

**Richemont UK Limited**  
**(Registered Number: 3484692)**

**Annual Report**  
**For the year ended 31 March 2007**

**TUESDAY**



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# **Richemont UK Limited**

## **Annual report for the year ended 31 March 2007**

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# **Richemont UK Limited**

## **Directors and Advisors**

### **Directors**

Mr Arnaud Bamberger (Managing Director)  
Mr Greig Catto

### **Registered Office**

175-176 New Bond Street  
London  
W1S 4RN

### **Registered Auditors**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

# **Richemont UK Limited**

## **Directors' Report for the year ended 31 March 2007**

The Directors submit their report and the audited financial statements of Richemont UK Limited for the year ended 31 March 2007

### **Principal activities**

The principal activities of the Company are the sale of watches and other luxury goods via an authorised dealer network

### **Results**

During the year, the Company made a profit of £933,000 (2006 £285,000) The Income Statement is set out on page 8

### **Dividends**

No dividend has been paid or declared in respect of the year (2006 nil)

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

The level of business of the Company was satisfactory and the Directors believe that the present level of activity will be sustained for the foreseeable future The immediate parent company, Cartier Limited, has confirmed its intention of providing support to the Company for the foreseeable future

### **Policy and practice on payment of creditors**

The Company generally makes payment to its creditors in accordance with agreed terms of business provided that those terms have been met It is the policy of the Company that all invoices are paid at the end of the month following the month in which the invoice is received unless separate terms of business have been agreed with a particular supplier The total amount of the Company's trade creditors falling due within one year represents 56 days (2006 55 days) worth as a proportion of the total amount invoiced by suppliers during the year ended on that date

### **Directors and their interests**

The Directors of the Company during the year and as at 31 March 2007 were -

Mr Arnaud Bamberger  
Mr Greig Catto

There are no individual interests of any Director and their families in shares and options of the Company, its parent company or fellow subsidiaries, as shown in the register kept in accordance with section 325 of the Companies Act 1985 as at 31 March 2007 As permitted by Statutory Instrument the register does not include any shareholdings of Directors in the ultimate parent company and its overseas subsidiary companies

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

During the year qualifying third party indemnity provision was in force for the benefit of two (2006 two) directors of the Company

## **Richemont UK Limited**

### **Directors' Report for the year ended 31 March 2007 (cont.)**

#### **Financial risk management**

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, foreign exchange risk and interest rate cash flow risk

Given the size of the Company the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The Company's finance department implements the policies set by the Board. The department has a policy and procedures manual that sets out specific guidelines to manage financial risk and circumstances where it would be appropriate to use financial instruments to manage these

#### *Price risk*

The Company is not exposed to commodity price risk

#### *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

#### *Liquidity risk*

The Company maintains a mixture of cash balances and overdrafts that are designed to ensure the Company has sufficient funds available for operations and planned expansions. At 31 March 2007 the Company had net cash and cash equivalents and overdrafts of £9,606,000 (2006 £5,582,000)

#### *Interest rate cash flow risk*

The Company's income and operating cash flows are substantially independent of changes in market interest rates

#### *Foreign exchange risk*

The Company makes the majority of its purchases from fellow group companies in Sterling at rates determined by the Richemont Group

#### **Employee information**

The Company is an equal opportunity employer and no job applicant receives less favorable treatment on the grounds of sex, marital status, sexual orientation, 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

#### **Contributions**

Contributions made by the Company during the period for charitable purposes amounted to £4,000 (2006 £Nil). No contributions for political purposes were made during the year (2006 £Nil)

# **Richemont UK Limited**

## **Directors' Report for the year ended 31 March 2007 (cont.)**

### **Statement of Directors' responsibilities**

Company law requires the Directors to prepare financial statements for each financial year that 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 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

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

The Directors are responsible for keeping proper records that 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

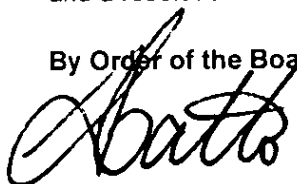
### **Auditors and disclosure of information to auditors**

The Directors confirm that in the case of each of the Directors serving in office at the time this report was approved, the following applies

- so far as the Director is aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware and
- the 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

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the annual general meeting

By Order of the Board



Greig Catto  
Secretary

# **Richemont UK Limited**

## **Independent auditors' report to the members of Richemont UK Limited**

We have audited the financial statements of Richemont UK Limited for the year ended 31 March 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body 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 into 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with 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 judgments 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.

## Richemont UK Limited

### Independent auditors' report to the members of Richemont UK Limited (cont.)

#### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2007 and of its profit and cash flows 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 Directors' Report is consistent with the financial statements



*PricewaterhouseCoopers LLP*  
*Chartered Accountants and Registered Auditors*  
*1 Embankment Place,*  
*London*

*30 May 2007*



## Richemont UK Limited

### Income Statement for the year ended 31 March 2007

		2007	2006
	Notes	£'000	As restated* £'000
<b>Revenue</b>	2	15,541	13,018
Cost of sales		(9,792)	(8,164)
<b>Gross profit</b>		<u>5,749</u>	<u>4,854</u>
Selling and marketing costs		(4,515)	(3,839)
Administrative expenses		(611)	(877)
Other operating expenses		(2)	(5)
<b>Operating profit</b>		<u>621</u>	<u>133</u>
Interest receivable and similar income	6	320	161
Interest payable and similar expenses	6	(8)	(9)
<b>Profit before taxation</b>		<u>933</u>	<u>285</u>
Taxation	7	-	-
<b>Profit / (loss) for the year</b>		<u>933</u>	<u>285</u>

All amounts for 2007 and 2006 relate to continuing operations

There are no income and expenses other than those recognised in the Income Statement above and therefore the Company has not presented separately a Statement of Recognised Income and Expenses

\* £411,000 of costs incurred in the prior year were reallocated from the Administrative Expenses caption to the Selling and Marketing Costs caption for that year as the directors consider that this classification more accurately reflects the nature of those expenses

# Richemont UK Limited

## Balance Sheet as at 31 March 2007

	Notes	2007 £'000	2006 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	287	74
<b>Current assets</b>			
Inventories	9	2,816	3,376
Trade and other receivables	10	1,669	1,259
Cash and cash equivalents	15	9,754	5,644
<b>TOTAL ASSETS</b>		<u>14,526</u>	<u>10,353</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	15	(148)	(62)
Trade and other payables	11	(3,075)	(13,931)
<b>Non-current liabilities</b>			
Provisions	12	(7)	-
Retirement benefit obligation	13	(94)	(101)
<b>TOTAL LIABILITIES</b>		<u>(3,324)</u>	<u>(14,094)</u>
<b>NET ASSETS / (LIABILITIES)</b>		<u>11,202</u>	<u>(3,741)</u>
<b>Capital and reserves</b>			
Called up share capital	14	14,200	200
Share option reserve	16	23	13
Retained earnings	16	(3,021)	(3,954)
<b>TOTAL SHAREHOLDERS' FUNDS / (DEFICIT)</b>		<u>11,202</u>	<u>(3,741)</u>

The financial statements on pages 8 to 27 were approved by the Board of Directors on 30 May 2007 and were signed on its behalf by



A M Bamberger  
Director

# Richemont UK Limited

## Cash flow statement for the year ended 31 March 2007

	Notes	2007 £'000	2006 £'000
<b>Cash flows from operating activities</b>			
Cash (outflow) / inflow from operations	15	(9,964)	3,182
Interest paid		(8)	(9)
Interest received		266	138
Net cash generated from operating activities		(9,706)	3,311
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(270)	(11)
Proceeds from sale of property, plant and equipment		-	14
Net cash used in investing activities		(270)	3
<b>Cash flows from financing activities</b>			
Issue of share capital		14,000	-
<b>Net increase in cash, cash equivalents and bank overdrafts</b>		4,024	3,314
Cash and cash equivalents at 1 April		5,582	2,268
<b>Cash and cash equivalents at 31 March</b>		9,606	5,582

# **Richemont UK Limited**

## **Notes to the financial statements for the year ended 31 March 2007**

### **1 Basis of preparation**

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

These financial statements are the financial statements of Richemont UK Limited, a private limited company registered and domiciled in the United Kingdom. The address of the registered office is 175-176 New Bond Street, London, W1S 4RN.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Council (IFRIC) interpretations endorsed by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The principal accounting policies adopted in preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

#### **(b) 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 average exchange rates prevailing during the period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

#### **(c) Intangible assets**

##### *Computer software and related licenses*

Costs that are directly associated with developing, implementing or improving identifiable software

## **Richemont UK Limited**

### **Notes to the financial statements for the year ended 31 March 2007**

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 key money*

Premiums paid to parties other than the lessor at the inception of operating leases for leasehold buildings are capitalised and amortised over their expected useful lives or, if shorter, the lease period.

#### **(d) 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 other repair and maintenance costs are charged to the Income Statement 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 residual value over its estimated useful life, up to the limits of, as follows:

- Motor vehicles	25% per annum
- Advertising materials	33 1/3% 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.

#### **(e) Impairment of assets**

All fixed 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.

#### **(f) Other investments**

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

## **Richemont UK Limited**

### **Notes to the financial statements for the year ended 31 March 2007**

#### *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorised as held for trading. Assets in this category are classified as current if they are either held for trading or are expected to be realised within the next 12 months.

Purchases and sales of these financial assets are recognised on the transaction date. They are initially recognised at cost. Fair value adjustments are included in the Income Statement in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active or if the assets comprises unlisted securities, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets held with no intention of trading and which have fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months which are classified as non-current assets. Loans and receivables are included in trade and other receivables and other non-current assets in the Balance Sheet.

#### **(g) Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is determined using either a weighted average basis, specific identification or the 'first-in, first-out' (FIFO) method depending on the nature of the inventory. The cost of finished goods and work in progress comprises raw materials, direct labour, related production overheads and, where applicable, duties and taxes. It excludes borrowing costs.

#### **(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 quantum 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 amount of the provision is recognised in the Income Statement.

#### **(i) Cash and cash equivalents**

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

## **Richemont UK Limited**

### **Notes to the financial statements for the year ended 31 March 2007**

#### **(j) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities if such borrowings are to be settled within the next 12 months.

#### **(k) 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 consolidated 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 substantially enacted by the Balance Sheet date 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.

#### **(l) Employee benefits**

##### *Retirement benefit obligations*

The Company contributes to the group defined contribution and defined benefit pension schemes which are operated by Richemont Holdings UK Limited funded through payments to trustee-administered funds by both employees and the Company taking into account periodic actuarial calculations.

The Company is 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 IAS19R (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. In determining the total pension cost, actuarial gains and losses in excess of the 10% corridor (10% of the greater of the Plan's assets and liabilities) are recognised over the future remaining working life of the active membership.

For defined contribution plans, the Company pays contributions to a privately administered pension insurance plan on a voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when

## **Richemont UK Limited**

### **Notes to the financial statements for the year ended 31 March 2007**

they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### *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.

#### **(m) 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 has been 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 of management's best estimate of the expenditure required to settle the obligation at the Balance Sheet date. The 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.

#### **(n) 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 significant risks and rewards of ownership of the goods are transferred to the buyer.

##### *Interest income*

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

#### **(o) Segment reporting**

The Company uses business segments as the primary segments while geographical segments are considered secondary.

#### **(p) Share-based payments**

The Cartier Limited group of companies' ultimate parent company, the Compagnie Financière Richemont SA ("the Richemont Group") operates an equity-settled share-based compensation plan based on options granted in respect of Richemont units. The fair value of the employee services received in exchange for the grant of options is recognised as an expense by Cartier Limited. 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. Non-market



# Richemont UK Limited

## Notes to the financial statements for the year ended 31 March 2007

vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Richemont Group revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement over the remaining vesting period and a corresponding adjustment to equity.

### (q) New accounting standards and IFRIC interpretations

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 April 2007. It is not expected that these standards or interpretations will have a material effect on the Company's financial statements.

## 2 Revenue

Revenue excludes value added tax and represents sales to third parties. The Directors consider that the operations of the Company fall into one business class being the sale of watches and other luxury goods. The geographical analysis of revenue by destination is as follows -

	2007 £'000	2006 £'000
United Kingdom	15,234	12,618
Rest of European Union	307	400
	<u>15,541</u>	<u>13,018</u>

## 3 Operating Loss

	2007 £'000	2006 £'000
Operating profit is stated after charging		
Employee benefit expenses	1,389	1,227
Depreciation of property, plant and equipment	49	15
Auditors' remuneration – for audit services	4	4

## 4 Employee benefits and other information

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

	2007 Number	2006 Number
Selling	16	14
Administration	22	18
	<u>38</u>	<u>32</u>

# Richemont UK Limited

## Notes to the financial statements for the year ended 31 March 2007

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

	2007 £'000	2006 £'000
Gross wages, salaries and commissions	1,162	1,036
Social security costs	148	132
Share-based payment awards	15	9
Pension charge	55	45
Other pension costs	9	5
	<u>1,389</u>	<u>1,227</u>

### 5 Directors' emoluments

The Directors received no emoluments in respect of their services to Richemont UK Limited. The Directors are remunerated by Cartier Limited and these costs are not recharged. Details of the emoluments of the Directors can be found in the financial statements of Richemont UK Limited's parent company, Cartier Limited.

### 6 Net finance income

	2007 £'000	2006 £'000
<b>Interest expense</b>		
Interest payable on bank loans and overdrafts	3	4
Other finance charges	5	5
	<u>8</u>	<u>9</u>
<b>Interest income</b>		
Interest income on bank balances	(303)	(161)
Other finance income	(17)	-
	<u>(320)</u>	<u>(161)</u>
<b>Net finance income</b>	<u>(312)</u>	<u>(152)</u>

Other finance income includes a credit of £2,000 (2006: £1,000 charge included in other finance charges) in respect of foreign exchange gains (2006: losses).

# Richemont UK Limited

## Notes to the financial statements for the year ended 31 March 2007

### 7 Income tax expense

There is no taxation charge for the year (2006 £Nil). The taxation on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows

	2007 £'000	2006 £'000
Profit before taxation	933	285
United Kingdom corporation tax on profit for the year at 30% (2006 30%)	280	86
<i>Effects of</i>		
Expenses not deductible for tax purposes	69	73
Group relief utilised	-	(186)
Depreciation in excess of capital allowances	15	(3)
Other timing differences	(59)	30
Tax losses carried forward	(305)	-
Tax charge/(credit)	-	-

There is a net deferred tax asset at the balance sheet date. The asset has not been recognized to the extent it is not considered recoverable. The total un-provided deferred tax assets are

	2007 £'000	2006 £'000
Expenses not deductible for tax purposes		
Decelerated capital allowances	20	11
Un-utilised trading losses	729	1,058
Other timing differences	129	20
Unrecognised deferred tax asset	878	1,089

# Richemont UK Limited

## Notes to the financial statements for the year ended 31 March 2007

### 8 Property, plant and equipment

	Motor vehicles	Advertising materials	Assets in the course of construction	Fixtures and fittings	Total
	£'000	£'000	£'000	£000s	£'000
<b>Cost</b>					
At 1 April 2006	69	13	11	-	93
Additions	45	4	-	215	264
Disposals	-	-	-	-	-
Transfers between categories	-	-	(11)	11	-
<b>At 31 March 2007</b>	<b>114</b>	<b>17</b>	<b>-</b>	<b>226</b>	<b>357</b>
<b>Accumulated depreciation</b>					
At 1 April 2006	15	4	-	-	19
Charge for the year	19	6	-	26	51
Eliminated on disposals	-	-	-	-	-
<b>At 31 March 2007</b>	<b>34</b>	<b>10</b>	<b>-</b>	<b>26</b>	<b>70</b>
<b>Net book value</b>					
<b>At 31 March 2007</b>	<b>80</b>	<b>7</b>	<b>-</b>	<b>200</b>	<b>287</b>
<b>At 1 April 2006</b>	<b>54</b>	<b>9</b>	<b>11</b>	<b>-</b>	<b>74</b>

Included in the Company's property, plant and equipment are assets amounting to £nil (2006 £nil) which are fully depreciated but still in use

### 9 Inventories

Inventories comprise -

	2007 £'000	2006 £'000
Finished products	2,816	3,376

# Richemont UK Limited

## Notes to the financial statements for the year ended 31 March 2007

### 10 Trade and other receivables

	2007 £'000	2006 £'000
Trade receivables	1,433	1,200
Less provision for impairment of receivables	(26)	(142)
Trade receivables – net	1,407	1,058
Amounts owed by group companies -		
- Fellow group companies	65	108
Other receivables	4	1
Prepayments and accrued income	193	92
	1,669	1,259

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

The Company reversed amounts totalling £116,000 (2006 £1,000 reversed) being part of the receivables write down provision, which were no longer required due to changes in market conditions

### 11 Trade and other payables

	2007 £'000	2006 £'000
Trade payables	255	192
Amounts owed to Group companies -		
- Fellow Group companies	2,093	13,280
Other taxes and social security	171	149
Accruals and deferred income	556	310
	3,075	13,931

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

### 12 Provisions

	2007 £'000 Stock option plan	2006 £'000 Stock option plan
At 1 April	-	-
Provided during the year	7	-
At 31 March	7	-

# Richemont UK Limited

## Notes to the financial statements for the year ended 31 March 2007

### Unit option scheme

The Group has a long-term unit-based compensation plan whereby executives are awarded options to acquire units at a pre-determined price. Awards under the unit option scheme vest over periods of three to seven years and have expiry dates, the date after which unexercised options lapse, of between 5 and 10 years from the date of grant. A reconciliation of the movement in the number of awards granted to executives is as follows:

	Weighted average exercise price in CHF per unit	Number of options
Balance at 1 April 2005	33.10	4,200
Awarded	41.25	4,500
Balance at 31 March 2005	37.32	8,700
Awarded	53.10	5,900
Transfer in from other Group entities	37.76	7,000
Transfer out to other Group entities	37.32	(8,700)
Balance at 31 March 2006	44.77	12,900

No options were exercisable at 31 March 2007 or 31 March 2006.

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 2007			
	CHF 53.10	5,900	8.2 years
	CHF 41.25	4,000	7.2 years
	CHF 33.10	3,000	6.2 years
31 March 2006			
	CHF 41.25	4,500	8.2 years
	CHF 33.10	4,200	7.2 years

The average fair value of options granted during the period determined using the binomial valuation model was CHF 18.89 (2006: CHF 14.25). The significant inputs into the model were unit price of CHF 53.10 (2006: CHF 41.25) at the grant date, exercise price shown above, standard deviation of expected unit price returns of 35.0 per cent (2006: 35.5 per cent), expected option life of six to eight years, dividend yield 1.73 per cent (2006: 1.86 per cent) and risk-free interest rate of 2.0 per cent to 2.5 per cent (2006: 1.4 per cent to 1.6 per cent). The volatility measured at the standard deviation of expected unit price returns is based on statistical analysis of daily unit prices over the last six to eight years.

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

	2007 £'000	2006 £'000
Unit option expense - the Group	15	9

# Richemont UK Limited

## Notes to the financial statements for the year ended 31 March 2007

### 13 Retirement benefit schemes

#### Defined benefit plans

The Company, along with other Richemont Group entities in the UK, is 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 cost between the UK brands that participate in the Plan. The total cost is split in accordance with the age, benefit and salary profile of each brand's members in the Plan. Hence, the Company's pension cost is a 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 balance sheet asset or liability relating to the Plan is calculated as the cumulative difference between the pension cost and the Company's contributions to the Plan. The recent history of pension costs, contributions and balance sheet items is as follows:

	2007 £'000	2006 £'000
Balance sheet liability at year start	101	125
Pension cost	55	45
(Company Contribution)	<u>(62)</u>	<u>(69)</u>
Balance sheet liability at year end	<u>94</u>	<u>101</u>

Full disclosure of the IAS19 results for the Plan is shown in the accounts of Richemont Holdings Limited.

#### Defined contribution plans

Pension costs for defined contribution schemes are as follows:

	2007 £'000	2006 £'000
Defined contribution schemes	<u>9</u>	<u>5</u>

# Richemont UK Limited

## Notes to the financial statements for the year ended 31 March 2007

### 14 Share capital

	2007 £'000	2006 £'000
<b>Authorised share capital</b>	<u>15,200</u>	<u>200</u>
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	<u>14,200</u>	<u>200</u>

During the year the company increased its authorised share capital by 15,000,000 to 15,200,000. On 28 February 2007 the company allotted and called up 14,000,000 shares to its parent company, Cartier Limited, which were fully paid for in cash.

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

### 15 Cash flow from operating activities

Reconciliation of profit to net cash inflow from operating activities	2007 £'000	2006 £'000
Net profit	933	285
Adjustments for:		
Tax	-	-
Depreciation	51	15
Interest income	(320)	(161)
Interest expense	8	9
Pension contribution in excess of pension charge	(7)	(24)
Non-cash share based compensation charge	15	9
Changes in working capital:		
Decrease/(increase) in inventories	560	(541)
Decrease/(increase) in trade and other receivables	(356)	725
(Decrease)/increase in payables	(10,855)	2,865
Increase in provisions	7	-
<b>Cash generated from continuing operations</b>	<u>(9,964)</u>	<u>3,182</u>



# Richemont UK Limited

## Notes to the financial statements for the year ended 31 March 2007

### Analysis of cash and cash equivalents

Bank balances and other liquid funds	9,754	5,644
Bank overdrafts (note 11)	(148)	(62)
	9,606	5,582

### 16 Statement of changes in shareholder's equity

	Share capital £'000	Share option reserve £'000	Retained losses £'000	Total £'000
At 1 April 2005	200	4	(4,239)	(4,035)
Profit for the year	-	-	285	285
Share options	-	9	-	9
<b>At 31 March 2006</b>	<b>200</b>	<b>13</b>	<b>(3,954)</b>	<b>(3,741)</b>
Profit for the year	-	-	933	933
Issue of share capital	14,000	-	-	14,000
Share options	-	10	-	10
<b>At 31 March 2007</b>	<b>14,200</b>	<b>23</b>	<b>(3,021)</b>	<b>11,202</b>

\* 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.

### 17 Capital commitments

Capital commitments authorised and contracted for at 31 March 2007 amounted to £nil (2006: £nil). Capital commitments authorised but not contracted for at that date amounted to £nil (2006: £nil).

### 18 Related party transactions

	2007 £'000	2006 £'000
<b>Sales of goods to related parties</b>		
Fellow group undertakings	-	46
<b>Purchase of goods from related parties</b>		
Fellow group undertakings	9,879	8,164
<b>Purchase of services from related parties</b>		
Fellow group undertakings	1,004	1,129

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

## Richemont UK Limited

### Notes to the financial statements for the year ended 31 March 2007

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

	2007 £'000	2006 £'000
<b>Receivables from related parties</b>		
Fellow group undertakings	65	108
<b>Payables to related parties</b>		
Fellow group undertakings	2,093	13,280

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. Disclosures in respect of the remuneration of Directors are located in note 5 to the financial statements

#### 19 Contingent liabilities

There is a contingent liability arising from the stock option plan discussed on page 21. Based on the year end 'A' unit price of CHF 67.95 (2006 CHF 62.50) there is a further contingent liability of approximately £9,112 (2006 £7,821) arising by the end of the vesting period that has not been provided for in these Financial Statements.

#### 20 Ultimate and immediate holding company

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

The Directors regard Compagnie Financière Richemont SA, 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 SA, 50 Chemin de la Chenaie, 1293 Bellevue - Geneva, Switzerland.

## Richemont UK Limited

### Notes to the financial statements for the year ended 31 March 2007

#### 21 Post balance sheet events

On 1 April 2007 the Company acquired the trade and assets of Chloe UK Limited and Van Cleef and Arpels Limited two fellow UK subsidiaries of the Richemont Group. The cost of this combination was nil and the assets and liabilities acquired on that date were as follows

	Chloe UK Limited	Van Cleef and Arpels Limited	Fair and book values £000s Total
<b>Current assets</b>			
- Inventories	632	24	656
- Trade receivables	1,122	975	2,097
- Bank and cash balances	1,670	1	1,671
	<u>3,424</u>	<u>1,000</u>	<u>4,424</u>
<b>Non-current assets</b>			
- Property, plant and equipment	231	2,024	2,255
- Intangible assets	-	676	676
<b>Total assets</b>	<u>3,655</u>	<u>3,700</u>	<u>7,355</u>
<b>Current liabilities</b>			
- Trade payables	(1,504)	(1,156)	(2,660)
- Overdrafts	-	(6,810)	(6,810)
	<u>(1,504)</u>	<u>(7,966)</u>	<u>(9,470)</u>
<b>Non-current liabilities</b>			
- Retirement benefit obligations	-	(4)	(4)
	<u>(1,504)</u>	<u>(7,970)</u>	<u>(9,474)</u>
<b>Net assets / (liabilities) acquired</b>	<u>2,151</u>	<u>(4,270)</u>	<u>(2,119)</u>

Consideration to the fair value of the net assets acquired from each business will be given to Chloe UK Limited and Van Cleef & Arpels Limited by the Company at a date after these financial statements were signed. The consideration will be in a form agreed by the parties at that time.

#### 22 Approval of the financial statements

These financial statements were approved by the Board of Directors and authorised for issue on 30 May 2007.