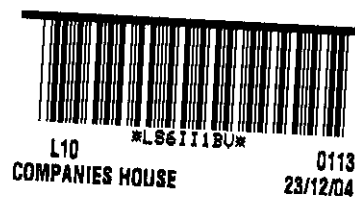


**Asprey Holdings Limited**

**Annual Report  
for the financial year ended 31 March 2004**



# Asprey Holdings Limited

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# **Asprey Holdings Limited**

## **Company information**

### **Directors**

Mr S Chou  
Mr L Stroll  
Mr E Bronfman Jr  
Mr G Brozzetti

### **Secretary**

Ms F Morrison  
23 Albemarle Street  
London  
W1S 4AS

### **Registered office**

167 New Bond Street  
London  
W1S 4AR

### **Registered number**

103844

### **Auditors**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

### **Principal Bankers**

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

### **Principal Lawyers**

Slaughter & May  
One Bunhill Row  
London  
EC1Y 8YY

## **Asprey Holdings Limited**

### **Chief Executive's Review**

2003/04 continued the progress made in the previous year for the UK companies which form part of A&G Group Limited ("A&G Group"), of which Asprey Holdings Limited ("the Company") is a subsidiary. During the period, the total consolidated turnover for the A&G Group was US\$32million despite the disruption of the ongoing refurbishment work in both the London and New York Asprey stores. As a reflection of the continued growth in the business, we were delighted to welcome Morgan Stanley as additional shareholders in our holding company during the year.

#### **Asprey**

The retail business of Asprey has performed well over the year and shows a 19% increase in sales versus the prior year. This is a tremendous achievement as for the majority of the year the New York store was trading on only 15% of its normal retail area, with the London flagship trading on only 20% of its previous space for the whole year.

In Fall 2003 our newly refurbished flagship opened in New York. With 20,000 sq ft of retail space the store is significantly larger than previously and commands a prime site on a corner of Fifth Avenue. Due to the refurbishment the New York store recorded a low level of sales prior to its reopening, however figures for the new store were very encouraging and in the last three months of the year, with New York fully open, retail sales for Asprey were 52% above the same period in the prior year.

The London flagship reopened in May 2004, after the year end, to a fantastic reception from both press and clients. A celebrity launch party was held in the store and was attended by over 1,000 guests including Keira Knightley, the face of the Asprey advertising campaign. More recently the London store was one of the nominees for Shop of the Year at the British Fashion Awards.

Asprey has also opened a private sales suite in Tokyo subsequent to the year end which is helping to generate interest in the brand in the Japanese market. Additionally, following the year end we have seen increasing interest in Asprey from possible franchise partners. Negotiations are continuing with a number of partners with outlets in Malaysia and Moscow expected to open over the next year. Asprey will also be opening a store at Heathrow Terminal 4 in association with Harrods before Christmas and a small boutique in the new Four Seasons Hotel in Hampshire early in the New Year.

#### **Garrard**

Garrard trading has continued to improve with retail sales 46% higher than the previous year. This reflects a full year of trading in the Albemarle Street flagship in London and the opening of concessions in Harvey Nichols in both London and Manchester during the year. In New York, this year also saw the opening of a Garrard boutique in SoHo as well as a counter in Bergdorf Goodman and representation in Jeffrey's.

## **Asprey Holdings Limited**

### **Chief Executive's Review (continued)**

A private sales suite has also opened in Tokyo for Garrard and in August 2004 the first Garrard franchise opened in Dubai. Further Garrard franchise outlets are expected to open in Malaysia and Moscow within the next year.

#### **A&G**

In January 2004 Morgan Stanley joined the A&G Group as shareholders in the holding company. This investment, together with our existing shareholders, provides the platform for the significant anticipated growth in the business over the coming years and its expansion in the worldwide market.

During the year we also introduced an Italian company to our structure, A&G Italy srl. The Italian office is responsible for controlling the quality of production for our ready to wear collections.

A&G continues to coordinate the A&G Group's significant investment in all areas of design, product development, production, finance and systems to support the international expansion of the A&G Group.

Staff numbers overall have increased over the year with a total of 364 (348) staff worldwide employed on average during the year, 332 (303) of those within the UK group.



Mr G Brozzetti  
Chief Executive Officer  
Asprey Holdings Limited

# **Asprey Holdings Limited**

## **Directors' report for the financial year ended 31 March 2004**

The directors present their annual report, together with the financial statements and auditors' report for the year ended 31 March 2004.

### **Review of activities**

The results for the year are set out in the profit and loss account on page 8.

The company acts as a holding company for the Asprey brand whose principal activities during the period have been, and will continue to be, those of goldsmiths, silversmiths, jewellers and retailers of jewellery, watches and luxury goods all within the UK.

On 1 April 2004, the trade including the assets and liabilities of Asprey Polo Ltd (a subsidiary of Asprey Holdings Ltd) were merged with Asprey London Ltd (a subsidiary of Asprey Holdings Ltd).

### **Results and dividends**

The loss on ordinary activities for the year after taxation was £18,488,000 (2003: loss £12,127,000) for the group.

The directors do not recommend the payment of a dividend on the ordinary shares (2003: £Nil).

### **Directors**

The following persons served as directors during the year:

Mr L Stroll	(Co-Chairmen)
Mr S Chou	(Co-Chairmen)
Mr G Brozzetti	
Mr E Bronfman Jr	(Appointed on 30 April 2003)
The Hon A Soames MP	(non-executive - resigned on 2 April 2003)
Sir J Stevens CVO	(non-executive - resigned on 2 April 2003)

The Hon A Soames MP and Sir J Stevens CVO subsequently joined the advisory board.

### **Advisory Board**

The Hon A Soames MP  
Sir J Stevens CVO  
Mr D Tang OBE  
The Duke of Abercorn  
The Hon R Monckton  
Mr E Bronfman Jr  
Mr S Chou  
Mr L Stroll  
Mr G Brozzetti

### **Secretary**

Ms F Morrison

## **Asprey Holdings Limited**

### **Directors' report for the financial year ended 31 March 2004 (continued)**

#### **Directors' interests**

At the balance sheet date Mr L Stroll and Mr S Chou and Mr E Bronfman Jr have a beneficial interest in the shares of Asprey Holdings Limited, the ultimate parent company in the United Kingdom by virtue of the fact that the company is, indirectly, part owned by Sportswear Holdings Limited and SBS Partners, LLC (see note 21).

#### **Charitable donations**

UK charitable donations made by the group during the year amounted to £9,000 (2003: £32,000).

#### **Employees with disabilities**

It is the policy of the group to support the employment of employees with disabilities wherever practicable and to ensure that, as far as possible, they share in the training, career development and promotion opportunities available to all employees.

#### **Staff information and consultation**

Staff are kept fully informed of matters of interest through notice boards and a staff handbook. A two-way process of informing and consulting staff operates through the line management structure.

#### **Environmental statement**

In connection with the Royal Warrants held for His Royal Highness The Prince of Wales, a committee assembles regularly to review environmental performance and promote best possible environmental management.

## Asprey Holdings Limited

### Directors' report for the financial year ended 31 March 2004 (continued)

#### Statement of directors' responsibilities

The directors are obliged under Company Law to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which 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 maintaining sufficient internal controls to safeguard the assets of the company and prevent and detect fraud and any other irregularities.

The Directors confirm that these financial statements comply with these requirements.

#### 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



Ms F Morrison  
Secretary

21st December 2004



## **Independent Auditors' report to the members of Asprey Holdings Limited**

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated and company balance sheet, the consolidated cash flow statement, the statement of total recognized gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) 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 and the Chief Executive's review.

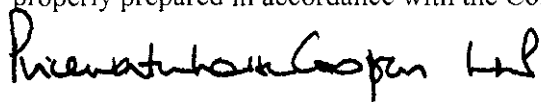
### **Basis of audit opinion**

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 judgements 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 affairs of the company and the group at 31 March 2004 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

21 December

2004

## Asprey Holdings Limited

### Consolidated profit and loss account for the financial year ended 31 March 2004

	<i>Note</i>	2004 £'000	2003 £'000
<b>Turnover</b>		20,374	15,256
Cost of goods sold		(11,406)	(8,323)
<b>Gross profit</b>		8,968	6,933
Administrative expenses		(27,200)	(19,843)
<b>Operating loss</b>	4	(18,232)	(12,910)
Interest receivable and other income	5	3	928
Interest payable	6	(253)	(137)
<b>Loss on ordinary activities before taxation</b>		(18,482)	(12,119)
Taxation on loss on ordinary activities	8	(6)	(8)
<b>Retained loss for the financial year</b>	19	(18,488)	(12,127)

All operations are continuing.

# Asprey Holdings Limited

## Consolidated statement of total recognised gains and losses for the financial year ended 31 March 2004

	2004 £'000	2003 £'000
Loss for the period after taxation	(18,488)	(12,127)
Exchange adjustments offset in reserves	(141)	169
Total recognised gains and losses for the year	(18,629)	(11,958)

## Consolidated note of historical cost profits and losses for the financial year ended 31 March 2004

	2004 £'000	2003 £'000
Reported loss on ordinary activities before taxation	(18,482)	(12,119)
Difference between historical cost depreciation charge and the actual depreciation charge for the year	100	100
Historical cost loss on ordinary activities before taxation	(18,382)	(12,019)
Historical cost loss for the year after taxation and dividends	(18,388)	(12,027)

## Reconciliation of movements in group equity shareholders' funds for the financial year ended 31 March 2004

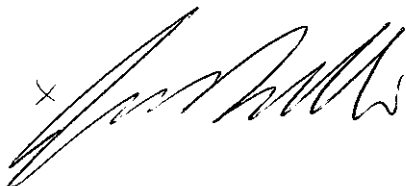
	2004 £'000	2003 £'000
Loss for the period after taxation	(18,488)	(12,127)
Other recognised gains and losses relating to the period	(141)	169
	(18,629)	(11,958)
Issue of share capital	-	15,551
Net (decrease)/increase in shareholders' funds	(18,629)	3,593
Opening shareholders' funds	52,102	48,509
Closing shareholders' funds	33,473	52,102

# Asprey Holdings Limited

## Consolidated balance sheet as at 31 March 2004

	<i>Note</i>	2004 £'000	2003 £'000
<b>Fixed assets</b>			
Intangible assets	10	557	297
Tangible assets	11	73,164	45,836
		<b>73,721</b>	<b>46,133</b>
<b>Current assets</b>			
Stocks	13	15,484	12,863
Debtors	14	22,815	26,018
Cash at bank and in hand		1,234	148
		<b>39,533</b>	<b>39,029</b>
<b>Creditors - amounts falling due within one year</b>	15	<b>(79,425)</b>	<b>(32,620)</b>
<b>Net current (liabilities)/assets</b>		<b>(39,892)</b>	<b>6,409</b>
<b>Total assets less current liabilities</b>		<b>33,829</b>	<b>52,542</b>
<b>Provisions for liabilities and charges</b>	16	<b>(356)</b>	<b>(440)</b>
<b>Net assets</b>		<b>33,473</b>	<b>52,102</b>
<b>Capital and reserves</b>			
<b>Shareholders' funds</b>			
Called up share capital	18	125,011	125,011
Share premium account	19	19,540	19,540
Revaluation reserve	19	3,118	3,218
Profit and loss account	19	(114,196)	(95,667)
<b>Total shareholders' funds</b>		<b>33,473</b>	<b>52,102</b>

Approved by the Board on 21 December 2004



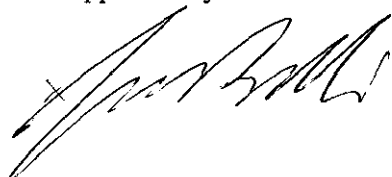
Director

# Asprey Holdings Limited

## Company balance sheet as at 31 March 2004

	<i>Note</i>	2004 £'000	2003 £'000
<b>Fixed assets</b>			
Intangible assets	10	557	297
Tangible assets	11	72,782	45,263
Investments	12	17,890	17,890
		<b>91,229</b>	<b>63,450</b>
<b>Current assets</b>			
Debtors	14	8,354	6,749
Cash at bank and in hand		940	22
		<b>9,294</b>	<b>6,771</b>
<b>Creditors - amounts falling due within one year</b>	15	<b>(72,502)</b>	<b>(29,686)</b>
<b>Net current liabilities</b>		<b>(63,208)</b>	<b>(22,915)</b>
<b>Total assets less current liabilities</b>		<b>28,021</b>	<b>40,535</b>
<b>Provisions for liabilities and charges</b>	16	<b>(51)</b>	<b>(61)</b>
<b>Net assets</b>		<b>27,970</b>	<b>40,474</b>
<b>Capital and reserves</b>			
<b>Shareholders' funds</b>			
Called up share capital	18	125,011	125,011
Share premium account	19	19,540	19,540
Revaluation reserve	19	13,057	13,157
Profit and loss account	19	(129,638)	(117,234)
<b>Total shareholders' funds</b>		<b>27,970</b>	<b>40,474</b>

Approved by the Board on 21 December 2004



Director

# Asprey Holdings Limited

## Consolidated cash flow statement for the financial year ended 31 March 2004

	<i>Note</i>	2004	2003
		£'000	£'000
Net cash inflow/(outflow) from operating activities	20(a)	9,585	(11,624)
<b>Returns on investments and servicing of finance</b>			
Interest received	3	928	
Interest paid	(253)	(137)	
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>		<b>(250)</b>	<b>791</b>
<b>Taxation paid</b>		<b>(7)</b>	<b>(450)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	(25,295)	(12,342)	
Purchase of intangible fixed assets	(296)	(307)	
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(25,591)</b>	<b>(12,649)</b>
<b>Cash outflow before financing</b>		<b>(16,263)</b>	<b>(23,932)</b>
<b>Financing</b>			
Bank loan receipt / (repayment)	17,349	(9,863)	
Parent company financing	-	17,527	
Issue of share capital	-	15,551	
<b>Net cash inflow from financing</b>		<b>17,349</b>	<b>23,215</b>
<b>Increase/(decrease) in cash in the year</b>	20(b)(c)	<b>1,086</b>	<b>(717)</b>

# **Asprey Holdings Limited**

## **Notes to the financial statements for the financial year ended 31 March 2004**

### **1 Accounting policies**

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are set out below.

#### **(a) Basis of accounts**

The accounts, which have been drawn up under the provisions of the Companies Act 1985, are prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

The directors believe that, after making enquiries of their bankers and parent companies, they have a reasonable expectation that the group 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 these accounts.

The financial statements of the group are made up to the 31 March each year.

#### **(b) Basis of consolidation**

The group accounts consolidate the accounts of Asprey Holdings Limited and its subsidiary undertakings drawn up to 31 March 2004. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

#### **(c) Fixed assets and depreciation**

Tangible fixed assets are stated at cost or valuation, net of depreciation and provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of the assets on a straight line basis over their useful economic lives, as follows:

Long & short leasehold buildings and leasehold improvements	Term of lease or 50 years whichever is the shortest
Plant and equipment	3 years
Motor vehicles	4 years
Fixtures & fittings	5-10 years
IT development	3-5 years
Development costs	3 years

Trademark costs capitalised relate to external costs incurred in obtaining patents and trademark protection globally. Trademarks are amortised on a straight-line basis over 10 years.

# **Asprey Holdings Limited**

## **Notes to the financial statements for the financial year ended 31 March 2004 (continued)**

### **1 Accounting policies (continued)**

#### **(d) Land and buildings**

The group's leasehold properties in the United Kingdom are valued on the basis of open market value for existing use. On adoption of FRS 15 the group followed the transitional provisions to retain the book value of land and buildings, which were revalued in 1997, but not to adopt a policy of revaluation in the future.

#### **(e) Fixed asset investments**

Fixed asset investments are stated at cost less provision for impairment.

#### **(f) Stocks**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of direct overheads. Net realisable value is based on estimated selling price, less further costs expected to be incurred prior to sale.

From time to time agreements are entered in to whereby goods are supplied on a consignment basis. There is no requirement to record these transactions. No deposits are paid under these agreements.

#### **(g) Taxation**

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is provided using the full provision method following the company's adoption of FRS 19. Deferred tax is recognised in respect of all timing differences, which have originated but not reversed at the balance sheet date. It is the company's policy not to discount deferred tax to reflect the time value of money.

No timing differences are recognised and hence deferred tax is not provided in respect of the property revaluation surplus where there is no commitment to sell the asset.

Deferred tax assets are only recognised where they arise from timing differences where their recoverability in the short term is regarded as more likely than not.

#### **(h) Pensions**

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. Variations from regular cost are charged or credited to the profit and loss account as a percentage of payroll over the estimated average remaining working life of scheme members. The assets of defined benefit schemes are held separately from those of the group in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.



# **Asprey Holdings Limited**

## **Notes to the financial statements for the financial year ended 31 March 2004 (continued)**

### **1 Accounting policies (continued)**

#### **(i) Foreign currency**

Transactions denominated in foreign currencies are translated into sterling at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the year-end exchange rate. Exchange differences on monetary items are taken to the profit and loss account.

The balance sheets of overseas subsidiary undertakings are expressed in sterling at year end exchange rates. Profits and losses of overseas subsidiary undertakings are expressed in sterling at average exchange rates for the year. Exchange differences arising on the translation of opening shareholders' funds are recorded as a movement on reserves.

Exchange differences arising on borrowings used to finance, or provide a hedge against, group equity investments in foreign subsidiaries are recorded as movements on reserves.

#### **(j) Leases**

The rentals on the group's operating leases are charged to the profit and loss account on a straight-line basis over the lease term even if the payments are not made on such a basis.

#### **(k) Turnover**

Turnover comprises the sale of goods to third parties, net of discounts and returns and exclusive of VAT, and royalties receivable from fellow group companies.

# Asprey Holdings Limited

## Notes to the financial statements for the financial year ended 31 March 2004 (continued)

### 2 Staff costs

The average monthly number of persons (including executive directors) employed by the group during the year was:

	2004 Number	2003 Number
Management and administration	76	71
Manufacturing	35	54
Retail operations	38	30
Total employees	149	155

The aggregate payroll costs of these persons were as follows:

	2004 £'000	2003 £'000
Wages and salaries	4,759	4,925
Social security costs	491	424
Other pension costs (see note 17)	954	705
Total staff costs	6,204	6,054

### 3 Directors' remuneration

Details of remuneration for directors of this company have been disclosed within the accounts of a fellow group company.

#### Pensions

No directors were members of a defined benefit pension scheme in 2004 or 2003.

### 4 Operating loss

Operating loss is stated after charging:

	2004 £'000	2003 £'000
Depreciation on tangible fixed assets	1,218	660
Amortisation on intangible fixed assets	36	10
Operating lease rentals:		
- Land and buildings	2,605	2,588
- Hire of plant and machinery	8	25
Loss on disposal of tangible fixed assets	619	120
Charitable donations	9	32

Auditor's remuneration has been paid by a fellow group company

# Asprey Holdings Limited

## Notes to the financial statements for the financial year ended 31 March 2004 (continued)

### 5 Interest receivable and other income

	2004 £'000	2003 £'000
Other income	3	833
Interest on bank and other short-term deposits	-	95
	3	928

### 6 Interest payable

	2004 £'000	2003 £'000
Bank loans	253	137

### 7 Deferred Tax

A deferred tax asset has not been recognised on tax losses carried forward as, in the opinion of the Directors, it is unlikely that these losses will reverse in the foreseeable future.

The total unrecognised deferred tax asset for the company as at 31 March 2004 is £14,487,000 (2003: £16,988,000).

### 8 Taxation

#### a) Based on the loss for the year

	2004 £'000	Group 2003 £'000
UK corporation tax at current rate	-	-
Overseas taxation	6	8
	6	8

# Asprey Holdings Limited

## Notes to the financial statements for the financial year ended 31 March 2004 (continued)

### 8 Taxation (continued)

#### b) Factors affecting the tax charge for the period

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Loss on ordinary activities before taxation	(18,482)	(12,119)	(12,504)	(2,438)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	(5,545)	(3,636)	(3,751)	(731)
<b>Effects of:</b>				
Expenses not deductible for tax purposes	70	1,312	37	109
Income not chargeable to tax	(31)	(1)	(31)	-
Allowable deduction not debited to profit & loss account	-	(1,182)	-	(1,182)
Foreign underlying tax	-	1,402	-	1,402
Foreign withholding tax suffered	6	8	-	-
Capital allowances for the year less than depreciation	155	59	90	-
Net increase in pension contributions not paid	(24)	4	(3)	-
Tax losses	5,375	2,042	3,658	402
<b>Current year tax charge</b>	<b>6</b>	<b>8</b>	<b>-</b>	<b>-</b>

There is no corporation tax payable as the group has taxable losses.

#### c) Factors affecting future tax charges

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
The amount of taxable losses carried forward at 31 March				
2004	137,560	122,610	75,869	66,675

### 9 Loss attributable to Asprey Holdings Limited

The loss before taxation for the financial year dealt with in the accounts of the parent company, Asprey Holdings Limited, was £12,504,000 (2003: loss £2,438,000). No separate profit and loss account is presented for Asprey Holdings Limited, as provided by Section 230(1) of the Companies Act 1985.

# Asprey Holdings Limited

## Notes to the financial statements for the financial year ended 31 March 2004 (continued)

### 10 Intangible fixed assets

Group & company	Trademarks £'000
<b>Cost</b>	
At 1 April 2003	307
Additions	296
<b>At 31 March 2004</b>	<b>603</b>
<b>Amortisation</b>	
At 1 April 2003	10
Charge for the year	36
<b>At 31 March 2004</b>	<b>46</b>
<b>Net book value</b>	
<b>At 31 March 2004</b>	<b>557</b>
At 31 March 2003	297

# Asprey Holdings Limited

## Notes to the financial statements for the financial year ended 31 March 2004 (continued)

### 11 Tangible fixed assets

a) Group	Leasehold properties	IT development costs	Assets under construction	Fixtures & fittings	Museum assets	Development costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>							
At 1 April 2003	31,793	178	12,735	13,542	828	1,654	60,730
Additions	812	-	26,448	57	158	1,690	29,165
Reclassification	1,697	-	(1,768)	71	-	-	-
Disposals	-	-	-	-	-	(812)	(812)
<b>At 31 March 2004</b>	<b>34,302</b>	<b>178</b>	<b>37,415</b>	<b>13,670</b>	<b>986</b>	<b>2,532</b>	<b>89,083</b>
<b>Analysis</b>							
Assets at cost	5,761	178	37,415	13,670	986	2,532	60,542
Assets at valuation	28,541	-	-	-	-	-	28,541
	34,302	178	37,415	13,670	986	2,532	89,083
<b>Depreciation</b>							
At 1 April 2003	1,475	89	-	12,992	-	338	14,894
Charge for the period	320	55	-	137	-	706	1,218
Eliminated in respect of disposals	-	-	-	-	-	(193)	(193)
<b>At 31 March 2004</b>	<b>1,795</b>	<b>144</b>	<b>-</b>	<b>13,129</b>	<b>-</b>	<b>851</b>	<b>15,919</b>
<b>Net book value</b>							
<b>At 31 March 2004</b>	<b>32,507</b>	<b>34</b>	<b>37,415</b>	<b>541</b>	<b>986</b>	<b>1,681</b>	<b>73,164</b>
At 31 March 2003	30,318	89	12,735	550	828	1,316	45,836

A number of the leasehold properties were valued by Messrs Richard Ellis Chartered Surveyors, at open market value on the basis of existing use in accordance with the RICS Appraisal & Valuation Manual in March 1997. These valuations had been incorporated in the group's accounts as at 28 March 1997.

If land and buildings had not been revalued they would have been included at the following amounts.

	2004		2003	
	Long leasehold	Short leasehold	Long leasehold	Short leasehold
	£'000	£'000	£'000	£'000
Original cost	3,755	1,052	3,755	1,052
Accumulated depreciation	(1,081)	(751)	(1,031)	(701)
<b>Net book value</b>	<b>2,674</b>	<b>301</b>	<b>2,724</b>	<b>351</b>

# Asprey Holdings Limited

## Notes to the financial statements for the financial year ended 31 March 2004 (continued)

### 11 Tangible fixed assets (continued)

<b>b) Company</b>	<b>Leasehold properties</b>	<b>IT development costs</b>	<b>Assets under construction</b>	<b>Fixtures &amp; fittings</b>	<b>Museum assets</b>	<b>Development costs</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>							
At 1 April 2003	31,465	85	12,734	75	828	1,650	46,837
Additions	802	-	26,448	43	158	1,690	29,141
Reclassification	1,697	-	(1,768)	71	-	-	-
Disposals	-	-	-	-	-	(812)	(812)
<b>At 31 March 2004</b>	<b>33,964</b>	<b>85</b>	<b>37,414</b>	<b>189</b>	<b>986</b>	<b>2,528</b>	<b>75,166</b>
<b>Analysis</b>							
Assets at cost	5,423	85	37,414	189	986	2,528	46,625
Assets at valuation	28,541	-	-	-	-	-	28,541
	33,964	85	37,414	189	986	2,528	75,166
<b>Depreciation</b>							
At 1 April 2003	1,175	34	-	27	-	338	1,574
Charge for the period	224	28	-	47	-	704	1,003
Eliminated in respect of disposals	-	-	-	-	-	(193)	(193)
<b>At 31 March 2004</b>	<b>1,399</b>	<b>62</b>	<b>-</b>	<b>74</b>	<b>-</b>	<b>849</b>	<b>2,384</b>
<b>Net book value</b>							
<b>At 31 March 2004</b>	<b>32,565</b>	<b>23</b>	<b>37,414</b>	<b>115</b>	<b>986</b>	<b>1,679</b>	<b>72,782</b>
At 31 March 2003	30,290	51	12,734	48	828	1,312	45,263

A number of the leasehold properties were valued by Messrs Richard Ellis Chartered Surveyors, at open market value on the basis of existing use in accordance with the RICS Appraisal & Valuation Manual in March 1997. These valuations had been incorporated in the group's accounts as at 28 March 1997.

If land and buildings had not been revalued they would have been included at the following amounts.

	<b>2004</b>		<b>2003</b>	
	<b>Long leasehold</b>	<b>Short leasehold</b>	<b>Long leasehold</b>	<b>Short leasehold</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Original cost	3,755	1,052	3,755	1,052
Accumulated depreciation	(1,081)	(751)	(1,031)	(701)
<b>Net book value</b>	<b>2,674</b>	<b>301</b>	<b>2,724</b>	<b>351</b>

# Asprey Holdings Limited

## Notes to the financial statements for the financial year ended 31 March 2004 (continued)

### 12 Fixed asset investments

	Company	
	2004 £'000	2003 £'000
Subsidiary undertakings	17,890	17,890
Subsidiary undertakings – company		
Cost or valuation		£'000
At 1 April 2003 and 31 March 2004		21,508
Amounts written off		
At 1 April 2003 and 31 March 2004		3,618
Net book value		
At 1 April 2003 and 31 March 2004		17,890

The directors have reviewed the carrying value of the company's investments in subsidiary undertakings and have assessed that, based upon an evaluation of net assets and the projected results of the businesses the realisable value of the investments is not less than £17,890,000.

The principal trading subsidiary undertakings of Asprey Holdings Limited at the balance sheet date, are listed below. All are held directly by the parent company.

Subsidiary Companies	Country of Registration/Operations	Percentage owned and voting rights
Asprey London Limited	Great Britain	100%
Asprey Polo Limited	Great Britain	100%

The activities of the principal subsidiary undertakings are those of goldsmiths, silversmiths, jewellers and retailers of luxury goods. A full list of subsidiary undertakings is filed with the Registrar of Companies.

All subsidiaries are included in the consolidated financial statements.

On 1 April 2004, the trade including the assets and liabilities of Asprey Polo Ltd were merged with Asprey London Ltd.



# Asprey Holdings Limited

## Notes to the financial statements for the financial year ended 31 March 2004 (continued)

### 13 Stock

	Group	
	2004	2003
	£'000	£'000
Raw materials	1,787	2,813
Work in progress	1,293	1,059
Finished goods and goods for resale	12,404	8,991
	<b>15,484</b>	<b>12,863</b>

The company holds no stock. At 31 March 2004, the amount of consignment stock held by the group was £658,000. (2003:£1,217,000).

### 14 Debtors

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year</b>				
Trade debtors	815	2,444	12	36
Amounts owed by other group companies	19,717	21,372	7,017	5,127
Other debtors	1,107	647	886	386
Prepayments and accrued income	1,176	555	439	200
Loan notes	-	1,000	-	1,000
	<b>22,815</b>	<b>26,018</b>	<b>8,354</b>	<b>6,749</b>

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

### 15 Creditors - amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	17,349	-	17,349	-
Trade creditors	12,765	4,301	6,225	1,054
Amounts due to group companies	42,354	23,996	42,962	25,776
Taxation	6	7	-	-
Other taxes and social security costs	298	357	123	115
Other creditors	922	21	920	21
Accruals	5,731	3,938	4,923	2,720
	<b>79,425</b>	<b>32,620</b>	<b>72,502</b>	<b>29,686</b>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

# Asprey Holdings Limited

## Notes to the financial statements for the financial year ended 31 March 2004 (continued)

### 16 Provisions for liabilities and charges

#### (a) Group

	Restructuring Provision £'000	Pension Provision £'000	Total Provisions £'000
At 1 April 2003	280	160	440
Credited to the profit and loss account	-	(84)	(84)
<b>At 31 March 2004</b>	<b>280</b>	<b>76</b>	<b>356</b>

#### (b) Company

	Pension provision £'000
At 1 April 2003	61
Credited to the profit and loss account	(10)
<b>At 31 March 2004</b>	<b>51</b>

The restructuring provision relates to the restructuring of the group's overseas operations. It is anticipated that these costs will be incurred during the next financial year.

The pension provision relates to the accumulated difference between the contributions paid and the corresponding pension cost on the Asprey Group Staff Pension Scheme (see Note 17 (c)).

### 17 Financial commitments

#### a) Lease commitments

The company leases certain land and buildings on short and long term leases. The annual rentals payable under these leases are subject to review at various intervals. The company pays all insurance, maintenance and repairs on these properties. Part of the land and buildings rental commitment is cross charged to other fellow group companies (Asprey London Ltd:£1,768,000, Asprey Polo Ltd:£17,000, Garrard Holdings Ltd:£915,000, Garrard & Co. Ltd:£612,000).

At 31 March 2004 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Motor Vehicles		Equipment	
	2004	2003	2004	2003	2004	2003
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Group</b>						
Leases expiring:						
Within one year	114	19	12	21	6	28
Within two to five years	270	272	22	17	16	37
Over five years	1,962	1,847	-	-	-	-
	<b>2,346</b>	<b>2,138</b>	<b>34</b>	<b>38</b>	<b>22</b>	<b>65</b>

# **Asprey Holdings Limited**

## **Notes to the financial statements for the financial year ended 31 March 2004 (continued)**

### **17 Financial commitments (continued)**

#### **b) Guarantees**

The group's bankers, HSBC Bank Plc, have given a guarantee on liabilities for VAT deferment on imports up to £600,000 (2003 - £300,000) in favour of HM Customs and Excise, a guarantee of liabilities on imports and exports up to £104,000 (2003:£670,000) in favour of London Chamber of Commerce and Industry. The company has given a guarantee on a customer order up to £810,000 (2003:£375,000) in favour of the President of Abu Dhabi.

#### **c) Pension fund costs**

The group operated a number of pension schemes during the period, the main one being a defined benefits scheme providing benefits based on final pensionable salary. The schemes were funded with the assets of each scheme being held by the respective Trustees separately from the assets of the group. Contributions to each of the schemes were charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The pension costs are assessed in accordance with the advice of a professionally qualified actuary. The most recent valuation of the main scheme, the Asprey Group Staff Pension Scheme, was at 31 March 2002.

The actuarial method used at the most recent valuation of the main scheme was the Projected Unit method. The assumptions which have the most significant effect on the results of the valuation are rates of investment returns of 4.5% per annum and 2.5% per annum in excess of price inflation respectively pre and post retirement and salary increases of 1.5% per annum in excess of price inflation. The market value of the assets of the main scheme was £50.7 million at 31 March 2002. The actuarial value of the main scheme's assets represented 96% of the value of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The total pension cost charge for the group for the period ended 31 March 2004 was £954,000 (2003: £705,000) and there is a provision for pension costs of £76,000 (2003: £160,000) in the group's balance sheet at 31 March 2004 arising from the accumulated difference between the contributions paid to schemes and the corresponding pension costs.

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP24. Under the transitional arrangements of FRS 17 the company is required to disclose the following information about the scheme and the figures. The Scheme is wholly administered by the Trustees of the Asprey Group Pension Scheme, and the cost to the company is determined by the overall cost of the scheme, not that relating to the company's employees. Hence it is not possible to identify the company's share of the underlying assets and liabilities. Therefore the disclosures below are given for the entire scheme.

The Asprey Group Staff Pension Scheme was closed to new entrants with effect from 30 September 2003 and to future accrual of benefits for existing members from 31 March 2004. A new defined contribution scheme, to which the employer contributes, was introduced with effect from 1 April 2004.

# Asprey Holdings Limited

## Notes to the financial statements for the financial year ended 31 March 2004 (continued)

### 17 Financial commitments (continued)

#### c) Pension fund costs (continued)

##### Disclosures under FRS17

##### Balance sheet presentation

The deficit for the total scheme amounts to £18,942,000 (2003: £24,072,000).

##### Composition of the scheme

The group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 March 2002 and updated to 31 March 2004 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	2004	2003
Rate of increase in salaries	3.70%	3.40%
Rate of increase of pensions in payment	2.70%	2.40%
Discount Rate	5.60%	5.50%
Inflation assumption	2.70%	2.40%

The assets in the scheme and the expected rate of return were:

	2004	2004	2003	2003
		£'000		£'000
Equities	7.80%	37,263	7.60%	29,663
Gilts	4.30%	11,104	4.10%	9,611
Cash	3.50%	448	3.25%	187
Total market value of assets (main scheme)		48,815		39,461
Actuarial value of liability (main scheme)		(67,757)		(63,533)
Net pension liability		(18,942)		(24,072)

##### Profit & loss account presentation for total scheme

	2004	2003
	£'000	£'000
Service cost	(1,096)	(1,376)
Total operating charge	(1,096)	(1,376)
Expected return on pension scheme assets	2,666	3,196
Interest on pension liabilities	(3,481)	(3,501)
Net charge to other finance income	(815)	(305)

# Asprey Holdings Limited

## Notes to the financial statements for the financial year ended 31 March 2004 (continued)

### 17 Financial commitments (continued)

#### c) Pension fund costs (continued)

##### *Analysis of amount recognised in statement of total recognised gains and losses for total Scheme*

	2004	2003
	£'000	£'000
Actual return less expected return on assets	6,586	(13,976)
Experience gains and losses on liabilities	-	-
Changes in assumptions	(1,248)	(1,810)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	5,338	(15,786)

##### **Movement in deficit during the year for total Scheme**

	2004	2003
	£'000	£'000
Deficit in scheme at beginning of year	(24,072)	(7,812)
Movement in year:		
Current service cost	(1,096)	(1,376)
Contributions	1,700	1,207
Interest cost	(814)	(305)
Actuarial gain/(loss)	5,338	(15,786)
Deficit in scheme at end of year	(18,944)	(24,072)

##### **History of experience gains and losses**

	2004	2003
	£'000	£'000
Difference between expected and actual return on scheme assets	6,586	(13,976)
Percentage of scheme assets	13%	(35%)
Total amount recognised in statement of total recognised gains and losses	5,338	(15,786)
Percentage of scheme liabilities	8%	(25%)

# Asprey Holdings Limited

## Notes to the financial statements for the financial year ended 31 March 2004 (continued)

### 18 Share capital

	2004 £'000	2003 £'000
Authorised		
Equity		
As at 1 April 2003 - ordinary shares of £1 each	125,026	66,715
Reclassification of preference shares during the year into ordinary shares of £1 each	-	42,760
Share capital issued	-	15,551
As at 31 March 2004 – ordinary shares of £1 each	125,026	125,026

	2004 £'000	2003 £'000
Allotted, called up and fully paid		
Equity		
As at 1 April 2003 - ordinary shares of £1 each	125,011	46,615
Ordinary shares of 25p each	-	20,086
Reclassification of preference shares during the year into ordinary shares of £1 each	-	42,759
Share capital issued	-	15,551
As at 31 March 2004 – ordinary shares of £1 each	125,011	125,011

# Asprey Holdings Limited

## Notes to the financial statements for the financial year ended 31 March 2004 (continued)

### 19 Reserves and shareholders' funds

#### a) Movement on reserves

	Profit and loss account £'000	Revaluation reserve £'000
<b>Group</b>		
Reserves at 1 April 2003	(95,667)	3,218
Retained loss for the period	(18,488)	-
Reserve transfer	100	(100)
Net exchange adjustments	(141)	-
<b>Reserves at 31 March 2004</b>	<b>(114,196)</b>	<b>3,118</b>
<b>Company</b>		
Reserves at 1 April 2003	(117,234)	13,157
Retained loss for the period	(12,504)	-
Reserve transfer	100	(100)
<b>Reserves at 31 March 2004</b>	<b>(129,638)</b>	<b>13,057</b>

#### b) Shareholders funds

	Share Capital £'000	Share Premium £'000	Profit and loss account £'000	Revaluation reserve £'000	2004 Total £'000	2003 Total £'000
<b>Group</b>						
Equity	125,011	19,540	(114,196)	3,118	33,473	52,102
<b>Company</b>						
Equity	125,011	19,540	(129,638)	13,057	27,970	40,474

# Asprey Holdings Limited

## Notes to the financial statements for the financial year ended 31 March 2004 (continued)

### 20 Group cash flow statement

#### a) Reconciliation of operating loss to operating cash flows

	2004 £'000	2003 £'000
Operating loss	(18,232)	(12,910)
Depreciation	1,218	660
Amortization	36	10
Decrease in provisions	(84)	(142)
Loss on sale of tangible fixed assets	619	120
Exchange differences	(141)	169
Increase in stock	(2,621)	(3,421)
Decrease in debtors	3,203	2,920
Increase in creditors	25,587	970
Net cash inflow/(outflow) from operating activities	9,585	(11,624)

The effect of net exchange rate movements in respect of foreign subsidiary undertakings is included above.

#### b) Reconciliation of net cash flow to movement in net debt

	2004 £'000	2003 £'000
Increase/(decrease) in net cash in the year	1,086	(717)
Cash inflow from reduction in net debt	-	9,863
	1,086	9,146
Movement in borrowings	(17,349)	-
Net debt at start of year	148	(8,998)
Net debt at end of year	(16,115)	148

#### c) Analysis of net debt

	1 April 2003 £'000	Cash flow £'000	31 March 2004 £'000
Cash at bank and in hand	148	1,086	1,234
Debt due within 1 year	-	(17,349)	(17,349)
Net debt	148	(16,263)	(16,115)



## **Asprey Holdings Limited**

### **Notes to the financial statements for the financial year ended 31 March 2004 (continued)**

#### **21 Ultimate holding company**

At the balance sheet date the immediate parent company of Asprey Holdings Limited is Asprey Worldwide Holdings Limited, a company registered in the British Virgin Islands. Ultimately the principal shareholders of the company are 36.2% (2003: 45.12%) owned by Sportswear Holdings Limited, a company registered in the British Virgin Islands, 30.2% (2003: 37.6%) owned by SBS Partners LLC, 3% (2003: 10.45%) by the TAG Group and 18.5% (2003: Nil) owned by Morgan Stanley Capital Partners.

All interests in Sportswear Holdings Limited are held for the benefit of Mr L Stroll and Mr S Chou (fellow directors of Asprey Holdings Limited) and their respective families. All interests in SBS Partners LLC are held for the benefit of E Bronfman Jr (a fellow director of Asprey Holdings Limited) and his family.

#### **22 Related party transactions**

As part of their employment directors and senior employees of the group can purchase goods at a staff discount. The amounts of goods purchased by the directors are not considered material either to the group or the individuals. There were no other transactions between these individuals and the group.