Richemont UK Limited
(Registered Number: 3484692)

Annual Report
For the year ended 31 March 2005

Richemont UK Limited

Directors' Report for the year ended 31 March 2005

The directors submit their report and the audited financial statements of Richemont UK Limited for the year ended 31 March 2005.

Principal activities
The principal activities are the sale of watches and other luxury goods.

Results
During the year, the Company made a loss of £114,000 (2004: £972,000 loss). The profit and loss account is set out on page 4.

Dividends
No dividend has been paid or declared in respect of the year (2004: nil).

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

Directors
The directors of the company during the year and as at 31 March 2005 were:-

Mr Arnaud Bamberger
Mr Greig Catto

Directors' interests
There are no individual interests of any director and their families in shares and options of the Company, its parent company or any of their subsidiary companies and fellow subsidiaries, as shown in the register kept in accordance with section 325 of the Companies Act 1985 as at 31 March 2005.

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

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

Donations
Contributions made by the Company during the period for charitable purposes amounted to £Nil (2004: £3,858) No contributions for political purposes were made during the year (2004: £Nil).

Richemont UK Limited

Directors' Report for the year ended 31 March 2005 (continued)

Statement of directors' responsibilities

The directors are required by United Kingdom company law to prepare financial statements for each financial year that give a true and fair view of the state of the Company as at the end of the financial year and of the profit or loss for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2005. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By Order of the Board

Greig Catto
Secretary

30 January 2006

Richemont UK Limited

Independent auditors' report to the members of Richemont UK Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the related notes and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2005 and of its loss and cash flows for the year ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London

PricewaterhouseCoopers LLP

30 January 2006

Richemont UK Limited

Profit and Loss Account for the Year Ended 31 March 2004

	Notes	2005 £'000	2004 £'000
Turnover	2	11,262	10,178
Cost of sales		(6,957)	(6,666)
Gross profit		4,305	3,512
Other operating expenses		(4,474)	(4,588)
Operating loss	3	(169)	(1,076)
Net interest income/(payable)	6	55	104
Loss on ordinary activities before taxation		(114)	(972)
Taxation	7	-	-
Loss on ordinary activities after taxation		(114)	(972)
Retained loss for the year		(114)	(972)

All amounts above relate to continuing operations.

The company has no recognised gains and losses other than the losses above and therefore no separate Statement of Total Recognised Gains and Losses has been presented.

There is no difference between the loss on ordinary activities before tax and the retained loss for the financial year as stated above and their historical cost equivalent.

The notes on pages 6 to 13 form an integral part of these financial statements.

Richemont UK Limited

Balance Sheet as at 31 March 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Tangible fixed assets	8	69	31
Current assets			
Stocks	9	2,835	4,121
Debtors			
- Amounts falling due within one year	10	1,984	1,288
- Amounts falling due after more than one year	11	326	29
Cash at bank and in hand		2,268	1,816
		7,413	7,254
Creditors: amounts falling due within one year	12	(11,066)	(10,410)
Net current liabilities		(3,653)	(3,156)
Total assets less current liabilities		(3,584)	(3,125)
Provision for liabilities and charges	13	-	(345)
Net Liabilities		(3,584)	(3,470)
Capital and reserves			
Called up share capital	16	200	200
Profit and loss account	17	(3,784)	(3,670)
Equity shareholders' deficit	17	(3,584)	(3,470)

The financial statements on pages 4 to 13 were approved by the Board on 30 January 2006 and were signed on its behalf by:

Director

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied on a consistent basis, is set out below.

a) Basis of accounting

The accounts have been prepared in accordance with the historical cost convention. The Directors have received a letter from the Company's immediate parent company confirming that it will provide adequate financial resources to enable the Company to meet its obligations as and when they fall due for a period of at least twelve months from the date of the financial statements. Consequently the accounts have been prepared on a going concern basis.

b) Depreciation

Depreciation is provided at rates calculated to write off the cost of fixed assets on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year, are:

	%
Motor vehicles	25
Advertising materials	33 1/3

(c) Impairment of fixed assets

Fixed assets are reviewed for impairment when there is an indication that impairment has occurred. Impairment is measured by comparing the carrying value of the group assets under review with their recoverable amount. The recoverable amount is the higher of the amount that could be obtained from selling the assets or their value in use, measured by discounting the future cash flows arising from the use of the assets at a rate of return which would be expected from an investment of similar risk.

(d) Stock

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to disposal. In the case of jewellery, cost is allocated on an individual product basis and includes all direct expenditure and attributable production overheads according to the stage of production reached. Provision is made for obsolete and slow-moving items.

(e) Taxation

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

Provision is made for deferred taxation using the incremental liability approach and is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that they are regarded as recoverable.

(f) Foreign currency translation

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Differences on exchange are included in operating profit.

(g) Cash Flow Statement

No cash flow statement has been presented as in accordance with Financial Reporting Standard No. 1 Revised; the Company is exempt from this requirement as it is a wholly owned subsidiary whose cash flows are included in the consolidated cash flow statement of Compagnie Financière Richemont SA.

(h) Pension scheme arrangements

During 2002 the Accounting Standards Board ("ASB") delayed the mandatory implementation of Financial Reporting Standards ("FRS") 17 (Retirement benefits) in order to allow UK and International standards boards an opportunity to agree how to converge their different approaches. The Company has continued to account for retirement benefit costs in accordance with SSAP24 Accounting for Pensions Costs and to make disclosures under the transitional rules of FRS 17 in these financial statements.

Pension costs, which are charged to the profit and loss account, are calculated on actuarial valuation methods which give a substantially even charge over the expected service lives of employees. Note 13 to the financial statements provides further details relating to pension scheme arrangements.

The Company provides no other post retirement benefits to its employees.

(i) Related party transactions

The Company has taken advantage of the exemption contained in paragraph 3 (c) of FRS 8 and accordingly these financial statements do not include details of transactions between the company and other subsidiaries which are 100% owned by Compagnie Financière Richemont SA.

2 Turnover

Turnover excludes value added tax and represents sales to third parties. All turnover arose in the United Kingdom.

3 Operating Loss

Operating loss is stated after charging the following items:-

	2005 £'000	2004 £'000
Auditors' remuneration – audit	4	4
Depreciation of tangible fixed assets	15	32

4 Employee information

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

	2005 Number	2004 Number
Selling	11	11
Administration	17	27
	28	38

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

	2005 £'000	2004 £'000
Gross wages, salaries and commissions	1,043	1,040
Social security costs	105	139
Pension charge (see note 13)	57	160
Other pension costs	9	-
	1,214	1,339

5 Directors' emoluments

The Directors received the following emoluments during the year in respect of qualifying services:

	2005 £'000	2004 £'000
Aggregate emoluments (excluding pension contributions)	-	528
Defined contribution pension scheme	-	4

Retirement benefits are not accruing under defined contribution pensions schemes for any director (2004: one).

6 Net interest (income)/payable

	2005 £'000	2004 £'000
Interest payable and similar charges:		
Bank loans and overdrafts	4	-
Other finance charges	5	3
Interest receivable and similar income:		
Bank and other interest	(64)	(107)
Other finance income	-	-
Net interest (income)/payable	(55)	(104)

7 Taxation

There is no taxation charge for the year (2004:£nil). No asset for deferred tax has been recognised at 31 March 2005. A reconciliation of the loss for the year end to current tax charge is as follows:

	2005 £'000	2004 £'000
Loss on ordinary activities	(109)	(1,141)
United Kingdom corporation tax on profit for the year at 30% (2004: 30%)	(33)	(342)
Effects of:		
Expenses not deductible for tax	44	49
Depreciation in excess of capital allowances	2	3
Other timing differences	(93)	(7)
Tax losses carried forward	80	297
Current tax charge	-	-

8 Tangible Fixed Assets

	Advertising Materials	Motor Vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 April 2004	-	63	63
Additions	13	46	59
Disposals	-	(38)	(38)
At 31 March 2005	13	71	84
Accumulated depreciation			
At 1 April 2004	-	32	32
Charge for the year	-	15	15
Disposals	-	(32)	(32)
At 31 March 2005	-	15	15
Net book value			
At 31 March 2005	13	56	69
At 1 April 2004	-	31	31

9 Stocks

Stocks comprise:-	2005	2004
	£'000	£'000
Finished Goods	2,835	4,121
	2,835	4,121

10 Debtors

	2005	2004
	£'000	£'000
Trade debtors	1,269	982
Amounts owed by group undertakings	656	165
Other debtors	59	141
	1,984	1,288

11 Debtors: amounts falling due after one year

	2005	2004
	£'000	£'000
Pension prepayment	326	29

For details of pensions see note 14.

12 Creditors: amounts falling due within one year

	2005	2004
	£'000	£'000
Bank loans and overdrafts	-	110
Trade creditors	114	209
Amounts owed to group undertakings	10,670	9,568
Other creditors	96	438
Accruals and deferred income	186	85
	11,066	10,410

13 Provisions for liabilities and charges

	2005	2004
	£'000	£'000
Restructuring provision	-	345
	-	345

The restructuring provision relating to a provision for an onerous property lease following the acquisition of the business and net assets of certain watch brands on 1 July 2002 was released in the prior year.

14 Pension commitments

The Company participates in and contributes to the Richemont UK Pension Plan, a funded defined benefit group plan. The pension cost and contributions for the year are calculated for the Plan as a whole and allocated between the participating employers after taking into account relevant payroll costs and historic contributions.

The Richemont UK Pension Plan was closed to new members on 30th June 2004. A new Stakeholder Pension Scheme was launched on 1st July 2004.

The pension cost for the defined benefit plan for the Company was an expense of £57,000 (2004: £160,000). The pension cost is assessed in accordance with the advice of an independently qualified actuary. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Company benefits from the employees' services. The effects of variations from regular cost are spread over the average remaining service lives of current employees on a straight-line basis. For accounting purposes the valuation used the projected unit method of actuarial valuation with assets valued on a market value basis. The assumptions used were that the long-term rate of return on the Plan's investments will, on average, exceed the increase in pensionable earnings by 1.7% pa, exceed the growth in future pensions by 4.0% pa and exceed price inflation by 3.7% pa. On this basis as at 31st March 2004, the date of the latest valuation, the market value of the assets represented 108% of the actuarial value of the liabilities.

The accounting surplus is being spread over the average remaining service lives of current employees on a straight-line basis. At the balance sheet date the pension prepayment is £326,000 (2004: £29,000)

For funding purposes different actuarial assumptions are adopted and any surplus or deficit may be spread on a basis which differs from that used for accounting purposes. The last formal review of the Plan for funding purposes was completed as at 31st March 2004 using the Projected Unit Method of actuarial valuation on a market related basis. The assumptions used were a long term annual rate of investment return of 6.7% pa before retirement and 5.0% pa after retirement. The increase in pensionable earnings assumption was 4.9% pa and the assumed growth in future pensions and price inflation was 2.9% pa. At the date of review, based on these assumptions, the market value of the Plan's assets represented 84% of its long term accrued liabilities on an ongoing basis. The Market Value of the Plan's assets at 31st March 2004 was £83.2 million.

FRS17 disclosure

The Company is unable to identify its share of the underlying assets of the Plan on a consistent and reasonable basis, and each participating employer is exposed to actuarial risks associated with the current and former employees of the other employers participating in the Plan. Paragraph 9(b) of FRS17 allows that in this case, the pension cost is equal to the Company's contributions to the Plan during the accounting period and consequently there will be no balance sheet prepayment or accrual.

This year the Company has made regular contributions at a rate of 17.9% of pensionable salary until 31st December 2004 and 13.0% of pensionable salary thereafter, and has also made a special contribution of £278,000.

The total contribution for the year is £354,000 (2004: £183,000)

Further details of this group pension plan can be found in the financial statements of Richemont Holdings (UK) Limited for the year ended 31st March 2005.

The Company provides no other defined benefit post retirement benefits to its employees.

15 Deferred taxation

Analysis of full potential asset/(liability):-

	Provided		Unprovided	
	2005	**2004**	**2005**	**2004**
	£'000	**£'000**	**£'000**	**£'000**
Depreciation in excess of capital allowances	10	-	-	11
Other timing differences	(99)	(9)	-	-
Tax losses carried forward	89	9	1,068	971
Asset/(liability)	-	-	**1,068**	**982**

The asset has not been recognised as it is not considered to be recoverable in the foreseeable future.

Richemont UK Limited

Notes to the financial statements for the year ended 31 March 2005

16 Share capital

	2005	2004
	£'000	£'000
Authorised		
Ordinary shares of £1 each	200	200
Allotted, called up and fully paid	200	200

17 Reconciliation of movements in shareholders' deficit

	2005	2004
	£'000	£'000
Opening shareholders' deficit	(3,470)	(2,497)
Loss for the financial year	(114)	(972)
Closing shareholders' deficit	(3,584)	(3,470)

Profit and Loss account	**£'000**
At 1 April 2004	(3,670)
Loss for the year	(114)
At 31 March 2005	(3,784)

18 Immediate holding company

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

19 Ultimate holding company

The directors regard Compagnie Financière Richemont SA, a limited company incorporated in Switzerland, to be the ultimate holding company. Shares representing 50% of the voting rights of that company are held by Compagnie Financière Rupert which, for the purposes of FRS 8, is regarded by the directors as the controlling party. Copies of the consolidated financial statements of Compagnie Financière Richemont may be obtained from; The Secretary, Compagnie Financière Richemont SA, 50 Chemin de la Chenaie, 1293 Bellevue - Geneva, Switzerland.