

**Montblanc (UK) Limited**  
**(Registered Number: 03482431)**

**Annual Report**  
**For the year ended 31 March 2013**

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# **Montblanc (UK) Limited**

## **Annual report for the year ended 31 March 2013**

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# **Montblanc (UK) Limited**

## **Directors and Advisors**

### **Directors**

K Boltman	(Managing Director)
R Brooks	(Secretary)
G Zimmermann	

### **Registered Office**

1 Towers Place  
Richmond  
Surrey  
TW9 1EG

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

# **Montblanc (UK) Limited**

## **Directors' Report for the year ended 31 March 2013**

The directors submit their report and the audited financial statements of Montblanc (UK) Limited ("the company") for the year ended 31 March 2013

### **Principal activities**

Montblanc (UK) Limited is a company incorporated in the United Kingdom under the Companies Act 2006

The principal activities of the company continue to be the marketing and sale of luxury consumer products in the United Kingdom, including pens, accessories for men and women, watches, jewellery, leather goods and associated products

### **Results**

During the year, the company made a loss after tax of £545,000 (2012 restated profit after tax of £422,000) The statement of comprehensive income is set out on page 7

### **Dividends**

No dividend has been paid or declared in respect of the year (2012 £nil)

### **Review of business and future developments**

The company operates 5 of its own boutiques in central London, and concessions in other stores in Birmingham and London The results for the company show a pre-tax loss of £393,000 (2012 restated profit of £492,000) for the year and sales of £17,008,000 (2012 £18,714,000) The company had cash at bank at the year-end of £3,138,000 (2012 £3,502,000) The company has borrowings of £nil (2012 £nil) Montblanc sales were slightly lower than the previous year, as foreign customers avoided London during the Olympics Trading was also affected by continued uncertainty in the UK economy It is expected that sales will grow in the coming year, with strong marketing investment in watches and jewellery, and eCommerce activities

### **Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the company are considered to relate to competition from both national and independent retailers, employee retention, and product availability However, the directors of the Richemont group (Compagnie Financière Richemont SA) manage the group's risk at a brand level rather than at an individual business unit level

### **Financial risk management**

For the Company's financial risk management policy please refer to note 3 to these accounts

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## **Montblanc (UK) Limited**

### **Directors' Report for the year ended 31 March 2013 continued**

#### **Key performance indicators**

The directors of the Richemont group manage the group's operations on a divisional basis and monitor the performance of Montblanc (UK) Limited at a consolidated brand level

For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Montblanc (UK) Limited

#### **Directors and their interests**

The directors of the company during the year and up to the date of signing the financial statements were -

K Boltman	(Managing Director)
G Zimmermann	(Director – appointed 13 06 2013)
R Brooks	(Secretary – appointed 31 12 2012)
W S G Lawrence	(Secretary – resigned 31 12 2012)
K H Handke	(Director – resigned 25 04 2013)
S Tornieporth	(Director – resigned 13 06 2013)

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

#### **Contributions**

Contributions made by the company during the year for charitable purposes amounted to £nil (2012 £nil) No contributions for political purposes were made during the year (2012 £nil)

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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

## **Montblanc (UK) Limited**

### **Directors' Report for the year ended 31 March 2013 continued**

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and 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 2006

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

### **Directors' indemnities**

The Group purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of the Company and its Directors

### **Statement of disclosure of information to auditors**

Each person who is a director at the date of approval of this report confirms that

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he 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

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. In the absence of a notice proposing that their appointment be terminated, the auditors, PricewaterhouseCoopers LLP, will be deemed re-appointed for the next financial year

### **By Order of the Board**



R Brooks

**Secretary**

27 November 2013

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## **Montblanc (UK) Limited**

### **Independent auditors' report to the members of Montblanc (UK) Limited**

We have audited the financial statements of Montblanc (UK) Limited for the year ended 31 March 2013 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Montblanc (UK) Limited**

### **Independent auditors' report to the members of Montblanc (UK) Limited continued**

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Simon Morley  
Senior Statutory Auditor  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London

27 November 2013



## Montblanc (UK) Limited

### Statement of comprehensive income for the year ended 31 March 2013

	Note	2013 £'000	2012 Restated £'000
Revenue		17,008	18,714
Cost of sales		(9,536)	(10,321)
<b>Gross profit</b>		<b>7,472</b>	<b>8,393</b>
Selling and marketing costs		(7,677)	(7,826)
Administrative expenses		(658)	(699)
Other operating income	6	470	624
<b>Operating (loss)/profit</b>	4	<b>(393)</b>	<b>492</b>
Finance income/(expense)		-	-
<b>(Loss)/profit before taxation</b>		<b>(393)</b>	<b>492</b>
Taxation	8	(152)	(70)
<b>(Loss)/profit for the year</b>		<b>(545)</b>	<b>422</b>

### Other comprehensive income\*

Defined benefit plan actuarial losses	(206)	(174)
Tax on defined benefit plan actuarial losses	47	42
Other comprehensive loss net of tax	(159)	(132)
<b>Total comprehensive (loss)/income net of tax</b>	<b>(704)</b>	<b>290</b>

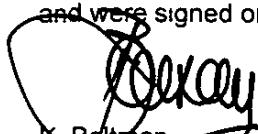
The notes on pages 11 to 30 form an integral part of these financial statements  
All operations are continuing

# Montblanc (UK) Limited

## Statement of financial position as at 31 March 2013

	Note	2013 £'000	2012 Restated £'000	2011 Restated £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	10	353	675	1,026
Intangible assets	11	-	6	7
Deferred tax asset	8	801	702	489
		<b>1,154</b>	<b>1,383</b>	<b>1,522</b>
<b>Current assets</b>				
Inventories	12	2,815	3,070	2,917
Trade and other receivables	13	1,747	1,640	1,425
Cash and cash equivalents	14	3,138	3,502	2,883
		<b>7,700</b>	<b>8,212</b>	<b>7,225</b>
<b>Current liabilities</b>				
Trade and other payables	15	(2,783)	(3,010)	(2,384)
Provisions	16	(103)	(56)	(56)
Corporation tax liability	8	(220)	(209)	(300)
		<b>(3,106)</b>	<b>(3,275)</b>	<b>(2,740)</b>
<b>Net current assets</b>		<b>4,594</b>	<b>4,937</b>	<b>4,485</b>
<b>Total assets less current liabilities</b>		<b>5,748</b>	<b>6,320</b>	<b>6,007</b>
<b>Non-current liabilities</b>				
Deferred income	15	(4)	(12)	(54)
Retirement benefit liability	17	(699)	(566)	(448)
Provisions	16	(58)	(51)	(119)
		<b>(761)</b>	<b>(629)</b>	<b>(621)</b>
<b>Net assets</b>		<b>4,987</b>	<b>5,691</b>	<b>5,386</b>
<b>Capital and reserves</b>				
Share capital	18	-	-	-
Share option reserve		154	154	139
Retained earnings		4,833	5,537	5,247
<b>Total equity</b>		<b>4,987</b>	<b>5,691</b>	<b>5,386</b>

The financial statements on pages 7 to 30 were approved by the Board of Directors and were signed on its behalf by



K. Boltman  
Director  
Montblanc (UK) Limited  
Registered number 3482431  
27 November 2013

## Montblanc (UK) Limited

### Statement of changes in equity for the year ended 31 March 2013

	Note	Share capital £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
<b>At 31 March as previously reported</b>		-	139	5,635	5,774
Impact of change in IAS19		-	-	(510)	(510)
Tax effect of change in IAS19		-	-	122	122
<b>At 1 April 2011 restated</b>		-	139	5,247	5,386
Defined benefit plan actuarial losses		-	-	(174)	(174)
Tax on defined benefit plan actuarial losses		-	-	42	42
Profit for the year		-	-	422	422
Value of employee services	16	-	15	-	15
<b>At 31 March 2012 restated</b>		-	154	5,537	5,691
Loss for the year		-	-	(545)	(545)
Defined benefit plan actuarial losses		-	-	(206)	(206)
Tax on defined benefit plan actuarial losses		-	-	47	47
Value of employee services	16	-	-	-	-
<b>At 31 March 2013</b>		-	154	4,833	4,987

Since the share capital amounts to £1, it is not shown on the face of the statement as the disclosure is in £ thousands

Credits to the share option reserve correspond to the fair value of the employee services received in exchange for share options granted to certain of the group's executives. The share option reserve is not distributable.

The notes on pages 11 to 30 form an integral part of these financial statements.

## Montblanc (UK) Limited

### Statement of cash flows for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
<b>Cash flows from operating activities</b>			
Cash (outflow)/inflow from operations	19	(206)	772
Interest received		-	-
Net cash flow from operating activities		<u>(206)</u>	<u>772</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment (PPE)	10	(158)	(147)
Purchase of intangible assets	11	-	(6)
Net cash flow from investing activities		<u>(158)</u>	<u>(153)</u>
<b>Cash flows from financing activities</b>			
Dividend paid		-	-
Net cash used for financing activities		<u>-</u>	<u>-</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(364)</u>	<u>619</u>
Cash and cash equivalents at 1 April	14	3,502	2,883
<b>Cash and cash equivalents at 31 March</b>	14	<u>3,138</u>	<u>3,502</u>

The notes on pages 11 to 30 form an integral part of these financial statements

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013

### 1 Basis of preparation

#### (a) General information and basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS

The policies set out below have been consistently applied to the years presented unless otherwise stated

These financial statements have been prepared under the historical cost convention

#### (b) New accounting standards

Certain new accounting standards, amendments to standards issued by the IASB and interpretations issued by IFRIC are not yet effective for the year ended 31 March 2013

The Company has early adopted IAS 19, *Employee benefits (2011)* Application has been applied retrospectively in accordance with the transition provisions The opening financial position at the earliest comparative period presented, 1 April 2011, has been re-presented The most significant changes relate to accounting for changes in defined benefit obligations and plan assets and are to eliminate the corridor approach and require all actuarial gains and losses to be recognised through other comprehensive income as incurred, to replace the estimated return on plan asset with a net interest amount determined by applying the discount rate to the net benefit asset / liability, and to recognise all past service costs immediately

The impact of this change in accounting policy is detailed in note 17

IFRS 9, *Financial instruments* is mandatory for the Company's 2016 reporting and could change the classification and measurement of financial assets and financial liabilities

There are no other new or amended standards or interpretations that would be expected to have a material impact for the Company

The financial statements are prepared on a going concern basis

#### (c) Foreign currency translation

##### *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency') The financial statements are presented in Sterling, which is the company's functional and presentation currency

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates prevailing during the year Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 1 Basis of preparation (continued)

#### (d) Intangible assets

##### *Software*

Costs that are directly associated with developing, implementing or improving identifiable software products having an expected benefit beyond one year are recognised as intangible assets and amortised using the straight line method over their useful lives, not exceeding a period of five years. Costs associated with evaluating or maintaining computer software are expensed as incurred.

##### *Leasehold rights and incentives*

Premiums paid to parties other than the lessor at the inception of operating leases for leasehold buildings are capitalised and amortised over the lesser of 10 years or the remaining period of the lease.

#### (e) Property, plant and equipment

All property, plant and equipment is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All repair and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate the cost of each asset to its estimated residual value over its estimated useful life, up to the limits, as follows:

- Boutique fittings	20% per annum
- IT hardware	33% per annum
- Office furniture	20% per annum
- Point of sale fixtures	33% per annum

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statement of comprehensive income for the period.

#### (f) Impairment of assets

All plant, property and equipment, intangible assets and financial assets are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be fully recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 1 Basis of preparation (continued)

#### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. In general, cost is determined on a weighted average cost, or on an individual cost basis. Net realisable value is the price at which inventories can be realised in the normal course of business, after allowing for the estimated cost of realisation. Where necessary, provision is made for obsolete, slow moving and defective inventories.

#### (h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is set by the directors with reference to all the available information and including an assessment of the extent to which the debt may be recovered and the likelihood of such a recovery being made. The provision is recognised in the statement of comprehensive income for the period.

#### (i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### (j) Taxation

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

Deferred income tax is provided using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### (k) Employee benefits

##### *Retirement benefit obligations*

The company participates in a defined contribution pension plan which is open to its UK employees. Employer contributions are charged to the statement of comprehensive income in the period in which they fall due.

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 1 Basis of preparation (continued)

The company is also a participating employer in the Richemont UK Pension Plan, which provides defined benefits. The Plan's funds are administered by trustees and are independent of the company's finances. Contributions are paid to the Plan in accordance with the recommendations of an independent actuarial advisor.

The total pension cost for the year, calculated in accordance with IAS19 (Employee Benefits), is split between the UK brands that participate in the Plan taking into account the attributes of each brand's employees in the Plan. The Company's assets and obligations relating to the Plan are calculated in accordance with its share of the obligations in the Plan as at 31 March 2010 (the most recent valuation of the Plan) on the IAS 19 assumptions at that date. Actuarial gains and losses are recognised immediately through Other Comprehensive Income.

#### *Bonus plans*

The company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

### (l) Provisions

Provisions for restructuring costs, legal claims and other liabilities are recognised when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value at the reporting date of management's best estimate of the expenditure required to settle the obligation. The pre-tax discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

### (m) Revenue recognition

#### *Goods and services*

Sales revenue comprises the fair value of the sale of goods and services, net of value-added tax, duties, other sales taxes, rebates and trade discounts. Revenue is recognised when the significant risks and rewards of ownership of the goods and services are transferred to the buyer.

### (n) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

### (o) Leases

Payments made under operating leases (net of any incentives received) are charged to the statement of comprehensive income on a straight-line basis over the lease term.



# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 1 Basis of preparation (continued)

#### (p) Share-based payments

The executives of the company participate in a group equity-settled share-based compensation plan operated by the ultimate parent company, Compagnie Financière Richemont SA. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Share-based payments are recognised in the statement of comprehensive income as an expense, spread over the expected vesting period using a fair value model.

#### (q) Trade payables

Trade payables are initially recognised at fair value.

#### (r) Deferred income

Deferred income is the long term portion of lease incentives which are released to the income statement on a straight line basis until the next rent review or expiration of the lease.

### 2 Critical accounting estimates and judgements

The company is required to make estimates and assumptions that affect certain statement of financial position and statement of comprehensive income items and certain disclosures regarding contingencies. Estimates and judgements applied by management are continuously evaluated and are based on information available, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances at the dates of preparation of the financial statements. Principal matters where assumptions, judgement and estimates have a significant role relate in particular to:

- the determination of sales deductions, including rebates, returns, discounts and incentives, which are reported as a reduction in sales,
- the determination of carrying values for property, plant and equipment and inventories,
- the assessment and recording of liabilities in respect of retirement benefit obligations, and
- the recognition of provision for income taxes, including deferred taxation, taking into account the related uncertainties in the normal course of business.

### 3 Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk.

#### (a) Market risk

Foreign exchange risk – the company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and Swiss Franc. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The company's exposure is limited and therefore there is no formal hedging policy.

#### (b) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Credit risk arising from cash and deposits with credit institutions is managed by the Richemont Group.

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### (c) Liquidity risk

The company maintains cash balances that are designated to ensure the company has sufficient funds available for operations and planned expansions

### (d) Price risk

The company is not exposed, materially, to commodity price risk as generally purchases are intragroup. Any exposure to commodity price risk is therefore managed by the Richemont Group

### (e) Interest rate cash flow risk

As the company has no significant interest bearing assets, with the exception of cash, the company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate risk arising from cash with credit institutions is managed by the Richemont Group

## 4 Operating Profit

	2013 £'000	2012 £'000
Operating profit is stated after charging/(crediting)		
Net movement in stock provisions	54	15
Operating lease rentals - property	1,791	1,950
Operating lease rentals - other	76	68
Employee benefit expenses	2,804	3,019
Depreciation of property, plant and equipment	403	493
Amortisation of leasehold rights	-	-
Amortisation of software	6	7
Auditors' remuneration	27	27
Auditors' non-audit fees	4	5
Repairs and maintenance expenditure on property, plant and equipment	66	66
Trade receivables – net movement in provisions	(1)	3

## 5 Employee benefits and other information

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

	2013 Number	2012 Number
Selling	55	57
Administration	9	9
	<u>64</u>	<u>66</u>

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

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

	2013 £'000	2012 £'000
Gross wages, salaries and commissions	2,192	2,266
Long Term Retention Plan	15	11
Social security costs	288	390
Share-based payment awards (note 16)	-	15
Pension costs charged – defined contribution plan (note 17)	39	37
Pension costs charged – defined benefit plan (note 17)	202	236
Other employee benefits	68	64
	<u>2,804</u>	<u>3,019</u>

### 6 Other operating income

	2013 £'000	2012 £'000
Property rental income	217	217
Head office contribution to advertising costs	253	407
Foreign exchange gains	-	-
	<u>470</u>	<u>624</u>

### 7 Directors' emoluments

Emoluments of directors of the company were

	2013 £'000	2012 £'000
Aggregate emoluments	116	114
Defined benefit contribution	25	38

Retirement benefits accruing under defined benefit schemes amounted to £43,236 (2012 £40,064) Retirement benefits are accruing under a defined benefit scheme for one director (2012 one)

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 8 Income tax expense / (credit)

Analysis of charge in the year	2013 £'000	2012 £'000
Current tax expense		
- UK corporation tax and income tax of overseas operations on profits for the year	204	100
- Adjustment in respect of prior year	-	141
<b>Total current tax charge</b>	<b>204</b>	<b>241</b>
Deferred tax		
- Origination and reversal of timing differences	(81)	(77)
- Adjustment in respect of prior years	-	(133)
- Effect of decreased tax rate on opening balance	29	39
<b>Total deferred tax</b>	<b>(52)</b>	<b>(171)</b>
<b>Total tax charge</b>	<b>152</b>	<b>70</b>

There is a tax charge of £152,000 for the current year (2012 £70,000). The current tax charge is reconciled to the profit before tax at the standard rate of UK corporation tax below -

	2013 £'000	2012 £'000
<b>Profit before taxation</b>	<b>(393)</b>	<b>492</b>
United Kingdom corporation tax on profit for the year at 24% (2012 26%)	(94)	128
<i>Effects of</i>		
Expenses not deductible for tax purposes	220	66
Tax relief on award of shares	(5)	(177)
Group relief claimed	(204)	(100)
Consideration payable for losses surrendered as group relief	204	100
Adjustment in respect of prior years	-	8
Effect of changing tax rates	31	45
<b>Total tax expense</b>	<b>152</b>	<b>70</b>

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2013 (continued)

There is a net deferred tax asset at the balance sheet date. This has been recognised to the extent it is considered to be recoverable in the foreseeable future. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23 % (2012: 24%). The total recognised deferred tax asset is £801,000 (2012 restated: £702,000). The asset is made up of -

Not recognised	2013 £'000	2012 £'000
Fixed asset temporary differences	-	-
Other temporary differences	-	-
Unrecognised deferred tax asset	-	-
<b>Recognised</b>	<b>2013 £'000</b>	<b>2012 Restated £'000</b>
Fixed asset temporary differences	607	536
Other temporary differences	194	166
Recognised deferred tax asset	801	702

On 3 July 2012, the UK government enacted into law a reduction in the main rate of tax to 23%. As this was enacted prior to the balance sheet date, the deferred tax asset has been calculated at that rate. The government has subsequently enacted future reductions in the main rate to 21% from 1 April 2014 and to 20% from 1 April 2015. The impact will be dependent on the deferred tax position at that time.

## 9 Dividends

	2013 £'000	2012 £'000
Equity - ordinary		
Interim dividend paid: nil (2012: £nil) per £1 share	-	-
	-	-

# Montblanc (UK) Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

## 10 Property, plant and equipment

	Boutique fittings	IT hardware	Office furniture	Point of sale fixtures	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2012	3,131	113	108	149	3,501
Additions	73	8	5	72	158
Disposals	(1)	(7)	(1)	-	(9)
<b>At 31 March 2013</b>	<b>3,203</b>	<b>114</b>	<b>112</b>	<b>221</b>	<b>3,650</b>
<b>Accumulated depreciation</b>					
At 1 April 2012	2,599	78	107	42	2,826
Charge for the year	316	20	2	65	403
Disposals	(1)	(7)	(1)	-	(9)
Impairments	77	-	-	-	77
<b>At 31 March 2013</b>	<b>2,991</b>	<b>91</b>	<b>108</b>	<b>107</b>	<b>3,297</b>
<b>Net book value</b>					
<b>At 31 March 2013</b>	<b>212</b>	<b>23</b>	<b>4</b>	<b>114</b>	<b>353</b>
At 1 April 2012	532	35	1	107	675

Depreciation has been charged to both selling and marketing costs and administrative expenses in the statement of comprehensive income

# **Montblanc (UK) Limited**

**Notes to the financial statements for the year ended 31 March 2013 (continued)**

## **10 Property, plant and equipment (continued)**

	Boutique fittings	IT hardware	Office furniture	Point of sale fixtures	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2011	3,182	123	108	54	3,467
Additions	26	26	-	95	147
Disposals	(77)	(36)	-	-	(113)
<b>At 31 March 2012</b>	<b>3,131</b>	<b>113</b>	<b>108</b>	<b>149</b>	<b>3,501</b>
<b>Accumulated depreciation</b>					
At 1 April 2011	2,230	97	105	9	2,441
Charge for the year	441	17	2	33	493
Disposals	(72)	(36)	-	-	(108)
<b>At 31 March 2012</b>	<b>2,599</b>	<b>78</b>	<b>107</b>	<b>42</b>	<b>2,826</b>
<b>Net book value</b>					
<b>At 31 March 2012</b>	<b>532</b>	<b>35</b>	<b>1</b>	<b>107</b>	<b>675</b>
At 1 April 2011	952	26	3	45	1,026

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2013 (continued)

#### 11 Intangible assets

	Leasehold rights £'000	Software £'000	Total £'000
<b>Cost At 1 April 2012 and 31 March 2013</b>	<b>504</b>	<b>23</b>	<b>527</b>
<b>Accumulated amortisation</b>			
At 1 April 2012	504	17	521
Charge for the year	-	6	6
<b>At 31 March 2013</b>	<b>504</b>	<b>23</b>	<b>527</b>
<b>Net book value</b>			
<b>At 31 March 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>
At 31 March 2012	-	6	6
	Leasehold rights £'000	Software £'000	Total £'000
<b>Cost</b>			
At 1 April 2011	504	17	521
Additions	-	6	6
<b>At 31 March 2012</b>	<b>504</b>	<b>23</b>	<b>527</b>
<b>Accumulated amortisation</b>			
At 1 April 2011	504	10	514
Charge for the year	-	7	7
<b>At 31 March 2012</b>	<b>504</b>	<b>17</b>	<b>521</b>
<b>Net book value</b>			
<b>At 31 March 2012</b>	<b>-</b>	<b>6</b>	<b>6</b>
At 31 March 2011	-	7	7

All intangible assets were externally acquired

Amortisation has been charged to administrative expenses in the statement of comprehensive income



## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2013 (continued)

#### 12 Inventories

Inventories comprise -

	2013 £'000	2012 £'000
Goods for resale	2,757	3,009
Spare parts	58	61
	<u>2,815</u>	<u>3,070</u>

The amount of inventories recognised as an expense during the year was £9,005,000 (2012 £9,713,000) The amount of write down of inventories recognised as an expense during the year was £54,000 (2012 £15,000)

#### 13 Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	1,221	1,320
Less provision for impairment of receivables	(11)	(12)
Trade receivables – net	<u>1,210</u>	<u>1,308</u>
Amounts owed by group companies -		
- Fellow group subsidiaries	92	48
Credit card receivables	238	155
Rents owed by tenants	4	12
Staff travel loans	10	14
Other current debtors	15	-
Prepayments	178	103
	<u>1,747</u>	<u>1,640</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair values

Trade and other receivables and amounts owed by group undertakings are based on expected cash flows which are not discounted as they are expected to occur within the next 12 months

The company has provided at year end amounts totalling £11,000 (2012 £12,000) as a receivables write down provision

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above The company does not hold any collateral as security

Ageing of trade receivables -

	2013 £'000	2012 £'000
Not overdue	806	842
Past due less than three months	415	476
Past due more than three months less than six months	-	2
Impairment provision for trade receivables	(11)	(12)
	<u>1,210</u>	<u>1,308</u>

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

	2013 £'000	2012 £'000
At 1 April	(12)	(9)
Provision for receivables impairment	(10)	(12)
Receivables written off during the year as irrecoverable	1	-
Unused amount reversed	10	9
<b>At 31 March</b>	<b>(11)</b>	<b>(12)</b>

Based on past experience, the company does not impair receivables that are not past due unless they are known to be bad debts. The company has established credit check procedures that ensure the high creditworthiness of its customers.

### 14 Cash and cash equivalents

	2013 £'000	2012 £'000
Cash at bank and on hand	3,138	3,502

### 15 Trade and other payables

	2013 £'000	2012 £'000
<b>Current</b>		
Trade payables	393	292
Amounts owed to fellow Group subsidiaries	1,813	1,736
Other taxes and social security	269	504
Accruals	296	433
Deferred income	12	45
	<b>2,783</b>	<b>3,010</b>
<b>Non-current:</b>		
Deferred income	4	12

The directors consider that the carrying amount of trade and other payables approximates to their fair values. No security has been given by the company in respect of the creditors detailed above.

### 16 Provisions

	Warranty £'000	Sales return £'000	Employee benefits £'000	Total £'000
At 1 April 2012	13	50	44	107
Provided during the year	8	24	22	54
<b>At 31 March 2013</b>	<b>21</b>	<b>74</b>	<b>66</b>	<b>161</b>

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2013 (continued)

#### Analysis of total provisions:

	2013 £'000	2012 £'000
Current portion	103	56
Non-current portion	58	51
	<u>161</u>	<u>107</u>

#### Warranty and sales related provisions

The company has established provisions for potential sales returns and warranties provided on certain products. Based on past experience a provision of £95,000 (2012 £63,000) has been recognised. It is anticipated that the provisions will be utilised within 2 years.

#### Employee benefits provision

These include obligations arising under the Company's long term incentive plans and the social cost on the Company's share option plan. It is anticipated that the provisions will be utilised within 5 years.

#### Share option scheme

The Group has a long-term share-based compensation plan whereby executives are awarded options to acquire shares at the market price on the date of grant. Awards under the stock option plan generally vest over periods of four to six years and have expiry dates, the date after which unexercised options lapse, of nine years from the date of grant. The executive must remain in the Group's employment until vesting. The options granted as from 2008 onwards include a performance condition correlated to other luxury goods companies upon which vesting is conditional.

A reconciliation of the movement in the number of awards granted to executives is as follows:

	Weighted average exercise price in CHF per share	Number of options
Balance at 1 April 2011	17.76	36,595
Exercised	16.29	(26,574)
Balance at 31 March 2012	21.65	10,021
Exercised	21.20	(859)
Lapsed	21.20	(1,718)
Balance at 31 March 2013	21.81	7,444

4,008 options were exercisable at 31 March 2013 (2012: nil)

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2013 (continued)

The following information applies to options outstanding at the end of each year

	Exercise price	Number of options	Weighted average remaining contractual life
31 March 2013	CHF 23 18	2,290	2 2 years
	CHF 21 20	5,154	4 2 years
31 March 2012	CHF 23 18	2,290	3 2 years
	CHF 21 20	7,731	5 2 years

No options were awarded during the year

The amounts recognised in the income statement (before social security and taxes) for equity-settled share-based payment transactions can be summarised as follows

	2013	2012
	£'000	£'000
Share option expense	-	15

As a result of the de-twinning of the Richemont units in October 2008, certain executives holding vested options over the old CFR units were granted vested options over shares in a UK and a Luxembourg listed entity. These options are fully hedged by shares held in the listed entities. Both the option liability and the shares are recognised at fair value through profit or loss in the entity awarding the options, namely Richemont Employee Benefits Ltd, a company registered in Jersey. The total value of the option liability as recognised in the consolidated balance sheet of Compagnie Financière Richemont SA was € 33 million.

## 17 Retirement benefit schemes

### Defined benefit plan

The company, along with other Richemont Group entities in the UK, is a participating employer in the Richemont UK Pension Plan. This Plan provides benefits based on final pensionable emoluments and the risks are shared between the participating entities. The assets of the Plan are held in a separate trustee-administered fund.

The total pension cost for the year that relates to the Plan is calculated in accordance with IAS19 (Employee Benefits). There is a policy to split the total balance sheet liability and pension cost between the UK brands that participate in the Plan.

The pension cost is split by reference to the cost of accruing benefits, allowing for the age, benefit and salary profile of each brand's members in the Plan. Hence, the Company's pension cost represents its share of the total cost relating to the Plan.

Contributions are paid to the Plan in accordance with the recommendations of an independent actuarial advisor. The Company's contributions reflect the age, benefit and salary profile of its members in the Plan.

The Company's asset and obligations relating to the Plan are calculated in accordance with its share of the obligations in the Plan as at 31 March 2010 (the most recent valuation of the Plan) on the IAS19 assumptions at that date. The key accounting figures for the Company are as follows

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2013 (continued)

	2013 £'000	2012 £'000 restated
Balance sheet (liability) at 1 April	(566)	(448)
Pension cost	(202)	(236)
Company contribution	275	292
Other Comprehensive Income	(206)	(174)
Balance sheet liability at year end	<u>(699)</u>	<u>(566)</u>

Full disclosure of the IAS19 results for the Plan is shown in the accounts of Richemont Holdings (UK) Limited

#### Defined contribution plans

Pension costs for defined contribution schemes are as follows

	2013 £'000	2012 £'000
Defined contribution schemes	<u>39</u>	<u>37</u>

#### 18 Share capital

	2013 £'000	2012 £'000
<b>Authorised.</b>		
10,000 ordinary shares of £1 each	10	10
<b>Allotted, called up and fully paid:</b>		
1 (2012: 1) ordinary share of £1	-	-

The company has one class of Ordinary shares, which carry no rights to fixed income

#### 19 Cash flows from operating activities

	2013 £'000	2012 £'000
<b>Reconciliation of profit to net cash inflow from operating activities</b>		
<b>Operating (loss)/profit</b>	<b>(393)</b>	<b>492</b>
Adjustments for		
Depreciation	403	493
Amortisation	6	7
Impairment	77	-
Pension charge (lower than) / in excess of pension contribution	(73)	(56)
Non-cash share based compensation charge	-	15
Loss on disposal of property, plant and equipment	-	5

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2013 (continued)

#### Changes in working capital

Decrease/(increase) in inventories	255	(153)
Increase in trade and other receivables	(107)	(215)
(Decrease)/increase in trade and other payables	(467)	252
Increase/(decrease) in provisions and non-current deferred income	93	(68)
<b>Cash (out)/inflow from continuing operations</b>	<b>(206)</b>	<b>772</b>

#### 20 Capital commitments

Capital commitments authorised and contracted for at 31 March 2013 amounted to £70,000 (2012 £26,000) Capital commitments authorised but not contracted for at that date amounted to £nil (2012 £nil)

#### 21 Related party transactions

There were no transactions during the year with the parent company, Richemont Holdings (UK) Limited (2012 nil) Transactions with other related parties were as follows

	2013 £'000	2012 £'000
<b>Sales of goods to related parties</b>		
Fellow group undertakings	5	7
<b>Sales of services to related parties</b>		
Fellow group undertakings	490	101
<b>Purchase of goods from related parties</b>		
Fellow group undertakings	9,411	10,396
<b>Purchase of services from related parties</b>		
Fellow group undertakings	256	113

Sales and purchases to and from fellow group undertakings were carried out on commercial terms and at market prices

Year end balances arising from sales, purchases of goods and services and financing activities are as follows

	2013 £'000	2012 £'000
<b>Receivables from related parties</b>		
Fellow group undertakings	92	48
<b>Payables to related parties</b>		
Fellow group undertakings	1,813	1,736

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2013 (continued)

No provision has been recognised in respect of impairment of the above receivables

The directors consider that there are no key managers, whose roles and activities within the company define them as related parties in accordance with IAS 24, outside the Board of Directors. The remuneration of the Directors is disclosed in note 7 to the financial statements. This does not include share options, details of which are disclosed in note 16.

## 22 Operating lease commitments

### Company as a lessee

At 31 March 2013 the company had minimum commitments under non-cancellable operating leases expiring as follows -

	2013 £'000	2012 £'000
<b>Property</b>		
Not later than one year	1,671	1,555
Later than one year and not later than five years	1,426	1,687
Later than five years	-	-
	<u>3,097</u>	<u>3,242</u>

	2013 £'000	2012 £'000
<b>Other</b>		
Not later than one year	62	60
Later than one year and not later than five years	47	67
Later than five years	-	-
	<u>109</u>	<u>127</u>

The company leases various boutique and office and premises under non-cancellable operating lease arrangements. The leases have varying terms, escalation clauses and renewal rights. The cost for certain boutique leases contains a fixed portion together with a variable portion. The variable element is most commonly a percentage of sales achieved. The commitments above reflect only the fixed elements.

### Company as a lessor

At 31 March 2013 the company had contracted with tenants for future minimum commitments under non-cancellable operating leases expiring as follows -

	2013 £'000	2012 £'000
<b>Property</b>		
Not later than one year	53	217
Later than one year and not later than five years	-	54
Later than five years	-	-
	<u>53</u>	<u>271</u>
Rental income earned during the year was	<u>217</u>	<u>217</u>

An area of one of the company's boutiques is not used in the company's business and is sublet at market rate on a long term basis.

## **Montblanc (UK) Limited**

### **Notes to the financial statements for the year ended 31 March 2013 (continued)**

#### **23 Ultimate and immediate holding company**

The immediate parent undertaking is Richemont Holdings (UK) Limited, a company incorporated and registered in the United Kingdom

The ultimate parent undertaking and controlling party is Compagnie Financière Richemont SA, a limited company incorporated in Switzerland. Compagnie Financière Richemont SA is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements. Copies of the consolidated financial statements of Compagnie Financière Richemont SA may be obtained from The Secretary, Compagnie Financière Richemont SA, 50 Chemin de la Chenaie, 1293 Bellevue - Geneva, Switzerland