

Asprey Holdings Limited

Directors' report and financial statements

For the year ended 31 March 2006

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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 2006

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 in 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 23);
- The outstanding HSBC revolving facility has been repaid. The group is now reliant on 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 2006

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 5th 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 57th Street and from April 2007 Asprey will open its permanent 7,500 sq ft store at 853 Madison Avenue, between 70th and 71st 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 2006

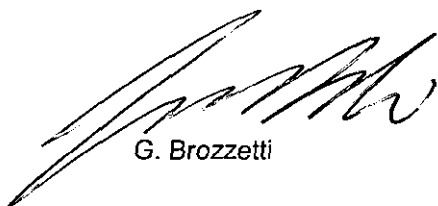
In July 2006, Asprey opened a store in St Moritz, strengthening the European presence in a particularly interesting resort for Asprey target clients from all over the world and was listed on board another prestigious airline, JAL.

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 1st 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 225th 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 2006

The directors present their report and the audited financial statements for the year ended 31 March 2006.

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.

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 £16,827,000 (2005 - Loss £31,272,000), and has been deducted from reserves.

The directors do not recommend the payment of a dividend (2005: £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)

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.

Disclosure of information to auditors

The directors have considered the requirements under the Section 234ZA of the Companies Act that:

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

Asprey Holdings Limited

Directors' report For the year ended 31 March 2006

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:

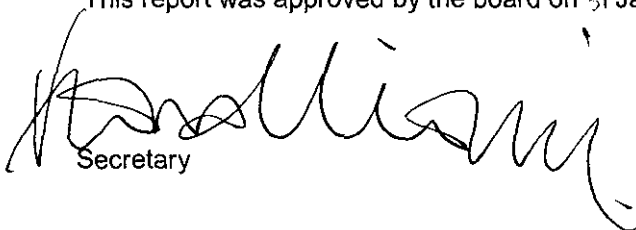
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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 group and parent company financial statements (the "financial statements") of Asprey Holdings for the year ended 31 March 2006 which comprise the consolidated Profit and loss account, the consolidated and company Balance sheets, the consolidated Cash flow statement, the consolidated Statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Directors' report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' report and the Chief Executive's review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2006 and of the group's loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Asprey Holdings Limited

Independent Auditors' report to the members of Asprey Holdings Limited

Emphasis of matter – going concern

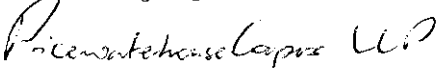
In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in the Chief Executive's review, the Directors' report and Note 1.1 to the financial statements concerning the company's ability to continue as a going concern and the dependence 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 company continued to incur trading losses and to report operating cash outflows during the year ended 31 March 2006. These conditions, along with the other matters explained in the Chief Executive's review, the Directors' report and Note 1.1 to the financial statements, indicate the existence of a material uncertainty which, without the continued support from the Company's major shareholders may cast significant doubt about its ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

31 January 2007

Asprey Holdings Limited

Consolidated profit and loss account For the year ended 31 March 2006

	Note	2006 £000	2005 £000
Turnover	2	19,254	23,702
Cost of sales		(10,766)	(12,813)
Gross profit		8,488	10,889
Administrative expenses		(25,149)	(36,333)
Operating loss (before exceptional items)	3	(16,661)	(25,444)
Exceptional items:			
Net profit on sale of tangible fixed assets	3	-	3,557
Net profit on sale of intangible fixed assets		-	9
Provision for loss on disposal of tangible fixed assets	12	-	(8,795)
Loss on ordinary activities before interest and taxation		(16,661)	(30,673)
Other interest receivable and similar income	6	19	8
Interest payable and similar charges	7	(183)	(604)
Loss on ordinary activities before taxation		(16,825)	(31,269)
Tax charge on loss on ordinary activities	8	(2)	(3)
Loss for the financial year	19	(16,827)	(31,272)

All amounts relate to continuing operations.

The notes on pages 13 to 27 form part of these financial statements.

Asprey Holdings Limited

Statement of total recognised gains and losses For the year ended 31 March 2006

	2006 £000	2005 £000
Loss for the financial year	(16,827)	(31,272)
Foreign exchange	(26)	28
Total recognised gains and losses relating to the year	(16,853)	(31,244)

Note of historical cost profits and losses For the year ended 31 March 2006

	2006 £000	2005 £000
Reported loss on ordinary activities before taxation	(16,825)	(31,269)
Realisation of valuation gains of previous periods	-	100
Historical cost loss on ordinary activities before taxation	(16,825)	(31,169)
Historical cost loss for the year retained after taxation and dividends	(16,827)	(31,172)

The notes on pages 13 to 27 form part of these financial statements.

Asprey Holdings Limited

Consolidated balance sheet As at 31 March 2006

			2006		2005
	Note	£000	£000	£000	£000
Fixed assets					
Intangible fixed assets	11		780		706
Tangible fixed assets	12		<u>15,706</u>		<u>17,592</u>
			16,486		18,298
Current assets					
Stocks	14	14,914		17,344	
Debtors	15	8,387		16,514	
Assets held for resale	12	-		42,201	
Cash at bank and in hand		<u>197</u>		<u>286</u>	
		23,498		76,345	
Creditors: amounts falling due within one year	16	<u>(54,608)</u>		<u>(92,414)</u>	
Net current liabilities			<u>(31,110)</u>		<u>(16,069)</u>
Total assets less current liabilities			<u>(14,624)</u>		<u>2,229</u>
Net (liabilities)/assets			<u>(14,624)</u>		<u>2,229</u>
Capital and reserves					
Called up share capital	17		125,011		125,011
Share premium account	18		19,540		19,540
Profit and loss account	18		<u>(159,175)</u>		<u>(142,322)</u>
Total equity shareholders' funds	19		<u>(14,624)</u>		<u>2,229</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 27 form part of these financial statements.

Asprey Holdings Limited

Company balance sheet As at 31 March 2006

	Note	£000	2006 £000	£000	2005 £000
Fixed assets					
Intangible fixed assets	11		780		706
Tangible fixed assets	12		14,040		16,755
Investments	13		<u>1,338</u>		<u>7,356</u>
			16,158		24,817
Current assets					
Debtors	15	6,417		8,144	
Assets held for resale	12	-		42,201	
Cash at bank and in hand		<u>22</u>		<u>22</u>	
		6,439		50,367	
Creditors: amounts falling due within one year	16	<u>(34,697)</u>		<u>(73,633)</u>	
Net current liabilities			<u>(28,258)</u>		<u>(23,266)</u>
Total assets less current liabilities			(12,100)		1,551
Net assets			<u>(12,100)</u>		<u>1,551</u>
Capital and reserves					
Called up share capital	17		125,011		125,011
Share premium account	18		19,540		19,540
Profit and loss account	18		<u>(156,651)</u>		<u>(143,000)</u>
Total equity shareholders' funds	19		<u>(12,100)</u>		<u>1,551</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 27 form part of these financial statements.

Asprey Holdings Limited

Consolidated cash flow statement For the year ended 31 March 2006

	Note	2006 £000	2005 £000
Net cash outflow from operating activities	20	(19,712)	(8,194)
Returns on investments and servicing of finance	21	(164)	(596)
Taxation		(2)	(8)
Capital expenditure and financial investment	21	40,706	4,282
<hr/>			
Cash inflow/(outflow) before financing		20,828	(4,516)
Financing	21	(20,917)	3,568
<hr/>			
Decrease in cash in the year		(89)	(948)

Reconciliation of net cash flow to movement in net funds/debt For the year ended 31 March 2006

		2006 £000	2005 £000
Decrease in cash in the year		(89)	(948)
Movement in bank loan and overdraft		20,917	(3,568)
<hr/>			
Movement in net funds/(debt) in the year		20,828	(4,516)
Net debt at 1 April		(20,631)	(16,115)
<hr/>			
Net funds/(debt) at 31 March	22	197	(20,631)

The notes on pages 12 to 26 form part of these financial statements.

Asprey Holdings Limited

Notes to the financial statements For the year ended 31 March 2006

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.

The company has adopted FRS 17 – Retirement benefits, FRS 21 – Events after the balance sheet date, FRS 23 – The effects of changes in foreign exchange rates, FRS 25 – Financial instruments: disclosure and presentation and FRS 28 – Corresponding amounts during the year. The adoption of these standards represents a change in accounting policy but have no effect on the current year figures or the prior year comparatives.

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 2006. 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:

Asprey Holdings Limited

Notes to the financial statements For the year ended 31 March 2006

1. Accounting policies (continued)

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

Museum assets and assets under construction are not depreciated.

1.5 Fixed assets, depreciation and amortisation (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. No deposits are paid by the company 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

Asprey Holdings Limited

Notes to the financial statements For the year ended 31 March 2006

1. Accounting policies (continued)

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.

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. The assets of defined benefit schemes are held separately from those of the group in separate trustee administered funds. Refer to note 23 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 amount 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 26.

2. Turnover

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

Asprey Holdings Limited

Notes to the financial statements For the year ended 31 March 2006

3. Operating loss

The operating loss is stated after charging:

	2006 £000	2005 £000
Amortisation - intangible fixed assets	89	71
Depreciation of tangible fixed assets:		
- owned by the company	3,079	3,640
Operating lease rentals:		
- plant and machinery	7	7
- other than plant and machinery	2,461	2,307
Write-off of inter group balances (see note below)	5,952	-
Provision against amount owed by a fellow group company (see note 26)	-	8,325
Auditors remuneration – audit	164	139

Auditors remuneration for tax and other advisory services (borne by a fellow group company) were £42,000 (2005: £102,000).

The loss on write off of inter group balances of £5,952,000 arose following the acquisition of the company and the subsequent disposal of the Garrard group of companies.

The exceptional profit on sale of tangible fixed assets of £3,557,000 arising in 2005, shown on the face of the profit and loss account, arises from the profit of £4,104,000 on disposal of leases on 168 & 169 New Bond Street and a loss of £547,000 on closure of the company's manufacturing facility in Bermondsey.

4. Staff costs

Staff costs were as follows:

	2006 £000	2005 £000
Wages and salaries	5,131	6,236
Social security costs	520	612
Other pension costs	281	662
	<u>5,932</u>	<u>7,510</u>

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

	2006 No.	2005 No.
Management and administration	73	87
Manufacturing	19	36
Retail operations	49	51
	<u>141</u>	<u>174</u>

Asprey Holdings Limited

Notes to the financial statements For the year ended 31 March 2006

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:

	2006 £000	2005 £000
Aggregate emoluments	<u>1,421</u>	<u>1,471</u>

The highest paid director received remuneration of £1,108,000 (2005 - £971,000).

Pensions

One director was a member of the company defined pension scheme in 2006 (2005: nil)

6. Interest receivable and similar income

	2006 £000	2005 £000
Other interest receivable	<u>19</u>	<u>8</u>

7. Interest payable and similar charges

	2006 £000	2005 £000
On bank loan and overdrafts	<u>183</u>	<u>604</u>

Asprey Holdings Limited

Notes to the financial statements For the year ended 31 March 2006

8. Taxation

	2006 £000	2005 £000
Overseas taxation	<u>2</u>	<u>3</u>
Total current tax charge	<u>2</u>	<u>3</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:

	2006 £000	2005 £000
Loss on ordinary activities before tax	<u>(16,825)</u>	<u>(31,269)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004 - 30%)	(5,048)	(9,381)
Effects of:		
Expenses not deductible for tax purposes	58	568
Capital allowances for the year less than depreciation	612	757
Tax (gains)/losses not recognised	(10,383)	3,133
Overseas taxation	2	3
Excess to chargeable gains over accounting profit on sale of fixed assets	12,968	31
Impairment and other provisions	1,786	5,189
Imp	<u>7</u>	<u>(297)</u>
Total current tax charge for the year	<u>2</u>	<u>3</u>

Factors that may affect future tax charges

As at the balance sheet date there were taxable losses carried forward of £118,654,002 (2005 - £153,270,119).

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 2006 is £15,992,926 (2005: £26,959,909).

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 loss £13,651,000 (2005 - loss £26,419,000). 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 year ended 31 March 2006

11. Intangible fixed assets

Group and company Cost	Trademarks £000
At 1 April 2005	820
Additions	163
At 31 March 2006	983
Amortisation	
At 1 April 2005	114
Charge for the year	89
At 31 March 2006	203
Net book value	
At 31 March 2006	780
At 31 March 2005	706

12. Tangible fixed assets

Group	Leasehold improvements £000	IT development £000	Assets under construction £000	Fixtures and fittings £000	Museum assets £000	Development costs £000	Total £000
Cost or valuation							
At 1 April 2005	7,767	178	214	22,489	1,023	2,927	34,598
Additions	-	-	785	426	1	120	1,332
Disposals	(700)	-	-	-	-	-	(700)
Reclassifications	-	-	(194)	194	(140)	-	(140)
At 31 March 2006	7,067	178	805	23,109	884	3,047	35,090
Depreciation							
At 1 April 2005	740	178	-	14,425	-	1,663	17,006
Charge for the year	304	-	-	1,757	-	1,017	3,079
On disposals	(700)	-	-	-	-	-	(700)
At 31 March 2006	344	178	-	16,182	-	2,680	19,385
Net book value							
At 31 March 2006	6,723	-	805	6,927	884	367	15,706
At 31 March 2005	7,027	-	214	8,064	1,023	1,264	17,592

During the year, £140,000 of museum assets were transferred out from fixed assets in to stock.

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, in the prior year, the net book value of the assets disposed of after the balance sheet date were reclassified on the balance sheet within current assets as assets held for resale.

Asprey Holdings Limited

Notes to the financial statements For the year ended 31 March 2006

12. Tangible fixed assets (continued)

Company	Leasehold improve- ments £000	IT development costs £000	Fixtures and fittings £000	Museum assets £000	Development costs £000	Total £000
Cost or valuation						
At 1 April 2005	7,717	85	8,731	1,023	2,923	20,479
Additions	-	-	131	1	120	252
Disposals	(700)	-	-	-	-	(700)
Reclassifications	-	-	-	(140)	-	(140)
At 31 March 2006	<u>7,017</u>	<u>85</u>	<u>8,862</u>	<u>884</u>	<u>3,043</u>	<u>19,891</u>
Depreciation						
At 1 April 2005	714	85	1,266	-	1,659	3,724
Charge for the year	293	-	1,517	-	1,017	2,828
On disposals	(700)	-	-	-	-	(700)
At 31 March 2006	<u>307</u>	<u>85</u>	<u>2,783</u>	<u>-</u>	<u>2,676</u>	<u>5,851</u>
Net book value						
At 31 March 2006	<u>6,709</u>	<u>-</u>	<u>6,079</u>	<u>884</u>	<u>367</u>	<u>14,040</u>
At 31 March 2005	<u>7,003</u>	<u>-</u>	<u>7,465</u>	<u>1,023</u>	<u>1,264</u>	<u>16,755</u>

13. Fixed asset investments

Company	Shares in group undertakings £000
Cost	
At 1 April 2005 and 31 March 2006	<u>21,508</u>
Impairment	
At 31 March 2006	<u>(20,170)</u>
At 31 March 2005	<u>(14,152)</u>
Net book value	
At 31 March 2006	<u>1,338</u>
At 31 March 2005	<u>7,356</u>

Asprey Holdings Limited

Notes to the financial statements For the year ended 31 March 2006

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 £1,338,000.

The principal trading subsidiary undertaking of Asprey Holdings Limited at the balance sheet date is 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%

The activities of the principal subsidiary undertaking 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.

14. Stocks

	Group	
	2006 £000	2005 £000
Raw materials	1,020	1,047
Work in progress	512	380
Finished goods and goods for resale	13,382	15,917
	<u>14,914</u>	<u>17,344</u>

The company holds no stock. In addition, the amount of consignment stock held by the group was £703,000 (2005: £3,664,000).

15. Debtors

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Due within one year				
Trade debtors	1,361	920	3	9
Amounts owed by group undertakings	5,728	14,443	6,184	7,897
Other debtors	196	243	125	133
Prepayments and accrued income	1,102	908	105	105
	<u>8,387</u>	<u>16,514</u>	<u>6,417</u>	<u>8,144</u>

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

Asprey Holdings Limited

Notes to the financial statements For the year ended 31 March 2006

16. Creditors: Amounts falling due within one year

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Bank loans and overdrafts	-	20,917	-	9,797
Trade creditors	4,837	6,950	678	1,763
Amounts owed to group undertakings	45,879	60,088	32,174	60,385
Social security and other taxes	295	292	44	64
Accruals and deferred income	3,597	4,167	1,801	1,624
	<u>54,608</u>	<u>92,414</u>	<u>34,697</u>	<u>73,633</u>

The bank loan, provided by HSBC bank plc under a revolving credit facility, was repaid. 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. Share capital

	2006 £000	2005 £000
Authorised		
125,026,000 ordinary shares of £1 each	<u>125,026</u>	<u>125,026</u>
Allotted, called up and fully paid		
125,011,000 ordinary shares of £1 each	<u>125,011</u>	<u>125,011</u>

18. Reserves

Group	Share premium account £000	Profit and loss account £000
At 1 April 2005	19,540	(142,322)
Loss for the financial year	-	(16,827)
Foreign exchange	-	(26)
	<u>19,540</u>	<u>(159,175)</u>
At 31 March 2006	<u>19,540</u>	<u>(159,175)</u>
Company	Share premium account £000	Profit and loss account £000
At 1 April 2005	19,540	(143,000)
Loss for the financial year	-	(13,651)
	<u>19,540</u>	<u>(156,651)</u>
At 31 March 2006	<u>19,540</u>	<u>(156,651)</u>

Asprey Holdings Limited

Notes to the financial statements For the year ended 31 March 2006

19. Reconciliation of movement in shareholders' funds

	2006 £000	2005 £000
Group		
Loss for the financial year	(16,827)	(31,272)
Foreign exchange	(26)	28
	<u>(16,853)</u>	<u>(31,244)</u>
Opening equity shareholders' funds	<u>2,229</u>	<u>33,473</u>
Closing equity shareholders' funds	<u>(14,624)</u>	<u>2,229</u>
Company		
Loss for the financial year	(13,651)	(26,419)
	<u>(13,651)</u>	<u>(26,419)</u>
Opening equity shareholders' funds	<u>1,551</u>	<u>27,970</u>
Closing equity shareholders' funds	<u>(12,100)</u>	<u>1,551</u>

20. Net cash flow from operations

	2006 £000	2005 £000
Operating loss after exceptional items	(16,661)	(30,673)
Amortisation of intangible fixed assets	89	71
Depreciation of tangible fixed assets	3,079	3,640
Decrease/(increase) in stocks	2,569	(1,860)
Exchange differences	(26)	28
Decrease in debtors	8,127	6,301
(Decrease)/increase in creditors	(16,889)	9,426
Decrease in provisions	-	(356)
Net losses on sale and provision for sale of tangible fixed assets	-	5,229
	<u>(19,712)</u>	<u>(8,194)</u>
Net cash outflow from operations		

Asprey Holdings Limited

Notes to the financial statements For the year ended 31 March 2006

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

	2006 £000	2005 £000
Returns on investments and servicing of finance		
Interest received	19	8
Interest paid	(183)	(604)
Net cash outflow from returns on investments and servicing of finance	<u>(164)</u>	<u>(596)</u>
	2006 £000	2005 £000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,332)	(255)
Purchase of intangible fixed assets	(163)	(9,078)
Proceeds from sale of tangible and intangible fixed assets	42,201	13,615
Net cash inflow from capital expenditure	<u>40,706</u>	<u>4,282</u>
	2006 £000	2005 £000
Financing		
Bank loan and overdraft (repaid)/drawn down	<u>(20,917)</u>	<u>3,568</u>

22. Analysis of changes in net debt

	1 April 2005 £000	Cash flow £000	31 March 2006 £000
Cash at bank and in hand:	286	(89)	197
Bank loan and overdraft	(20,917)	20,917	-
Net (debt)/funds	<u>(20,631)</u>	<u>20,828</u>	<u>197</u>

Asprey Holdings Limited

Notes to the financial statements For the year ended 31 March 2006

23. 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 2006 was £281,000 (2005 - £662,000) and there is a pension prepayment of £nil (2005 - £24,000) in the group's balance sheet at 31 March 2006 arising from the accumulated difference between the contributions paid to schemes and the corresponding pension costs.

The company has adopted FRS 17 in full for the year ended 31 March 2006. The company was a member of the Asprey group pension scheme. 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 company has taken advantage of the multi-employer exemption under FRS 17, and has accounted for pension costs under defined contribution accounting.

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 company principally Fleming Holdings Ltd and Plainfield Special Situations Master Fund Ltd as commented in the Chief Executive's review 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 (see note 28). 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. As a result of this agreement, and the reduction in liability to the company, management have not provided any additional FRS 17 disclosure information relating to the pension scheme. For further information refer to the Asprey Holdings Ltd 31 March 2005 financial statements.

Asprey Holdings Limited

Notes to the financial statements For the year ended 31 March 2006

24. Operating lease commitments

At 31 March 2006 the group had annual commitments under non-cancellable operating leases as follows:

Group	Land and buildings		Other	
	2006 £000	2005 £000	2006 £000	2005 £000
Expiry date:				
Within 1 year	15	84	4	15
Between 2 and 5 years	35	47	24	12
After more than 5 years	<u>2,726</u>	<u>876</u>	<u>-</u>	<u>-</u>

25. Guarantees

The group's bankers, HSBC Bank Plc, have given a guarantee on liabilities for VAT deferment on imports up to £600,000 (2005: £600,000) in favour of HM Customs and Excise, a guarantee of liabilities on imports and exports up to £15,000 (2005: £21,000) in favour of London Chamber of Commerce and Industry.

26. 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.

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	
		2006 £'000	2005 £'000	2006 £'000	2005 £'000
Asprey Limited	Financing	(3,838)	(2,576)	(5,305)	(3,291)
A&G UK Limited	Trading (see note below)	(34,899)	(48,651)	(14,336)	(52,735)
A&G Italy srl	Trading	(4,495)	(3,155)	(3,168)	(1,856)
Asprey International Ltd	Financing	(1,180)	-	(1,180)	-
Asprey Worldwide Holdings Ltd	Financing	3,109	2,886	3,109	2,860
Garrard & Co. Limited	Financing	-	4,300	-	912
Garrard Holdings Limited	Financing	-	845	-	(684)

A provision of £8,325,000 (2005: £8,325,000) has been made against the inter group balance with A&G UK Limited (see note 28).

Following the finance restructuring signed on 16 March 06 as mentioned in the Chief Executive's review, all the assets of the company and of the group are pledged by the top holding company Asprey International Ltd and the shareholder Plainfield Special Situations Master Fund Ltd. All the assets of the company and of the group as of 31 March 2006 are not pledged by any third party.

Asprey Holdings Limited

Notes to the financial statements For the year ended 31 March 2006

26. Related party transactions (continued)

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

		Group		Company	
Name of Company	Nature of transaction	2006	2005	2006	2005
		£'000	£'000	£'000	£'000
A&G UK Limited	Service fees	(1,566)	(2,553)	(75)	(140)
A&G Italy srl	Purchase of product and service fees	(1,144)	(1,426)	(1,144)	(1,330)

27. 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. Ultimately the principal shareholders are 46.7% owned by Plainfield Special Situations Master Fund Ltd and 35.7% owned by Fleming Holdings Limited (Cayman).

At the previous year end the company was 36.7% owned by Sportswear Holdings Limited, a company registered in the British Virgin Islands, 30.5% owned by SBS Partners LLC, 2.9% by the TAG Group and 18.1% 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 (previously 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 (previously a fellow director of Asprey Holdings Limited) and his family.

28. Post balance sheet events

The group remains loss making at this stage in its development and as such is reliant on funds from its shareholders in the 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.