Richemont UK Limited
(Registered Number: 3484692)

Annual Report
For the year ended 31 March 2019

Richemont UK Limited

Annual report for the year ended 31 March 2019

Richemont UK Limited

Directors and Advisors

Directors

Greig Catto
Rupert Brooks
Sheila Henderson

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 2019.

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, watches, leather goods, clothing, writing instruments and other luxury goods through its retail, online retail and wholesale distribution channels and provides after-sales service for its products as well as 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 £6,017,000 (2018: £8,550,000). 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 dependent 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.

The directors do not consider that the implementation of Brexit will impact the going concern of the entity and measures will be taken to comply with any new customs regulations once these are fully known.

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:

R. Brooks

Rupert Brooks
Secretary
21st *June 2019*

Richemont UK Limited

Directors' Report for the year ended 31 March 2019

The Directors submit their report and the audited financial statements of Richemont UK Limited ("the Company") for the year ended 31 March 2019.

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
Sheila Henderson

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 (2018: 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 2019 (2018: 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 £16,816 (2018: £19,387). No contributions for political purposes were made during the year (2018: £nil).

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 in respect of the financial statements

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 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.

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.

Directors' confirmations

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 2019 (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

R. Brooks

Rupert Brooks
Secretary
21st *June 2019*

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 2019 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: balance sheet as at 31 March 2019; 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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.

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.

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

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 2019 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.

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
21 June 2019

Statement of Comprehensive Income for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Revenue		**147,665**	142,631
Cost of sales		**(89,008)**	(88,430)
Gross profit		**58,657**	54,201
Selling and distribution costs		**(76,001)**	(63,761)
Administrative expenses		**(5,615)**	(4,591)
Other operating income	4	**31,856**	25,646
Operating profit	5	**8,897**	11,495
Finance income	7	**-**	142
Finance costs	7	**(97)**	(21)
Profit before taxation		**8,800**	11,616
Tax on profit	8	**(2,783)**	(3,066)
Profit for the financial year		**6,017**	8,550
Other comprehensive income/(expense):			
Defined benefit plan actuarial gains/(losses)		**76**	(15)
Tax on defined benefit plan actuarial (gains)/losses		**(13)**	2
Other comprehensive income/(expense) net of tax		**63**	(13)
Total comprehensive income		**6,080**	8,537

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

All operations are continuing. The movements in other comprehensive income/(expense) will not be reclassified to the income statement.

Richemont UK Limited

Balance Sheet as at 31 March 2019

	Note	2019	2018
		£'000	£'000
Fixed assets			
Property, plant and equipment	9	**18,895**	22,150
Intangible assets	10	**8,156**	8,640
Other non-current assets		**3,241**	3,386
Total fixed assets		**30,292**	34,176
Current assets			
Deferred tax asset		**2,841**	2,810
Inventories	11	**57,248**	48,360
Trade and other receivables	12	**21,544**	20,357
Cash and cash equivalents		**50**	205
Total current assets		**81,683**	71,732
Current liabilities			
Trade and other payables	13	**(44,870)**	(45,491)
Provisions for liabilities	14	**(702)**	(382)
Corporation tax liability		**(5,811)**	(5,836)
Total current liabilities		**(51,383)**	(51,709)
Net current assets		**30,300**	20,023
Total assets less current liabilities		**60,592**	54,199
Non-current liabilities			
Provisions for liabilities	14	**(113)**	(92)
Retirement benefit obligation	16	**-**	(74)
Other non-current liabilities		**(5,648)**	(5,322)
Total non-current liabilities		**(5,761)**	(5,488)
Net assets		**54,831**	48,711
Capital and reserves			
Called up share capital	17	**15,776**	15,776
Share option reserve		**471**	431
Retained earnings		**38,584**	32,504
Total capital and reserves		**54,831**	48,711

Registered Number: 3484692

The financial statements on pages 9 to 29 were approved by the Board of Directors on 21st June 2019 and were signed on its behalf by:

Greig Catto
Director

Richemont UK Limited

Statement of Changes in Equity for the year ended 31 March 2019

	Called up Share capital	Share option reserve*	Retained earnings	Total
	£'000	£'000	£'000	£'000
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**
Profit for the financial year	-	-	6,017	6,017
Value of employee services	-	40	-	40
Defined benefit plan actuarial gains	-	-	76	76
Tax on defined benefit plan actuarial gains	-	-	(13)	(13)
At 31 March 2019	**15,776**	**471**	**38,584**	**54,831**

* 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.

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.

(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.

1 Basis of preparation (continued)

(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.

(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.

1 Basis of preparation (continued)

(g) Trade and other receivables (continued)

The Company has adopted IFRS 9 for the first time in the year ended 31 March 2019. There is no significant change to the financial statements as a result of the adoption of IFRS 9. The Company has applied this new standard retrospectively in accordance with the provisions of IFRS 9.7.2.15, which allows the cumulative effect of initial application to be recognised on the date of initial application, being 1 April 2018. There is an immaterial impact on retained earnings as a result of the adoption of IFRS 9.

(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.

(j) Employee benefits

Retirement benefit obligations
The Company was a participating employer in the Richemont UK Pension Plan, which provided defined benefits. On 1 December 2016 the plan trustee entered into a full "buy-in" with a UK insurance company. This Plan paid its final premium to the insurance company during the year and has since instructed that members benefits are moved to buy-out after year end, so no further liability remains with the Company in respect of this Plan.

The total pension cost for the year, calculated in accordance with IAS19 (Employee Benefits), is split between the UK brands that participate in the Plan taking into account the attributes of each brands' employees in the Plan. The Company's assets and obligations relating to the Plan at the beginning of the year 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. 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.

1 Basis of preparation (continued)

(j) Employee benefits (continued)

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 is recognised when the customer obtains control of the goods. For retail sales, which take place in the Company's network of internal boutiques, control generally passes when the customer takes physical possession of goods, at which time the Company has a right to receive payment for the asset and it is implicit that the customer has accepted it. In the case of online retail sales made directly to the end customer, sales are recorded when the goods are delivered to the customer, as the Company remains in control of, and is subject to the related risks of, the delivery process. Wholesale sales are made to distributors, wholesalers or external franchisees. For these sales, revenue is recognised when the wholesaler takes delivery of the shipment, in most cases after customs formalities have been cleared in the destination country. At this point, the customer is able to control the future use of the product, in terms of where and how it will be sold, and assumes the risk of obsolescence and loss. Revenue relating to after-sales services is recognised when the service has been completed. 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.

Revenue is measured net of value-added tax, duties, other sales taxes, rebates and trade discounts. Goods sold to wholesale customers are often sold with volume discounts based on total sales over a twelve-month period or other similar criteria. Revenue from such contracts is recorded net of the estimated discount, based on the accumulated experience of the Company, using the expected value method, and recognised up to an amount beyond which a significant reversal is not expected to occur. The Company does not have any contracts where the period between recognition of revenue and payment by the customer exceeds one year. As a consequence, the Company does not adjust the transaction price for the time value of money.

Where there is a practice of agreement to customer returns, or where we are obliged by local legal requirements, accumulated experience is used to estimate and provide for such returns at the time of sale.

1 Basis of preparation (continued)

(l) Revenue recognition (continued)

The Company provides a standard warranty against manufacturing defects, and recognises its obligation for repairs under this warranty as a provision.

The Company has adopted IFRS 15 for the first time in the year ended 31 March 2019. The financial statements for the year then ended are impacted by the application of this standard, as compared to IAS 18 and related interpretations that were in effect before the change, as follows:

Accounting for sales returns

Previously, the Company recognised a provision for sales returns at the time of sale, based on the sales margin (£96,000 at 31 March 2018). Revenue was adjusted for the expected value of returns and cost of goods sold was adjusted for the value of the corresponding goods expected to be returned.

Under IFRS 15, a gross refund liability for the expected refunds to customers is recognised as an adjustment to revenue. At the same time, the Company has a right to recover the product from the customer where the customer exercises their right of return and recognises an asset and a corresponding adjustment to cost of sales. The costs to recover the products are historically not material.

As a result of this change in policy, the Company has recognised a sales return asset of £127,000 and a provision of £198,000. Under the previous accounting policy, the sales return provision would have been £71,000. As the change results only in a gross up of the balance sheet, there is no impact on the income statement, nor on opening retained earnings at 1 April 2018, as a result of this change.

Loyalty payments to department stores

In some cases, the Company makes contributions to department store loyalty schemes. Given that these payments benefit the Company's customers, on adoption of IFRS 15, these payments are now deducted from revenue instead of being charged to cost of sales. In the current year, the loyalty payments are £667,000..

Other impacts

No material changes to accounting policies as a result of the adoption of IFRS 15 have resulted in a significant change to the financial statements.

The Company has applied this new standard retrospectively in accordance with the provisions of IFRS 15. C3 (b), which allows the cumulative effect of initial application to be recognised on the date of initial application, being 1 April 2018. There is an immaterial impact on retained earnings as a result of the adoption of IFRS 15.

(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.

1 Basis of preparation (continued)

(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 and other payables

Trade and other 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.

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 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.

3 Financial risk management (continued)

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.

5 Operating profit

	2019	2018
	£'000	£'000
Operating profit is stated after charging:		
Employee benefit expenses	**20,004**	17,584
Operating lease rentals – office equipment	**38**	28
Operating lease rentals - property	**28,112**	24,124
Depreciation of property, plant and equipment	**4,866**	3,486
Amortisation of leasehold premiums	**921**	916
Loss on disposal of property, plant and equipment	**27**	335
Repairs and maintenance expenditure on property, plant and equipment	**1,374**	906
Auditors' remuneration – for audit services	**94**	115
Auditors remuneration – non audit services (tax compliance)	**13**	32
Inventory – net movement in provision	**638**	362
Inventory – expensed	**86,378**	86,282
Trade receivables – net movement in provision	**56**	234

6 Employee benefits and other information

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

	2019 Number	2018 Number
Selling	**235**	213
Administration	**80**	73
	315	286

Their aggregate compensation was as follows:

	2019 £'000	2018 £'000
Wages and salaries	**17,077**	15,169
Social security costs	**1,967**	1,821
Other pension costs – defined benefit (note 16)	**2**	2
Other pension costs – defined contribution (note 16)	**958**	592
	20,004	17,584

The directors received no emoluments in respect of their services to Richemont UK Limited (2018: £nil).

7 Finance (costs)/income

	2019 £'000	2018 £'000
Finance income		
Interest	-	2
Foreign exchange gains	-	140
	-	142
Finance costs:		
Interest payable on bank loans and overdrafts	-	(14)
Foreign exchange losses	**(89)**	-
Other finance costs	**(8)**	(7)
	(97)	(21)
Net finance (costs)/income	**(97)**	121

8 Tax on profit

Analysis of charge in the year	**2019 £'000**	2018 £'000
Current tax - continuing operations		
- UK corporation tax on profits for the year	**2,852**	2,984
- Adjustments in respect of prior years	**(25)**	78
Total current tax	**2,827**	3,062
Deferred tax		
- Origination and reversal of temporary differences	**(79)**	(1)
- Adjustments in respect of prior years	**35**	5
- Effect of decreased tax rate on opening balance	**-**	-
Total deferred tax (credit)/charge	**(44)**	4
Total tax charge	**2,783**	3,066

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

	2019 £'000	2018 £'000
Profit before taxation	**8,800**	11,616
United Kingdom corporation tax on profit before taxation at 19% (2018: 19%)	**1,672**	2,207
Effects of:		
Expenses not deductible for tax purposes	**1,182**	925
Group relief claimed	**(2,852)**	(2,984)
Consideration paid for losses claimed as group relief	**2,852**	2,984
Adjustments to tax charge in respect of previous periods	**(26)**	78
Adjustments to deferred tax charge in respect of previous periods	**35**	5
Effect of difference in Corporation tax rate and Deferred tax rate	**9**	-
Tax benefit of share options exercised	**-**	(62)
Premium on short lease	**(89)**	(87)
Tax charge	**2,783**	3,066

8 Tax on profit (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 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**
Credited / (Charged) to the income statement	401	(357)	44
Credited directly to other comprehensive income	-	(13)	(13)
At 31 March 2019	**2,471**	**370**	**2,841**

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 2018	293	4,475	364	28,662	33,794
Additions	54	226	158	1,200	1,638
Disposals	(105)	-	-	(1,093)	(1,198)
Reclassification	-	(4,475)	-	4,475	-
At 31 March 2019	**242**	**226**	**522**	**33,244**	**34,234**
Accumulated depreciation					
At 1 April 2018	158	-	75	11,411	11,644
Charge for the year	85	-	56	4,725	4,866
Disposals	(98)	-	-	(1,073)	(1,171)
At 31 March 2019	**145**	**-**	**131**	**15,063**	**15,339**
Net book value					
At 31 March 2019	**97**	**226**	**391**	**18,181**	**18,895**
At 31 March 2018	135	4,475	289	17,251	22,150

10 Intangible assets

	Leasehold premiums £'000
Cost at 1 April 2018	16,679
Additions	437
Cost at 31 March 2019	**17,116**
Accumulated amortisation at 1 April 2018	8,039
Charge for year	921
Accumulated amortisation at 31 March 2019	**8,960**
Net book value at 31 March 2019	**8,156**
Net book value at 31 March 2018	8,640

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

11 Inventories

	2019 £'000	2018 £'000
Finished goods	**57,248**	48,360

The above amounts are net of provisions of £1,713,364 (2018: £1,074,988).

12 Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	**5,960**	5,582
Less: provision for impairment	**(299)**	(243)
	5,661	5,339
Amounts owed by Group undertakings	**9,182**	6,283
Input VAT recoverable	**300**	3,744
Other receivables	**2,590**	1,917
Prepayments and accrued income	**3,811**	3,074
	21,544	20,357

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. All trade and other receivables are due within one year.

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:

	2019 £'000	2018 £'000
Not overdue	**5,335**	4,728
Past due less than three months	**434**	636
Past due between three months and six months	**191**	218
	5,960	5,582

	2019 £'000	2018 £'000
At 1 April	**243**	9
Increase in provision for receivables impairment	**245**	239
Utilised during year	**(103)**	-
Unused amount reversed	**(86)**	(5)
At 31 March	**299**	243

13 Trade and other payables

	2019	2018
	£'000	£'000
Trade payables	**2,457**	3,841
Amounts owed to Group undertakings	**26,800**	33,540
Other payables	**10,906**	3,011
Accruals and deferred income	**4,707**	5,099
	44,870	45,491

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. All trade and other payables are due within one year.

14 Provisions for liabilities

	Warranty and Sales Returns	**Employee benefits**	**Social security on share options**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 April 2018	221	253	-	474
Provided during the year	255	432	4	691
Utilised during the year	(128)	(222)	-	(350)
At 31 March 2019	**348**	**463**	**4**	**815**

Analysis of total provisions:

	2019	2018
	£'000	£'000
Current portion	**702**	382
Non-current portion	**113**	92
	815	474

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 £348,000 (2018: £221,000) has been recognised. It is anticipated that the provision will be utilised within one year.

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 1 April 2017	21.20	6,870
Granted		-
Exercised	21.20	(6,870)
Balance at 31 March 2018	21.20	-
Transferred in	74.02	8,500
Granted	92.00	5,500
Balance at 31 March 2019	81.09	14,000

Of the total options outstanding at 31 March 2019, options in respect of 333 shares (2018: 0 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 2019	CHF 94.00	1,000	4.25 years
	CHF 83.30	1,500	5.25 years
	CHF 56.55	3,000	6.25 years
	CHF 80.20	3,000	7.25 years
	CHF 92.00	5,500	8.25 years
		14,000	
31 March 2018	-	-	-

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:

	2019	2018
	£'000	£'000
Share option expense	**40**	-

16 Retirement benefit obligations

Defined benefit plan
The Company was a participating employer in the Richemont UK Pension Plan. 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. The Plan paid its final premium to the insurance company during the year and has instructed that members benefits are moved to buy-out after year end, so no further liability remains with the Company in respect of this Plan. Under the terms of the contract, the insurer will meet all benefits due to members of the Plan. The premium for this insurance contract was largely met over 2016/17, using the Plan's assets plus contributions totalling £225m from the Group. A final premium amount was paid in 2018/19 to the insurer from the remaining assets in the Trustee bank account.

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

	2019	2018
	£'000	£'000
Balance sheet liability at 1 April	**(74)**	(57)
Pension cost	**(2)**	(2)
Other comprehensive (expense)/income	**76**	(15)
Balance sheet liability at 31 March	**-**	(74)

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:

	2019	2018
	£'000	£'000
Defined contribution schemes	**958**	592

17 Called up share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid:		
15,776,400 (2018: 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 2019 amounted to £nil (2018: £1,892,000). Capital commitments authorised but not contracted for at that date amounted to £2,318,000 (2018: £nil).

19 Contingent liabilities and guarantees

The Company has granted indemnities to banks totalling £2,000,000 (2018: £2,000,000) in respect of the operation of a deferment guarantee arrangement with HMRC.

20 Operating lease commitments

At 31 March 2019 the Company had minimum future commitments under non-cancellable operating leases expiring as follows:

Property	2019 £'000	2018 £'000
Not later than one year	**24,194**	23,026
Later than one year and not later than five years	**72,178**	70,635
Later than five years	**77,462**	88,485
	173,834	182,146

Other	2019 £'000	2018 £'000
Not later than one year	**30**	63
Later than one year and not later than five years	**12**	34
Later than five years	**-**	-
	42	97

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.

21 Related party transactions

	2019	2018
	£'000	£'000
Directors	**130**	48

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 Financiere 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.

23 Post balance sheet event

On 6 June 2019, Richemont UK Pension Trustees Limited instructed that members benefits are moved to buy-out by requesting the insurer to establish individual policies in respect of all of the beneficiaries under the previous annuity policies between the Trustee Legal & General Assurance Society Limited dated 1 December 2016.