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THE ENGLISH ART WORKS LIMITED

Report of the Directors

The directors present herewith the audited financial statements for the year ended 31 March 1998.

Principal activities

The company's principal activity is manufacturing jewellery.

Review of activities and future developments

The company continues to trade at expected levels. The Directors believe the company is well placed to take advantage of any improvement in the economic environment.

Results

The profit and loss account for the year is set out on page 4.

Dividends

The directors do not recommend the payment of a dividend in respect of the period ended 31 March 1998 (1997: £Nil).

Fixed Assets

The movements in fixed assets during the year are set out in notes 8 to the accounts.

Directors

The directors of the company during the year were:-

Mr A.M. Bamberger	Managing Director
Mr G.O. Catto	
Mr T.M.J. Davidson	Resigned on 12 September 1997

Directors' Interests in Shares of the Company

The directors had no beneficial interest at any time during the year in the share capital of the company.

Directors' Interests in Contracts

None of the directors had a material interest in any contract of significance to which the company was a party during the financial year.



THE ENGLISH ART WORKS LIMITED

Report of the Directors

Statement of directors' responsibilities

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Charitable Contributions

Contributions made by the company during the year for charitable purposes amounted to £48 (1997: £9).

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



G.O. Catto
Secretary,
LONDON, 11 June 1998

Report of the auditors to the members of
THE ENGLISH ART WORKS LIMITED

We have audited the financial statements on pages 4 to 10.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on these statements and to report our opinion to you.

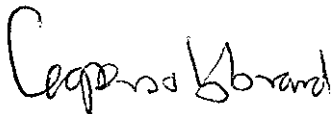
Basis of opinion

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 company's affairs at 31 March 1998 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
LONDON, 11 June 1998

THE ENGLISH ART WORKS LIMITED

Profit and Loss account for the year ended 31 March 1998

	<u>Notes</u>	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Turnover	2	842	946
Cost of sales		(689)	(676)
Gross profit		<u>153</u>	<u>270</u>
Administrative expenses		<u>(201)</u>	<u>(170)</u>
(Loss) / Profit on ordinary activities before taxation	5	(48)	100
Taxation on (loss) / profit on ordinary activities	6	<u>-</u>	<u>(33)</u>
(Loss) / profit for the period		<u><u>(48)</u></u>	<u><u>67</u></u>

All amounts above relate to continuing operations, and are stated at historical cost.

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

STATEMENT OF RETAINED PROFIT

Retained profits at 1 April 1997	525	458
(Loss) / profit for the period	(48)	67
Retained profits at 31 March 1998	<u><u>477</u></u>	<u><u>525</u></u>

The notes on pages 6 to 10 form an integral part of these accounts.
Auditors' report appears on page 3.

THE ENGLISH ART WORKS LIMITED**Balance sheet - 31 March 1998**

	<u>Notes</u>	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
FIXED ASSETS			
Tangible assets	8	19	16
		<u>19</u>	<u>16</u>
CURRENT ASSETS			
Stocks	9	153	189
Debtors	10	445	447
Cash at bank and in hand		1	1
		<u>599</u>	<u>637</u>
CREDITORS: amounts			
falling due within one year	11	(109)	(87)
		<u></u>	<u></u>
NET CURRENT ASSETS			
		490	550
Total assets less current liabilities		<u>509</u>	<u>566</u>
PROVISIONS FOR LIABILITIES			
AND CHARGES	12	(27)	(36)
		<u>482</u>	<u>530</u>
CAPITAL AND RESERVES			
Called up share capital	13	5	5
Profit and loss account		477	525
SHAREHOLDERS FUNDS			
	14	<u>482</u>	<u>530</u>

The accounts were approved by the Board on 11 June 1998 and were signed on its behalf by



A.M. Bamberger



G.O. Catto

The notes on pages 6 to 10 form an integral part of these accounts.
Auditors' report appears on page 3.

THE ENGLISH ART WORKS LIMITED

Notes to the accounts - 31 March 1998

Principal accounting policies

1 (a) Historical Cost Convention

These accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

(b) 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%
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(c) Stocks and Work in Progress

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.

(d) Deferred tax

Provision is made for deferred tax at the rate of corporation tax ruling at the balance sheet date (the liability method) except in respect of any tax reduction which can reasonably be expected to continue for the foreseeable future.

(e) Pension scheme arrangements

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 remaining working lifetime of members of the scheme after making suitable allowances for future withdrawals.

(f) Related party transactions

The company has taken advantage of the exemption contained in paragraph 3 (c) of Financial Reporting Standard Number 8 and accordingly these financial statements do not include details of transactions between the group and other subsidiaries of Vendome Group.

(g) Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement and therefore no statement is included in these financial statements

Turnover

- 2 Turnover represents sales invoiced exclusive of value added tax.
The geographical analysis of turnover is as follows:-

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
United Kingdom	842	946

THE ENGLISH ART WORKS LIMITED**Notes to the accounts - 31 March 1998 (continued)****Employee information**

3 (a) The average number of employees is analysed below:-

	<u>1998</u>	<u>1997</u>
Production	13	13
Administration	3	2
	<u>16</u>	<u>15</u>

(b) The aggregate of employment costs is summarised below:-

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Gross wages and salaries	514	467
Employer's national insurance contributions	41	49
Employer's pension contributions	23	13
	<u>578</u>	<u>529</u>

Directors' emoluments

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

(Loss) / profit on ordinary activities before taxation

5 (Loss) / Profit on ordinary activities before taxation is stated after charging:-

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Depreciation	9	10
Auditors' remuneration: audit	3	3
other services	2	-
Operating lease rental	14	14

Taxation

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
United Kingdom corporation tax on profit for the year at 31% (1997 : 33%)	-	37
(Over) / Under provision in respect of prior years	-	(4)
	<u>-</u>	<u>33</u>

THE ENGLISH ART WORKS LIMITED

Notes to the accounts - 31 March 1998 (continued)

Deferred Taxation

7	Analysis of full potential (asset) / liability which is not reflected in the financial statements	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
	Accelerated capital allowances	1	1
	Other timing differences	(8)	(10)
		<u>(7)</u>	<u>(9)</u>

Tangible Fixed Assets

8		<u>Leasehold</u> <u>Improvements</u> <u>£'000</u>	<u>Office Furniture</u> <u>and Equipment</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
	Cost at 1 April 1997	39	10	49
	Additions	8	4	12
	Disposals	-	-	-
	At 31 March 1998	<u>47</u>	<u>14</u>	<u>61</u>
	Depreciation			
	At 1 April 1997	25	8	33
	Charge for the period	7	2	9
	Disposals	-	-	-
	At 31 March 1998	<u>32</u>	<u>10</u>	<u>42</u>
	Net book value at 31 March 1998	<u>15</u>	<u>4</u>	<u>19</u>
	Net book value at 31 March 1997	<u>14</u>	<u>2</u>	<u>16</u>

THE ENGLISH ART WORKS LIMITED

Notes to the accounts - 31 March 1998 (continued)

Stocks

9	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Raw materials	93	173
Work in progress	60	16
	<u>153</u>	<u>189</u>

Debtors

10	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Prepayments and accrued income	5	5
Amounts owed by holding company	436	439
Other debtors	4	3
	<u>445</u>	<u>447</u>

Creditors: Amounts Falling Due Within One Year

11	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Trade creditors	18	22
Bank overdraft	39	24
Taxation	-	37
Accruals and deferred income	52	4
	<u>109</u>	<u>87</u>

Pension Costs

- 12 The Company participates in a group pension scheme operated by Cartier Limited. The pension scheme is of the defined benefit type and its assets are held in separate trustee administered funds. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The latest actuarial assessment of the scheme was at 1 April 1996. Particulars of the valuation are contained in the accounts of Cartier Limited.

The total pension cost for the company was £23,000 (1997: £13,000).

A pension provision of £27,000 (1997: £36,000) has been included in provisions for liabilities and charges.

THE ENGLISH ART WORKS LIMITED

Notes to the accounts - 31 March 1998 (continued)

Called Up Share Capital

13		<u>Authorised, Allotted, Called up and Fully Paid</u>	
		<u>1998</u>	<u>1997</u>
	Ordinary Shares of £1 each	£5,000	£5,000

Reconciliation of movements in shareholders' funds

14		<u>1998</u>	<u>1997</u>
		<u>£'000</u>	<u>£'000</u>
	(Loss) / Profit for the financial period	(48)	67
	Opening shareholders' funds	530	463
	Closing shareholders' funds	482	530

Capital Commitments

- 15 There were no capital commitments at 31 March 1998 (1997: £Nil).

Holding Company

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

Ultimate Holding Company

- 17 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 FRS8, 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, Rigistrasse 2, 6300 Zug, Switzerland.