

Richemont UK Limited
(Registered Number: 3484692)

Annual Report
For the year ended 31 March 2015



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Richemont UK Limited

Annual report for the year ended 31 March 2015

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Richemont UK Limited

Directors and Advisors

Directors

Mr Arnaud Bamberger	(Managing Director)
Mr Greig Catto	(Finance Director and Secretary)

Registered Office

175-177 New Bond Street
London
W1S 4RN

Independent Auditors

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

Richemont UK Limited

Strategic Report

The Directors present their Strategic Report for the year ended 31 March 2015.

Principal activities

Richemont UK Limited is a private limited company incorporated in the United Kingdom under the Companies Act 2006.

The principal activities of the Company are the sale of jewellery and other luxury goods through its own boutiques in London and acting as agents for the distribution of watches to an authorised dealer distribution network in the United Kingdom and Ireland.

Review of business and future developments

During the year, the company made a loss for the financial year of £90,000 (2014 profit: £4,146,000). The Statement of Comprehensive Income is set out on page 7. The capital expenditure is in respect of the opening and refurbishment of boutiques. The Directors consider the position of the Company to be satisfactory at the year end.

The future results are in part dependant on the strategy of the Richemont group (Compagnie Financière Richemont SA) as a whole. Details can be found on the Richemont website (www.richemont.com).

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 manage the group's risk at a brand level rather than at an individual business unit level. Further discussion of these risks and uncertainties, in the context of the Richemont Group as a whole, is provided on the Richemont website (www.richemont.com).

Key performance indicators

The directors of the Richemont Group manage the Group's operations on a divisional basis and monitor the performance of Richemont 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 nor appropriate for an understanding of the development, performance or position of the business of Richemont UK Limited. The development, performance and position of the Richemont brands, which includes the Company, is discussed on the Richemont website (www.richemont.com).

The Strategic Report has been approved by the board and is signed by order of the board by:



Mr Greig Catto
Secretary

30 July 2015

Richemont UK Limited

Directors' Report for the year ended 31 March 2015

The directors submit their report and the audited financial statements of Richemont UK Limited ('the Company') for the year ended 31 March 2015.

Directors and their interests

The Directors of the Company during the year and up to the date of signing the financial statements were:

Mr Arnaud Bamberger (Managing Director)
Mr Greig Catto (Finance Director and Secretary)

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 provisions were in force for the benefit of the two (2014: two) directors of the Company.

Dividends

No dividend has been declared nor paid in respect of the year (2014: nil).

Environmental policy

The Company is committed to monitoring and improving environmental performance in all aspects of its business activities. The Company has established and implemented an environmental policy, which takes account of good environmental practice in managing the business.

Donations

Contributions made by the company during the year for a variety of charitable purposes amounted to £76,584 (2014: £2,775). No contributions for political purposes were made during the year (2014: £nil).

Post balance sheet events

There are no post balance sheet events requiring disclosure.

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 43 days (2014: 35 days) worth as a proportion of the total amount invoiced by suppliers during the year ended on that date (excluding inter-company trade creditor balances).

Richemont UK Limited

Directors' Report for the year ended 31 March 2015 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101). 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS101 used in the preparation of financial statements.

The directors are responsible for keeping adequate 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.

Statement of disclosure of information to auditors

Each director in office at the date of approval of this directors' 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

In the absence of a notice proposing that their appointment be terminated, the auditors, PricewaterhouseCoopers LLP, will be deemed to be re-appointed for the next financial year.

By Order of the Board



Mr Greig Catto
Secretary

30 July 2015

Richemont UK Limited

Independent auditors' report to the members of Richemont UK Limited

Report on the financial statements

Our opinion

In our opinion, Richemont UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Richemont UK Limited's financial statements comprise:

- the Balance Sheet as at 31 March 2015;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Shareholders' Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Richemont UK Limited

Independent auditors' report to the members of Richemont UK Limited (continued)

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) ("ISAs (UK & 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.

What an audit of financial statements involves

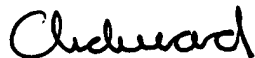
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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 the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Christopher Richmond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 July 2015

Richemont UK Limited

Statement of Comprehensive Income for the year ended 31 March

		2015	2014
	Note	£'000	£'000
Revenue		59,011	53,245
Cost of goods sold		(37,571)	(31,497)
Gross profit		21,440	21,748
Selling and distribution costs		(31,309)	(26,560)
Administrative expenses		(2,030)	(1,466)
Other operating income	4	12,523	11,950
Operating profit	5	624	5,672
Finance income/(costs)	7	23	(29)
Profit before taxation		647	5,643
Taxation	8	(737)	(1,497)
(Loss)/Profit for the year		(90)	4,146
Other comprehensive income:			
Defined benefit plan actuarial (losses)/gains		(163)	45
Tax on defined benefit plan actuarial (losses)/gains		33	(11)
Other comprehensive (expense)/income net of tax		(130)	34
Total comprehensive (expense)/income		(220)	4,180

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

All operations are continuing.


Richemont UK Limited

Balance Sheet as at 31 March

		2015	2014
	Note	£'000	£'000
Fixed assets			
Property, plant and equipment	9	7,755	5,106
Intangible assets	10	4,378	3,530
Total fixed assets		12,133	8,636
Current assets			
Deferred tax asset greater than one year	8	766	683
Inventories	11	27,597	21,625
Trade and other receivables	12	7,821	6,313
Cash and cash equivalents		1,602	8,434
Total current assets		37,786	37,055
Current liabilities			
Bank overdraft		-	(2)
Trade and other payables	13	(17,715)	(14,169)
Provisions for liabilities	14	(217)	(198)
Corporation tax liability	8	(2,561)	(1,774)
Total current liabilities		(20,493)	(16,143)
Net current assets		17,293	20,912
Total assets less current liabilities		29,426	29,548
Non-current liabilities			
Provisions for liabilities	14	(295)	(417)
Retirement benefit obligation	16	(398)	(189)
Total non-current liabilities		(693)	(606)
Net assets		28,733	28,942
Capital and reserves			
Called up share capital	17	14,200	14,200
Share option reserve		429	418
Retained earnings		14,104	14,324
Total capital and reserves		28,733	28,942

Registered Number: 3484692

The financial statements on pages 7 to 26 were approved by the Board of Directors on 30 July 2015 and were signed on its behalf by:


Mr A. M. Bamberger
Director

Richemont UK Limited

Statement of Changes in Shareholders' Equity

	Share capital £'000	Share option reserve* £'000	Retained earnings £'000	Total £'000
At 1 April 2013	14,200	388	10,144	24,732
Profit for the year	-	-	4,146	4,146
Defined benefit plan actuarial gains	-	-	45	45
Tax on defined benefit plan actuarial gains	-	-	(11)	(11)
Value of employee services	-	30	-	30
At 1 April 2014	14,200	418	14,324	28,942
Loss for the year	-	-	(90)	(90)
Defined benefit plan actuarial losses	-	-	(163)	(163)
Tax on defined benefit plan actuarial losses	-	-	33	33
Value of employee services	-	11	-	11
At 31 March 2015	14,200	429	14,104	28,733

* 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 Company's employees. The share option reserve is not distributable.

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

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2015

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 175-177 New Bond Street, London, W1S 4RN.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and with those parts of the Companies Act 2006 applicable to Companies reporting under FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective and related party transactions.

Where relevant, equivalent disclosures have been given in the group financial statements of Compagnie Financière Richemont SA. The group financial statements of Compagnie Financière Richemont SA are available to the public and can be obtained as set out in note 23.

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

These financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with United Kingdom Generally Accepted Accounting Practice, including FRS 101, requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement and significant estimates are disclosed in note 2.

The financial statements are prepared on a going concern basis.

(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 spot exchange rates prevailing at the date of the transaction. 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.

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

1 Basis of preparation (continued)

(c) 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 premiums

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 accumulated 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 Income Statement during the financial year 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 less its estimated residual value over its estimated useful life, up to the limits of, as follows:

- Leasehold improvements	the shorter of 10 years or the life of the lease
- Motor vehicles	4 years
- Office equipment	10 years
- Fixtures and fittings	10 years
- Point of sale fixtures	3 years

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

Assets under construction relate to boutique fittings under installation, which are depreciated from when installation is completed.

Gains and losses on disposals are determined by comparing proceeds with the carrying value.

(e) Impairment of assets

All property, plant 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.

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

1 Basis of preparation (continued)

(f) 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 cost, specific identification or the 'first-in, first-out' (FIFO) method depending on the nature of the inventory.

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value. 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.

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at banks, less bank overdrafts, which are classified as current liabilities and are stated at fair value. There are no other borrowings.

(i) Current and deferred income tax

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 substantively 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.

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

1 Basis of preparation (continued)

(j) Employee benefits

Retirement benefit obligations

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 a Schedule of Contributions agreed between the trustees and the Principal Employer of the Plan, Richemont Holdings (UK) Limited.

The total pension cost for the year, calculated in accordance with IAS19 (Employee Benefits), is split between the UK entities that participate in the Plan taking into account the attributes of each entities' 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 at 31 March 2013 (the most recent valuation of the Plan) on the IAS19 assumptions at that date. Actuarial gains and losses are recognised immediately through Other Comprehensive Income.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is probable.

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.

(k) 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 of management's best estimate of the expenditure required to settle the obligation at the Balance Sheet date. The impact of discounting on provisions is immaterial.

(l) Revenue recognition

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

The commissions receivable on sales procured as agents are recognised as other operating income in the same period that those sales are recognised by the fellow Richemont Group companies.

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

1 Basis of preparation (continued)

(m) Interest income

Interest income is recognised using the effective interest method.

(n) Leases

The Company leases certain property, plant and equipment. All of the leases for which the Company is the lessee are accounted for as operating leases as a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases (net of any incentives received) are charged to the Income Statement on a straight-line basis over the lease term.

(o) Share-based payments

The Company's ultimate parent company, Compagnie Financière Richemont SA, 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 Richemont UK 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 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.

(p) Trade payables

Trade payables are initially recognised at fair value.

(q) Share capital

Ordinary shares are classified as equity.

(r) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

2 Critical accounting estimates and judgements

The company is required to make estimates and assumptions that affect certain Balance Sheet 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 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 operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate cash flow risk and foreign exchange risk.

Price risk

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

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.

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.

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 and cash equivalents with credit institutions is managed by the Richemont Group.

Foreign exchange risk

The Company has limited exposure to foreign exchange risk arising primarily with respect to the Swiss franc and Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The Company does not seek to hedge this exposure.

4 Other operating income

Other operating income represents commissions received from fellow Richemont Group companies for sales procured as agents as well as costs for the provision of services recharged to fellow Richemont Group companies.

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

5 Operating profit

	2015 £'000	2014 £'000
Operating profit is stated after charging/(crediting):		
Operating lease rentals – office equipment	24	29
Operating lease rentals - other	9,652	7,425
Employee benefit expenses	9,461	7,861
Depreciation of property, plant and equipment	1,249	832
Amortisation of leasehold property	853	707
Loss on disposal of intangible assets	58	206
Repairs and maintenance expenditure on property, plant and equipment	281	202
Inventory – net movement in provision	600	66
Trade receivables – net movement in provision	(22)	14

The auditors' remuneration of £24,000 (2014: £24,000) is borne by Richemont UK Limited's parent company, Cartier Limited.

6 Employee benefits and other information

The monthly average number of persons employed during the year was as follows:

	2015 Number	2014 Number
Selling	103	89
Administration	52	44
	<u>155</u>	<u>133</u>

Their aggregate compensation was as follows:-

	2015 £'000	2014 £'000
Wages and salaries	8,018	6,735
Social security costs	966	823
Share-based payment awards (note 15)	11	30
Other pension costs – defined benefit (note 16)	229	194
Other pension costs – defined contribution (note 16)	237	79
	<u>9,461</u>	<u>7,861</u>

The directors received no emoluments in respect of their services to Richemont UK Limited (2014: £nil).

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

7 Finance (costs) / income - net

	2015 £'000	2014 £'000
Finance income		
Foreign exchange gains	33	5
	<u>33</u>	<u>5</u>
Finance costs:		
Interest payable on bank loans and overdrafts	-	(25)
Other finance costs	(10)	(9)
	<u>(10)</u>	<u>(34)</u>
Net finance income/(costs)	<u>23</u>	<u>(29)</u>

8 Taxation

Analysis of charge in the year	2015 £'000	2014 £'000
Current tax - continuing operations		
- UK corporation tax on profits for the year	778	1,774
- Adjustments in respect of prior years	9	(46)
Total current tax	<u>787</u>	<u>1,728</u>
Deferred tax		
- Origination and reversal of temporary differences	(167)	(267)
- Adjustments in respect of prior years	117	(28)
- Effect of decreased tax rate on opening balance	-	64
Total deferred tax credit	<u>(50)</u>	<u>(231)</u>
Total tax charge	<u>737</u>	<u>1,497</u>

There is a taxation charge of £737,000 for the current year (2014: £1,497,000).

The UK corporation tax charge represents the consideration paid to other group entities for losses claimed as group relief.

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

8 Taxation (continued)

The total tax charge is reconciled to the profit before tax at the standard rate of UK corporation tax below:

	2015 £'000	2014 £'000
Profit before taxation	647	5,643
United Kingdom corporation tax on profit for the year at 21% (2014: 23%)	136	1,298
<i>Effects of:</i>		
Expenses not deductible for tax purposes	588	444
Group relief claimed	(785)	(1,774)
Consideration paid for losses claimed as group relief	785	1,774
Tax benefit of share options exercised	(113)	(275)
Adjustments in respect of prior years	9	(46)
Adjustments in respect of prior years – deferred tax	117	(28)
Effect of change in rates	-	104
Tax charge	737	1,497

There is a net deferred tax asset at the balance sheet date. The asset has been recognised to the extent that it is considered to be recoverable in the foreseeable future. Deferred tax temporary differences are calculated under the liability method using a tax rate of 20% (2014: 20%). The total recognised deferred tax asset is £766,000 (2014: £683,000). The asset is made up of:-

	2015 £'000	2014 £'000
Property, plant and equipment and intangible assets temporary differences	609	569
Other temporary differences	157	114
Recognised deferred tax asset	766	683

Legislation has been introduced in the Finance Bill 2013 to reduce the main rate of tax to 20% from 1 April 2015 and therefore the deferred tax amounts in note 8 have been calculated at a rate of 20%. On the basis that the Company does not expect its deferred tax position to unwind prior to 1 April 2015, the deferred tax amounts above have been calculated at a rate of 20%.

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Notes to the financial statements for the year ended 31 March 2015 (continued)

9 Property, plant and equipment

	Point of sale fixtures £'000	Assets under construction £'000	Office equipment £'000	Leasehold improvements £'000	Total £'000
Cost					
At 1 April 2014	42	2,242	75	6,655	9,014
Additions		2,531	188	2,762	5,481
Reclassification		(1,901)	-	376	(1,525)
Disposals	(24)	-	-	(174)	(198)
At 31 March 2015	18	2,872	263	9,619	12,772
Accumulated depreciation					
At 1 April 2014	42	-	43	3,823	3,908
Charge for the year		-	26	1,223	1,249
Disposals	(24)	-	-	(116)	(140)
At 31 March 2015	18	-	69	4,930	5,017
Net book value					
At 31 March 2015	-	2,872	194	4,689	7,755
At 31 March 2014	-	2,242	32	2,832	5,106

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

10 Intangible assets

	Leasehold premiums	Software	Total
	£'000	£'000	£'000
Cost at 1 April 2014	8,209	3	8,212
Additions	250	-	250
Reclassification	1,525	-	1,525
Disposals	(83)	-	(83)
Cost at 31 March 2015	9,901	3	9,904
Accumulated amortisation at 1 April 2014	4,679	3	4,682
Disposals	(9)	-	(9)
Charge for year	853	-	853
Accumulated amortisation at 31 March 2015	5,523	3	5,526
Net book value at 31 March 2015	4,378	-	4,378
Net book value at 31 March 2014	3,530	-	3,530

11 Inventories

	2015 £'000	2014 £'000
Finished goods	27,597	21,625

The above amounts are net of provisions.

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Notes to the financial statements for the year ended 31 March 2015 (continued)

12 Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	3,548	2,450
Less: provision for impairment	(14)	(36)
	<u>3,534</u>	<u>2,414</u>
Amounts owed by Group undertakings	1,634	1,568
Other taxes	273	356
Other receivables	1,077	766
Prepayments and accrued income	<u>1,303</u>	<u>1,209</u>
	<u>7,821</u>	<u>6,313</u>

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values. The past due but not impaired receivables are deemed to be recoverable as there is no history of default. The other classes of receivables do not contain impaired assets. Other receivables are primarily amounts owed by credit card issuers.

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.

The carrying amounts of trade receivables denominated in Euros are £7,595 (2014: £12,603). There are no other significant foreign currency receivables.

Ageing of trade receivables:

	2015 £'000	2014 £'000
Not overdue	3,334	2,148
Past due less than three months	200	238
Past due between three months and six months	-	28
	<u>3,534</u>	<u>2,414</u>

	2015 £'000	2014 £'000
At 1 April of prior year	36	22
Increase in provision for receivables impairment	11	25
Unused amount reversed	(33)	(11)
At 31 March	<u>14</u>	<u>36</u>

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

13 Trade and other payables

	2015 £'000	2014 £'000
Trade payables	3,287	2,185
Amounts owed to Group undertakings	10,388	8,425
Other payables	1,799	1,883
Accruals and deferred income	2,241	1,676
	<u>17,715</u>	<u>14,169</u>

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.

14 Provisions for liabilities

	Warranty £'000	Employee benefits £'000	Social security on share options £'000	Total £'000
At 1 April 2014	104	204	307	615
Provided during the year	9	40	-	49
Utilised during the year	(5)	-	(147)	(152)
At 31 March 2015	<u>108</u>	<u>244</u>	<u>160</u>	<u>512</u>

Analysis of total provisions:

	2015 £'000	2014 £'000
Current portion	217	198
Non-current portion	295	417
	<u>512</u>	<u>615</u>

Warranty provisions

The company has established provisions for warranties provided on certain products. Based on past experience a provision of £108,000 (2014: £104,000) has been recognised. It is anticipated that the provisions will be utilised.

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

14 Provisions for liabilities (continued)

Employee benefits provision

These include social security charges on the Compagnie Financière Richemont SA share-based compensation plan. It is anticipated that the provisions will be utilised within 5 years.

15 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 2013	21.10	83,404
Exercised	18.99	(28,591)
Balance at 31 March 2014	22.20	54,813
Exercised	20.75	(24,050)
Balance at 31 March 2015	23.33	30,763

Options in respect of 24,271 shares were exercisable at 31 March 2015 (2014: 34,959).

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 2015	CHF 23.18	10,308	0.2 years
	CHF 32.79	2,291	1.2 years
	CHF 21.20	10,305	2.2 years
	CHF 23.55	7,859	3.2 years
31 March 2014	CHF 18.01	13,743	0.2 years
	CHF 23.18	10,308	1.2 years
	CHF 32.79	3,816	2.2 years
	CHF 21.20	12,595	3.2 years
	CHF 23.55	14,351	4.2 years

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

15 Share option scheme (continued)

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

	2015	2014
	£'000	£'000
Share option expense	11	30

16 Retirement benefit obligations

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 entities 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 participating employer'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 assets and obligations relating to the Plan are calculated in accordance with its share of the obligations in the Plan as at 31 March 2013 (the most recent valuation of the Plan) on the IAS19 assumptions at that date. The key accounting figures for the Company are as follows:

	2015	2014
	£'000	£'000
Balance sheet liability at 1 April	(189)	(171)
Pension cost	(229)	(194)
Company contribution	183	131
Other Comprehensive Income	(163)	45
Balance sheet liability at 31 March	(398)	(189)

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

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

16 Retirement benefit obligations (continued)

Defined contribution plans

Pension costs for defined contribution schemes are as follows:

	2015 £'000	2014 £'000
Defined contribution schemes	<u>237</u>	<u>79</u>

17 Share capital

	2015 £'000	2014 £'000
Allotted, called up and fully paid:		
14,200,000 (2014: 14,200,000) ordinary shares of £1 each	<u>14,200</u>	<u>14,200</u>

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

18 Capital commitments

Capital commitments authorised and contracted for at 31 March 2015 amounted to £nil (2014: £nil). Capital commitments authorised but not contracted for at that date amounted to £5,465,000 (2014: £nil).

19 Contingent liabilities and guarantees

The Company has granted indemnities to banks totalling £1,000,000 (2014: £1,000,000) in respect of the operation of a deferment guarantee arrangement with HMRC.

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

20 Operating lease commitments

At 31 March 2015 the Company had minimum commitments under non-cancellable operating leases expiring as follows:-

Property	2015 £'000	2014 £'000
Not later than one year	8,631	6,010
Later than one year and not later than five years	25,959	13,770
Later than five years	60,435	36,468
	95,025	56,248
Other	2015 £'000	2014 £'000
Not later than one year	47	71
Later than one year and not later than five years	26	48
Later than five years	-	-
	73	119

The Company has in place arrangements with two lessors which provide for rent on four retail premises to be determined according to the level of retail turnover in those premises subject to a minimum annual rent included in the figures above.

21 Related party transactions

	2015 £'000	2014 £'000
Group Directors	-	-

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 6 to the financial statements. This does not include share options, details of which are disclosed in note 16.

22 Ultimate and immediate holding company

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

The Directors regard Compagnie Financière Richemont SA, a limited company incorporated in Switzerland, to be the ultimate parent company. Shares representing 50% of the voting rights of that company are held by Compagnie Financière Rupert which, for the purposes of IAS 24, is regarded by the Directors as the controlling party. 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.