

The English Art Works Limited
(Registered Number: 173572)

Annual Report
For the year ended 31 March 2002



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The English Art Works Limited

Directors' Report for the year ended 31 March 2002

The directors submit their report and the audited financial statements for the year ended 31 March 2002.

Principal activities

The Company's principal activity is manufacturing jewellery.

Results

During the year, the Company made an operating loss of £93,000 (2001: £291,000).

Dividends

No dividend was declared or paid during the year ended 31 March 2002 (2001: £Nil).

Review of business and future developments

Both the level of business and the financial position of the Company were satisfactory and the directors believe that the present level of activity will be sustained for the foreseeable future. Cartier Limited have expressed its interest to continue to provide its support to the Company for the foreseeable future.

Fixed assets

The movements in fixed assets during the year are set out in note 7 to the accounts.

Directors

The directors of the Company during the year were:-

Mr Arnaud Bamberger Managing Director
Mr Greig Catto

Directors' interests

There are no individual interests of any director and their families in shares and options of the Company, its parent company or any of their subsidiary companies or fellow subsidiaries, as shown in the register kept in accordance with section 325 of the Companies Act 1985 as at 31 March 2002.

During the year, no director had a material interest in any contract that was significant in relation to the Company's business.

Employee information

The Company is an equal opportunity employer and no job applicant receives less favourable treatment on the grounds of sex, marital status, race, colour or creed. Employees are kept as fully informed as possible on the Company's performance and direction and there are established channels for consultation and communication at a corporate and divisional level.

Donations

No contributions were made by the Company during the period for charitable or political purposes.

The English Art Works Limited

Directors' Report for the year ended 31 March 2002 (continued)

Statement of directors' responsibilities

The directors are required by United Kingdom company law to prepare accounts for each financial year that give a true and fair view of the state of the Company as at the end of the financial year and of the profit or loss for that year.

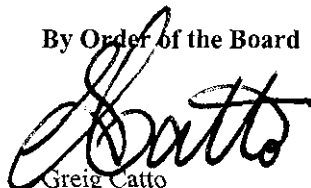
The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2002. The directors also confirm that applicable accounting standards have been followed and that the accounts have been prepared on a going concern basis, subject to any material departures disclosed and explained in the financial statements.

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.

Auditors

A resolution to re-appoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By Order of the Board



Greig Catto
Secretary

7 January 2003

Independent report of the auditors to the members of The English Art Works Limited

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 7.

Respective responsibility of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 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 whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

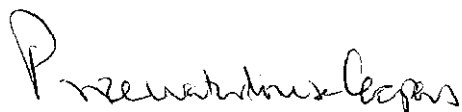
Basis of opinion

We conducted our audit in accordance with 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company as at 31 March 2002 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

7 January 2003

The English Art Works Limited

Profit and Loss Account for the Year Ended 31 March 2002

	Notes	2002 £'000	2001 £'000
Turnover	2	789	707
Cost of sales		(598)	(625)
Gross profit		<u>191</u>	<u>82</u>
Administrative expenses		(284)	(373)
Operating loss and loss on ordinary activities before taxation	5	<u>(93)</u>	<u>(291)</u>
Taxation	6	-	-
Loss for the year		<u>(93)</u>	<u>(291)</u>
Retained loss at beginning of the year		(317)	(26)
Retained loss at the end of the year		<u><u>(410)</u></u>	<u><u>(317)</u></u>

All amounts above relate to continuing operations.

The Company has no recognised gains or losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before tax and the retained loss for the financial year stated above and their historical cost equivalents.

The notes on pages 6 to 12 form an integral part of these financial statements.

The English Art Works Limited

Balance Sheet as at 31 March 2002

	Notes	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Fixed assets					
Tangible fixed assets	7		173		222
Current assets					
Stocks	8	247		230	
Debtors	9	65		6	
Cash at bank and in hand		<u>1</u>		<u>1</u>	
		313		237	
Creditors: amounts falling due within one year	10	<u>(880)</u>		<u>(755)</u>	
Net current assets			<u>(567)</u>		<u>(518)</u>
Total assets less current liabilities			(394)		(296)
Creditors: amounts falling due after one year	11		(11)		(16)
			<u>(405)</u>		<u>(312)</u>
Capital and reserves					
Called up share capital	13		5		5
Profit and loss account			(410)		(317)
Equity shareholders' deficit	14		<u>(405)</u>		<u>(312)</u>

The financial statements were approved by the Board on 7 January 2003 and were signed on its behalf by:



Arnaud Bamberger
Director

The notes on pages 6 to 12 form an integral part of these financial statements.

The English Art Works Limited

Notes to the financial statements for the year ended 31 March 2002

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied on a consistent basis, is set out below.

(a) Basis of accounting

The accounts have been prepared in accordance with the historical cost convention. The accounts have been prepared on a going concern basis. The Directors have received a letter from the Company's immediate parent company that it will provide adequate financial resources in order for the Company to meet its obligations as and when they fall due.

(b) New accounting standards

Financial Reporting Standard 17 – "Retirement Benefits" was issued in November 2000 by the Accounting Standards Board to replace SSAP 24 "Accounting for pension costs". In accordance with the transitional arrangements, certain additional disclosures are included in the notes to the accounts.

Financial Reporting Standard 18 – "Accounting policies" has been adopted for these financial statements. The directors have reviewed the accounting policies adopted by the Company and have confirmed that they are most appropriate to the particular circumstances of the Company. There is no change to the previously reported policies or numbers as a result of the adoption of this standard.

Financial Reporting Standard 19 – "Deferred Tax" has been adopted for these financial statements. As required by the standard, deferred taxation has been calculated using the full provision approach rather than the partial provision approach previously employed. This has had no impact on the figures previously reported.

(c) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year, are:-

	%
Office furniture and equipment, and leasehold improvements	20
Plant and machinery	20

(d) Stocks

Stocks and Work in Progress are stated at the lower of cost and net realisable value. In general, cost is allocated on an individual product basis and includes all direct expenditure and attributable production overheads according to the stage of production reached.

The English Art Works Limited

Notes to the financial statements for the year ended 31 March 2002

1 Principal accounting policies (continued)

(e) Foreign currencies

Profit and loss account items in foreign currencies are translated at the rates ruling at the dates of the transactions; assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the end of the financial year. Differences on exchange are included in the profit and loss account.

(f) Taxation

Provision is made in each financial year for all taxation expected to be payable in respect of profits earned during the year.

Provision is made for deferred taxation using the incremental liability approach and is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws substantially enacted at the balance sheet date.

(g) Cash flow statement

No cash flow statement has been presented as, in accordance with Financial Reporting Standard No. 1 Revised, the Company is exempt from this requirement as it is a wholly owned subsidiary whose cash flows are included in the consolidated cash flow statement of Compagnie Financière Richemont AG.

(h) Pension scheme arrangements

The Company contributes to a group pension scheme operated by Richemont Holdings (UK) Limited. Contributions and pension costs are based on pension costs across the group as a whole. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Company benefits from the employees' services. The effects of variations from regular costs are spread over the expected average remaining lifetime of members of the scheme after making suitable allowances for future withdrawals.

(i) Leased assets

Expenditure on operating leases is charged to the profit and loss account over the period of the lease.

(j) Related party transactions

The Company has taken advantage of the exemption contained in paragraph 3 (c) of Financial Reporting Standard No. 8 and accordingly these financial statements do not include details of transactions between subsidiaries which are at least 90% owned by Compagnie Financière Richemont AG.

2 Turnover

Turnover, which represents sales made to fellow group companies excludes value added tax. All turnover arose in the United Kingdom.

The English Art Works Limited

Notes to the financial statements for the year ended 31 March 2002

3 Employee information

- a) The average number of persons, including directors, employed by the company during the year, is analysed below:-

	2002 Number	2001 Number
Production	13	12
Administration	2	2
	<u>15</u>	<u>14</u>

- (b) Employment costs of all employees included above were:-

	2002 £'000	2001 £'000
Gross wages, salaries and commissions	559	581
Employer's national insurance and state pension contributions	48	49
Other pension credit (see note 12)	(63)	(15)
	<u>544</u>	<u>615</u>

4 Directors' emoluments

No emoluments were received by directors in respect of their services to the Company during the year.

5 Operating loss and loss on ordinary activities before taxation

	2002 £'000	2001 £'000
Depreciation	49	31
Auditors' remuneration - audit	3	3
Operating lease rentals - other	73	85

The English Art Works Limited

Notes to the financial statements for the year ended 31 March 2002

6 Taxation

	2002 £'000	2001 £'000
Loss on Ordinary activities	(100)	(291)
United Kingdom corporation tax on profit for the year at 30% (2001: 30%)	(30)	(87)
Effects of:		
Expenses not deductible for tax purposes	1	12
Depreciation in excess on capital allowances claimed	(1)	(1)
Other timing differences	(19)	(4)
Tax losses carried forward	49	80
Current tax charge	-	-

There is no taxation charge for the year (2001: £Nil). No asset for deferred tax has been recognised at 31 March 2002.

7 Tangible fixed assets

	Plant and machinery £'000	Leasehold improvements £'000	Office furniture and equipment £'000	Total £'000
Cost				
At 1 April 2001	4	220	50	274
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 March 2002	4	220	50	274
Accumulated Depreciation				
At 1 April 2001	2	25	25	52
Charge for the year	1	42	6	49
Disposals	-	-	-	-
At 31 March 2002	3	67	31	101
Net book value at:				
31 March 2002	1	153	19	173
1 April 2001	2	217	3	222

The English Art Works Limited

Notes to the financial statements for the year ended 31 March 2002

8 Stocks

	2002	2001
	£'000	£'000
Raw materials	165	171
Work in progress	82	59
	<u>247</u>	<u>230</u>

9 Debtors

	2002	2001
	£'000	£'000
Amounts owed by group undertakings	-	3
Other debtors	2	-
Prepayments and accrued income	63	3
	<u>65</u>	<u>6</u>

10 Creditors: amounts falling due within one year

	2002	2001
	£'000	£'000
Bank loans and overdraft	-	1
Trade creditors	18	4
Amounts owed to group undertakings	858	703
Accruals and deferred income	4	47
	<u>880</u>	<u>755</u>

11 Creditors: amounts falling due after one year

	2002	2001
	£'000	£'000
Accruals and deferred income	<u>11</u>	<u>16</u>

The English Art Works Limited

Notes to the financial statements for the year ended 31 March 2002

12 Pension commitments

The Company participates in and contributes to the Richemont UK Pension Plan, a funded defined benefit group plan. The pension cost and contributions for the year are calculated for the Plan as a whole and allocated between the participating employers after taking into account relevant payroll costs and historic contributions.

The pension cost for the Company was a credit of £63,000 (2001: a credit of £15,000). The pension cost is assessed in accordance with the advice of an independently qualified actuary. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Company benefits from the employees' services. The effects of variations from regular cost are spread over the average remaining service lives of current employees on a straight-line basis.

For accounting purposes the valuation used the projected unit method of actuarial valuation with assets valued on a discounted income basis. The assumptions used were that the long-term rate of return on the Plan's investments will, on average, exceed the increase in pensionable earnings by 2.5% pa, the growth in future pensions and price inflation by 5.0% pa and the growth in future dividends by 1.5% pa. On this basis as at 31 March 2001, the date of the latest valuation, the actuarial value of the assets represented 150% of the actuarial value of the liabilities.

The accounting surplus is being spread over the average remaining service lives of current employees on a straight-line basis. At the balance sheet date the pension prepayment is £63,000 (2001: prepayment of £3,000).

For funding purposes more actuarial assumptions are adopted and any surplus or deficit may be spread on a basis which differs from that used for accounting purposes. The last formal review of the Plan for funding purposes was completed as at 31st March 2001 using the Projected Unit Method of actuarial valuation on a market related basis. The assumptions used were a long term annual rate of investment return of 6.3% pa for the past service liabilities before retirement, 7.0% pa for future service liabilities before retirement and 5.3% pa for all liabilities after retirement. The increase in pensionable earnings assumption was 4.9% pa and the assumed growth in future pensions and price inflation was 2.4% pa. At the date of review, based on these assumptions, the market value of the Plan's assets represented 121% of its long term accrued liabilities on an on-going basis. The funding surplus is being used to finance the Employer's contributions to the Plan. The market value of the Plan's assets at 31st March 2001 was £88.3 million.

The Company provides no other post retirement benefits to its employees.

FRS17 disclosure

The Company is unable to identify its share of the underlying assets of the Plan on a consistent and reasonable basis. Each participating employer is exposed to actuarial risks associated with the current and former employees of the other employers participating in the Plan. FRS17 allows that in such circumstances, the pension cost may be treated as equal to the Company's contributions to the Plan during the accounting period and no additional disclosures in the financial statements of the company are required.

The English Art Works Limited

Notes to the financial statements for the year ended 31 March 2002

13 Share capital

Authorised, allotted, called up and fully paid

	2002	2001
	£'000	£'000
Ordinary shares of £1 each	<u>5</u>	<u>5</u>

14 Reconciliation of movements in shareholders' deficit

	2002	2001
	£'000	£'000
Loss for the financial year	<u>(93)</u>	<u>(291)</u>
Net increase in shareholders' deficit	(93)	(291)
Opening shareholders' deficit	<u>(312)</u>	<u>(21)</u>
Closing shareholders' deficit	<u>(405)</u>	<u>(312)</u>

15 Immediate Holding company

The Company is a wholly owned subsidiary of Cartier Limited, a company incorporated in Great Britain, registered in England and Wales.

16 Ultimate holding company

The directors regard Compagnie Financière Richemont AG, a limited company incorporated in Switzerland, to be the ultimate holding company. Shares representing 50% of the voting rights of that company are held by Compagnie Financière Rupert which, for the purposes of FRS 8, is regarded by the directors as the controlling party. Copies of the consolidated financial statements of Compagnie Financière Richemont may be obtained from; The Secretary, Compagnie Financière Richemont AG, 8 Boulevard James Fazy, 1201 Geneva.