

Registered number: 03645629

DONNA KARAN COMPANY STORES UK RETAIL LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2012



DONNA KARAN COMPANY STORES UK RETAIL LTD

COMPANY INFORMATION

DIRECTORS	P Kalberer M Weber
COMPANY SECRETARY	L E Usdan Jordan Cosec Limited
REGISTERED NUMBER	03645629
REGISTERED OFFICE	20-22 Bedford Row London WC1R 4JS

DONNA KARAN COMPANY STORES UK RETAIL LTD

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DONNA KARAN COMPANY STORES UK RETAIL LTD

DIRECTORS' REPORT for the year ended 31 December 2012

The directors present their report and the financial statements for the year ended 31 December 2012

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.

DONNA KARAN COMPANY STORES UK RETAIL LTD

DIRECTORS' REPORT for the year ended 31 December 2012

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

	2012	2011
Gross Profit Percentage	63%	61%
Turnover per Employee	£177,510	£175,380

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 £69,941 (2011 - loss £688,224)

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 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.

DISCLOSURE 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 relevant audit information 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.

DONNA KARAN COMPANY STORES UK RETAIL LTD

DIRECTORS' REPORT
for the year ended 31 December 2012

This report was approved by the board on September 25, 2013 and signed on its behalf



P Kalberer
Director

DONNA KARAN COMPANY STORES UK RETAIL LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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 2012, 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 2012 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.

DONNA KARAN COMPANY STORES UK RETAIL LTD

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

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

Keith Newman (senior statutory auditor)

for and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

10 Palace Avenue

Maidstone

Kent

ME15 6NF

Date 25 September 2013

DONNA KARAN COMPANY STORES UK RETAIL LTD

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2012

	Note	2012 £	2011 £
TURNOVER	1,2	10,492,325	11,048,962
Cost of sales		<u>(3,698,010)</u>	<u>(4,041,080)</u>
GROSS PROFIT		6,794,315	7,007,882
Administrative expenses		<u>(6,718,937)</u>	<u>(6,916,194)</u>
OPERATING PROFIT	3	75,378	91,688
Interest receivable and similar income		1,992	1,289
Interest payable and similar charges	5	<u>(14,218)</u>	<u>(93,780)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		63,152	(803)
Tax on profit/(loss) on ordinary activities	6	<u>(133,093)</u>	<u>(687,421)</u>
LOSS FOR THE FINANCIAL YEAR	14	<u><u>(69,941)</u></u>	<u><u>(688,224)</u></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 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 2012

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Tangible assets	7		3,087,892		1,165,001
CURRENT ASSETS					
Stocks	8	476,269		470,887	
Debtors	9	1,428,249		1,389,117	
Cash at bank		337,238		117,371	
		<u>2,241,756</u>		<u>1,977,375</u>	
CREDITORS: amounts falling due within one year	10	<u>(20,203,805)</u>		<u>(17,946,592)</u>	
NET CURRENT LIABILITIES			<u>(17,962,049)</u>		<u>(15,969,217)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(14,874,157)</u>		<u>(14,804,216)</u>
CREDITORS: amounts falling due after more than one year	11		<u>(2,230,461)</u>		<u>(2,230,461)</u>
NET LIABILITIES			<u><u>(17,104,618)</u></u>		<u><u>(17,034,677)</u></u>
CAPITAL AND RESERVES					
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>(21,133,903)</u>		<u>(21,063,962)</u>
SHAREHOLDERS' DEFICIT	15		<u><u>(17,104,618)</u></u>		<u><u>(17,034,677)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
September 25, 2013


P. Kalberer
Director

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

DONNA KARAN COMPANY STORES UK RETAIL LTD

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012

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

DONNA KARAN COMPANY STORES UK RETAIL LTD

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012**

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

The operating profit is stated after charging/(crediting)

	2012 £	2011 £
Depreciation of tangible fixed assets		
- owned by the company	893,989	471,723
- held under finance leases	(217,809)	-
Auditor's remuneration	52,972	49,544
Operating lease rentals		
- other operating leases	3,008,232	2,812,426
Difference on foreign exchange	817	1,477
Auditors remuneration - non-audit in relation to taxation services	-	5,000
Auditors remuneration - non-audit in relation to payroll services	-	5,400
Auditors remuneration - non-audit in relation to other advice provided	-	13,050

During the year, no director received any emoluments (2011 - £NIL)

DONNA KARAN COMPANY STORES UK RETAIL LTD

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

4 STAFF COSTS

Staff costs were as follows

	2012 £	2011 £
Wages and salaries	1,235,901	1,443,735
Social security costs	115,216	130,319
	<u>1,351,117</u>	<u>1,574,054</u>

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

	2012 No.	2011 No
	<u>59</u>	<u>63</u>

5. INTEREST PAYABLE

	2012 £	2011 £
Other interest payable	<u>14,218</u>	<u>93,780</u>

6. TAXATION

	2012 £	2011 £
ANALYSIS OF TAX CHARGE IN THE YEAR		
CURRENT TAX (see note below)		
UK corporation tax charge on profit/loss for the year	118,150	184,891
Adjustments in respect of prior periods	(9,233)	578,856
TOTAL CURRENT TAX	<u>108,917</u>	<u>763,747</u>
DEFERRED TAX		
Origination and reversal of timing differences	24,625	7,902
Effect of tax rate change on opening balance	6,676	6,738
Adjustments in respect of prior periods	(7,125)	(90,966)
TOTAL DEFERRED TAX (see note 12)	<u>24,176</u>	<u>(76,326)</u>
TAX ON PROFIT/LOSS ON ORDINARY ACTIVITIES	<u>133,093</u>	<u>687,421</u>

DONNA KARAN COMPANY STORES UK RETAIL LTD

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

6. TAXATION (continued)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2011 - *higher than*) the standard rate of corporation tax in the UK of 26.49% (2011 - 26%). The differences are explained below

	2012 £	2011 £
Profit/loss on ordinary activities before tax	<u>63,152</u>	<u>(803)</u>
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26%)	15,471	(213)
EFFECTS OF:		
Expenses not deductible for tax purposes	869	86,063
Capital allowances for year in excess of depreciation	(22,006)	(3,772)
Ineligible depreciation	128,039	107,415
Other short term timing differences	(4,223)	(4,602)
Adjustments to tax charge in respect of previous periods	(9,233)	578,856
CURRENT TAX CHARGE FOR THE YEAR (see note above)	<u>108,917</u>	<u>763,747</u>

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 2012

7. TANGIBLE FIXED ASSETS

	L/Term Leasehold Property £	Fixtures & fittings £	Construction in Progress £	Total £
COST				
At 1 January 2012	5,555,666	590,924	175,311	6,321,901
Additions	1,516,611	1,082,467	-	2,599,078
Disposals	(1,155,351)	(217,809)	-	(1,373,160)
Transfer between classes	175,311	-	(175,311)	-
At 31 December 2012	6,092,237	1,455,582	-	7,547,819
DEPRECIATION				
At 1 January 2012	4,599,610	557,290	-	5,156,900
Charge for the year	538,832	(80,454)	-	458,378
On disposals	(1,155,351)	-	-	(1,155,351)
At 31 December 2012	3,983,091	476,836	-	4,459,927
NET BOOK VALUE				
At 31 December 2012	2,109,146	978,746	-	3,087,892
At 31 December 2011	956,056	33,634	175,311	1,165,001

8. STOCKS

	2012 £	2011 £
Finished goods and goods for resale	476,269	470,887

9. DEBTORS

	2012 £	2011 £
Trade debtors	156,240	169,007
Other debtors	471,038	451,007
Prepayments and accrued income	748,821	692,777
Deferred tax asset (see note 12)	52,150	76,326
	1,428,249	1,389,117

DONNA KARAN COMPANY STORES UK RETAIL LTD

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

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

	2012 £	2011 £
Trade creditors	86,441	117,874
Amounts owed to group undertakings	18,839,029	15,719,279
Corporation tax	25,476	763,747
Other taxation and social security	174,474	231,385
Accruals and deferred income	1,078,385	1,114,307
	<u>20,203,805</u>	<u>17,946,592</u>

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

	2012 £	2011 £
Amounts owed to group undertakings	<u>2,230,461</u>	<u>2,230,461</u>

12. DEFERRED TAX ASSET

	2012 £	2011 £
At beginning of year	76,326	-
(Charge for)/released during year (P&L)	(24,176)	76,326
At end of year	<u>52,150</u>	<u>76,326</u>

The deferred tax asset is made up as follows

	2012 £	2011 £
Accelerated capital allowances	(34,941)	(60,436)
Tax losses carried forward	(17,209)	(15,890)
	<u>(52,150)</u>	<u>(76,326)</u>

DONNA KARAN COMPANY STORES UK RETAIL LTD

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

13. SHARE CAPITAL

	2012 £	2011 £
ALLOTTED, CALLED UP AND FULLY PAID		
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 2012	2,929,285	(21,063,962)
Loss for the financial year		(69,941)
	<u>2,929,285</u>	<u>(21,133,903)</u>
At 31 December 2012		

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2012 £	2011 £
Opening shareholders' deficit	(17,034,677)	(16,346,453)
Loss for the financial year	(69,941)	(688,224)
	<u>(17,104,618)</u>	<u>(17,034,677)</u>
Closing shareholders' deficit		

16. OPERATING LEASE COMMITMENTS

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2012 £	2011 £
EXPIRY DATE:		
After more than 5 years	<u>2,096,480</u>	<u>2,096,480</u>

DONNA KARAN COMPANY STORES UK RETAIL LTD

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

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