

FOLLI FOLLIE HONG KONG LIMITED

Report of the Directors and Consolidated Financial Statements

For the year ended 31 December 2008

— ***Chung & Partners*** —

FOLLI FOLLIE HONG KONG LIMITED

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2008.

Principal activities

The Company is an investment holding company and is engaged in the wholesale of trendy jewellery, watches and accessories of high quality under the internationally-known Folli Follie brand name of its ultimate holding company. The Company and subsidiaries are hereafter collectively referred to as the Group.

Details of the Company's principal subsidiaries at 31 December 2008 are set out in note 20 to the consolidated financial statements.

Results and appropriations

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 4.

The Directors do not recommend the payment of a dividend.

Share capital

There was no movement during the year in the share capital of the Company.

Reserves

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 7.

Property, plant and equipment

Details of the movements during the year in property, plant and equipment of the Group are set out in notes 12 and 13 to the consolidated financial statements.

Directors

The Directors in office during the year and up to the date of the report are:

Dimitrios Koutsolioutsos
Georgios Koutsolioutsos

In accordance with the Article 112 and 113 of the Articles of Association of the Group, all Directors shall retire from office and being eligible for re-election.

Directors' interests

Save as disclosed in note 23, no other contracts of significance in relation to the Group's business to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company, its holding company, fellow subsidiaries or subsidiaries, a party to any arrangements to enable the Directors of the Group to acquire benefits by means of the acquisition of shares in, or debentures of, the Group or any other body corporate.

FOLLI FOLLIE HONG KONG LIMITED

REPORT OF THE DIRECTORS

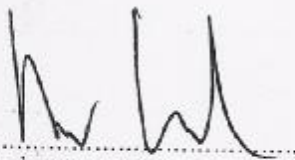
Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Auditors

A resolution to reappoint Chung & Partners Limited as auditors of the Group will be proposed at the annual general meeting.

ON BEHALF OF THE BOARD



Chairman
Hong Kong, 25 March 2009

中匯會計師事務所有限公司
Chung & Partners Limited
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FOLLI FOLLIE HONG KONG LIMITED**
(Incorporated in Hong Kong with limited liability)

We have audited the accompanying consolidated financial statements of Folli Follie Hong Kong Limited set out on pages 4 to 21 which comprise of the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The Directors of the Group are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with International Standards on Auditing, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chung & Partners Limited
Certified Public Accountants
Hong Kong, 25 March 2009

CHUNG, Yau Yan Sammy
Practising Certificate No. P02155

FOLLI FOLLIE HONG KONG LIMITED

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 US\$	2007 US\$ (restated)
REVENUE	6	366,281,897	299,888,779
Cost of sales		(182,750,778)	(142,291,708)
Gross profit		<u>183,531,119</u>	<u>157,597,071</u>
Other gains and losses	7	3,230,146	5,735,824
Selling expenses		(59,664,224)	(45,268,275)
Administrative expenses		(10,878,729)	(11,648,294)
Finance costs	8	(150,422)	(298,951)
PROFIT BEFORE TAXATION		<u>116,067,890</u>	<u>106,117,375</u>
TAXATION	9	(19,275,580)	(18,825,408)
PROFIT FOR THE YEAR	10	<u>96,792,310</u>	<u>87,291,967</u>
Minority interests		(93,039)	(34,191)
Profit attributable to shareholders		<u><u>96,759,271</u></u>	<u><u>87,257,776</u></u>

FOLLI FOLLIE HONG KONG LIMITED

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	2008 US\$	2007 US\$ (Restated)
NON-CURRENT ASSETS			
Goodwill	11	305,947	305,947
Plant and equipment	12	7,530,377	8,353,957
Investment properties	13	11,885,897	12,555,128
Deferred tax assets	14	258,906	174,030
Loan receivables	15	13,807,125	1,380,805
Rental deposits		2,102,559	1,634,257
		<u>35,890,811</u>	<u>24,404,124</u>
CURRENT ASSETS			
Inventories	16	85,771,318	79,549,293
Amount due from a fellow subsidiary		9,962	-
Amount due from holding company		422,568	-
Trade debtors	17	245,421,723	210,579,161
Other debtors, deposits and prepayments	18	57,813,741	4,240,574
Bank and cash balances		33,491,183	50,543,085
		<u>422,930,475</u>	<u>344,912,113</u>
TOTAL ASSETS		<u>458,821,286</u>	<u>369,316,237</u>
CAPITAL AND RESERVES			
Share capital	19	20,579,103	20,579,103
Reserves		404,995,859	309,648,887
Shareholders' funds		425,574,962	330,227,990
Minority interests		811,834	675,907
		<u>426,386,796</u>	<u>330,903,897</u>
NON-CURRENT LIABILITIES			
Obligations under hire purchase contracts		3,998	18,817
Mortgage loans		3,280,591	4,332,244
		<u>3,284,589</u>	<u>4,351,061</u>
CURRENT LIABILITIES			
Amount due to holding company		-	1,944,304
Amounts due to fellow subsidiaries		11,558,088	6,963,069
Trade creditors and accruals		9,927,056	15,596,594
Obligations under hire purchase contracts		15,992	15,992
Mortgage loans		1,038,772	988,196
Tax payable		6,609,993	8,553,124
		<u>29,149,901</u>	<u>34,061,279</u>
TOTAL EQUITY AND LIABILITIES		<u>458,821,286</u>	<u>369,316,237</u>

The accounts on page 4 to 21 were approved by the Board of Directors on 25 March 2009 and are signed on its behalf by:


Director


Director

INDEPENDENT AUDITOR'S REPORT

to the shareholders of FOLLI FOLLIE SLOVAKIA s.r.o.

We have audited the financial statements of FOLLI FOLLIE SLOVAKIA s.r.o., which comprise the balance sheet as at 31 December 2008, the income statement and the notes for the year then ended, and also a summary of significant accounting policies and accounting methods and other explanatory notes.

Management's Responsibility for the Financial Statements

Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Act on Accounting no. 431/2002 Coll. as amended. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and accounting methods, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies and accounting methods used, and the reasonableness of accounting estimates made by the management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of FOLLI FOLLIE SLOVAKIA s.r.o. of 31 December 2008, and of its financial performance and the cash flows for the year then ended in accordance with the Act on Accounting.

Bratislava, 13 February 2009

Ing. Henrieta Winklerová
SKAU Licence no. 732



a	ASSETS b	Line c	Current year			Prior year
			Gross 1	Adj. 2	Net 3	Net 4
	Assets total I. 002 + I. 003 + I. 032 + I. 062	001	12 650	1 712	10 938	13 815
A.	Stock subscriptions receivable (353)	002			0	
B.	Non-current assets excluding non-current receivables I. 004 + I. 013 + I. 023	003	88	77	11	37
B.I.	Non-current intangible assets (I. 005 to 012)	004	0	0	0	0
B.I. 1.	Set-up costs (011) -/071, 091A/	005				
	2. Capitalisation of development costs (012) -/072, 091A/	006				
	3. Software (013) -/073, 091A/	007				
	4. Patents, rights and royalties (014) -/074, 091A/	008				
	5. Goodwill (015) -/075, 091A/	009				
	6. Other non-current intangible assets (019, 01X) -/079, 07X, 091A/	010				
	7. Non-current intangible assets in progress (041) - 093	011				
	8. Advances granted for non-current intangible assets (051) -/095A	012				
B.II.	Non-current tangible assets (I. 014 to 022)	013	88	77	11	37
B.II. 1.	Land (021) -/092A	014				
	2. Buildings and constructions (021) -/081, 092A/	015				
	3. Separate movable items and groups of movable items (022) -/082, 092A/	016	88	77	11	37
	4. Permanent growth (025) -/085, 092A/	017				
	5. Livestock not for sale (026) -/086, 092A/	018				
	6. Other non-current tangible assets (029, 02X, 032) -/089, 08X, 092A/	019				
	7. Non-current tangible assets in progress (042) - 094	020				
	8. Advances granted for non-current tangible assets (052) - 095A	021				
	9. Adjustment to gained property +/-097 +/-098	022				
B.III.	Non-current financial assets (I. 024 to 031)	023	0	0	0	0
B.III. 1.	Investments in subsidiaries (ownership more than 50%) (061) - 096A	024				
	2. Investments in associates (ownership 20% - 50%) (062) - 096A	025				
	3. Other non-current securities and shares (ownership less than 20%) (063, 065) - 096A	026				
	4. Loans within the group of companies (066A) 096A	027				
	5. Other non-current financial assets (067A, 059, 06XA) - 096A	028				
	6. Loans with maturity up to 1 year (065A, 067A, 06XA) - 096A	029				
	7. Non-current financial assets in progress (045) - 056A	030				
	8. Advances granted for non-current financial assets (053) - 095A	031				

a	ASSETS b	Line c	Current year			Prior year
			Grass	Adj.	Net	Net
			1	2	3	4
C.	Current assets + non-current receivables L. 033 + L. 041 + L. 048 + L. 056	032	12 529	1 635	10 894	13 357
C.I.	Inventory (L. 034 to 040)	033	1 104	0	1 104	5 194
C.I. 1.	Materials (112, 119, 11X) - /191, 19X/	034				
2.	Work in progress and semi-finished production (121, 122, 12X) - /192, 193, 19X/	035				
3.	Construction contracts with expected period of completion over 1 year 12X - 192A	036				
4.	Finished products (123) - 194	037				
5.	Livestock (124) - 195	038				
6.	Goods (152, 13X, 159) - /196, 19X/	039	1 104		1 104	5 194
7.	Advances granted (314A) - 391A	040				
C.II.	Non-current receivables (L. 042 to 047)	041	3 270	1 635	1 635	3 647
C.II. 1.	Trade and other receivables (311A, 312A, 313A, 314A, 315A, 31XA) - 391A	042	3 270	1 635	1 635	3 647
2.	Receivables from subsidiaries and parent company (351A) - 391A	043				
3.	Other receivables from companies within the group of companies (351A) - 391A	044				
4.	Receivables from partners and associations (354A, 355A, 358A, 35XA) - 391A	045				
5.	Other receivables (375A, 376A, 377A, 378A, 379A, 374A, 375A, 376A, 378A) - 391A	046				
6.	Deferred tax receivable (481A)	047				
C.III.	Current receivables (L. 049 to 055)	048	7 251	0	7 251	2 128
C.III. 1.	Trade and other receivables (311A, 312A, 313A, 314A, 315A, 31XA) - 391A	049	7 251		7 251	2 127
2.	Receivables from subsidiaries and parent company (351A) - 391A	050				
3.	Other receivables from companies within the group of companies (351A) - 391A	051				
4.	Receivables from partners and associations (354A, 355A, 358A, 35XA) - 391A	052				
5.	Receivables from social security (336) - 391A	053				
6.	Tax receivables (341, 342, 343, 345) - 391A	054				1
7.	Other receivables (335A, 33XA, 371A, 372A, 374A, 375A, 376A, 378A) - 391A	055				
C.IV.	Financial accounts (L. 057 to 061)	056	904	0	904	2 388
C.IV. 1.	Cash (211, 215, 21X)	057	452		452	191
2.	Bank accounts (221A, 22X +/- 261)	058	452		452	2 197
3.	Bank time deposits with period over 1 year 22XA	059				
4.	Current financial assets - securities (251, 253, 256, 257, 25X) - /291, 29X/	060				
5.	Current financial assets in progress (259) - 291	061				
D.	Accrued assets L. 063 and L. 064	062	33	0	33	421
D. 1.	Prepaid expenses (381, 382)	063	33		33	421
2.	Unbilled revenues (385)	064				
	Control number - sum of L. 01 to 064	888	50 567	6 848	13 719	54 839

a	EQUITY AND LIABILITIES b	Line c	Current year	Prior year
			5	6
	Equity and liabilities 1.066 + 1.086 + 1.116	065	10 938	13 815
A.	Equity r. 067 + r. 071 + r. 078 + r. 082 + r. 085	066	2 435	6 484
A.I.	Shareholders equity súčet (r. 068 až r.070)	067	12 733	12 733
A.I. 1.	Basic capital (411 or +/-491)	068	12 733	12 733
2.	Own shares or own participating interest (-/-252)	069		
3.	Changes in basic capital +/- 419	070		
A.II.	Capital funds súčet (r. 072 až r.077)	071	0	0
A.II. 1.	Share premium (agio) (412)	072		
2.	Other capital funds (413)	073		
3.	Legal reserve fund (Indivisible fund) from capital (417, 418)	074		
4.	Revaluation reserve (+/- 414)	075		
5.	Revaluation of capital participation (+/-415)	076		
6.	Merger or division revaluation (+/- 416)	077		
A.III.	Funds created from profit (r. 079 až r. 081)	078	0	0
A.III. 1.	Legal reserve fund (421)	079		
2.	Indivisible fund (422)	080		
3.	Statutory and other funds (423, 427, 42X)	081		
A.IV.	Retained earnings r. 083 a r. 084	082	-6 249	6 509
A.IV. 1.	Retained profits of previous years (428)	083	1 911	1 651
2.	Retained losses of previous years (-/-429)	084	-8 160	-8 160
A.V.	Profit (loss) for accounting period +/- 1.001-(1.067+1.071+1.078+1.082+1.086+1.116)	085	-4 049	260
B.	Liabilities 1.087 + 1.091 + 1.102 + 1.112	086	8 505	7 331
B.I.	Reserves (r. 088 až r. 090)	087	237	239
B.I. 1.	Legal reserves (451A)	088		
2.	Other non-current reserves (459A, 45XA)	089		
3.	Current reserves (323, 32X, 451A, 459A, 45XA)	090	237	239

a	EQUITY AND LIABILITIES b	Line c	Current year	Prior year
			5	6
B.II.	Non-current payables (r. 092 až r. 101)	091	1	2
B.II. 1.	Non-current trade payables (479A)	092		
2.	Non-current deliveries not invoiced (476A)	093		
3.	Non-current payables to subsidiaries and parent company (471A)	094		
4.	Other non-current payables within the group of companies (471A)	095		
5.	Long-term deposits received (475A)	096		
6.	Long-term notes payable (478A)	097		
7.	Bonds issued (473A, /-255A)	098		
8.	Social fund liabilities (472)	099		
9.	Other non-current payables (474A, 479A, 47XA, 372A, 373A, 377A)	100		2
10.	Deferred tax liability (481A)	101		
B.III.	Current payables (L 103 to 111)	102	8 265	7 090
B.III. 1.	Trade payables (321, 322, 324, 325, 32X, 475A, 478A, 479A, 47XA)	103	7 427	6 719
2.	Deliveries not invoiced (326, 476A)	104		
3.	Payables to subsidiaries and parent company (361A, 471A)	105		
4.	Other payables within the group of companies (471A, 47XA) (361A, 36XA)	106		
5.	Payables to partners and associations (364, 365, 366, 367, 368, 398A, 478A, 479A)	107		
6.	Payables to employees (331, 333, 33X, 479A)	108	146	104
7.	Social security payable (335, 479A)	109	54	75
8.	Taxes payable (341, 342, 343, 345, 346, 347, 34X)	110	638	192
9.	Other current payables (372A, 373A, 377A, 379A, 474A, 479A, 47X)	111		
B.IV.	Bank loans and other notes (L 113 to 115)	112	0	0
B.IV. 1.	Non-current bank loans (461A, 46XA)	113		
2.	Current bank loans (221A, 231, 232, 23X, 461A, 46XA)	114		
3.	Current notes (241, 249, 24X, 473A, /-255A)	115		
C.	Accrued liabilities (r. 117 a r. 118)	116	0	0
C. 1.	Accrued expenses (383)	117		
2.	Deferred income (384)	118		
	Control number - sum of L 065 to 118	999	47 801	55 000

a	b	Line c	Current year		Prior year	
			1	2	1	2
I.	Revenues from goods sold (604)	01	5 017		7 506	
A.	Cost of goods sold (504)	02	4 012		3 272	
+	Gross margin I. 01 - 02	03	1 005	✓	4 234	
II.	Operation r. 05 + r. 06 + r. 07	04	2 789		2 221	
II. 1.	Revenues from finished products and services (601, 602)	05	2 789		2 221	
2.	Changes in inventory (= -657ová skupina 61)	06				
3.	Capitalisation (of own work) (accounts 62X)	07				
B.	Consumption from operation I. 09+10	08	5 953		4 001	
B. 1.	Consumption of material and energy (501, 502, 503)	09	344		395	
2.	Services (accounts 51X)	10	5 609		3 606	
-	Value added I. 03+04-08	11	-2 159		2 454	
C.	Personnel expenses (I. 13 to 16)	12	2 237		2 134	
C. 1.	Wages and salaries and earnings of partners and coop. members (521, 522)	13	1 667		1 556	
2.	Bonuses to members of executive bodies of companies and coop. (523)	14				
3.	Social insurance and other expenses (524, 525, 526)	15	508		513	
4.	Statutory social expenses (527, 528)	16	62		65	
D.	Taxes and fees (accounts 53X)	17	5			
E.	Amortisation and depreciation of non-current intangible and tangible assets (531)	18	26		386	
III.	Revenues from non-current assets and materials sold (641, 642)	19				
F.	Net book value of non-current assets and materials sold (541, 542)	20				
V.	Settling of provisions to operational revenues (657, 658, 659)	23				
H.	Creation of provisions to operational expenses (557, 558, 559)	24				
VI.	Other operating revenues (644, 645, 646, 648)	25	2 018	✓		
I.	Other operating expenses (543 až 546, 548, 549)	26	1 670	✓	26	
VII.	Transfer of operational revenues (-) (697)	27				
J.	Transfer of operational expenses (-) (597)	28				
*	Net operating results I. 11 - I. 12 - I. 17 - I. 18 + I. 19 - I. 20 + I. 21 - I. 22 + I. 23 - I. 24 + I. 25 - I. 26 + (-I. 27) - (-I. 28)	29	-4 079		-92	

a	b	Line c	Current year	Prior year
			1	2
VIII	Revenues from sales of securities and shares (651)	30		
K	Revenues from sales of securities and shares (551)	31		
IX	Revenues from non-current financial assets (1.33 + 1.34 + 1.35)	32		
IX. 1.	Revenues from securities and shareholdings in subsidiaries and associates (665A)	33		
2.	Revenues from other non-current securities and shares (665A)	34		
3.	Revenues from other non-current financial assets (665A)	35		
X.	Revenues from short-term financial assets (666)	36		
L.	Cost of current financial assets (566)	37		
XI.	Gains from revaluation of securities and transactions with derivatives (651,667)	38		
M.	Losses from revaluation of securities and cost of transactions with derivatives (564,567)	39		
XII.	Interest revenues (562)	40		
N.	Interest expenses (562)	41		
XIII.	Exchange rate gains (663)	42	699	585
O.	Exchange rate losses (563)	43	601	157
XIV.	Other financial revenues (668)	44		
P.	Other financial expenses (568, 565)	45	69	80
XV.	Use and reversal of financial reserves (674)	46		
Q.	Creation of financial reserves (574)	47		
XVI.	Settling of provisions to financial revenues (679)	48		
R.	Creation of provisions to financial expenses (579)	49		
XVII.	Transfer of financial revenues (-) (698)	50		
S.	Transfer of financial expenses (-) (598)	51		
.	Net results from financial activities r. 30 - r. 31 + r. 32 + r. 36 - r. 37 + r. 38 - r. 39 + r. 40 - r. 41 + r. 42 + r. 43 + r. 44 - r. 45 + r. 46 - r. 47 + r. 48 - r. 49 + (-r. 50) - (-r. 51)	52	39	352
F.	Income taxes on normal activity r. 54 + r. 55	53		
T. 1.	- due (591, 595)	54		
2.	- deferred (+/- 592)	55		
**	Net results from normal activities r. 29 + r. 52 - r. 53	56	-4 049	260
XVIII.	Extraordinary revenues (accounts 68X)	57		
U.	Extraordinary expenses (accounts 58X)	58		
V.	Income tax on extraordinary activity r. 60 + r. 61	59	0	
V. 1.	- due (593)	60		
2.	- deferred (+/- 594)	61		
^	Net result from extraordinary activities r. 57 - r. 58 - r. 59	62	0	0
Z.	Income distribution to partners (+/- 596)	63		
***	Net income (net loss) for the accounting period (+/-) r. 56 + r. 62 - r. 63	64	-2 049	260
	Control number (r. 01 až 64)	99	27 775	36 156

FULL SCOPE AUDIT OPINION

**FOLLI FOLLIE SPAIN, S.A.
SOCIEDAD UNIPERSONAL**

DECEMBER 31, 2008

112/2009

FULL SCOPE AUDIT OPINION

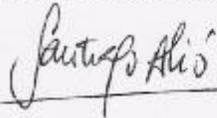
FOLLI FOLLIE A.B.E.E.
23 Km. Athens-Lamia Highway
14565 Agios Stefanos
Athens (Greece)

FOLLI FOLLIE SPAIN, S.A. SOCIEDAD UNIPERSONAL

1. We have audited the accompanying Group Reporting Forms of FOLLI FOLLIE SPAIN, S.A. Sociedad Unipersonal expressed in Euro for the year ended December 31, 2008. These Group Reporting Forms are the responsibility of the company's Management. Our responsibility is to issue a report on these FOLLI FOLLIE SPAIN reporting forms based on our audit.
2. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Group Reporting Forms are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Group Reporting Forms. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial information on the Group Reporting Forms. We believe that our audit provides a reasonable basis for our opinion.
3. These Group Reporting Forms which have been prepared applying the International Accounting Standards, enable to prepare consolidated financial statements and not to report on FOLLI FOLLIE SPAIN, S.A. Sociedad Unipersonal as a separate entity. The information does not contain certain informative disclosures in accordance with the IFRS.
4. In our opinion, the accompanying Group Reporting Forms for FOLLI FOLLIE SPAIN, S.A. Sociedad Unipersonal as of the year ended December 31, 2008 have been properly prepared, in all material respects, to give the information required to be shown in accordance with the procedures contained in the FOLLI FOLLIE Group specific instructions issued in preparation of the year end Group Reporting Forms.

5. This report is intended solely for the use of Folli Follie Group in connection with the audit of the consolidated financial statements of FOLLI FOLLIE A.B.E.E. and it should not be used for any other purpose.

Madrid, February 20th, 2009



Santiago Alio
AUDALIA AUDITORES
Nº ROAC S-0200

FSP	2007012	2008012	
ASSETS	PRIOR YEAR	REPORTING PERIOD	VARIANCE
A. FIXED ASSETS	739,900,07	555,194,22	-184,705,85
I. TANGIBLE FIXED ASSETS	435,119,45	302,888,47	-132,230,98
1. LAND	0,00	0,00	0,00
2. BUILDINGS	0,00	0,00	0,00
3. LEASEHOLD IMPROVEMENTS	99,727,40	63,062,92	-36,664,48
4. MACHINERY & TECHNICAL INSTALLATIONS	32,091,38	26,439,83	-5,651,55
5. TRANSPORTATION EQUIPMENT	0,00	0,00	0,00
6. FURNITURE, FIXTURES AND EQUIPMENT	303,300,67	213,385,72	-89,914,95
7. CONSTRUCTION IN PROGRESS	0,00	0,00	0,00
II. INTANGIBLES AND OTHER ASSETS	304,780,62	252,305,75	-52,474,87
1. INTANGIBLE ASSETS	0,00	0,00	0,00
a. CONCESSIONS (LICENSES, PATENTS & SIMILAR RIGHTS)	0,00	0,00	0,00
b. GOODWILL	0,00	0,00	0,00
c. OTHER INTANGIBLES	0,00	0,00	0,00
2. OTHER ASSETS	304,780,62	252,305,75	-52,474,87
a. RENTAL DEPOSITS	153,310,29	152,738,41	-571,88
b. LONG-TERM DEFERRED TAX ASSETS	151,470,33	95,967,34	-55,502,99
c. OTHER ASSETS	0,00	0,00	0,00
III. FINANCIAL FIXED ASSETS	0,00	0,00	0,00
1. ADVANCES FOR CAPITAL INCREASE OF GROUP COMPANIES	0,00	0,00	0,00
2. SHAREHOLDINGS	0,00	0,00	0,00
a. FF-GROUP COMPANIES	0,00	0,00	0,00
b. FF-ASSOCIATED COMPANIES	0,00	0,00	0,00
c. FF-JOINT VENTURES	0,00	0,00	0,00
d. NON-CONSOLIDATED COMPANIES	0,00	0,00	0,00
3. LONG-TERM LOANS RECEIVABLES	0,00	0,00	0,00
a. FF-GROUP COMPANIES	0,00	0,00	0,00
b. FF-ASSOCIATED COMPANIES	0,00	0,00	0,00
c. FF-JOINT VENTURES	0,00	0,00	0,00
d. THIRD PARTIES	0,00	0,00	0,00
B. CURRENT ASSETS	3,383,540,69	4,313,715,75	930,075,06
I. INVENTORIES ON HAND & IN TRANSIT	1,122,810,13	1,746,960,23	624,150,20
1. MERCHANDISE	1,107,032,22	1,671,016,29	563,937,07
2. OWN MANUFACTURED FINISHED PRODUCTS	0,00	0,00	0,00
3. OWN MANUFACTURED SEMI-FINISHED PRODUCTS	0,00	0,00	0,00
A. RAW MATERIALS	0,00	0,00	0,00
B. PACKAGING MATERIALS	15,727,91	47,417,37	26,689,46
C. GOODS IN TRANSIT	0,00	23,523,67	23,523,67
II. RECEIVABLES	1,750,605,20	2,450,785,05	690,180,85
1. TRADE RECEIVABLES	662,372,91	509,974,17	-172,398,74
a. FF-GROUP COMPANIES	19,027,01	19,845,35	818,34
b. FF-ASSOCIATED COMPANIES	0,00	0,00	0,00
c. FF-JOINT VENTURES	0,00	0,00	0,00
d. CUSTOMERS	663,345,90	490,128,82	-173,217,08
2. ADVANCE PAYMENTS FOR PURCHASE OF INVENTORIES	0,00	0,00	0,00
3. PREPAYMENTS AND ACCRUED INCOME	113,60	266,66	153,26
4. OTHER RECEIVABLES	1,108,118,69	1,940,545,02	832,426,33
a. FF-GROUP COMPANIES	1,099,140,00	1,837,796,40	738,656,40
b. FF-ASSOCIATED COMPANIES	0,00	0,00	0,00
c. FF-JOINT VENTURES	0,00	0,00	0,00
d. THIRD PARTIES	8,978,69	52,748,62	43,769,93
III. OTHER CURRENT ASSETS	470,225,36	115,969,37	-354,255,99
1. SHORT-TERM LOANS RECEIVABLES	0,00	0,00	0,00
a. FF-GROUP COMPANIES	0,00	0,00	0,00
b. FF-ASSOCIATED COMPANIES	0,00	0,00	0,00
c. FF-JOINT VENTURES	0,00	0,00	0,00
d. THIRD PARTIES	0,00	0,00	0,00
2. SHORT-TERM DEFERRED TAX ASSETS	0,00	0,00	0,00
3. MARKETABLE SECURITIES	0,00	0,00	0,00
4. CASH AT BANKS & ON HAND	470,225,36	115,969,37	-354,255,99
TOTAL ASSETS	4,123,540,76	4,868,909,97	745,369,21

FSP	2007012	2008012	
LIABILITIES	PRIOR YEAR	REPORTING PERIOD	VARIANCE
A. SHAREHOLDERS' EQUITY	2.688.035,88	2.633.383,75	-54.652,13
1. SHARE CAPITAL	3.409.528,00	3.409.528,00	0,00
2. RESERVES	0,00	0,00	0,00
3. PROFIT AND LOSS CARRIED FORWARD	-1.120.100,42	-721.432,12	398.668,30
4. DIVIDENDS	0,00	0,00	0,00
5. DIRECTORS FEES	0,00	0,00	0,00
6. NET RESULT OF PERIOD	398.608,30	-54.652,13	-453.260,43
7. CURRENCY TRANSLATION DIFFERENCES	0,00	0,00	0,00
8. DIFFERENCES DUE TO CONSOLIDATION	0,00	0,00	0,00
9. MINORITY INTERESTS	0,00	0,00	0,00
B. PROVISIONS	63.314,52	6.417,12	-56.897,40
1. FOR OBSOLETE INVENTORIES	0,00	0,00	0,00
2. FOR BAD DEBTS	6.417,12	6.417,12	0,00
3. FOR INCOME TAXES	0,00	0,00	0,00
4. FOR RETIREMENT BENEFITS	0,00	0,00	0,00
5. OTHER PROVISIONS	56.897,40	0,00	-56.897,40
6. DEFERRED TAX PROVISIONS	0,00	0,00	0,00
C. FINANCIAL LIABILITIES	0,00	0,00	0,00
1. SHORT-TERM LOANS PAYABLES	0,00	0,00	0,00
a. FF-GROUP COMPANIES	0,00	0,00	0,00
b. FF-ASSOCIATED COMPANIES	0,00	0,00	0,00
c. FF-JOINT VENTURES	0,00	0,00	0,00
d. BANKS AND FINANCIAL INSTITUTIONS	0,00	0,00	0,00
e. THIRD PARTIES	0,00	0,00	0,00
2. OTHER SHORT-TERM FINANCIAL LIABILITIES	0,00	0,00	0,00
3. LONG-TERM LOANS PAYABLES	0,00	0,00	0,00
a. FF-GROUP COMPANIES	0,00	0,00	0,00
b. FF-ASSOCIATED COMPANIES	0,00	0,00	0,00
c. FF-JOINT VENTURES	0,00	0,00	0,00
d. BANKS AND FINANCIAL INSTITUTIONS	0,00	0,00	0,00
e. THIRD PARTIES	0,00	0,00	0,00
4. OTHER LONG-TERM FINANCIAL LIABILITIES	0,00	0,00	0,00
D. INTEREST-FREE LIABILITIES	1.372.190,49	2.229.108,49	856.918,00
1. TRADE PAYABLES	1.113.750,97	2.026.282,54	912.531,57
a. FF-GROUP COMPANIES	1.089.353,20	974.394,42	-114.958,78
b. FF-ASSOCIATED COMPANIES	0,00	0,00	0,00
c. FF-JOINT VENTURES	0,00	0,00	0,00
d. SUPPLIERS	24.397,77	1.051.888,12	1.027.490,35
2. TAX LIABILITIES (OTHER THAN INCOME TAX)	148.438,20	53.844,03	-94.594,17
3. ACCRUED EXPENSES AND DEFERRED INCOME	16,68	-524,19	-540,87
4. OTHER LIABILITIES	109.984,64	149.506,11	39.521,47
a. FF-GROUP COMPANIES	0,00	0,00	0,00
b. FF-ASSOCIATED COMPANIES	0,00	0,00	0,00
c. FF-JOINT VENTURES	0,00	0,00	0,00
d. THIRD PARTIES	109.984,64	149.506,11	39.521,47
E. DEFERRED TAX LIABILITIES	0,00	0,00	0,00
1. SHORT-TERM DEFERRED TAX LIABILITIES	0,00	0,00	0,00
2. LONG-TERM DEFERRED TAX LIABILITIES	0,00	0,00	0,00
TOTAL LIABILITIES	4.123.540,89	4.868.909,36	745.368,47
	0,13	-0,61	-0,74

FSP	PERIOD FROM:	200801	PRIOR YEAR PERIOD FROM:	200701
	PERIOD TO:	200812	PRIOR YEAR PERIOD TO:	200712
INCOME STATEMENT	YEAR-TO-DATE FIGURES			
	ACTUAL	% CHG.	PRIOR YEAR	% FY
NET SALES TO THIRD PARTIES	3,583,199.33		4,477,233.27	-20.9
INTRAGROUP SALES	0.00		1,088.18	-100.0
TOTAL NET SALES-	3,583,199.33	100.0	4,478,321.45	-20.9
COST OF GOODS SOLD TO THIRD PARTIES	-1,247,508.38	34.8	-1,540,227.74	34.4
COST OF GOODS SOLD INTRAGROUP	0.00	0.0	0.00	0.0
TOTAL COST OF GOODS SOLD	-1,247,508.38	34.8	-1,540,227.74	34.4
TOTAL GROSS MARGIN	2,335,690.92	65.2	2,938,093.71	65.6
SELLING EXPENSES	-3,687,724.50	102.9	-3,856,332.55	0.9
ADMINISTRATIVE EXPENSES	-259,538.25	7.2	-326,889.49	-20.6
RESEARCH & DEVELOPMENT EXPENSES	0.00	0.0	0.00	0.0
ADVERTISING INCOME (INTRAGROUP)	1,679,000.00	46.5	1,538,140.00	8.5
ADVERTISING EXPENSE (INTRAGROUP)	0.00	0.0	0.00	0.0
MANAGEMENT FEES INCOME (INTRAGROUP)	0.00	0.0	0.00	0.0
MANAGEMENT FEES EXPENSE (INTRAGROUP)	0.00	0.0	0.00	0.0
COMMISSIONS INCOME (INTRAGROUP)	0.00	0.0	0.00	0.0
COMMISSIONS EXPENSE (INTRAGROUP)	0.00	0.0	0.00	0.0
OTHER OPERATING INCOME	0.00	0.0	0.00	0.0
OTHER OPERATING EXPENSE		0.0		0.0
OPERATING RESULT	58,030.07	1.5	494,001.27	-88.3
TOTAL INTEREST & FINANCIAL INCOME	1,432.14	0.0	627.26	128.3
INTEREST INCOME FROM FF-GROUP COMPANIES	0.00	0.0	0.00	0.0
INTEREST INCOME FROM 3RD PARTIES	1,432.14	0.0	627.26	128.3
TOTAL INTEREST & FINANCIAL EXPENSES	-12,332.09	3.3	-13,641.30	-6.6
INTEREST EXPENSES TO FF-GROUP COMPANIES	0.00	0.0	0.00	0.0
INTEREST EXPENSES TO 3RD PARTIES	-12,332.09	3.3	-13,641.30	-6.6
TOTAL FOREIGN EXCHANGE GAINS	0.00	0.0	0.00	0.0
REALIZED FOREIGN EXCHANGE GAINS	0.00	0.0	0.00	0.0
UNREALIZED FOREIGN EXCHANGE GAINS	0.00	0.0	0.00	0.0
TOTAL FOREIGN EXCHANGE LOSSES	0.00	0.0	-582.79	-100.0
REALIZED FOREIGN EXCHANGE LOSSES	0.00	0.0	-582.79	-100.0
UNREALIZED FOREIGN EXCHANGE LOSSES	0.00	0.0	0.00	0.0
OTHER EXTRAORDINARY INCOME	211.47	0.0	5,311.51	-96.0
OTHER NON-OPERATING INCOME	211.47	0.0	5,225.31	-96.0
GAIN ON DISPOSAL OF FIXED ASSETS	0.00	0.0	86.20	-100.0
GAIN ON DISPOSAL OF SHAREHOLDINGS	0.00	0.0	0.00	0.0
GAIN ON DISPOSAL OF MARKETABLE SECURITIES	0.00	0.0	0.00	0.0
GAIN FROM AT EQUITY CONSOLIDATED COMPANIES	0.00	0.0	0.00	0.0
INCOME FROM DIVIDENDS	0.00	0.0	0.00	0.0
OTHER EXTRAORDINARY EXPENSES	-50,050.73	1.4	-81,052.33	-38.2
OTHER NON-OPERATING EXPENSES	-1,808.22	0.1	-1,116.79	61.9
LOSS ON DISPOSAL OF FIXED ASSETS	-75,374.47	2.1	-90,161.97	-16.4
STOCK DAMAGE	-310.21	0.0	-350.13	-20.5
PROVISION FOR BAD DEBTS	-1,181.39	0.0	-138.44	753.4
OTHER PROVISIONS	28,583.56	0.8	10,754.51	165.8
LOSS ON DISPOSAL OF SHAREHOLDINGS	0.00	0.0	0.00	0.0
LOSS ON DISPOSAL OF MARKETABLE SECURITIES	0.00	0.0	0.00	0.0
LOSS FROM AT EQUITY CONSOLIDATED COMPANIES	0.00	0.0	0.00	0.0
RESULT BEFORE TAXES	-2,745.14	0.1	404,563.62	-100.7
DEFERRED TAX	0.00	0.0	0.00	0.0
DEFERRED TAX	-51,902.89	1.4	-6,265.20	757.2
MINORITY INTEREST INCOME	0.00	0.0	0.00	0.0
MINORITY INTEREST EXPENSE	0.00	0.0	0.00	0.0
NET RESULT OF THE PERIOD	-54,652.13	1.5	398,608.42	-113.7

"FOLLI - FOLLIE FRANCE"

**A SIMPLIFIED JOINT STOCK COMPANY
WITH A CAPITAL OF 7 200 000 €**

**20, rue Royale
75008 Paris**

FINANCIAL YEAR ENDING 31 DECEMBER 2008

GENERAL AUDITOR'S REPORT

To the sole shareholder,

In fulfilment of the assignment given to us by the Ordinary Meeting of Shareholder, We present to you our report related to the fiscal year closed December 31, 2008, regarding:

- the audit of the annual financial statements of "TOLLI-FOLLIE FRANCE", as attached to this report ;
- the justification of our assessments ;
- the specific verifications and information provided by law.

The annual financial statements were settled by the President. Based on our audit, our task is to give our opinion on these statements.

I – Opinion on the annual financial statements

We conducted our audit according to the standards of the profession applicable in France, which require care and diligence in order to conclude with reasonable assurance that the annual financial statements do not contain any significant irregularities.

An audit consists of examining, by sampling, probative items that justify the data contained in these financial statements. It also consists of assessing the accounting principles followed and the significant valuations used for settling the accounts and assessing their overall presentation.

We consider that our audits provide a reasonable basis for the following opinion.

We certify that the annual financial statements, established in accordance with the accounting principles and rules followed in France, are correct and give a reliable picture of the operations of the past fiscal year as well as of the company's financial position and assets and liabilities at the end of that fiscal year.

II – Justifications of my assessments

Pursuant to the provisions of article L. 823-9, paragraph 1, of the Commercial Code regarding the justification of my assessments, instituted by the Financial Security Act of August 1, 2003, the assessments that contributed to the formation of the above opinion, particularly regarding the accounting principles followed and the significant valuations used for settling the accounts, as well as the overall presentation of said accounts, do not require any comments other than those expressed for the above opinion.

III – Specific verifications and information

We also carried out, in accordance with the standards of the profession applicable in France, the specific verifications provided by law.

We have no comments to make on the truthfulness and concordance with the annual financial statements of the items of information given in the President's management report and in the documents transmitted to the sole shareholder regarding the financial position and the annual financial statements.

Executed in Paris, february 18, 2009

For MESSINE AUDIT COMPANY

Laurant GANEM

Auditor

Member of the Paris Regional Association

Période du 01/01/2008 au 31/12/2008

Présenté en Euros

COMPTE DE RÉSULTAT		Exercice clos le 31/12/2008 (12 mois)		Exercice précédent 31/12/2007 (12 mois)		Variation absolue (12 / 12)		%	
	France	Exportation	Total	%	Total	%	Variation	%	
Ventes de marchandises	1 221 181	14 022	1 235 203	43,94	1 551 858	67,35	-316 655	-20,39	
Production vendue biens									
Production vendue services	1 634 467		1 634 467	56,06	1 154 284	42,65	480 183	41,60	
Chiffres d'Affaires Nets	2 855 648	14 022	2 869 670	100,00	2 706 142	100,00	163 528	6,04	
Production stockée									
Production immobilisée									
Subventions d'exploitation									
Reprises sur amortis. et prov., transfert de charges			117 695	4,10	4 332	0,16	113 363	103	
Autres produits			3 405	0,12	1 365	0,05	2 041	149,52	
Total des produits d'exploitation			2 990 771	104,22	2 711 838	100,21	278 933	10,29	
Achats de marchandises (y compris droits de douane)			836 795	29,16	28 681	1,06	808 114	N/S	
Variation de stock (marchandises)			-404 776	-14,10	539 354	19,93	-944 130	-175,04	
Achats de matières premières et autres approvisionnements					272	0,01	-272	-98,90	
Variation de stock (matières premières et autres approv.)									
Autres achats et charges externes			1 255 614	43,75	1 032 604	38,19	223 010	21,60	
Impôts, taxes et versements assimilés			46 457	1,62	42 584	1,57	3 873	9,09	
Salaires et traitements			669 882	23,34	597 290	22,07	72 592	12,16	
Charges sociales			264 704	9,22	238 520	8,81	26 184	10,98	
Dotations aux amortissements sur immobilisations			53 470	1,85	39 241	1,45	14 229	36,26	
Dotations aux provisions sur immobilisations									
Dotations aux provisions sur actif circulant									
Dotations aux provisions pour risques et charges			250 422	8,73			250 422	N/S	
Autres charges			5 041	0,18	4 742	0,18	299	6,31	
Total des charges d'exploitation			2 977 608	103,76	2 523 289	93,34	454 319	18,01	
RÉSULTAT D'EXPLOITATION			13 164	0,46	188 549	6,97	-175 385	-93,01	
Bénéfice attribué ou perte transférée									
Perte supportée ou bénéfice transféré									
Produits financiers de participations									
Produits des autres valeurs mobilières et créances									
Autres intérêts et produits assimilés									
Reprises sur provisions et transferts de charges									
Différences positives de change									
Produits nets sur cessions valeurs mobilières placement									
Total des produits financiers									
Dotations financières aux amortissements et provisions									
Intérêts et charges assimilées			50 825	1,77	56 104	2,07	-5 279	-9,49	
Différences négatives de change									
Charges nettes sur cessions valeurs mobilières placements									
Total des charges financières			50 825	1,77	56 104	2,07	-5 279	-9,40	
RÉSULTAT FINANCIER			-50 825	-1,75	-56 104	-2,06	5 279	9,41	
RÉSULTAT COURANT AVANT IMPÔTS			-37 662	1,30	132 445	4,89	-170 107	-129,43	

Période du 01/01/2008 au 31/12/2008

Présenté en Euros

COMPTE DE RÉSULTAT (suite)	Exercice clos le 31/12/2008 (12 mois)		Exercice précédent 31/12/2007 (12 mois)		Variation absolue (12 / 12)	%
Produits exceptionnels sur opérations de gestion						
Produits exceptionnels sur opérations en capital						
Reprises sur provisions et transferts de charges	5 462	0,19	97 520	3,69	-92 058	-94,39
Total des produits exceptionnels	5 462	0,19	97 520	3,69	-92 058	-94,39
Charges exceptionnelles sur opérations de gestion	43 631	1,82	29 973	1,11	13 658	45,57
Charges exceptionnelles sur opérations en capital						
Dotations exceptionnelles aux amortissements et provisions						
Total des charges exceptionnelles	43 631	1,82	29 973	1,11	13 658	45,57
RÉSULTAT EXCEPTIONNEL	-38 169	-1,32	67 547	2,58	-105 716	-156,50
Participation des salariés						
Impôts sur les bénéfices						
Total des Produits	2 996 233	104,41	2 809 358	103,81	186 875	6,58
Total des Charges	3 072 064	107,05	2 609 366	96,42	462 698	17,73
RÉSULTAT NET	-75 831	-2,57	199 993	7,35	-275 824	-137,91
Dont Crédit-bail mobilier						
Dont Crédit-bail immobilier						

FOLLI FOLLIE JAPAN, LTD.

Financial Statements

For the year ended 31 December 2008

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FOLLI FOLLIE JAPAN, LTD.**
(Incorporated in Japan with limited liability)

We have audited the financial statements of Folli Follie Japan, Ltd. set out on pages 2 to 12, which comprise the balance sheet as at 31 December 2008, and the income statement, the statement of change in equity and the cash flow statement for the year ended 31 December 2008, and a summary of significant accounting policies and other explanatory notes:

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with International Standards on Auditing, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2008 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chung & Partners Limited
Certified Public Accountants
Hong Kong, 20 February 2009

CHUNG, Yau Yan Sammy
Practising Certificate No. P02155

FOLLI FOLLIE JAPAN, LTD.

INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 JPY'000	2007 JPY'000 (restated)
REVENUE	5	5,255,252	5,660,852
Cost of sales		<u>(1,700,980)</u>	<u>(1,959,032)</u>
Gross profit		3,554,272	3,701,820
Other gains and losses	6	335,297	(9,628)
Selling expenses		(3,054,027)	(3,004,717)
Administrative expenses		(533,297)	(561,406)
Finance costs	7	<u>(11,420)</u>	<u>(13,096)</u>
PROFIT BEFORE TAXATION	8	290,825	112,973
TAXATION	9	<u>(95,717)</u>	<u>(36,803)</u>
PROFIT FOR THE YEAR		<u>195,108</u>	<u>76,170</u>

FOLLI FOLLIE JAPAN, LTD.


BALANCE SHEET

As at 31 December 2008

	Note	2008 JPY'000	2007 JPY'000 (restated)
ASSETS			
NON-CURRENT ASSETS			
Plant and equipment	10	264,994	237,269
Goodwill		-	8,334
Deferred tax assets	11	234,247	234,247
		<u>499,241</u>	<u>479,850</u>
CURRENT ASSETS			
Inventories		1,262,695	1,187,041
Amount due from a fellow subsidiary company		192,075	-
Debtors, deposits and prepayments		1,336,325	1,725,755
Tax recoverable		44,205	-
Bank and cash balances		276,464	537,044
		<u>3,111,764</u>	<u>3,449,840</u>
TOTAL ASSETS		<u><u>3,611,005</u></u>	<u><u>3,929,690</u></u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	12	249,440	249,440
Reserves		1,300,234	1,105,126
		<u>1,549,674</u>	<u>1,354,566</u>
NON-CURRENT LIABILITIES			
Borrowings	13	333,455	426,846
CURRENT LIABILITIES			
Amounts due to holding company		3,635	6,686
Amounts due to fellow subsidiaries		73,262	-
Borrowings		334,650	109,694
Creditors and accruals		1,316,329	1,964,849
Tax payable		-	67,049
		<u>1,727,876</u>	<u>2,148,278</u>
TOTAL LIABILITIES		<u><u>2,061,331</u></u>	<u><u>2,575,124</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>3,611,005</u></u>	<u><u>3,929,690</u></u>

The financial statements on pages 2 to 12 were approved by the Board of Directors on 20 February 2009 and were signed on its behalf by:


Director


Director

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

FOR

FOLLI FOLLIE (UK) LIMITED

FOLLI FOLLIE (UK) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report with the financial statements of the company for the year ended 31 December 2008.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of Folli Follie (UK) Limited is in the jewellery and accessories business and sells its products through its wholesale operations. It also receives income from the licensing of its retail operations. The company is a subsidiary of Folli Follie S.A. a multinational company listed on the Athens Stock Exchange.

REVIEW OF BUSINESS

Key Performance Indicators:

The retail sales in the UK, decreased by 34.94%. However this represents the three quarters retail revenue as during the year the retail business has been transferred to one of its group/fellow subsidiary.

Sales to Non EEC customers, mainly to the Far East, decreased by 34.4%. There were no significant sales to other EEC customers.

Significant Risks:

The key risk faced by the company is volatility of the UK fashion industry. This risk is managed by way of keeping cash reserves to cover down turns in sales.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2008.

FUTURE DEVELOPMENTS

The company in the future will focus in its wholesale operations. The retail operations were licensed to Links (London) Ltd, a fellow subsidiary.

DIRECTORS

The directors set out in the table below have held office during the whole of the period from 1 January 2008 to the date of this report.

The directors shown below were in office at 31 December 2008 but did not hold any interest in the Ordinary shares of £1 each at 1 January 2008 or 31 December 2008.

D Koutsolioutsos
J Armstrong

COMPANY'S POLICY ON PAYMENT OF CREDITORS

It is the company's policy to maintain good relationships with its suppliers. Suppliers are made aware of the terms of payment, which are agreed with them in advance and these are adhered to. The number of days' purchases included in trade creditors was 27 (2007: 138).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 International Financial Reporting Standards as adopted for use in the European Union. 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 judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

FOLLI FOLLIE (UK) LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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.

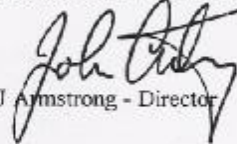
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Chris Skarparis & Co Ltd, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


J Armstrong - Director

31 March 2009

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
FOLLI FOLLIE (UK) LIMITED**

We have audited the financial statements of Folli Follie (UK) Limited for the year ended 31 December 2008 on pages five to seventeen. These financial statements have been prepared under 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in the European Union are set out on pages two and three.

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 Report of the Directors 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 Report of the Directors 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 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted for use in the European Union, of the state of the company's affairs as at 31 December 2008 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 Report of the Directors is consistent with the financial statements.



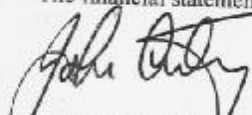
Chris Skarparis & Co Ltd
Chartered Accountants and
Registered Auditors
10(b) Aldermans Hill
Palmers Green
London
N13 4PJ

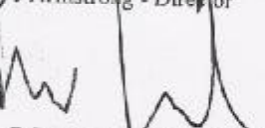
31 March 2009

FOLLI FOLLIE (UK) LIMITED**BALANCE SHEET
31 DECEMBER 2008**

	Notes	31.12.08 £	31.12.07 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	683,008	684,463
Deferred tax	14	<u>5,262</u>	<u>3,319</u>
		<u>688,270</u>	<u>687,782</u>
CURRENT ASSETS			
Inventories	9	32,350	965,510
Trade and other receivables	10	3,749,929	3,181,529
Cash and cash equivalents	11	<u>535,628</u>	<u>233,252</u>
		<u>4,317,907</u>	<u>4,380,291</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	485,318	523,913
Tax payable		<u>10,167</u>	<u>55,470</u>
		<u>495,485</u>	<u>579,383</u>
NET CURRENT ASSETS			
		<u>3,822,422</u>	<u>3,800,908</u>
NET ASSETS			
		<u>4,510,692</u>	<u>4,488,690</u>
SHAREHOLDERS' EQUITY			
Called up share capital	15	2,062,502	2,062,502
Retained earnings	16	<u>2,448,190</u>	<u>2,426,188</u>
TOTAL EQUITY			
		<u>4,510,692</u>	<u>4,488,690</u>

The financial statements were approved by the Board of Directors on 31 March 2009 and were signed on its behalf by:


J Armstrong - Director


D Koutsolioutsos - Director

The notes form part of these financial statements

FOLLI FOLLIE (UK) LIMITED**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	31.12.08 £	31.12.07 £
CONTINUING OPERATIONS			
Revenue	2	3,107,195	2,521,619
Cost of sales		<u>(1,797,053)</u>	<u>(1,002,626)</u>
GROSS PROFIT		1,310,142	1,518,993
Other operating income		13,500	14,625
Distribution costs		(6,354)	(5,351)
Administrative expenses		<u>(754,441)</u>	<u>(859,877)</u>
OPERATING PROFIT		562,847	668,390
Finance costs	4	(2,213)	(2,933)
Finance income	4	<u>7,537</u>	<u>7,346</u>
PROFIT BEFORE TAX	5	568,171	672,803
Tax	6	<u>(8,223)</u>	<u>(63,020)</u>
Net profit from continuing operations		559,948	609,783
Net result from discontinued operations	7	<u>(537,946)</u>	<u>(517,064)</u>
Net profit from continuing operations		<u>22,002</u>	<u>92,719</u>

The notes form part of these financial statements



MFK FASHION INVESTMENT LIMITED
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2008

MFK FASHION INVESTMENT LIMITED**BOARD OF DIRECTORS' REPORT**

The Board of Directors of MFK FASHION INVESTMENT LIMITED (the «Company») presents to the members its Annual Report together with the audited financial statements of the Company for the year ended 31 December 2008.

INCORPORATION

The Company was incorporated in Cyprus on 20 June 2002 as a limited liability company under the provisions of the Cyprus Companies Law, Cap. 113.

PRINCIPAL ACTIVITIES

The principal activity of the Company continued to be the import and sale of women's jewellery and fashion accessories under the brand name Folli Follie.

FINANCIAL RESULTS

The Company's results for the year are set out on page 6 of the financial statements. The profit for the year attributable to equity holders of the Company amounted to € 102.887 (2007: € 139.274).

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE COMPANY

The current financial position as presented in the financial statements is considered satisfactory.

REVENUE

The Company's turnover for year ended 31 December 2008 was € 1.221.117 (2007: € 859.692).

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 18 of the financial statements.

FUTURE DEVELOPMENTS

The Board of Directors does not expect major changes in the principal activities of the Company in the foreseeable future.

MFK FASHION INVESTMENT LIMITED**BOARD OF DIRECTORS' REPORT** *(continued)***SHARE CAPITAL**

As from 1 January 2008, Euro ("€") is the official currency of the Republic of Cyprus. During 2008, the share capital of the Company was converted from Cyprus Pounds to Euro according to the requirements of the Adoption of Euro Law (Law 33(I)/2007). During the conversion, any roundings were performed in accordance with the aforementioned Law. For the conversion of the share capital of the Company from Cyprus Pounds to Euro we have used the irrevocable conversion rate €1 = £0,585274.

As a result of the above, the authorised and issued share capital of the Company from £300,000 divided in 300,000 ordinary shares of £ 1 each, was converted to €513,000 divided in 300,000 ordinary shares of €1,71 each. Due to the conversion and rounding of the nominal value of each share (from €1,708601 to €1,71) the share capital of the Company has increased by €420 which was capitalized in retained earnings.

BRANCHES

During the year ended 31 December 2008 the Company did not operate any branches. The Company operates three retail shops, one in Nicosia, one in Limassol and one at Larnaca International Airport.

BOARD OF DIRECTORS

The members of the Company's Board of Directors as at 31 December 2008 and at the date of this report are presented on page 1. All of them were members of the Board throughout the year ended 31 December 2008.

In accordance with the Company's Articles of Association, Mr. Yiannis Tsiggounakis retires by rotation at the Annual General Meeting of the Company and, being eligible, offers himself for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

INDEPENDENT AUDITORS

The independent auditors KPMG Limited, have expressed their willingness to continue in office. A resolution for their reappointment and giving authority to the Board of Directors to fix their remuneration will be submitted at the Annual General Meeting.

By order of the Board of Directors,


Adminico Secretarial Limited
Secretary

Nicosia, 16 February 2009





KPMG Limited
Chartered Accountants
 14 Esperidon Street
 1087 Nicosia, Cyprus
 P.O.Box 21121
 1502 Nicosia, Cyprus

Telephone +357 22 209000
 Telefax +357 22 678200
 Website www.kpmg.com.cy

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

MFK FASHION INVESTMENT LIMITED

Report on the Financial Statements

We have audited the financial statements of MFK FASHION INVESTMENT LIMITED (the «Company») on pages 6 to 26, which comprise the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG Limited is a private company limited by shares registered in Cyprus under registration number HE 152822 with its registered office at 14, Esperidon Street, 1087, Nicosia, Cyprus.

Board Members

MG. Svirnas
 A.K. Christofilos
 E.Z. Hadicacharis
 P.G. Lofou
 A.M. Gheorgiades
 A.A. Demetrou
 D.S. Vako
 A.A. Apizidou
 S.A. Lofinos
 M.A. Lofinos

S.G. Sofioleous
 M.M. Antonidakis
 C.V. Vasiliou
 P.E. Antonidakis
 M.L. Hala
 M.P. Michal
 P.A. Peetles
 D.V. Meriades
 M.A. Papacostas
 K.A. Papanicolaou

A.I. Stathimoulis
 G.N. Izerize
 H.S. Christodoulou
 G.P. Argyriou
 I.P. Giakoumis
 M.C. Georghiades
 H.A. Kakoulis
 G.P. Savva
 C.A. Kalas
 C.H. Kallis

Lemesos

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Larnaca

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Pafos

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 Telefax: +357 26 943052

Paralimni/Ayia Napa

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 Telephone: +357 23 820030
 Telefax: +357 23 820034

Polis Chrysochous

P.O.Box 86014, 6330
 Telephone: +357 25 322098
 Telefax: +357 25 322122

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of MFK FASHION INVESTMENT LIMITED as of 31 December 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal Requirements

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 2 and 3 is consistent with the financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap.113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Chartered Accountants

Nicosia, 16 February 2009

MFK FASHION INVESTMENT LIMITED

6

INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 €	2007 €
Revenue	4	1.221.117	859.692
Cost of sales		<u>(658.880)</u>	<u>(338.936)</u>
Gross profit		562.237	520.756
Selling and distribution expenses		(423.672)	(346.773)
Administrative expenses		<u>(22.979)</u>	<u>(19.618)</u>
Operating profit	5	<u>115.586</u>	<u>154.365</u>
Finance income		397	518
Finance expenses		<u>(1.427)</u>	<u>(1.383)</u>
Net finance expenses	7	<u>(1.030)</u>	<u>(865)</u>
Profit before taxation		114.556	153.500
Tax	8	<u>(11.669)</u>	<u>(14.226)</u>
Profit for the year		<u>102.887</u>	<u>139.274</u>

The notes on pages 10 to 26 are an integral part of these financial statements.

MFK FASHION INVESTMENT LIMITED

7

BALANCE SHEETAs at 31 December 2008

	Note	2008 €	2007 €
Assets			
Property, plant and equipment	9	177.314	201.278
Intangible assets	10	<u>290.462</u>	<u>290.462</u>
Total non-current assets		<u>467.776</u>	<u>491.740</u>
Inventories	11	499.095	455.859
Trade and other receivables	12	245.915	163.754
Refundable tax	16	1.231	-
Cash at bank and in hand		<u>224.758</u>	<u>386.908</u>
Total current assets		<u>970.999</u>	<u>1.006.521</u>
Total assets		<u>1.438.775</u>	<u>1.498.261</u>
Equity			
Share capital	13	513.000	512.580
Retained earnings		<u>168.458</u>	<u>65.991</u>
Total equity attributable to shareholders of the Company		<u>681.458</u>	<u>578.571</u>
Liabilities			
Deferred tax liabilities	14	<u>773</u>	<u>1.071</u>
Total non-current liabilities		<u>773</u>	<u>1.071</u>
Trade and other payables	15	756.544	910.778
Tax liability	16	-	<u>7.841</u>
Total current liabilities		<u>756.544</u>	<u>918.619</u>
Total liabilities		<u>757.317</u>	<u>919.690</u>
Total equity and liabilities		<u>1.438.775</u>	<u>1.498.261</u>

The financial statements were approved by the Board of Directors on 16 February 2009.

.....
Director

.....
Director

The notes on pages 10 to 26 are an integral part of these financial statements.