

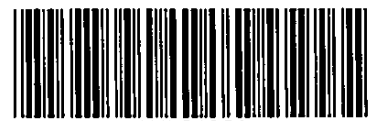
Registered number 03693527

DONNA KARAN MANAGEMENT COMPANY UK LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2006

WEDNESDAY



AMLQRZB8

A67

30/04/2008

371

COMPANIES HOUSE

DONNA KARAN MANAGEMENT COMPANY UK LTD

COMPANY INFORMATION

DIRECTORS

P Kalberer
X De Royere (resigned 15/03/2006)
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
Statement of total recognised gains and losses	6
Balance sheet	7
Notes to the financial statements	8 - 11

DONNA KARAN MANAGEMENT COMPANY UK LTD

DIRECTORS' REPORT For the year ended 31 December 2006

The directors present their report and the financial statements for the year ended 31 December 2006

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. This 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
X De Royere (resigned 15/03/2006)
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 2006

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

and signed on its behalf

 4/28/08

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 2006, set out on pages 5 to 11. 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 2005).

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 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 2006 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 *28th April 2008*

DONNA KARAN MANAGEMENT COMPANY UK LTD

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2006

	Note	2006 £	2005 £
TURNOVER	1	487,889	634,068
Administrative expenses		<u>(460,273)</u>	<u>(684,194)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		27,616	(50,126)
Tax on profit/(loss) on ordinary activities	3	<u>-</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	9	<u>27,616</u>	<u>(50,126)</u>

The notes on pages 8 to 11 form part of these financial statements

DONNA KARAN MANAGEMENT COMPANY UK LTD

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2006

	Note	2006 £	<i>As restated</i> 2005 £
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>27,616</u>	<u>(50,126)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		<u>27,616</u>	<u>(50,126)</u>
Prior year adjustment	10	<u>(16,234)</u>	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS		<u><u>11,382</u></u>	

The notes on pages 8 to 11 form part of these financial statements

DONNA KARAN MANAGEMENT COMPANY UK LTD

BALANCE SHEET
As at 31 December 2006

	Note	£	2006 £	£	As restated 2005 £
CURRENT ASSETS					
Debtors	5	1,505,940		1,444,734	
CREDITORS amounts falling due within one year	6	<u>(846,620)</u>		<u>(813,030)</u>	
NET CURRENT ASSETS			<u>659,320</u>		<u>631,704</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>659,320</u>		<u>631,704</u>
PROVISIONS FOR LIABILITIES					
Other provisions	7		<u>(318,756)</u>		<u>(318,756)</u>
NET ASSETS			<u><u>340,564</u></u>		<u><u>312,948</u></u>
CAPITAL AND RESERVES					
Called up share capital	8		2		2
Profit and loss account	9		<u>340,562</u>		<u>312,946</u>
SHAREHOLDERS' FUNDS			<u><u>340,564</u></u>		<u><u>312,948</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 2005)

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

 4/28/08

P Kalberer
Director

The notes on pages 8 to 11 form part of these financial statements

DONNA KARAN MANAGEMENT COMPANY UK LTD

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

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 2005)

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 2005)

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/(LOSS)

During the year, no director received any emoluments (2005 - £NIL)

DONNA KARAN MANAGEMENT COMPANY UK LTD

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

3 TAXATION

	2006 £	2005 £
UK corporation tax charge on profits for the year	-	-
	-	-

4 TANGIBLE FIXED ASSETS

	Land and buildings £	Furniture, fittings and equipment £	Total £
COST			
At 1 January 2006	202,474	13,302	215,776
Disposals	(197,612)	(13,302)	(210,914)
At 31 December 2006	4,862	-	4,862
DEPRECIATION			
At 1 January 2006	202,474	13,302	215,776
On disposals	(197,612)	(13,302)	(210,914)
At 31 December 2006	4,862	-	4,862
NET BOOK VALUE			
At 31 December 2006	-	-	-
At 31 December 2005	-	-	-

5 DEBTORS

	2006 £	2005 £
Trade debtors	1,967	-
Amounts owed by group undertakings	1,503,283	1,344,901
Other debtors	690	99,833
	1,505,940	1,444,734

DONNA KARAN MANAGEMENT COMPANY UK LTD

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

6 CREDITORS
AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	2005
	£	£
Trade creditors	8,650	-
Social security and other taxes	586,669	436,072
Other creditors	251,301	376,958
	<u>846,620</u>	<u>813,030</u>

7 PROVISIONS

	Onerous lease provision £
At 1 January 2006 and 31 December 2006	<u>318,756</u>

ONEROUS LEASE PROVISION

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

	2006	2005
	£	£
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 2006	329,180
Prior year adjustment (note 10)	(16,234)
At 1 January 2006 (P & L as restated)	<u>312,946</u>
Profit retained for the year	27,616
At 31 December 2006	<u>340,562</u>

DONNA KARAN MANAGEMENT COMPANY UK LTD

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

10 PRIOR YEAR ADJUSTMENT

In a previous period, there were some adjustments made to control accounts which represented an accounting error in the financial statements, misstating certain assets, liabilities and reserves

Adjustments have been made in accordance with Financial Reporting Standard Number 3 'Reporting Financial Performance' on the basis that the previous years adjustments represented a fundamental accounting error

The effect of the prior year adjustment was to decrease reserves by £16,234

11 OPERATING LEASE COMMITMENTS

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows

	2006 £	2005 £
EXPIRY DATE:		
After more than 5 years	<u>305,000</u>	<u>305,000</u>

12 RELATED PARTY TRANSACTIONS

The company has chosen to take advantage of the provisions of Paragraph 3c of the Financial Reporting Standard 8 'Related Party Transactions' and has not disclosed transactions with fellow group companies

13 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

The directors consider the ultimate parent undertaking 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