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Donna Karan Management Company UK Ltd

Report and Financial Statements

31 December 2001



Donna Karan Management Company UK Ltd

Registered No. 03693527

Directors

F Wilson
P Kalberer
X de Royère

Secretary

Jordan Company Secretaries Limited

Auditors

Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

Registered Office

20-22 Bedford Row
London WC1R 4JS

Directors' report

The directors present their report and financial statements for the year ended 31 December 2001.

Results and dividends

The profit for the year, after taxation, amounted to £191,803 (2000 - £81,952). The directors do not recommend the payment of a dividend.

Principal activity and review of the business

The company's principal activity 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.

Directors and their interests

The directors during the period and appointed subsequently were as follows:

D I Karan	(resigned 9 July 2002)
J D Idol	(resigned 13 July 2001)
J B Parsons	(resigned 16 November 2001)
G Brusone	(resigned 17 January 2003)
P Kalberer	(appointed 9 July 2002)
X de Royère	(appointed 9 July 2002)
F Wilson	(appointed 26 March 2003)

None of the directors has any interest in the share capital of the company.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



P Kalberer
Director

29 APR 2003

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Independent auditors' report

to the members of Donna Karan Management Company Ltd

We have audited the company's financial statements for the year ended 31 December 2001 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 14. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom Auditing Standards 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 judgements 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.

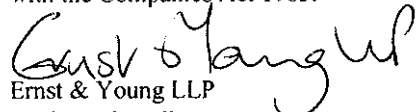
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of Donna Karan Management Company Ltd (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

27 May 2003

Profit and loss account

for the year ended 31 December 2001

	<i>Notes</i>	<i>2001</i> £	<i>2000</i> £
Turnover	2	3,186,409	2,177,640
Administrative expenses		2,994,606	2,054,688
Profit on ordinary activities before taxation	3	191,803	122,952
Taxation	5	-	41,000
Profit for the financial year	11	191,803	81,952

There are no recognised gains or losses other than as shown above.

Balance sheet

at 31 December 2001

	<i>Notes</i>	<i>2001</i> £	<i>2000</i> £
Fixed assets			
Tangible fixed assets	6	181,510	229,502
Current assets			
Debtors	7	241,179	112,781
Cash at bank and in hand		154,754	127,737
		395,933	240,518
Creditors: amounts falling due within one year	8	135,327	208,207
Net current assets		260,606	32,311
Total assets less current liabilities		442,116	261,813
Creditors: amounts falling due after more than one year	9	137,992	149,492
Net assets		304,124	112,321
Capital and reserves			
Called up share capital	10	2	2
Profit and loss account	11	304,122	112,319
Shareholders' funds - Equity	11	304,124	112,321



P Kalberer

Director

29 APR 2003

Notes to the financial statements

at 31 December 2001

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention.

Statement of cash flows

The company, being a subsidiary undertaking of a parent which prepares publicly available consolidated financial statements, is taking advantage of the exemption in Financial Reporting Standard No. 1 not to present a statement of cash flows.

Depreciation

Depreciation is provided on all tangible fixed assets, to write off the cost of each asset evenly over its expected useful life, as follows:

Leasehold improvements	-	over the lease term
Fixtures and fittings	-	7 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing commitments

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

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. Turnover

Turnover arising within the UK and Europe is stated net of value added tax, and all relates to the company's continuing activity.

Notes to the financial statements

at 31 December 2001

3. Profit on ordinary activities before taxation

This is stated after charging/(crediting):

	2001	2000
	£	£
Directors' remuneration	-	-
Auditors' remuneration	-	-
Operating lease rentals - land and buildings	290,343	235,131
Depreciation	17,806	16,461
(Profit)/loss on foreign exchange transactions	(11,440)	310
	<u> </u>	<u> </u>

Auditors' remuneration has been paid by the company's ultimate parent undertaking.

4. Staff costs

	2001	2000
	£	£
Wages and salaries	2,240,522	1,458,368
Social security costs	350,459	305,810
	<u>2,590,981</u>	<u>1,764,178</u>

The monthly average number of employees during the year was as follows:

	2001	2000
	No.	No.
Administration	57	46
	<u> </u>	<u> </u>

5. Taxation

	2001	2000
	£	£
UK corporation tax on the profit for the year	-	41,000
	<u> </u>	<u> </u>

The company has no current tax liability in the period ended 31 December 2001 due to the availability of group relief within the Donna Karan Company Stores UK Holding Ltd group.

Notes to the financial statements

at 31 December 2001

6. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	£	£	£
Cost:			
At 1 January 2001	232,660	13,303	245,963
Disposals	(30,186)	-	(30,186)
At 31 December 2001	<u>202,474</u>	<u>13,303</u>	<u>215,777</u>
Depreciation:			
At 1 January 2001	15,511	950	16,461
Charge for the year	15,713	2,093	17,806
As at 31 December 2001	<u>31,224</u>	<u>3,043</u>	<u>34,267</u>
Net book value:			
At 31 December 2001	<u>171,250</u>	<u>10,260</u>	<u>181,510</u>
At 1 January 2001	<u>217,149</u>	<u>12,353</u>	<u>229,502</u>

7. Debtors

	<i>2001</i>	<i>2000</i>
	£	£
Prepayments and other debtors	193,169	112,781
Amounts due from group undertakings	48,010	-
	<u>241,179</u>	<u>112,781</u>

8. Creditors: amounts falling due within one year

	<i>2001</i>	<i>2000</i>
	£	£
Amounts due to group undertakings	-	28,899
Corporation tax	41,000	41,000
Other taxes and social security	25,723	69,753
Accruals and deferred income	68,604	68,555
	<u>135,327</u>	<u>208,207</u>

9. Creditors: amounts falling due after more than one year

	<i>2001</i>	<i>2000</i>
	£	£
Deferred income	<u>137,992</u>	<u>149,492</u>

Notes to the financial statements

at 31 December 2001

10. Share capital

	<i>Authorised</i>	
	<i>2001</i>	<i>2000</i>
	£	£
Ordinary shares of £1 each	2	2
	<hr/>	<hr/>
	<i>Allotted, called up and fully paid</i>	
	<i>2001</i>	<i>2000</i>
	£	£
Ordinary shares of £1 each	2	2
	<hr/> <hr/>	<hr/> <hr/>

11. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£
At 2 January 2000	2	30,367	30,369
Profit for the year	–	81,952	81,952
	<hr/>	<hr/>	<hr/>
At 31 December 2000	2	112,319	112,321
Profit for the year	–	191,803	191,803
	<hr/>	<hr/>	<hr/>
At 31 December 2001	2	304,122	304,124
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12. Other financial commitments

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	<i>2001</i>	<i>2000</i>
	£	£
Operating leases which expire: in over five years	247,100	247,100
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Notes to the financial statements

at 31 December 2001

13. Ultimate parent undertaking

The immediate parent undertaking is Donna Karan Company Stores (UK) Holding Ltd, which is the parent of the smallest group in which the financial statements of the company are consolidated.

The directors consider the ultimate parent undertaking until November 2001 to be Donna Karan International Inc., a company incorporated in the USA. Donna Karan International Inc. is the parent undertaking of the largest group in which the financial statements of the company are consolidated.

Copies of these financial statements can be obtained from Donna Karan International Inc., New York City, New York, USA.

In November 2001, the Donna Karan International Inc group was acquired by LVMH Moët Hennessy Louis Vuitton SA, and from that date the directors consider it to be the ultimate parent undertaking. The first consolidated financial statements including the Donna Karan Group will be those for the year ended 31 December 2002.

14. Related party transactions

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other members of the Donna Karan International Inc. group.