

**Asprey Holdings Limited**

**Directors' report and financial statements**

**For the year ended 31 March 2005**

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## **Asprey Holdings Limited**

### **Company information**

#### **Directors**

Mr G Brozzetti  
Mrs P De Santis

#### **Secretary**

Ms F Morrison

#### **Company number**

103844

#### **Registered office**

167 New Bond Street  
London  
W1S 4AR

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants & Registered Auditors  
1 Embankment Place  
London  
WC2N 6RH

#### **Bankers**

HSBC Bank Plc  
8 Canada Square  
London  
E14 5HQ

#### **Solicitors**

Clifford Chance LLP  
10 Upper Bank Street  
London  
E14 5JJ

# **Asprey Holdings Limited**

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## **Asprey Holdings Limited**

### **Chief Executive's review For the year ended 31 March 2005**

The board has worked on securing the long-term future of the Asprey brand and was pleased to announce the acquisition of the Asprey group by Fleming Holdings Ltd and Plainfield Special Situations Master Fund Ltd on 16 March 2006.

Fleming Holdings Ltd is a Cayman company formed in 2003 as a holding company for international investments made by Sciens Capital Management and its affiliated investment entities. Sciens Capital, who manages Fleming Holdings, is a New York based alternative asset management firm investing in private equity, hedge funds, structured finance and real estate, both in the US and Europe in a broad range of companies at various points in their development cycle. The Chairman and principal owner of Sciens Capital and Fleming Holdings is John P. Rigas.

Based in Greenwich, Connecticut, Plainfield Special Situations Master Fund Ltd is an investment advisor registered with the Securities and Exchange Commission. Plainfield manages in excess of \$1 billion of investment capital for institutions and high net-worth individuals based in the United States and abroad. The firm was founded in February 2005. The Chairman of Plainfield Special Situations Master Fund Ltd is Max Holmes.

The acquisition included important restructuring activities concerning the whole Asprey group and therefore this commentary provides an overall review on the Asprey group, as well as matters relating to Asprey Holdings Limited.

The main restructuring activities on the Asprey group were implemented with the objective of reducing costs and focusing management attention on the Asprey brand.

Specifically:

- The acquisition of the Asprey group, which included originally both Asprey and Garrard brands, was followed immediately by the sale of the Garrard brand, to the Yucaipa Companies on 17 March 2006;
- The lease of Asprey New York at the Trump Tower has been surrendered and new temporary premises secured since July 2006, whilst a new permanent location has been signed at 853 Madison Avenue, with the opening expected in April 2007;
- An agreement was reached between the previous ultimate parent company, all A&G group companies, the current and previous shareholders and the Pension Regulator, in consultation with the Pension Protection Fund in relation to the historical pension liabilities (see note 24);
- The outstanding HSBC revolving facility has been repaid. The group is now funded by equity and loan funds from the new shareholders.

The Asprey group remains loss making at this stage in its development and has also incurred one off costs due to the restructuring activities. However these changes represent important positive steps for the continuation of the long-term business plan, allowing appropriate management focus and resources in the best interest of all stakeholders, customers and staff.

The directors have prepared a business plan including quarterly cash flow projections to March 2008 taking account of all significant conditions and events and mitigating factors that are relevant to the operating companies and the holding companies to continue as going concerns. The major shareholders have reviewed these cash flow projections and they (Fleming Holdings Ltd and Plainfield Special Situations Master Fund Ltd) have provided a confirmation that they are in a position to and that they will continue to provide financial support to the group for a period of at least 12 months from the date of signing these financial statements.

The directors believe that, supported by this confirmation, they 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 these accounts.

## **Asprey Holdings Limited**

**Chief Executive's review**  
**For the year ended 31 March 2005**

### **Fiscal Year Ended 31 March 2005**

Asprey group consolidated sales in FY 2004/05 were US\$ 43.9 million, showing a significant increase of +56% versus previous year, both in all strategic retail channels at +58% (i.e. owned stores, franchising, travel retail and corporate/sporting trophies channels – representing 84% of total business) and the non-strategic channels of bespoke and clearance at +49%.

At the end of March 2005 Asprey had 8 points of sale (2004: 4).

The London flagship opened in May 2004 and the results include 10 full months trading from the new store. The store, renovated by the famous architect Sir Norman Foster, is trading from approximately 20,000 sq ft, has received widespread critical acclaim culminating in a prestigious award from the Royal Institute of British Architects.

FY 2004/05 was the first full year's trading for the New York store in 5<sup>th</sup> Avenue at Trump Tower. Since the year-end an exit from this store has been negotiated, significantly cutting the costs of our US operation. From July 2006, Asprey is represented in a new temporary store in New York at 50 East 57<sup>th</sup> Street and from April 2007 Asprey will open its permanent 7,500 sq ft store at 853 Madison Avenue, between 70<sup>th</sup> and 71<sup>st</sup> Street.

In September 2004, Purple Water, the new house fragrance, was launched in the Asprey stores and more recently in a selection of exclusive perfumery points of sale.

In September 2004, the Asprey group incorporated a new company in Japan to prepare for the opening of the first point of sale, a private salon in Namikidori Street in Tokyo.

In October 2004, in association with Harrods, Asprey also opened a store in Terminal 4 at Heathrow airport and at the same time Asprey fragrance and silks were listed on British Airways long haul in-flight duty free.

In March 2005, Asprey opened a boutique in the new Four Seasons Hotel in Hampshire catering to their affluent tourist clients and the local community.

Asprey total staff numbers at the end of March 2005 were 302.

During the year ended 31 March 2005, the Asprey management co-ordinated the sale-leaseback project of the Asprey premises in London, which was completed in May 2005 and the sale of Asprey temporary store premises at 168/169 New Bond Street.

### **Fiscal Year ended 31 March 2006**

Asprey group consolidated sales in FY 2005/06 were US\$ 44.9 million, showing a total +2% growth versus previous year, showing, despite all the mentioned company events, continuous growth in the strategic retail channels at +8% (i.e. owned stores, franchising, travel retail and corporate/sporting trophies channels – representing 89% of total business) and decline at -27% in the other non-strategic channels of bespoke and clearance.

At the end of March 2006 Asprey had 14 points of sale, reaching 18 by the end of January 2007, with 4 new openings expected in the Spring of 2007.

In September 2005, Asprey opened the second point of sale in Japan in Osaka. In October 2005, Asprey opened the shop-in-shop in the luxury room at Harrods London.

Franchise agreements have been signed for the Middle East, with the Dubai store opening in November 2005, and in Asia/Pacific the Kuala Lumpur store opened in February 2006 and the Hawaii store in April 2006.

Asprey continues to be listed on major airlines, with silk and scarf belts on board British Airways, and with jewellery on board All Nippon Airways.

## Asprey Holdings Limited

### Chief Executive's review For the year ended 31 March 2005

In July 2006, Asprey opened a store in St Moritz, strengthening the European presence in a particularly interesting resort for Asprey target clients from all over the world and was listed on board another prestigious airline, JAL.

In October 2006, Asprey opened its third point of sale in Japan at the prestigious location of Takashimaya Nihonbashi and its first store in Hong Kong at the well-known Peninsula Hotel.

Effective from 1<sup>st</sup> August 2006, Hakan Rosenius was appointed as the new creative director. Hakan joins Asprey from Paul Smith and will be in charge of design for all product categories and with responsibilities also for marketing activities, such as advertising, PR/promotion and visual merchandising. Hakan will present his first collection during "London Fashion Week" in February 2007.

On 7 December 2006, Asprey celebrated its 225<sup>th</sup> anniversary with a major event in the flagship store in London. For the occasion the Royal College of Arms granted to Asprey its own "Coat of Arms" that will inspire the production of a full range of products, created by the new creative director, and expected to be available in the store from Spring 2007.

Asprey group total staff number at the end of March 2006 were 259 and further reduced at 220 in the end of December 2006, reflecting the combined effect of: re-sizing the back office functions due to the completion of the major work in developing new product lines and in renovating flagship stores, the reduction in staff in Asprey New York following the exit from the Trump Tower store and the sale of Garrard brand.



G. Brozzetti

31 January 2007

## **Asprey Holdings Limited**

### **Directors' report**

**For the year ended 31 March 2005**

The directors present their report and the audited financial statements for the year ended 31 March 2005.

### **Principal activities, future developments and review of business**

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 within the UK and worldwide. Further details are provided in the Chief Executive's review.

The directors believe that, after making enquiries of their shareholders, they have a reasonable expectation that the company has adequate support to continue in operational existence for the foreseeable future. The company has obtained a letter from its shareholders confirming that it will ensure that the company can meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements. For this reason the directors continue to adopt the going concern basis in preparing these financial statements.

### **Results and dividends**

The loss for the year after taxation amounted to £31,272,000 (2004 - Loss £18,488,000), and has been deducted from reserves.

The directors do not recommend the payment of a dividend (2004: £Nil).

### **Directors and their interests**

The directors who served during the year and up to the date of signing these financial statements were:

Mr G Brozzetti

Mrs P De Santis (appointed 28 July 2005)

Mr S Chou (resigned on 28 July 2005)

Mr L Stroll (resigned on 28 July 2005)

Mr E Bronfman Jr (resigned on 28 July 2005)

At the balance sheet date Mr L Stroll and Mr S Chou and Mr E Bronfman Jr held a majority of the beneficial interest in the shares of Asprey Holdings Limited, by virtue of the fact that the company was, indirectly, part owned by Sportswear Holdings Limited and SBS Partners, LLC (see note 28). Since the balance sheet date Mr L Stroll, Mr S Chou and Mr E Bronfman no longer hold a beneficial interest in the shares of the company as the ultimate parent company has changed (see note 28).

# **Asprey Holdings Limited**

## **Directors' report For the year ended 31 March 2005**

### **Disabled persons**

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.

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

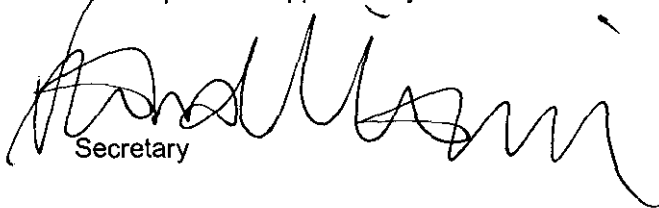
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business (see note 1.1).

The directors are responsible for maintaining adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

This report was approved by the board on 31 January 2007 and signed on its behalf.



Secretary



# **Asprey Holdings Limited**

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

We have audited the financial statements that comprise the consolidated Profit and loss account, the Statement of total recognised gains and losses, the Balance sheets, the Cash flow statement and the related notes.

### **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 Chief Executive's review and 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 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.

### **Fundamental uncertainty**

In forming our opinion, we have considered the adequacy of the disclosures made in the Chief Executive's review, the Directors' report and Note 1.1 concerning the dependence of the company on funding from its major shareholders (Fleming Holdings Limited (Cayman) and Plainfield Special Situations Master Fund Ltd (USA)). The disclosures explain that the company has obtained a letter from its major shareholders confirming that they will meet the company's liabilities as they fall due for a period of at least 12 months from date of signing of these accounts. The financial statements have been prepared on a going concern basis, the validity of which depends on the continued support of the company's shareholders by providing adequate funding. The financial statements do not include any adjustments that would result from a failure to obtain this funding. In view of the significance of this fundamental uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

## Asprey Holdings Limited

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

#### Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 March 2005 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  
1 Embankment Place  
London  
WC2N 6RH

31 January 2007

# Asprey Holdings Limited

## Consolidated profit and loss account For the year ended 31 March 2005

	Note	2005 £000	2004 £000
Turnover	2	23,702	20,374
Cost of sales		<u>(12,814)</u>	<u>(11,406)</u>
Gross profit		10,888	8,968
Administrative expenses		<u>(36,332)</u>	<u>(26,581)</u>
Operating loss (before exceptional items)	3	(25,444)	(17,613)
Exceptional items:			
Net profit/(loss) on sale of tangible fixed assets	3	3,557	(619)
Net profit on sale of intangible fixed assets		9	-
Provision for loss on disposal of tangible fixed assets	12	<u>(8,795)</u>	<u>-</u>
Loss on ordinary activities before interest and taxation		(30,673)	(18,232)
Other interest receivable and similar income	6	8	3
Interest payable and similar charges	7	<u>(604)</u>	<u>(253)</u>
Loss on ordinary activities before taxation		(31,269)	(18,482)
Tax charge on loss on ordinary activities	8	<u>(3)</u>	<u>(6)</u>
Loss for the financial year	19	<u><u>(31,272)</u></u>	<u><u>(18,488)</u></u>

All amounts relate to continuing operations.

The notes on pages 13 to 32 form part of these financial statements.

# Asprey Holdings Limited

## Statement of total recognised gains and losses For the year ended 31 March 2005

	2005 £000	2004 £000
Loss for the financial year	(31,272)	(18,488)
Foreign exchange	28	(141)
Total recognised gains and losses relating to the year	<u>(31,244)</u>	<u>(18,629)</u>

## Note of historical cost profits and losses For the year ended 31 March 2005

	2005 £000	2004 £000
Reported loss on ordinary activities before taxation	(31,269)	(18,482)
Realisation of valuation gains of previous periods	100	100
Historical cost loss on ordinary activities before taxation	<u>(31,169)</u>	<u>(18,382)</u>
Historical cost loss for the year retained after taxation and dividends	<u>(31,172)</u>	<u>(18,388)</u>

The notes on pages 13 to 32 form part of these financial statements.

# Asprey Holdings Limited

## Consolidated balance sheet As at 31 March 2005

			2005		2004
	Note	£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible fixed assets	11		706		557
Tangible fixed assets	12		<u>17,592</u>		<u>73,164</u>
			18,298		73,721
<b>Current assets</b>					
Stocks	14	17,344		15,484	
Debtors	15	16,514		22,815	
Assets held for resale	12	42,201		-	
Cash at bank and in hand		<u>286</u>		<u>1,234</u>	
		76,345		39,533	
<b>Creditors:</b> amounts falling due within one year	16	<u>(92,414)</u>		<u>(79,425)</u>	
<b>Net current liabilities</b>			<u>(16,069)</u>		<u>(39,892)</u>
<b>Total assets less current liabilities</b>			2,229		33,829
<b>Provisions for liabilities and charges</b>					
Other provisions	17		<u>-</u>		<u>(356)</u>
<b>Net assets</b>			<u>2,229</u>		<u>33,473</u>
<b>Capital and reserves</b>					
Called up share capital	18		125,011		125,011
Share premium account	19		19,540		19,540
Revaluation reserve	19		-		3,118
Profit and loss account	19		<u>(142,322)</u>		<u>(114,196)</u>
<b>Total equity shareholders' funds</b>	20		<u>2,229</u>		<u>33,473</u>

The financial statements were approved by the board on 31 January 2007 and signed on its behalf.

Director

The notes on pages 13 to 32 form part of these financial statements.

# Asprey Holdings Limited

## Company balance sheet As at 31 March 2005

	Note	£000	2005 £000	2004 £000
<b>Fixed assets</b>				
Intangible fixed assets	11		706	557
Tangible fixed assets	12		16,755	72,782
Investments	13		<u>7,356</u>	<u>17,890</u>
			24,817	91,229
<b>Current assets</b>				
Debtors	15	8,144		8,354
Assets held for resale	12	42,201		-
Cash at bank and in hand		<u>22</u>		<u>940</u>
		50,367		9,294
<b>Creditors: amounts falling due within one year</b>	16	<u>(73,633)</u>		<u>(72,502)</u>
<b>Net current liabilities</b>			<u>(23,266)</u>	<u>(63,208)</u>
<b>Total assets less current liabilities</b>			1,551	28,021
<b>Provisions for liabilities and charges</b>				
Other provisions	17		<u>-</u>	<u>(51)</u>
<b>Net assets</b>			<u>1,551</u>	<u>27,970</u>
<b>Capital and reserves</b>				
Called up share capital	18		125,011	125,011
Share premium account	19		19,540	19,540
Revaluation reserve	19		-	13,057
Profit and loss account	19		<u>(143,000)</u>	<u>(129,638)</u>
<b>Total equity shareholders' funds</b>	20		<u>1,551</u>	<u>27,970</u>

The financial statements were approved by the board on 31 January 2007 and signed on its behalf.

Director



The notes on pages 13 to 32 form part of these financial statements.

# Asprey Holdings Limited

## Consolidated cash flow statement For the year ended 31 March 2005

	Note	2005 £000	2004 £000
Net cash flow from operating activities	21	(8,194)	9,585
Returns on investments and servicing of finance	22	(596)	(250)
Taxation		(8)	(7)
Capital expenditure and financial investment	22	4,282	(25,591)
		<hr/>	<hr/>
<b>Cash outflow before financing</b>		<b>(4,516)</b>	<b>(16,263)</b>
Financing	22	3,568	17,349
		<hr/>	<hr/>
<b>(Decrease)/Increase in cash in the year</b>		<b><u>(948)</u></b>	<b><u>1,086</u></b>

## Reconciliation of net cash flow to movement in net funds/debt For the year ended 31 March 2005

	2005 £000	2004 £000
(Decrease)/Increase in cash in the year	(948)	1,086
Movement in bank loan and overdraft	(3,568)	(17,349)
	<hr/>	<hr/>
<b>Movement in net debt in the year</b>	<b>(4,516)</b>	<b>(16,263)</b>
Net (debt)/funds at 1 April	(16,115)	148
	<hr/>	<hr/>
<b>Net debt at 31 March</b>	<b><u>(20,631)</u></b>	<b><u>(16,115)</u></b>

The notes on pages 13 to 32 form part of these financial statements.

# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 1. Accounting policies

#### 1.1 Basis of preparation of financial statements

These financial statements are prepared under the historical cost convention with the exception of the revaluation of leasehold properties (see note 1.5 below) and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The Asprey group remains loss making at this stage in its development and has also incurred one off costs due to the restructuring activities.

The directors have prepared a business plan including quarterly cash flow projections to March 2008 taking account of all significant conditions and events and mitigating factors that are relevant to the operating companies and the holding companies to continue as going concerns. The major shareholders have reviewed these cash flow projections and they (Fleming Holdings Ltd and Plainfield Special Situations Master Fund Ltd) have provided a confirmation that they are in a position to and that they will continue to provide financial support to the group for a period of at least 12 months from the date of signing these financial statements.

The directors believe that, supported by this confirmation, they 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 these accounts.

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

#### 1.2 Basis of consolidation

The group financial statements consolidate the accounts of Asprey Holdings Limited and its subsidiary undertakings drawn up to 31 March 2005. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

#### 1.3 Investments

Share in subsidiaries are valued at historical cost less provision for permanent impairment. The directors perform impairment reviews annually.

#### 1.4 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. Revenue is recognised at the point of sale.

#### 1.5 Fixed assets, depreciation and amortisation

Tangible fixed assets are stated at historical 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 estimated useful economic lives, as follows:

i) Long & short leasehold buildings and leasehold improvements	Term of lease or 50 years whichever is the shortest
ii) Fixtures & fittings including plant and equipment and Motor vehicles	3 - 10 years
iii) IT development	3 - 5 years
iv) Development costs	3 years

Museum assets and assets under construction are not depreciated.



# **Asprey Holdings Limited**

## **Notes to the financial statements For the year ended 31 March 2005**

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

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.

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.

#### **1.6 Leasing and hire purchase**

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.

#### **1.7 Stocks and work in progress**

Stocks and work in progress are stated at the lower of historical purchase 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 into whereby goods are supplied on a consignment basis. As the risks and rewards of these goods are not transferred to the company until they are sold, this stock is not recorded as an asset of the company. The company pays no deposits under these agreements.

#### **1.8 Provisions**

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **1.9 Taxation**

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis

#### **1.10 Foreign currencies**

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.

# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 1. Accounting policies (continued)

#### 1.11 Research and development

Research and development costs are capitalised within tangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are depreciated on the straight-line basis over the anticipated life of the benefits arising from the completed product or project. Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the profit and loss account.

#### 1.12 Pensions

The group operated two principal pension schemes during the period, one being a defined benefit scheme providing benefits based on final pensionable salary, the other being a defined contribution scheme. 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. Refer to note 29 for further information and events after the balance sheet date. For the defined contribution scheme the amount charged to the profit and loss account is equal to the contributions paid by the Group.

#### 1.13 Goodwill

Goodwill represents the difference between the cost of acquisition of subsidiary undertakings and the fair value of the identifiable assets and liabilities acquired. Purchased goodwill arising on acquisition is treated as an asset on the balance sheet and amortised over its useful economic life.

#### 1.14 Related party transactions

The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Asprey Holdings Limited group. All other material related party transactions are disclosed in note 27.

### 2. Turnover

Turnover is principally attributable to the sale of jewellery, watches and luxury goods within the UK and worldwide.

### 3. Operating loss

The operating loss is stated after charging:

	2005 £000	2004 £000
Amortisation - intangible fixed assets	71	36
Depreciation of tangible fixed asset - owned by the company	3,640	1,218
Operating lease rentals:		
- plant and machinery	7	8
- other than plant and machinery	2,307	2,605
Provision against amounts owed by a fellow group company (see note 27)	8,325	-

The auditors' remuneration of £139,000 (2004: £222,000) is borne by a fellow group company.

The exceptional profit on sale of tangible fixed assets of £3,557,000, shown on the face of the profit and loss account, arises from the profit of £4,104,000 on disposal of leasehold property on 168 & 169 New Bond Street and a loss of £547,000 on closure of the company's manufacturing facility in Bermondsey.

# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 4. Staff costs

Staff costs were as follows:

	2005 £000	2004 £000
Wages and salaries	6,236	4,759
Social security costs	612	491
Other pension costs	662	954
	<u>7,510</u>	<u>6,204</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2005 No.	2004 No.
Management and administration	87	76
Manufacturing	36	35
Retail operations	51	38
	<u>174</u>	<u>149</u>

### 5. Directors' remuneration

The remuneration paid for directors of this company have been borne by a fellow group company, A&G UK Limited as follows:

	2005 £000	2004 £000
Aggregate emoluments	<u>1,471</u>	<u>1,482</u>

The highest paid director received remuneration of £971,000 (2004 - £982,000).

#### Pensions

No directors were members of the defined benefit pension schemes in 2005 or 2004.

### 6. Interest receivable and similar income

	2005 £000	2004 £000
Other interest receivable	<u>8</u>	<u>3</u>

# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 7. Interest payable and similar charges

	2005 £000	2004 £000
On bank loan and overdrafts	<u>604</u>	<u>253</u>

### 8. Taxation

	2005 £000	2004 £000
Overseas taxation	3	6
<b>Total current tax charge</b>	<u>3</u>	<u>6</u>

#### Factors affecting tax charge for year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applicable to the group (30%). The differences are explained below:

	2005 £000	2004 £000
Loss on ordinary activities before tax	<u>(31,269)</u>	<u>(18,482)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004 - 30%)	(9,381)	(5,545)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	568	561
Capital allowances for the year less than depreciation	757	155
Tax losses not recognised	3,133	4,484
Overseas taxation	3	6
Excess to chargeable gains over accounting profit on sale of fixed assets	31	-
Impairments and other provisions	5,189	-
Other adjustments	<u>(297)</u>	<u>345</u>
<b>Total current tax charge for the year</b>	<u>3</u>	<u>6</u>

#### Factors that may affect future tax charges

As at the balance sheet date there were taxable losses carried forward of £153,270,119 (2004 - £137,560,000).

### 9. Deferred taxation

A deferred tax asset has not been recognised in these accounts 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 relating to capital allowances, trading losses, excess capital losses and non-trading deficits on loan relationships as at 31 March 2005 is £26,959,909 (2004: £16,129,991).

## Asprey Holdings Limited

### Notes to the financial statements For the year ended 31 March 2005

#### 10. 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 a loss £26,419,000 (2004 - loss £12,504,000). No separate profit and loss account is presented for Asprey Holdings Limited, as provided by Section 230(1) of the Companies Act 1985.

#### 11. Intangible fixed assets

	Trademarks £000
<b>Group and company</b>	
<b>Cost</b>	
At 1 April 2004	603
Additions	255
Disposals	<u>(38)</u>
At 31 March 2005	<u>820</u>
<b>Amortisation</b>	
At 1 April 2004	46
Charge for the year	71
Disposals	<u>(3)</u>
At 31 March 2005	<u>114</u>
<b>Net book value</b>	
At 31 March 2005	<u><u>706</u></u>
At 31 March 2004	<u><u>557</u></u>

# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 12. Tangible fixed assets

Group	Leasehold properties £000	IT development £000	Assets under construction £000	Fixtures and fittings £000	Museum assets £000	Development costs £000	Total £000
<b>Cost or valuation</b>							
At 1 April 2004	34,302	178	37,415	13,670	986	2,532	89,083
Additions	-	-	7,462	746	37	833	9,078
Disposals	(10,565)	-	(10)	(116)	-	(438)	(11,129)
Reclassifications	36,464	-	(44,653)	8,189	-	-	-
Transfer to current assets	(52,434)	-	-	-	-	-	(52,434)
At 31 March 2005	7,767	178	214	22,489	1,023	2,927	34,598
<b>Depreciation</b>							
At 1 April 2004	1,795	144	-	13,129	-	851	15,919
Charge for the year	1,159	34	-	1,327	-	1,120	3,640
On disposals	(776)	-	-	(31)	-	(308)	(1,115)
Transfer to current assets	(1,438)	-	-	-	-	-	(1,438)
At 31 March 2005	740	178	-	14,425	-	1,663	17,006
<b>Net book value</b>							
At 31 March 2005	7,027	-	214	8,064	1,023	1,264	17,592
At 31 March 2004	32,507	34	37,415	541	986	1,681	73,164

After the year-end, in May 2005, the company entered in to the sale and operating leaseback of 165-167 New Bond Street. As a result of this disposal, the net book value of the assets disposed of after the balance sheet date have been reclassified on the balance sheet within current assets as assets held for resale.

A provision for the loss on disposal of these assets has been made to write down the asset values to the net disposal proceeds of £42,201,000 as follows:

	£'000
Cost of assets disposed	52,434
Less: Accumulated depreciation thereon	(1,438)
Net book value	50,996
Less: Provision for loss on disposal	(8,795)
Net current asset held for resale	42,201

# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 12. Tangible fixed assets (continued)

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.

All the land and buildings have been transferred to current assets held for resale.

Group	Long leasehold 2005 £000	Short leasehold 2005 £000	Long leasehold 2004 £000	Short leasehold 2004 £000
Cost	3,755	1,052	3,755	1,052
Accumulated depreciation	(1,131)	(801)	(1,081)	(751)
Net book value	<u>2,624</u>	<u>251</u>	<u>2,674</u>	<u>301</u>

Company	Leasehold properties £000	IT develop- ment costs £000	Assets under construction £000	Fixtures and fittings £000	Museum assets £000	Develop-ment costs £000	Total £000
<b>Cost or valuation</b>							
At 1 April 2004	33,964	85	37,414	189	986	2,528	75,166
Additions	-	-	7,249	431	37	833	8,550
Disposals	(10,277)	-	(10)	(78)	-	(438)	(10,803)
Reclassifications	36,464	-	(44,653)	8,189	-	-	-
Transfer to current assets	(52,434)	-	-	-	-	-	(52,434)
At 31 March 2005	<u>7,717</u>	<u>85</u>	<u>-</u>	<u>8,731</u>	<u>1,023</u>	<u>2,923</u>	<u>20,479</u>
<b>Depreciation</b>							
At 1 April 2004	1,399	62	-	74	-	849	2,384
Charge for the year	1,070	23	-	1,209	-	1,118	3,420
On disposals	(317)	-	-	(17)	-	(308)	(642)
Transfer to current assets	(1,438)	-	-	-	-	-	(1,438)
At 31 March 2005	<u>714</u>	<u>85</u>	<u>-</u>	<u>1,266</u>	<u>-</u>	<u>1,659</u>	<u>3,724</u>
<b>Net book value</b>							
At 31 March 2005	<u>7,003</u>	<u>-</u>	<u>-</u>	<u>7,465</u>	<u>1,023</u>	<u>1,264</u>	<u>16,755</u>
At 31 March 2004	<u>32,565</u>	<u>23</u>	<u>37,414</u>	<u>115</u>	<u>986</u>	<u>1,679</u>	<u>72,782</u>

# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 12. Tangible fixed assets (continued)

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.

	Long leasehold 2005 £000	Short Leasehold 2005 £000	Long leasehold 2004 £000	Short leasehold 2004 £000
<b>Company</b>				
Cost	3,755	1,052	3,755	1,052
Accumulated depreciation	(1,131)	(801)	(1,081)	(751)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value	<u>2,624</u>	<u>251</u>	<u>2,674</u>	<u>301</u>

### 13. Fixed asset investments

	Shares in group undertakings £000
<b>Company</b>	
<b>Cost</b>	
At 1 April 2004 and 31 March 2005	<u>21,508</u>
<b>Impairment</b>	
At 31 March 2005	<u>(14,152)</u>
At 31 March 2004	<u>(3,618)</u>
<b>Net book value</b>	
At 31 March 2005	<u>7,356</u>
At 31 March 2004	<u>17,890</u>



## Asprey Holdings Limited

### Notes to the financial statements For the year ended 31 March 2005

#### 13. Fixed asset investments (continued)

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 at the balance sheet date and the projected results of the businesses, the realisable value of the investments is not less than £7,356,000.

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 Incorporation	Percentage owned & 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 transferred to Asprey London Limited at net book value.

#### 14. Stocks

	Group	
	2005	2004
	£000	£000
Raw materials	1,047	1,787
Work in progress	380	1,293
Finished goods and goods for resale	15,917	12,404
	<u>17,344</u>	<u>15,484</u>

In addition, the amount of consignment stock held by the group was £3,664,000 (2004:£658,000).

The company holds no stock.

# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 15. Debtors

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
<b>Due within one year</b>				
Trade debtors	920	815	9	12
Amounts owed by group undertakings	14,443	19,717	7,897	7,017
Other debtors	243	1,107	133	886
Prepayments and accrued income	908	1,176	105	439
	<u>16,514</u>	<u>22,815</u>	<u>8,144</u>	<u>8,354</u>

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

### 16. Creditors: Amounts falling due within one year

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Bank loans and overdrafts	20,917	17,349	9,797	17,349
Trade creditors	6,950	12,765	1,763	6,225
Amounts owed to group undertakings	60,088	42,354	60,385	42,962
Social security and other taxes	292	304	64	123
Other creditors	-	922	-	920
Accruals and deferred income	4,167	5,731	1,624	4,923
	<u>92,414</u>	<u>79,425</u>	<u>73,633</u>	<u>72,502</u>

The bank loan was provided by HSBC bank plc under a revolving credit facility that was repaid after the balance sheet date. Interest was charged at Libor + 1%.

The HSBC loan was signed by all the group companies, all the assets of the group including Asprey Holdings were pledged to guarantee the loan. The HSBC loan has been fully repaid by the new shareholders in March 2006 as commented in the Chief Executive's review.

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

### 17. Provisions

	Restructuring provision £000	Pension provision £000	Total £000
<b>Group</b>			
At 1 April 2004	280	76	356
Released to the profit and loss account	(280)	(51)	(331)
Utilised during the year	<u>-</u>	<u>(25)</u>	<u>(25)</u>
At 31 March 2005	<u>-</u>	<u>-</u>	<u>-</u>

**Restructuring provision:** The restructuring provision relates to the restructuring of the group's overseas operations. It is no longer anticipated that these costs will be incurred.

# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 17. Provisions (continued)

**Pension provision:** The pension provision related to the accumulated difference between the contributions paid and the corresponding pension cost on the Asprey Group Staff Pension Scheme (see Note 24).

	Pensions provision £000	Total £000
<b>Company</b>		
At 1 April 2004	51	51
Released to the profit and loss account	(51)	(51)
At 31 March 2005	-	-

#### Pensions provision

The pension provision related to the accumulated difference between the contributions paid and the corresponding pension cost on the Asprey Group Staff Pension Scheme (see Note 24).

### 18. Share capital

	2005 £000	2004 £000
<b>Authorised</b>		
125,026,000 ordinary shares of £1 each	125,026	125,026
<b>Allotted, called up and fully paid</b>		
125,011,000 ordinary shares of £1 each	125,011	125,011

### 19. Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
<b>Group</b>			
At 1 April 2004	19,540	3,118	(114,196)
Loss for the financial year	-	-	(31,272)
Write down of land and buildings (transfer to reserves)	-	(3,018)	3,018
Transfer between revaluation reserve and P&L account	-	(100)	100
Foreign exchange	-	-	28
At 31 March 2005	19,540	-	(142,322)
<b>Company</b>			
At 1 April 2004	19,540	13,057	(129,638)
Loss for the financial year	-	-	(26,419)
Disposal of land and buildings	-	(12,957)	12,957
Transfer between revaluation reserve and P&L account	-	(100)	100
At 31 March 2005	19,540	-	(143,000)

# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 20. Reconciliation of movement in shareholders' funds

	2005 £000	2004 £000
<b>Group</b>		
Loss for the financial year	(31,272)	(18,488)
Foreign exchange	28	(141)
	<u>(31,244)</u>	<u>(18,629)</u>
Opening equity shareholders' funds	<u>33,473</u>	<u>52,102</u>
Closing equity shareholders' funds	<u>2,229</u>	<u>33,473</u>
<b>Company</b>		
Loss for the financial year	(26,419)	(12,504)
	<u>(26,419)</u>	<u>(12,504)</u>
Opening equity shareholders' funds	<u>27,970</u>	<u>40,474</u>
Closing equity shareholders' funds	<u>1,551</u>	<u>27,970</u>

### 21. Net cash flow from operations

	2005 £000	2004 £000
Operating loss after exceptional items	(30,673)	(18,232)
Amortisation of intangible fixed assets	71	36
Depreciation of tangible fixed assets	3,640	1,218
Increase in stocks	(1,860)	(2,621)
Exchange differences	28	(141)
Decrease in debtors	6,301	3,203
Increase in creditors	9,426	25,587
Decrease in provisions	(356)	(84)
Net losses on sale and provision for sale of tangible and intangible fixed assets	5,229	619
	<u>(8,194)</u>	<u>9,585</u>
<b>Net cash (outflow)/inflow from operations</b>	<u>(8,194)</u>	<u>9,585</u>

# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 22. Analysis of cash flows for headings netted in the cash flow statement

	2005 £000	2004 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	8	3
Interest paid	(604)	(253)
	<u>          </u>	<u>          </u>
<b>Net cash outflow from returns on investments and servicing of finance</b>	<u>(596)</u>	<u>(250)</u>
	2005 £000	2004 £000
<b>Capital expenditure and financial investment</b>		
Purchase of intangible fixed assets	(255)	(296)
Purchase of tangible fixed assets	(9,078)	(25,295)
Proceeds from sale of tangible fixed assets	13,571	-
Proceeds from sale of intangible fixed assets	44	-
	<u>          </u>	<u>          </u>
<b>Net cash inflow/(outflow) from capital expenditure</b>	<u>4,282</u>	<u>(25,591)</u>
	2005 £000	2004 £000
<b>Financing</b>		
Bank loan and overdraft	<u>3,568</u>	<u>17,349</u>

### 23. Analysis of changes in net debt

	1 April 2004 £000	Cash flow £000	31 March 2005 £000
Cash at bank and in hand:	1,234	(948)	286
Bank loan and overdraft	(17,349)	(3,568)	(20,917)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net debt</b>	<u>(16,115)</u>	<u>(4,516)</u>	<u>(20,631)</u>

# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 24. Pension commitments

The group operated a number of pension schemes during the period, the main one being a defined benefit 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, updated to 31 March 2005.

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 2005 was £662,000 (2004 - £954,000) and there is a pension prepayment of £24,000 (2004 - provision £76,000) in the group's balance sheet at 31 March 2005 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 pension cost accounting standard SSAP24. Under the transitional arrangements of FRS 17 the company is required to disclose the information about the scheme set out below. The Scheme is wholly administered by the Trustees of the Asprey Group Staff 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.

Following the acquisition of the group by Fleming Holdings Ltd and Plainfield Special Situations Master Fund Ltd (see note 29), and further to a Supplemental Deed dated 16 March 2006, the liability of both Asprey Holdings Limited and Asprey London Limited to the Asprey Group Staff Pension Scheme (the "Scheme") was reduced to £1 per company. Clearance for this change was received from The Pensions Regulator in a Clearance Statement dated 13 March 2006.

The liability of £1 was paid by each company to the Trustees of the Scheme subsequent to the year-end and the companies therefore have no remaining liability to the Scheme.

The Scheme has entered the Pension Protection Fund Assessment Period and it is anticipated that ultimately the Scheme will be eligible for entry to the Pension Protection Fund. The Trustees update all Scheme members on developments.

As part of the agreement with the Pensions Regulator, the new shareholders and the Asprey Group of companies have agreed that, in the event that the internal rate of return (calculated on exit) is greater than a certain threshold, then the new shareholders and/or the Asprey Group of companies will pay the Scheme or the PPF an additional amount. The amount will be based on the final exit value and therefore cannot be quantified at this stage.

# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 24. Pension commitments (continued)

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 2005 by an independent qualified actuary.

The main financial assumptions used in the actuarial valuation were as follows:

	2005 %	2004 %	2003 %
Inflation	2.7	2.7	2.4
Rate of increase in salaries	3.7	3.7	3.7
Rate of increase for pensions	2.7	2.7	2.4
Discount rate for liabilities	5.5	5.6	5.5

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

	Long-term rate of return expected at 31 March 2005 %	Value at 31 March 2005 £000	Long-term rate of return expected at 31 March 2004 %	Value at 31 March 2004 £000	Long-term rate of return expected at 31 March 2003 %	Value at 31 March 2003 £000
Equities	7.8	40,710	7.8	37,263	7.6	29,663
Gilts	4.3	11,713	4.3	11,104	4.1	9,611
Cash	4.4	120	3.5	448	3.3	187
Total market value of assets		52,543		48,815		39,461
Present value of scheme liabilities		(71,669)		(67,757)		(63,533)
Deficit in the scheme		(19,126)		(18,942)		(24,072)

# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 24. Pension commitments (continued)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 31 March 2005 and 31 March 2004 would be as follows:

	2005 £000	2004 £000
Net assets excluding pension liability	2,229	33,549
Pension liability	(13,388)	(13,259)
	<u>(11,159)</u>	<u>20,290</u>
Net (liabilities)/assets including pension liability		
Profit and loss reserve excluding pension liability	(142,322)	(114,196)
Pension reserve	(13,388)	(13,259)
	<u>(155,710)</u>	<u>(127,455)</u>
Profit and loss reserve deficit		

The following amounts would have been recognised in the performance statements in the year to 31 March 2005 and 31 March 2004 under the requirements of FRS17:

	31 March 2005 £000	31 March 2004 £000
<b>Operating profit</b>		
Current service cost	-	1,096
	<u>-</u>	<u>1,096</u>
<b>Total operating charge</b>		
<b>Other financial income</b>		
Expected return on pension scheme assets	3,352	2,666
Interest on pension scheme liabilities	(3,749)	(3,481)
	<u>(397)</u>	<u>(815)</u>
<b>Net charge</b>		
<b>Statement of total recognised gains and losses (STRGL)</b>		
Actual return less expected return on pension scheme assets	1,685	6,586
Changes in assumptions underlying the present value of the scheme liabilities	(1,772)	(1,248)
	<u>(87)</u>	<u>5,338</u>
Actuarial loss recognised in STRGL		



# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 24. Pension commitments (continued)

	2005 £000	2004 £000
<b>Movements in deficit during the year:</b>		
Deficit in scheme at beginning of year	(18,942)	(24,072)
Current year service cost	-	(1,096)
Contributions	300	1,700
Other finance income	(397)	(814)
Actuarial (loss)/gain	(87)	5,340
	<u>(19,126)</u>	<u>(18,942)</u>
Deficit in scheme at end of year		

### History of experience gains and losses in the scheme

	31 March 2005	31 March 2004	31 March 2003
Difference between the expected and actual return on scheme assets:			
Amount (£)	1,685	6,586	(13,976)
Percentage of scheme assets	3.2%	13.0%	(35.0)%
Total amount recognised in statement of total recognised gains and losses:			
Amount (£)	(87)	5,338	(15,786)
Percentage of the present value of the scheme liabilities	(0.1)%	8.0%	(25.0)%

### 25. Operating lease commitments

At 31 March 2005 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
Group	2005 £000	2004 £000	2005 £000	2004 £000
<b>Expiry date:</b>				
Within 1 year	84	114	15	18
Between 2 and 5 years	47	270	12	38
After more than 5 years	<u>876</u>	<u>1,962</u>	<u>-</u>	<u>-</u>

### 26. Guarantees

The group's bankers, HSBC Bank Plc, have given a guarantee on liabilities for VAT deferment on imports up to £600,000 (2004: £600,000) in favour of HM Customs and Excise, a guarantee of liabilities on imports and exports up to £21,000 (2004: £104,000) in favour of London Chamber of Commerce and Industry. The company has given a guarantee on an advance payment received on a customer order of £648,000 (2004 - £810,000).

# Asprey Holdings Limited

## Notes to the financial statements For the year ended 31 March 2005

### 27. 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.

The company has taken advantage of the exemptions under FRS8 not to disclose related party transactions with entities that are part of the Asprey Holdings Ltd group.

In addition, the company has the following inter group receivable/(payable) balances that arise outside of the Asprey Holdings Limited group:

Name of Company	Nature of balance	Group		Company	
		2005 £'000	2004 £'000	2005 £'000	2004 £'000
Asprey Limited	Financing	(2,576)	(1,858)	(3,291)	(1,742)
A&G UK Limited	Trading (see note below)	(48,650)	13,572	(52,735)	(38,568)
A&G Italy srl	Trading	(3,155)	(1,299)	(1,856)	(277)
Asprey Worldwide Holdings Ltd	Financing	2,886	2,953	2,860	2,928
Garrard & Co. Limited	Financing	4,300	2,850	912	715
Garrard Holdings Limited	Financing	845	430	(684)	(618)

A provision of £8,325,000 (2004: £nil) has been made against the inter group balance with A&G UK Limited (see note 29). Refer also to note 29 for post balance sheet events relating to the Garrard companies.

The principal inter group sales and purchases arising during the year were as follows:

Name of Company	Nature of transaction	Group		Company	
		2005 £'000	2004 £'000	2005 £'000	2004 £'000
A&G UK Limited	Service fees	(2,553)	(2,380)	(140)	(124)
A&G Italy srl	Purchase of product & service fees	(1,426)	(1,648)	(1,330)	(771)

## **Asprey Holdings Limited**

### **Notes to the financial statements For the year ended 31 March 2005**

#### **28. Ultimate parent undertaking and controlling party**

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. The company was ultimately 36.7% (2004 - 36.2%) owned by Sportswear Holdings Limited, a company registered in the British Virgin Islands, 30.5 (2004 - 30.2%) owned by SBS Partners LLC, 2.9% (2004 - 3%) by the TAG Group and 18.1% (2004 - 18.5%) owned by Morgan Stanley Capital Partners.

All interests in Sportswear Holdings Limited were 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.

Since the balance sheet date, the ultimate shareholders of Asprey Holdings Limited have changed. The principal shareholders as of March 06 are 46.7% owned by Plainfield Special Situations Master Fund Ltd and 35.7% owned by Fleming Holdings Limited (Cayman).

#### **29. Post balance sheet events**

After the year end, a project was commenced to find new investors for the A&G Group. Whilst a substantial number of interested parties were identified, it was not immediately possible to secure their investment due to uncertainties with the UK pension scheme and also the Trump Tower lease.

Finally, an agreement was reached for the new owners, namely Fleming Holdings Limited and Plainfield Special Situations Master Fund Ltd, to purchase 100% of the shares of all the operating companies and the three top holding companies: Asprey Worldwide Holdings Ltd (BVI), Garrard Worldwide Holdings Ltd (BVI) (now Bond Worldwide Holdings Ltd) and A&G Services Ltd (BVI). This agreement was reached with the consent of the bankers to the group HSBC Bank plc.

The new shareholders repaid the outstanding HSBC revolving loan and a new financing structure with equity and loan from shareholders was put in place in order to guarantee funding for the business.

The company and the group does not have any more charges on the assets versus third parties. The charges are all related to the top holding company Asprey International Ltd and the shareholder Plainfield Special Situations Master Fund Ltd.

Immediately following the purchase of the group, the Garrard companies within the group were sold to The Yucaipa Companies. This has enabled management to concentrate on the Asprey business.

The lease on Trump Tower has been surrendered and new temporary premises secured whilst a new permanent location has already been signed for an opening in April 2007.

During the year ended 31 March 2005 the Asprey management co-ordinated the sale-lease back project of the Asprey premises in London, which was completed in May 2005 and the sale of Asprey temporary store premises at 168/169 New Bond Street.

The group remains loss making at this stage in its development and as such is reliant on funds from its shareholders in form of equity and or loans. As at the date of signing the group does not have financing from third parties.

A fellow group company, A&G UK Limited, was placed in members voluntary liquidation on 26 October 2006 following the restructuring plan agreed at the time of the acquisition of the group between the new shareholders and the Pension Regulator, PPF and Trustees. The assets and liabilities of A&G UK Limited were transferred to the company.