

**DONNA KARAN COMPANY STORES UK RETAIL LTD**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31 December 2011**



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**DONNA KARAN COMPANY STORES UK RETAIL LTD**

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**COMPANY INFORMATION**

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**DIRECTORS**

P Kalberer  
M Weber

**COMPANY SECRETARY**

L E Usdan  
Jordan Cosec Limited

**COMPANY NUMBER**

03645629

**REGISTERED OFFICE**

20-22 Bedford Row  
London  
WC1R 4JS

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**DONNA KARAN COMPANY STORES UK RETAIL LTD**

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**CONTENTS**

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	Page
<b>Directors' report</b>	<b>1 - 3</b>
<b>Independent auditor's report</b>	<b>4 - 5</b>
<b>Profit and loss account</b>	<b>6</b>
<b>Balance sheet</b>	<b>7</b>
<b>Notes to the financial statements</b>	<b>8 - 15</b>

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

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### **DIRECTORS' REPORT for the year ended 31 December 2011**

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The directors present their report and the financial statements for the year ended 31 December 2011

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

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 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

#### **BUSINESS REVIEW**

The company has made a loss during the current year but is continually evaluating improvements in operations and product.

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.

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## DONNA KARAN COMPANY STORES UK RETAIL LTD

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### DIRECTORS' REPORT for the year ended 31 December 2011

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.

	2011	2010
Gross Profit Percentage	61%	52%
Turnover per Employee	£175,380	£158,844

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 £688,225 (2010 - loss £1,924,433).

### DIRECTORS

The directors who served during the year were

P Kalberer  
M Weber

### GOING CONCERN

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. The directors have taken notice of the Financial Reporting Council guidance 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' which requires the reasons for this decision to be explained. The directors regard the going concern basis as remaining appropriate as the company has adequate resources to continue in operational existence for the foreseeable future. The company has cash reserves, in addition, to having the ability to draw on additional financing from other members of the group. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### PROVISION OF INFORMATION TO AUDITOR

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 auditor is unaware, and
- that 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 auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

### AUDITOR

The auditor, Crowe Clark Whitehill LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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**DONNA KARAN COMPANY STORES UK RETAIL LTD**

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**DIRECTORS' REPORT**  
**for the year ended 31 December 2011**

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This report was approved by the board on 24 September 2012 and signed on its behalf

A handwritten signature in black ink, appearing to read 'P Kalberer', with a long horizontal flourish extending to the right.

**P Kalberer**  
Director

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

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DONNA KARAN COMPANY STORES UK RETAIL LTD**

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We have audited the financial statements of Donna Karan Company Stores UK Retail Ltd for the year ended 31 December 2011, set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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**DONNA KARAN COMPANY STORES UK RETAIL LTD**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DONNA KARAN COMPANY STORES UK  
RETAIL LTD**

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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

**Crowe Clark Whitehill LLP**

Statutory Auditor

10 Palace Avenue  
Maidstone  
Kent  
ME15 6NF

24 September 2012



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**DONNA KARAN COMPANY STORES UK RETAIL LTD**

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**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2011

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	Note	2011 £	2010 £
<b>TURNOVER</b>	1,2	11,048,962	8,888,293
Cost of sales		<u>(4,041,081)</u>	<u>(4,368,199)</u>
<b>GROSS PROFIT</b>		7,007,881	4,520,094
Administrative expenses		<u>(6,916,194)</u>	<u>(6,450,527)</u>
<b>OPERATING PROFIT/(LOSS)</b>	3	91,687	(1,930,433)
Interest receivable and similar income		1,289	6,000
Interest payable and similar charges	5	<u>(93,780)</u>	<u>-</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(804)	(1,924,433)
Tax on loss on ordinary activities	6	<u>(687,421)</u>	<u>-</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>	14	<u><u>(688,225)</u></u>	<u><u>(1,924,433)</u></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the profit and loss account

The notes on pages 8 to 15 form part of these financial statements

**DONNA KARAN COMPANY STORES UK RETAIL LTD**  
Registered number. 03645629

**BALANCE SHEET**  
as at 31 December 2011

	Note	£	2011 £	£	2010 £
<b>FIXED ASSETS</b>					
Tangible assets	7		1,165,001		1,461,413
<b>CURRENT ASSETS</b>					
Stocks	8	470,887		488,890	
Debtors	9	1,389,118		895,673	
Cash at bank		117,371		444,839	
		<u>1,977,376</u>		<u>1,829,402</u>	
<b>CREDITORS</b> . amounts falling due within one year	10	<u>(17,946,592)</u>		<u>(17,406,805)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(15,969,216)</u>		<u>(15,577,403)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>(14,804,215)</u>		<u>(14,115,990)</u>
<b>CREDITORS</b> : amounts falling due after more than one year	11		<u>(2,230,461)</u>		<u>(2,230,461)</u>
<b>NET LIABILITIES</b>			<u><u>(17,034,676)</u></u>		<u><u>(16,346,451)</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		1,100,000		1,100,000
Share premium account	14		2,929,285		2,929,285
Profit and loss account	14		<u>(21,063,961)</u>		<u>(20,375,736)</u>
<b>SHAREHOLDERS' DEFICIT</b>	15		<u><u>(17,034,676)</u></u>		<u><u>(16,346,451)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 September 2012



**P Kalberer**  
Director

The notes on pages 8 to 15 form part of these financial statements

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**DONNA KARAN COMPANY STORES UK RETAIL LTD**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2011**

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**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

**1.2 GOING CONCERN**

The financial statements have been prepared using the going concern assumption as the directors of the ultimate parent undertaking, LVMH Moët Hennessy Louis Vuitton SA, have provided the directors of the company with a letter of support confirming that the ultimate parent company will provide continued financial support for the next 12 months

**1.3 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

**1.4 TURNOVER**

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

**1.5 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

**1.6 OPERATING LEASES**

Rentals under operating leases are charged to the profit and loss account 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

**1.7 STOCKS**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks

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**DONNA KARAN COMPANY STORES UK RETAIL LTD**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2011**

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**1. ACCOUNTING POLICIES (continued)**

**1.8 DEFERRED TAXATION**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are discounted

**1.9 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

**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 PROFIT/(LOSS)**

The operating profit/(loss) is stated after charging

	2011 £	2010 £
Depreciation of tangible fixed assets		
- owned by the company	471,723	472,919
Auditor's remuneration	21,500	21,000
Operating lease rentals		
- other operating leases	2,812,426	2,392,094
Difference on foreign exchange	1,477	2,710
Auditors remuneration - non-audit in relation to taxation services	5,000	5,000
Auditors remuneration - non-audit in relation to payroll services	5,400	5,400
Auditors remuneration - non-audit in relation to other advice provided	13,050	22,265
	<u>          </u>	<u>          </u>

During the year, no director received any emoluments (2010 - £NIL)

**DONNA KARAN COMPANY STORES UK RETAIL LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2011**

**4. STAFF COSTS**

Staff costs were as follows

	2011 £	2010 £
Wages and salaries	1,443,735	1,429,543
Social security costs	130,319	123,456
	<u>1,574,054</u>	<u>1,552,999</u>

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

	2011 No.	2010 No
	<u>63</u>	<u>60</u>

**5 INTEREST PAYABLE**

	2011 £	2010 £
Other interest payable	<u>93,780</u>	<u>-</u>

**6. TAXATION**

	2011 £	2010 £
<b>ANALYSIS OF TAX CHARGE IN THE YEAR</b>		
<b>CURRENT TAX</b> (see note below)		
UK corporation tax charge on loss for the year	184,891	-
Adjustments in respect of prior periods	578,856	-
<b>TOTAL CURRENT TAX</b>	<u>763,747</u>	<u>-</u>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	7,902	-
Effect of tax rate change on opening balance	6,738	-
Adjustments in respect of prior periods	(90,966)	-
<b>TOTAL DEFERRED TAX</b> (see note 12)	<u>(76,326)</u>	<u>-</u>
<b>TAX ON LOSS ON ORDINARY ACTIVITIES</b>	<u>687,421</u>	<u>-</u>

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**DONNA KARAN COMPANY STORES UK RETAIL LTD**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2011**

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**6. TAXATION (continued)**

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2010 - lower than) the standard rate of corporation tax in the UK of 26.49% (2010 - 28%). The differences are explained below

	2011 £	2010 £
Loss on ordinary activities before tax	(804)	(1,924,433)
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.49% (2010 - 28%)	(213)	(538,841)
<b>EFFECTS OF</b>		
Expenses not deductible for tax purposes	86,063	-
Capital allowances for year in excess of depreciation	(3,772)	(7,849)
Group relief surrendered before payment	-	144,739
Ineligible depreciation	107,415	113,524
Other short term timing differences	(4,602)	-
Adjustments to tax charge in respect of previous periods	578,856	-
Unrelieved tax losses and other deductions arising in the year	-	288,427
<b>CURRENT TAX CHARGE FOR THE YEAR</b> (see note above)	<b>763,747</b>	<b>-</b>

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

The company has £nil losses carried forward

**DONNA KARAN COMPANY STORES UK RETAIL LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2011

**7 TANGIBLE FIXED ASSETS**

	L/Term Leasehold Property £	Fixtures & fittings £	Construction in Progress £	Total £
<b>COST</b>				
At 1 January 2011	5,555,666	590,924	-	6,146,590
Additions	-	-	175,311	175,311
At 31 December 2011	5,555,666	590,924	175,311	6,321,901
<b>DEPRECIATION</b>				
At 1 January 2011	4,181,628	503,549	-	4,685,177
Charge for the year	417,982	53,741	-	471,723
At 31 December 2011	4,599,610	557,290	-	5,156,900
<b>NET BOOK VALUE</b>				
At 31 December 2011	956,056	33,634	175,311	1,165,001
At 31 December 2010	1,374,038	87,375	-	1,461,413

**8 STOCKS**

	2011 £	2010 £
Finished goods and goods for resale	470,887	488,890

**9. DEBTORS**

	2011 £	2010 £
Trade debtors	169,007	146,243
Other debtors	451,008	67,889
Prepayments and accrued income	692,777	681,541
Deferred tax asset (see note 12)	76,326	-
	1,389,118	895,673

**DONNA KARAN COMPANY STORES UK RETAIL LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2011

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

	2011 £	2010 £
Trade creditors	117,874	156,866
Amounts owed to group undertakings	15,719,279	16,026,650
Corporation tax	763,747	-
Social security and other taxes	231,385	266,335
Accruals and deferred income	1,114,307	956,954
	<u>17,946,592</u>	<u>17,406,805</u>

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

	2011 £	2010 £
Amounts owed to group undertakings	<u>2,230,461</u>	<u>2,230,461</u>

**12 DEFERRED TAXATION**

	2011 £	2010 £
At beginning of year	-	-
Released during year	76,326	-
	<u>76,326</u>	<u>-</u>
At end of year	<u>76,326</u>	<u>-</u>

The deferred taxation balance is made up as follows

	2011 £	2010 £
Accelerated capital allowances	(60,436)	-
Tax losses carried forward	(15,890)	-
	<u>(76,326)</u>	<u>-</u>



**DONNA KARAN COMPANY STORES UK RETAIL LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2011**

**13. SHARE CAPITAL**

	2011 £	2010 £
<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>

The redeemable shares, which are issued at par, 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

**14 RESERVES**

	Share premium account £	Profit and loss account £
At 1 January 2011	2,929,285	(20,375,736)
Loss for the year		(688,225)
	<u>2,929,285</u>	<u>(21,063,961)</u>
At 31 December 2011	<u>2,929,285</u>	<u>(21,063,961)</u>

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

	2011 £	2010 £
Opening shareholders' deficit	(16,346,451)	(14,422,018)
Loss for the year	(688,225)	(1,924,433)
	<u>(17,034,676)</u>	<u>(16,346,451)</u>
Closing shareholders' deficit	<u>(17,034,676)</u>	<u>(16,346,451)</u>

**16. OPERATING LEASE COMMITMENTS**

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2011 £	2010 £
<b>EXPIRY DATE:</b>		
After more than 5 years	<u>2,096,480</u>	<u>1,503,345</u>

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**DONNA KARAN COMPANY STORES UK RETAIL LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2011**

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**17. 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

**18. 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 Moet Hennessy Louis Vuitton SA. LVMH Moet 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