

Richemont UK Limited
(Registered Number: 3484692)

Annual Report
For the year ended 31 March 2018

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Richemont UK Limited

Annual report for the year ended 31 March 2018

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Richemont UK Limited

Directors and Advisors

Directors

Greig Catto
Rupert Brooks
Caroline Welch-Ballentine (resigned 1 January 2018)
Sheila Henderson (appointed 1 January 2018)

Registered Office

15 Hill Street
London
W1J 5QT

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 2018.

Principal activities

Richemont UK Limited (the "Company") 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 profit for the financial year of £8,550,000 (2017: £6,810,000). The Statement of Comprehensive Income is set out on page 9. 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 in the Business Review section of the Richemont Group Annual Report and Accounts.

Principal risks and uncertainties

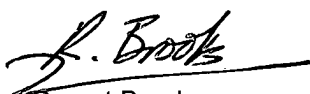
The management of the business and the execution of the Company's strategy are subject to a number of risks.

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 within note 3 of the Richemont Group Annual Report and Accounts.

Key performance indicators

The Directors of the Richemont Group manage the Group's operations on a divisional basis and monitor the performance of the Company 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 the Company. The development, performance and position of the Richemont brands, which includes the Company, is discussed within the Business Review section of the Richemont Group Annual Report and Accounts.

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



Rupert Brooks
Secretary

6 July 2018

Richemont UK Limited

Directors' Report for the year ended 31 March 2018

The Directors submit their report and the audited financial statements of Richemont UK Limited ("the Company") for the year ended 31 March 2018.

Directors and their interests

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

Greig Catto	
Rupert Brooks	
Caroline Welch-Ballentine	(resigned 1 January 2018)
Sheila Henderson	(appointed 1 January 2018)

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 three (2017: three) directors of the Company. At the date of the approval of the financial statements qualifying third party indemnity provisions were in force for three directors.

Dividends

No dividend has been declared nor recommended in respect of the year ended 31 March 2018 (2017: 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.

Employee information

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

Employment of disabled persons in the United Kingdom

It is the policy of the Company to give full and fair consideration to the employment of disabled persons, in jobs suited to their individual circumstances and, as appropriate, to consider them for recruitment opportunities, career development and training. Special consideration is given to retraining those who become disabled whilst in the Company's employment.

Donations

Contributions made by the company during the year for a variety of charitable purposes amounted to £19,387 (2017: £1,800). No contributions for political purposes were made during the year (2017: £nil).

Richemont UK Limited

Directors' Report for the year ended 31 March 2018 (continued)

Financial Risk Management

The Company's policy on financial risk management is disclosed in note 3.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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.

The Directors 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.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Richemont UK Limited

Directors' Report for the year ended 31 March 2018 (continued)

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

A handwritten signature in black ink, appearing to read 'R. Brooks', written over a horizontal line.

Rupert Brooks
Secretary

6 July 2018

Richemont UK Limited

Independent auditors' report to the members of Richemont UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Richemont UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 March 2018; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

- We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Richemont UK Limited

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Richemont UK Limited

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

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Christopher Solomides (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 July 2018

Richemont UK Limited

Statement of Comprehensive Income for the year ended 31 March 2018

		2018	2017
	Note	£'000	£'000
Revenue		142,631	109,527
Cost of goods sold		(88,430)	(65,442)
Gross profit		54,201	44,085
Selling and distribution costs		(63,761)	(46,600)
Administrative expenses		(4,591)	(3,200)
Other operating income	4	25,646	15,077
Operating profit	5	11,495	9,362
Finance income	7	142	136
Finance costs	7	(21)	(45)
Profit before taxation		11,616	9,453
Taxation	8	(3,066)	(2,643)
Profit for the financial year		8,550	6,810
Other comprehensive income/(expense):			
Defined benefit plan actuarial (losses)/gains		(15)	(1,940)
Tax on defined benefit plan actuarial (losses)/gains		2	330
Other comprehensive (expense)/income net of tax		(13)	(1,610)
Total comprehensive income		8,537	5,200

The notes on pages 12 to 29 form an integral part of these financial statements.

All operations are continuing.

Richemont UK Limited

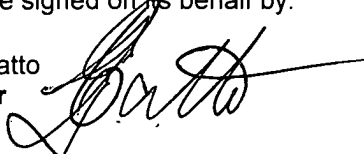
Balance Sheet as at 31 March 2018

		2018	2017
	Note	£'000	£'000
Fixed assets			
Property, plant and equipment	9	22,150	14,957
Intangible assets	10	8,640	9,556
Other non-current assets		3,386	2,371
Total fixed assets		34,176	26,884
Current assets			
Deferred tax asset	8	2,810	2,812
Inventories	11	48,360	42,086
Trade and other receivables	12	20,357	16,804
Cash and cash equivalents		205	493
Total current assets		71,732	62,195
Current liabilities			
Bank overdraft		-	(7,779)
Trade and other payables	13	(45,491)	(31,168)
Provisions for liabilities	14	(382)	(420)
Corporation tax liability	8	(5,836)	(5,033)
Total current liabilities		(51,709)	(44,400)
Net current assets		20,023	17,795
Total assets less current liabilities		54,199	44,679
Non-current liabilities			
Provisions for liabilities	14	(92)	(140)
Retirement benefit obligation	16	(74)	(57)
Other non-current liabilities		(5,322)	(4,308)
Total non-current liabilities		(5,488)	(4,505)
Net assets		48,711	40,174
Capital and reserves			
Called up share capital	17	15,776	15,776
Share option reserve		431	431
Retained earnings		32,504	23,967
Total capital and reserves		48,711	40,174

Registered Number: 3484692

The financial statements on pages 9 to 29 were approved by the Board of Directors on 6 July 2018 and were signed on its behalf by:

Greig Catto
Director



Richemont UK Limited

Statement of Changes in Equity for the year ended 31 March 2018

	Share capital £'000	Share option reserve* £'000	Retained earnings £'000	Total £'000
At 1 April 2016	14,200	431	18,767	33,398
Increase in share capital	1,576	-	-	1,576
Profit for the financial year	-	-	6,810	6,810
Defined benefit plan actuarial losses	-	-	(1,940)	(1,940)
Tax on defined benefit plan actuarial losses	-	-	330	330
At 1 April 2017	15,776	431	23,967	40,174
Profit for the financial year	-	-	8,550	8,550
Defined benefit plan actuarial losses	-	-	(15)	(15)
Tax on defined benefit plan actuarial losses	-	-	2	2
At 31 March 2018	15,776	431	32,504	48,711

* 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 12 to 29 form an integral part of these financial statements.

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2018

1 Basis of preparation

(a) General information and basis of preparation

These financial statements are the financial statements of Richemont UK Limited, a private company limited by shares, and registered and domiciled in England and Wales, United Kingdom. The address of the registered office is 15 Hill Street, London, W1J 5QT.

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 22.

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 Statement of Comprehensive Income.

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

1 Basis of preparation (continued)

(c) Intangible assets

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 Statement of Comprehensive Income 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
- Office equipment	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 2018 (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 and subsequently measured at amortised cost. 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 Statement of Comprehensive Income.

(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 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 year-end 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 2018 (continued)

1 Basis of preparation (continued)

(j) Employee benefits

Retirement benefit obligations

The Company is a participating employer in the Richemont UK Pension Plan (the "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/(expense).

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 year end 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 2018 (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 Statement of Comprehensive Income 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 the Company. 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 year end 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 Statement of Comprehensive Income over the remaining vesting period and a corresponding adjustment to equity.

(p) Trade payables

Trade payables are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest rate method.

(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 2018 (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 2018 (continued)

5 Operating profit

	2018 £'000	2017 £'000
Operating profit is stated after charging/(crediting):		
Employee benefit expenses	17,584	12,606
Operating lease rentals – office equipment	28	38
Operating lease rentals - property	24,124	19,103
Depreciation of property, plant and equipment	3,486	2,658
Amortisation of leasehold premiums	916	749
Loss on disposal of property, plant and equipment	335	29
Repairs and maintenance expenditure on property, plant and equipment	906	667
Auditors' remuneration – for audit services	115	-
Auditors remuneration – non audit services	32	-
Inventory – net movement in provision	362	(107)
Inventory – expensed	86,282	63,776
Trade receivables – net movement in provision	234	(7)

6 Employee benefits and other information

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

	2018 Number	2017 Number
Selling	213	129
Administration	73	67
	<u>286</u>	<u>196</u>

Their aggregate compensation was as follows:

	2018 £'000	2017 £'000
Wages and salaries	15,169	11,448
Social security costs	1,821	1,388
Other pension costs – defined benefit (note 16)	2	(542)
Other pension costs – defined contribution (note 16)	592	312
	<u>17,584</u>	<u>12,606</u>

The directors received no emoluments in respect of their services to Richemont UK Limited (2017: £nil).

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

7 Finance income - net

	2018 £'000	2017 £'000
Finance income		
Interest	2	-
Foreign exchange gains	140	136
	142	136
Finance costs:		
Interest payable on bank loans and overdrafts	(14)	(37)
Other finance costs	(7)	(8)
	(21)	(45)
Net finance income	121	91

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

8 Taxation

Analysis of charge in the year	2018 £'000	2017 £'000
Current tax - continuing operations		
- UK corporation tax on profits for the year	2,984	2,593
- Adjustments in respect of prior years	78	(11)
Total current tax	3,062	2,582
Deferred tax		
- Origination and reversal of temporary differences	(1)	(30)
- Adjustments in respect of prior years	5	34
- Effect of decreased tax rate on opening balance	-	57
Total deferred tax credit	4	61
Total tax charge	3,066	2,643

There is a taxation charge of £3,066,124 for the current year (2017: £2,642,886).

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

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

	2018 £'000	2017 £'000
Profit before taxation	11,616	9,453
United Kingdom corporation tax on profit for the year at 19% (2017: 20%)	2,207	1,891
<i>Effects of:</i>		
Expenses not deductible for tax purposes	925	682
Group relief claimed	(2,984)	(2,593)
Consideration paid for losses claimed as group relief	2,984	2,593
Adjustments to tax charge in respect of previous periods	78	(11)
Adjustments to deferred tax charge in respect of previous periods	5	34
Effect of changes in rates	-	62
Tax benefit of share options exercised	(62)	-
Premium on short lease	(87)	(15)
Tax charge	3,066	2,643

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

8 Taxation (continued)

Deferred Tax Assets

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. Changes to the UK corporation tax rates were substantively enacted as part of Finance Act 2015 (on 26 October 2015) and Finance Act 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. The asset is made up of:

	Property, plant and equipment and intangible assets temporary differences	Other temporary differences	Total
	£'000	£'000	£'000
At 1 April 2016	907	148	1,055
Credited / (Charged) to the income statement	185	(246)	(61)
Credited directly to other comprehensive income	-	330	330
Transferred in from Montblanc (UK) Limited	604	884	1,488
At 31 March 2017	1,696	1,116	2,812
Credited / (Charged) to the income statement	374	(378)	(4)
Credited directly to other comprehensive income	-	2	2
At 31 March 2018	2,070	740	2,810

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2018 (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 2017	235	307	232	22,341	23,115
Additions	90	4,475	165	6,284	11,014
Disposals	(32)	-	-	(303)	(335)
Reclassification	-	(307)	(33)	340	-
At 31 March 2018	293	4,475	364	28,662	33,794
Accumulated depreciation					
At 1 April 2017	18	-	60	8,080	8,158
Charge for the year	140	-	39	3,307	3,486
Disposals	-	-	-	-	-
Reclassification	-	-	(24)	24	-
At 31 March 2018	158	-	75	11,411	11,644
Net book value					
At 31 March 2018	135	4,475	289	17,251	22,150
At 31 March 2017	217	307	172	14,261	14,957

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

10 Intangible assets

	Leasehold premiums £'000
Cost at 1 April 2017	16,679
Cost at 31 March 2018	16,679
Accumulated amortisation at 1 April 2017	7,123
Charge for year	916
Accumulated amortisation at 31 March 2018	8,039
Net book value at 31 March 2018	8,640
Net book value at 31 March 2017	9,556

Amortisation of intangible assets is charged to selling and distribution costs in the Statement of Comprehensive Income.

11 Inventories

	2018 £'000	2017 £'000
Finished goods	48,360	42,086

The above amounts are net of provisions of £1,074,988 (2017: £712,862).

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

12 Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	5,582	7,290
Less: provision for impairment	(243)	(9)
	<u>5,339</u>	<u>7,281</u>
Amounts owed by Group undertakings	6,283	4,514
Input VAT recoverable	3,744	352
Other receivables	1,917	2,334
Prepayments and accrued income	3,074	2,323
	<u>20,357</u>	<u>16,804</u>

The Directors consider that the carrying amount of trade and other receivables approximates 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.

Ageing of trade receivables:

	2018 £'000	2017 £'000
Not overdue	4,728	7,124
Past due less than three months	636	168
Past due between three months and six months	218	(2)
	<u>5,582</u>	<u>7,290</u>

	2018 £'000	2017 £'000
At 1 April	9	16
Increase in provision for receivables impairment	239	6
Unused amount reversed	(5)	(13)
At 31 March	<u>243</u>	<u>9</u>

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

13 Trade and other payables

	2018 £'000	2017 £'000
Trade payables	3,841	1,801
Amounts owed to Group undertakings	33,540	22,118
Other payables	3,011	2,933
Other taxes	-	73
Accruals and deferred income	5,099	4,243
	45,491	31,168

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 and Sales Returns £'000	Employee benefits £'000	Social security on share options £'000	Total £'000
At 1 April 2017	319	212	29	560
Provided during the year	60	180	-	240
Utilised during the year	(158)	(139)	(29)	(326)
At 31 March 2018	221	253	-	474

Analysis of total provisions:

	2018 £'000	2017 £'000
Current portion	382	420
Non-current portion	92	140
	474	560

Warranty and sales returns provisions

The company has established provisions for warranties and sales returns provided on certain products. Based on past experience a provision of £220,000 (2017: £319,000) has been recognised. It is anticipated that the provision will be utilised.

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2018 (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 provision will be utilised within 5 years.

15 Equity-settled option plan

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 share awards granted to executives is as follows:

	Weighted average exercise price in CHF per share	Number of options
Balance at 31 March 2016	21.20	6,870
Granted		-
Exercised		-
Balance at 31 March 2017	21.20	6,870
Granted		-
Exercised	21.20	(6,870)
Balance at 31 March 2018		-

Of the total options outstanding at 31 March 2018, options in respect of 0 shares (2017: 6,870 shares) had vested and were exercisable.

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 2018	-	-	-
31 March 2017	CHF 21.20	6,870	1.25 years

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

	2018 £'000	2017 £'000
Share option expense	-	-

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

16 Retirement benefit obligations

Defined benefit plan

The Company 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 Plan closed to new entrants in 2004 and to future accrual on 31 March 2017. All employees are now offered membership of a defined contribution plan operated by the Group.

On 1 December 2016 the plan trustee entered into a full "buy-in" with a UK insurance company. Under the terms of the contract, the insurer will meet all benefits due to members of the plan. As a result of the buy-in, the risk to the Company of future contributions falling due has almost entirely been removed although the legal obligation to provide the benefits remains with the Plan and the Company. The Company is however liable for additional contributions in respect of any data or benefit errors in the insurance, and the trustee is currently reviewing these items, and a final contribution will be made by the Company once the amount has been confirmed.

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 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 key accounting figures for the Company are as follows:

	2018	2017
	£'000	£'000
Balance sheet liability at 1 April	(57)	(308)
Pension (cost)/credit	(2)	542
Company contribution	-	1,692
Other comprehensive (expense)/income	(15)	(1,940)
Transferred from Montblanc (UK) Limited	-	(43)
Balance sheet liability at 31 March	(74)	(57)

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

Defined contribution plans

Pension costs for defined contribution schemes are as follows:

	2018	2017
	£'000	£'000
Defined contribution schemes	592	312

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

17 Share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid:		
15,776,400 (2017: 15,776,400) ordinary shares of £1 each	15,776	15,776

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 2018 amounted to £1,892,000 (2017: £2,829,000). Capital commitments authorised but not contracted for at that date amounted to £nil (2017: £nil).

19 Contingent liabilities and guarantees

The Company has granted indemnities to banks totalling £2,000,000 (2017: £2,000,000) in respect of the operation of a deferment guarantee arrangement with HMRC.

20 Operating lease commitments

At 31 March 2018 the Company had minimum future commitments under non-cancellable operating leases expiring as follows:

Property	2018 £'000	2017 £'000
Not later than one year	23,026	13,491
Later than one year and not later than five years	70,635	41,658
Later than five years	88,485	70,388
	182,146	125,537
Other	2018 £'000	2017 £'000
Not later than one year	63	76
Later than one year and not later than five years	34	82
Later than five years	-	-
	97	158

The Company has in place arrangements with three lessors which provide for rent on nine 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.

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

21 Related party transactions

	2018	2017
	£'000	£'000
Directors	48	33

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 15.

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.

Compagnie Financière Richemont SA is the largest and smallest group of related undertakings for which consolidated financial statements are prepared. 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.