

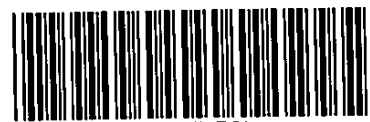
Registered number 03693527

DONNA KARAN MANAGEMENT COMPANY UK LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2007

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DONNA KARAN MANAGEMENT COMPANY UK 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	03693527
REGISTERED OFFICE	20-23 Bedford Row London WC1R 4JS

DONNA KARAN MANAGEMENT COMPANY UK LTD

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 10

DONNA KARAN MANAGEMENT COMPANY UK 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 continued to be the provision of assistance to fellow group companies in relationships and contacts with European suppliers, and with other general commercial advice as required. The activity is expected to continue for the foreseeable future.

The performance of the business in the year is in line with the directors' plans.

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.

DONNA KARAN MANAGEMENT COMPANY UK LTD

DIRECTORS' REPORT
for the year ended 31 December 2007

The report of the directors has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

This report was approved by the board on *10/20/2008*

and signed on its behalf



P Kalberer
Director

DONNA KARAN MANAGEMENT COMPANY UK LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DONNA KARAN MANAGEMENT COMPANY UK LTD

We have audited the financial statements of Donna Karan Management Company UK Ltd for the year ended 31 December 2007, set out on pages 5 to 10. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

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 MANAGEMENT COMPANY UK LTD

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

OPINION

In our opinion

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

Horwath Clark Whitehill LLP

HORWATH CLARK WHITEHILL LLP

Chartered Accountants
Registered Auditors

10 Palace Avenue
Maidstone
Kent
ME15 6NF

Date *24th October 2008*

DONNA KARAN MANAGEMENT COMPANY UK LTD

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2007

	Note	2007 £	2006 £
TURNOVER	1	697,000	487,889
Administrative expenses		<u>(338,791)</u>	<u>(460,273)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		358,209	27,616
Tax on profit on ordinary activities	3	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	9	358,209	27,616

The notes on pages 7 to 10 form part of these financial statements

DONNA KARAN MANAGEMENT COMPANY UK LTD

BALANCE SHEET
as at 31 December 2007

	Note	£	2007 £	£	2006 £
CURRENT ASSETS					
Debtors	5	1,258,359		1,505,940	
CREDITORS amounts falling due within one year	6	<u>(95,416)</u>		<u>(846,620)</u>	
NET CURRENT ASSETS			<u>1,162,943</u>		<u>659,320</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,162,943</u>		<u>659,320</u>
PROVISIONS FOR LIABILITIES					
Other provisions	7		<u>(464,170)</u>		<u>(318,756)</u>
NET ASSETS			<u><u>698,773</u></u>		<u><u>340,564</u></u>
CAPITAL AND RESERVES					
Called up share capital	8		2		2
Profit and loss account	9		<u>698,771</u>		<u>340,562</u>
SHAREHOLDERS' FUNDS			<u><u>698,773</u></u>		<u><u>340,564</u></u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007)

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 10 form part of these financial statements

DONNA KARAN MANAGEMENT COMPANY UK 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 the Financial Reporting Standard for Smaller Entities (effective January 2007)

1.2 CASH FLOW

The financial statements do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective January 2007)

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 the lease term
Fixtures & fittings	-	7 years straight line

1.5 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

1.6 TENANTS INDUCEMENTS

Amounts received are credited to a deferred income account and amortised over the term to the first rent review in the lease

2 OPERATING PROFIT

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

3 TAXATION

	2007	2006
	£	£
UK corporation tax charge on profit for the year	-	-

DONNA KARAN MANAGEMENT COMPANY UK LTD

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

4 TANGIBLE FIXED ASSETS

	Furniture, fittings and equipment £
COST	
At 1 January 2007 and 31 December 2007	<u>4,862</u>
DEPRECIATION	
At 1 January 2007 and 31 December 2007	<u>4,862</u>
NET BOOK VALUE	
At 31 December 2007	<u>-</u>
At 31 December 2006	<u>-</u>

5 DEBTORS

	2007 £	2006 £
Trade debtors	130,772	1,967
Amounts owed by group undertakings	1,127,587	1,503,283
Other debtors	-	690
	<u>1,258,359</u>	<u>1,505,940</u>

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

	2007 £	2006 £
Trade creditors	-	8,650
Social security and other taxes	61,210	586,669
Other creditors	34,206	251,301
	<u>95,416</u>	<u>846,620</u>

DONNA KARAN MANAGEMENT COMPANY UK LTD

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

7 PROVISIONS

	Onerous lease provision £
At 1 January 2007	318,756
Additions	464,170
Amounts reversed	<u>(318,756)</u>
At 31 December 2007	<u><u>464,170</u></u>

ONEROUS LEASE PROVISION

In 2004 the company left its former premises and was only able to sublet them at a reduced rate. The provision therefore reflects the excess of rent payable over rent receivable in respect of these premises until the lease expires in 2011.

8 SHARE CAPITAL

	2007 £	2006 £
AUTHORISED, ALLOTTED, CALLED UP AND FULLY PAID		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

9 RESERVES

	Profit and loss account £
At 1 January 2007	340,562
Profit for the year	358,209
At 31 December 2007	<u><u>698,771</u></u>

10 OPERATING LEASE COMMITMENTS

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

	2007 £	2006 £
EXPIRY DATE		
After more than 5 years	<u><u>308,200</u></u>	<u><u>305,000</u></u>

DONNA KARAN MANAGEMENT COMPANY UK LTD

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

11 RELATED PARTY TRANSACTIONS

In accordance with FRS 8 Related Party Disclosures, the company is exempt from disclosing transactions with entities that are part of its group, or investees in the group qualifying as related parties, as it is a 100% subsidiary of a parent publishing consolidated financial statements

12 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