

Registered number 3645629

**DONNA KARAN COMPANY STORES UK RETAIL LTD**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31 December 2007**

WEDNESDAY



\*ASKNK4DA\*  
A32 29/10/2008 94  
COMPANIES HOUSE

---

---

**DONNA KARAN COMPANY STORES UK RETAIL LTD**

---

**COMPANY INFORMATION**

---

**DIRECTORS**

P Kalberer  
J M Aronsson (resigned 05/01/2007)  
M Weber (appointed 06/01/2007)

**SECRETARY**

L E Usdan

**COMPANY NUMBER**

3645629

**REGISTERED OFFICE**

20-22 Bedford Row  
London  
WC1R 4JS

---

---

---

**DONNA KARAN COMPANY STORES UK RETAIL LTD**

---

---

**CONTENTS**

---

	Page
<b>Directors' report</b>	1 - 2
<b>Independent auditors' report</b>	3 - 4
<b>Profit and loss account</b>	5
<b>Balance sheet</b>	6
<b>Notes to the financial statements</b>	7 - 12

---

## **DONNA KARAN COMPANY STORES UK RETAIL LTD**

---

### **DIRECTORS' REPORT for the year ended 31 December 2007**

---

The directors present their report and the financial statements for the year ended 31 December 2007

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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,
- 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 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.

#### **PRINCIPAL ACTIVITIES**

The principal activity of the company during the year was the retail sale of high quality clothing and accessories.

The directors recognise that there was still a loss for the year, but they are satisfied that in the context of the group as a whole, the results were satisfactory.

#### **BUSINESS REVIEW**

Turnover has increased slightly during the current year, due to the buoyant market conditions and the continued strength of the brand. The lines marketed were considered to be the best for some years, resulting in improved sales. The company has continued to make losses during the current year but is thought to make a valued contribution to the status of its ultimate parent undertaking.

The directors consider the Key Performance Indicators of the company to consist of Gross Profit Percentage and Turnover per Employee.

Gross Profit Percentage - is calculated by comparing gross profit against turnover. This ratio reveals how much the company earns taking into consideration the direct costs it incurs for manufacturing its products. It is an indication of how profitable the company is at its most fundamental level.

Turnover per Employee - is calculated by dividing the year's turnover by the average number of staff employed during the year. This ratio is a measure of the productivity of the company, both in terms of investment in staff and the machinery utilised in the production process.

---

**DONNA KARAN COMPANY STORES UK RETAIL LTD**

---

**DIRECTORS' REPORT**  
**for the year ended 31 December 2007**

---

	2007	2006
Gross Profit Percentage	50%	48%
Turnover per Employee	£93,000	£90,000

All data utilised in the calculation of these ratios is derived from these financial statements

**RISKS AND UNCERTAINTIES**

Any business faces a number of risks and these are reviewed thoroughly and regularly by the Board as part of its ongoing corporate governance procedures. This review considers only the principal risks and uncertainties.

**RESULTS**

The loss for the year, after taxation, amounted to £651,100 (2006 - loss £1,899,372)

**DIRECTORS**

The directors who served during the year were

P Kalberer  
J M Aronsson (resigned 05/01/2007)  
M Weber (appointed 06/01/2007)

**PROVISION OF INFORMATION TO AUDITORS**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

**AUDITORS**

The auditors, Horwath Clark Whitehill LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985

This report was approved by the board on 10/20/2008 and signed on its behalf



P Kalberer  
Director

---

---

## **DONNA KARAN COMPANY STORES UK RETAIL LTD**

---

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DONNA KARAN COMPANY STORES UK RETAIL LTD**

---

We have audited the financial statements of Donna Karan Company Stores UK Retail Ltd for the year ended 31 December 2007, set out on pages 5 to 12. These financial statements have been prepared in accordance with the accounting policies set out therein.

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

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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.

---

**DONNA KARAN COMPANY STORES UK RETAIL LTD**

---

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DONNA KARAN COMPANY  
STORES UK RETAIL LTD**

---

**OPINION**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss 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

*Harold Clark Whitehill & UP*

**HORWATH CLARK WHITEHILL LLP**

Chartered Accountants  
Registered Auditors

10 Palace Avenue  
Maidstone  
Kent  
ME15 6NF

Date *24<sup>th</sup> October 2008*

**DONNA KARAN COMPANY STORES UK RETAIL LTD**

**PROFIT AND LOSS ACCOUNT  
for the year ended 31 December 2007**

	Note	2007 £	2006 £
<b>TURNOVER</b>	1,2	<b>8,824,289</b>	<b>8,675,287</b>
Cost of sales		<u>(4,384,235)</u>	<u>(4,520,258)</u>
<b>GROSS PROFIT</b>		<b>4,440,054</b>	<b>4,155,029</b>
Administrative expenses		<u>(6,653,268)</u>	<u>(6,697,630)</u>
<b>OPERATING LOSS</b>	3	<b>(2,213,214)</b>	<b>(2,542,601)</b>
<b>EXCEPTIONAL ITEMS</b>			
Other exceptional items	6	<u>1,530,244</u>	<u>623,510</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>(682,970)</b>	<b>(1,919,091)</b>
Interest receivable		<b>31,870</b>	<b>20,806</b>
Interest payable	5	<u>-</u>	<u>(1,087)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(651,100)</b>	<b>(1,899,372)</b>
Tax on loss on ordinary activities		<u>-</u>	<u>-</u>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>	13	<b><u>(651,100)</u></b>	<b><u>(1,899,372)</u></b>

All amounts relate to continuing operations

There were no recognised gains and losses for 2007 or 2006 other than those included in the profit and loss account

The notes on pages 7 to 12 form part of these financial statements

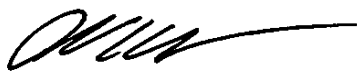


**DONNA KARAN COMPANY STORES UK RETAIL LTD**

**BALANCE SHEET**  
as at 31 December 2007

	Note	£	2007 £	£	2006 £
<b>FIXED ASSETS</b>					
Tangible fixed assets	7		2,807,558		1,247,434
<b>CURRENT ASSETS</b>					
Stocks	8	408,612		435,396	
Debtors	9	947,277		1,952,276	
Cash at bank		353,092		387,678	
		<u>1,708,981</u>		<u>2,775,350</u>	
<b>CREDITORS</b> amounts falling due within one year	10	(14,009,510)		(12,864,655)	
<b>NET CURRENT LIABILITIES</b>			(12,300,529)		(10,089,305)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(9,492,971)		(8,841,871)
<b>CREDITORS</b> amounts falling due after more than one year	11		(2,230,461)		(2,230,461)
<b>NET LIABILITIES</b>			<u>(11,723,432)</u>		<u>(11,072,332)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	12		1,100,000		1,100,000
Share premium account	13		2,929,285		2,929,285
Profit and loss account	13		(15,752,717)		(15,101,617)
<b>SHAREHOLDERS' DEFICIT</b>	14		<u>(11,723,432)</u>		<u>(11,072,332)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10/20/2008



**P Kalberer**  
Director

The notes on pages 7 to 12 form part of these financial statements

---

## **DONNA KARAN COMPANY STORES UK RETAIL LTD**

---

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007**

---

#### **1 ACCOUNTING POLICIES**

##### **1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The financial statements have been prepared on the going concern basis because the ultimate parent undertaking has agreed to provide ongoing support sufficient to enable the company to meet its liabilities as they fall due

##### **1.2 CASH FLOW**

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

##### **1.3 TURNOVER**

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

##### **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 of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

L/Term Leasehold Property	-	over 7 - 10 years straight line
Fixtures & fittings	-	over 7 years straight line

##### **1.5 OPERATING LEASES**

Rentals under operating leases are charged on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

##### **1.6 STOCKS**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs incurred in bringing each product to its present location and condition

##### **1.7 FOREIGN CURRENCIES**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

**DONNA KARAN COMPANY STORES UK RETAIL LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2007

**2 TURNOVER**

The whole of the turnover is attributable to the retail of high quality clothing and accessories

All turnover arose within the United Kingdom

**3 OPERATING LOSS**

The operating loss is stated after charging/(crediting)

	2007 £	2006 £
Depreciation of tangible fixed assets		
- owned by the company	366,608	37,943
Auditors' remuneration	20,000	20,000
Operating lease rentals		
- other operating leases	1,816,605	2,386,822
Difference on foreign exchange	(6,006)	28,360
Auditors remuneration - non-audit in relation to taxation services	2,494	8,150
Auditors remuneration - non-audit in relation to payroll services	2,105	1,800
Auditors remuneration - non-audit in relation to other advice provided	6,375	-
	<u>6,375</u>	<u>-</u>

During the year, no director received any emoluments (2006 - £NIL)

**4 STAFF COSTS**

Staff costs were as follows

	2007 £	2006 £
Wages and salaries	1,099,049	1,427,171
Social security costs	140,608	135,840
	<u>1,239,657</u>	<u>1,563,011</u>

The average monthly number of employees, including the directors, during the year was as follows

	2007 No	2006 No
	<u>95</u>	<u>95</u>

**5 INTEREST PAYABLE**

	2007 £	2006 £
On bank loans and overdrafts	<u>-</u>	<u>1,087</u>

**DONNA KARAN COMPANY STORES UK RETAIL LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2007

**6 EXCEPTIONAL ITEMS**

	2007 £	2006 £
Release of lease to group company (2006 write back of intercompany loan)	<u>1,530,244</u>	<u>623,510</u>

**7 TANGIBLE FIXED ASSETS**

	Land and buildings £	Furniture, fittings and equipment £	Total £
<b>COST</b>			
At 1 January 2007	7,239,920	654,554	7,894,474
Additions	1,690,407	236,325	1,926,732
Disposals	(3,482,229)	(273,258)	(3,755,487)
Transfer between classes	64,023	(64,023)	-
At 31 December 2007	<u>5,512,121</u>	<u>553,598</u>	<u>6,065,719</u>
<b>DEPRECIATION</b>			
At 1 January 2007	6,059,813	587,227	6,647,040
Charge for the year	312,849	53,759	366,608
On disposals	(3,441,213)	(314,274)	(3,755,487)
Transfer between classes	(41,016)	41,016	-
At 31 December 2007	<u>2,890,433</u>	<u>367,728</u>	<u>3,258,161</u>
<b>NET BOOK VALUE</b>			
At 31 December 2007	<u>2,621,688</u>	<u>185,870</u>	<u>2,807,558</u>
At 31 December 2006	<u>1,180,107</u>	<u>67,327</u>	<u>1,247,434</u>

**8 STOCKS**

	2007 £	2006 £
Finished goods and goods for resale	<u>408,612</u>	<u>435,396</u>

**DONNA KARAN COMPANY STORES UK RETAIL LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2007

**9 DEBTORS**

	2007	2006
	£	£
Trade debtors	221,320	208,380
Other debtors	54,889	714,711
Prepayments and accrued income	671,068	1,029,185
	<u>947,277</u>	<u>1,952,276</u>

**10 CREDITORS.**  
**AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2007	2006
	£	£
Trade creditors	433,846	728,921
Amounts owed to group undertakings	12,853,146	11,273,462
Social security and other taxes	1,004	-
Accruals and deferred income	721,514	862,272
	<u>14,009,510</u>	<u>12,864,655</u>

**11 CREDITORS.**  
**AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2007	2006
	£	£
Amounts owed to group undertakings	<u>2,230,461</u>	<u>2,230,461</u>

**12 SHARE CAPITAL**

	2007	2006
	£	£
<b>AUTHORISED</b>		
3,000,000 ordinary shares of £1 each	3,000,000	3,000,000
3,000,000 redeemable shares of £1 each	3,000,000	3,000,000
	<u>6,000,000</u>	<u>6,000,000</u>
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
550,000 ordinary shares of £1 each	550,000	550,000
550,000 redeemable shares of £1 each	550,000	550,000
	<u>1,100,000</u>	<u>1,100,000</u>

---

**DONNA KARAN COMPANY STORES UK RETAIL LTD**

---

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2007

---

**12 SHARE CAPITAL (continued)**

The redeemable shares, which are issued at part, are redeemable 12 months from the date of allotment at the option of the company, at par

In all other respects, the shares rank equally with the ordinary shares

**13 RESERVES**

	Share premium account £	Profit and loss account £
At 1 January 2007	2,929,285	(15,101,617)
Loss for the year		(651,100)
At 31 December 2007	<u>2,929,285</u>	<u>(15,752,717)</u>

**14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT**

	2007 £	2006 £
Opening shareholders' deficit	(11,072,332)	(9,172,960)
Loss for the year	(651,100)	(1,899,372)
Closing shareholders' deficit	<u>(11,723,432)</u>	<u>(11,072,332)</u>

**15 OPERATING LEASE COMMITMENTS**

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

	Land and buildings 2007 £	2006 £
<b>EXPIRY DATE</b>		
Between 2 and 5 years	-	1,068,500
After more than 5 years	<u>1,465,000</u>	<u>340,500</u>

**16 RELATED PARTY TRANSACTIONS**

The company has taken advantage of the provisions of paragraph 3c of Financial Reporting Standard 8 'Related Party Transactions' and does not disclose transactions with companies within its group

---

---

**DONNA KARAN COMPANY STORES UK RETAIL LTD**

---

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2007**

---

**17 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent undertaking is Donna Karan Company Stores UK Holdings Limited, a company registered in England and Wales

The directors consider the ultimate parent to be LVMH Moët Hennessy Louis Vuitton SA. LVMH Moët Hennessy Louis Vuitton SA is the parent undertaking of the smallest and largest group in which the financial statements of the company are consolidated

Copies of these financial statements can be obtained from 22 Avenue Montaigne, 75008 Paris, France