annual instalments over their estimated useful lives which the directors consider to be 10 years.

#### 1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Long life leasehold improvements	Over the period of the lease on a straight line basis
Short life leasehold improvements	20% straight line
Plant and machinery	25% straight line
Fixtures, fittings & equipment	25% straight line

#### 1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 1.7 Stock

Stock is valued at the lower of cost and net realisable value.

#### 1.8 Deferred taxation

Deferred tax is provided in respect of all timing differences that have originated but not been reversed by the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised to the extent that it is considered more likely than not that they will be recovered. Deferred tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. The company does not discount deferred tax assets and liabilities.

# FASHOFF UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

### 1 Accounting policies (continued)

#### 1.9 Foreign currency translation

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

#### 1.10 Restatement of comparatives

In 2003 £550,000 of loans owed to the parent company were capitalised as a capital contribution, and included within capital and reserves. In 2004 this transaction has been reclassified as a waiver of debt. The impact on the profit and loss account is to reduce the retained loss for 2003 of £556,197 to a revised loss for the year of £6,197. The £550,000 previously disclosed separately as a capital contribution has been included in profit and loss reserves - see note 13.

The directors have also reviewed and amended the classification of certain related party debtor and creditor balances. Further details of these reclassifications are included in note 9 and note 10. There was no impact on the profit and loss account in this regard.

### 2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit/(loss)	2004 £	2003 £
Operating profit/(loss) is stated after charging:		
Amortisation of intangible assets	-	2,500
Depreciation of tangible assets	69,899	72,124
Loss on foreign exchange transactions	33,286	-
Operating lease rentals	359,050	384,750
Auditors' remuneration	5,000	21,000
Remuneration of auditors for non-audit work	-	22,000
and after crediting:		
Profit on disposal of intangible assets	-	(20,000)

4 Interest payable	2004 £	2003 £
On bank loans and overdrafts	32,219	-

# FASHOFF UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

5	Taxation	2004	2003 as restated (note 1.10)
		£	£
	<b>Domestic current year tax</b>		
	Adjustment for prior years	(12,935)	-
	<b>Current tax charge</b>	<u>(12,935)</u>	<u>-</u>
	<b>Factors affecting the tax charge for the year</b>		
	Loss on ordinary activities before taxation	<u>(21,766)</u>	<u>(6,197)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2003: 19.00%)	<u>(4,136)</u>	<u>(1,177)</u>
	Effects of:		
	Non deductible expenses	10,414	3,990
	Depreciation add back	18,045	(3,357)
	Tax losses utilised	(1,248)	-
	Losses available to be carried forward	-	99,068
	Adjustments to previous periods	(12,935)	-
	Waiver of debt	-	(104,500)
	Other tax adjustments	<u>(23,075)</u>	<u>5,976</u>
		<u>(8,799)</u>	<u>1,177</u>
	<b>Current tax charge</b>	<u>(12,935)</u>	<u>-</u>

The company has estimated losses of £ 1,728,547 (2003: £ 1,740,695) available to carry forward against future trading profits.

There is an unrecognised deferred tax asset as detailed below. The deferred tax asset has not been recognised in the financial statements on the basis the company continues to make operating losses.

	2004	2003
	£	£
Excess of capital allowances over depreciation	(1,060)	(19,105)
Losses	<u>329,484</u>	<u>330,732</u>
	<u>328,424</u>	<u>311,627</u>

# FASHOFF UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

### 6 Tangible fixed assets

	Short life leasehold improvements £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>				
At 1 January 2004	1,156,956	173,181	550,996	1,881,133
Additions	8,994	3,139	14,116	26,249
	<u>1,165,950</u>	<u>176,320</u>	<u>565,112</u>	<u>1,907,382</u>
<b>Depreciation</b>				
At 1 January 2004	303,744	166,100	547,694	1,017,538
Charge for the year	65,381	3,026	1,492	69,899
	<u>369,125</u>	<u>169,126</u>	<u>549,186</u>	<u>1,087,437</u>
<b>Net book value</b>				
At 31 December 2004	<u>796,825</u>	<u>7,194</u>	<u>15,926</u>	<u>819,945</u>
At 31 December 2003	<u>853,212</u>	<u>7,081</u>	<u>3,302</u>	<u>863,595</u>

# FASHOFF UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

### 7 Fixed asset investments

	Shares in subsidiary undertakings £
<b>Cost</b>	
At 1 January 2004 & at 31 December 2004	<u>100</u>

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
<b>Subsidiary undertakings</b>			
Moschino UK Limited	England and Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2004 £	Profit for the year 2004 £
Moschino UK Limited	<u>1</u>	<u>-</u>

8 Stocks	2004 £	2003 £
Finished goods and goods for resale	<u>215,145</u>	<u>143,681</u>

# FASHOFF UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

9 Debtors	2004	2003 (as restated)
	£	£
Trade debtors	107,928	252,166
Amounts owed by parent and fellow subsidiary undertakings	405,935	10,367
Other debtors	20,054	24,889
Prepayments and accrued income	641,680	829,579
	<u>1,175,597</u>	<u>1,117,001</u>

A change in disclosure has been made to the prior year figures. £134,710 that was previously included within 'Amounts owed by parent and fellow subsidiary undertakings' has been disclosed as 'Trade debtors', as this balance relates to Sportswear International S.p.a., a related party rather than a group company. See also note 18.

10 Creditors: amounts falling due within one year	2004	2003 (as restated)
	£	£
Bank loans and overdrafts	205,269	275,300
Trade creditors	312,341	388,745
Amounts owed to parent and fellow subsidiary undertakings	281,505	272,934
Corporation tax	-	16,000
Other taxes and social security costs	40,771	89,748
Other creditors	3,543	-
Accruals and deferred income	104,736	96,254
	<u>948,165</u>	<u>1,138,981</u>

A change in disclosure has been made to the prior year figures. £272,934 that was previously included within 'Trade creditors' has been reclassified as 'Amounts owed to parent and fellow subsidiary undertakings' as this balance represents amounts owed to group companies.

# FASHOFF UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

11 Creditors: amounts falling due after more than one year	2004 £	2003 £
Loans due to parent company	<u>1,424,861</u>	<u>1,055,595</u>
<b>Analysis of loans</b>		
Wholly repayable within five years	<u>1,424,861</u>	<u>1,055,595</u>
<b>Loan maturity analysis</b>		
In more than two years but not more than five years	<u>1,424,861</u>	<u>1,055,595</u>
Loans due to the parent company are interest free. No repayment date has been set but the parent company has confirmed that the balance will not be recalled within the twelve months following the date of signing of the financial statements.		
12 Share capital	2004 £	2003 £
<b>Authorised</b>		
2,000,000 Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>
<b>Allotted, called up and fully paid</b>		
1,550,000 Ordinary shares of £1 each	<u>1,550,000</u>	<u>1,550,000</u>
13 Statement of movements on profit and loss account	Profit and loss account £	
Balance at 1 January 2004 as previously reported	(2,162,918)	
Restatement of capital contribution as waiver of debt (see note 1.10)	<u>550,000</u>	
Balance at 1 January 2004 as restated	(1,612,918)	
Retained loss for the year	<u>(8,831)</u>	
Balance at 31 December 2004	<u>(1,621,749)</u>	

# FASHOFF UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

14 Reconciliation of movements in shareholders' funds	2004 £	2003 £
Loss for the financial year	(8,831)	(6,197)
Opening shareholders' funds	(62,918)	(56,721)
Closing shareholders' funds	<u>(71,749)</u>	<u>(62,918)</u>

### 15 Financial commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2004 £	2003 £
Expiry date: In over five years	<u>370,000</u>	<u>404,770</u>

### 16 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was:

	2004 Number	2003 Number
Retail sales	4	7
Wholesale sales	6	5
Management and administration	5	6
Directors	4	3
	<u>19</u>	<u>21</u>

#### Employment costs

	£	£
Wages and salaries	428,990	854,543
Social security costs	84,306	51,706
	<u>513,296</u>	<u>906,249</u>



# FASHOFF UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

### 17 Control

The immediate parent company is Moschino S.p.a., a company registered in Italy. The directors consider the ultimate parent company to be AEF FE S.p.a., a company registered in Italy.

### 18 Related party transactions

The company is a more than 90% subsidiary of its immediate parent company, Moschino S.p.a. The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies, of which Moschino S.p.a. is the head company, on the grounds that consolidated financial statements are prepared by the immediate parent company.

Moschino S.p.a. is jointly owned by AEF FE S.p.a. (70%) and SIN V S.p.a. (30%). The following related party transactions, which do not qualify for exemption from disclosure under the terms of Financial Reporting Standard 8, were made during the year with entities that were members of groups of which either AEF FE S.p.a. or SIN V S.p.a. are the ultimate parent company.

	<b>Sales</b>	<b>Costs</b>	<b>Debtors</b>	<b>Creditors</b>
	<b>2004</b>	<b>2004</b>	<b>2004</b>	<b>2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
AEF FE S.p.a.	543,233	312,253	122,208	199,537
AEF FE Retail S.p.a.	-	547	-	547
AEF FE UK Limited	-	398	-	398
Pollini S.p.a.	73,908	75,026	56,538	72,913
Sportswear International S.p.a.	439,283	113,329	-	14,005