# MONTBLANC (UK) LIMITED

**Registered number: 03482431**

**Annual report**

**for the year ended 31 March 2008**

# Montblanc (UK) Limited

## Annual report for the year ended 31 March 2008

### Contents


| | Page |
|---|---|
| Directors' report | 2 |
| Statement of directors' responsibilities | 5 |
| Independent auditors' report | 6 |
| Income statement | 8 |
| Balance sheet | 9 |
| Statement of changes to shareholders' equity | 10 |
| Cash flow statement | 11 |
| Notes to the financial statements | 12 |

# Montblanc (UK) Limited

## Directors' report for the year ended 31 March 2008

The directors submit their report and the audited financial statements for the year ended 31 March 2008.

### Principal activities

The principal activities of the company continue to be the marketing and sale of luxury consumer products in the United Kingdom, including pens, accessories for men and women, watches, jewellery, leather goods and associated products. The company's registered office address is 1, Towers Place, Richmond, Surrey TW9 1EG, United Kingdom. Montblanc (UK) Limited is a company incorporated in the United Kingdom.

### Results

The results of the company for the year are set out in the income statement on page 8 and the notes on pages 12 to 24.

### Review of business and future developments

During the year the company made a profit of £2,492,000 (2007: £1,718,000). The year end financial position of the company was solid. The market for Montblanc's products continues to grow in the UK, and further growth is expected due to the new product category launches in the future. The directors expect a slowdown in growth in the foreseeable future due to the current economic environment.

### Principal risks and uncertainties

The directors of the Compagnie Financiere Richemont SA Group (Montblanc (UK) Limited's ultimate parent) manage the Group's risk centrally rather than at an individual business unit level.

The principle risks and uncertainties of the Group, which include those of the company, are discussed in the Group's annual report which can be obtained from the address given in note 21 of the financial statements.

### Dividends

The directors do not recommend the payment of a dividend for the year ended 31 March 2008 (2007: nil).

### Directors

The directors of the Company during the year and at the date of this report were:

| | |
|---|---|
| K. Boltman | (Managing Director) |
| K.H. Handke | |
| S. Tornieporth | |
| W.S.G. Lawrence | (Company Secretary) |

### Directors interests

The beneficial interests of directors who are also directors of Richemont Holdings (UK) Limited are disclosed in the accounts of that company.

## Directors' report for the year ended 31 March 2008 - continued

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

The directors have interests in the share options of the company's ultimate parent, Compagnie Financière Richemont S.A. During the year, two directors (2007: four) exercised share options over 'A' equity units of Compagnie Financière Richemont S.A.

### Employee information

The company is an equal opportunity employer and no job applicant or employee receives less favourable treatment on the grounds of sex, marital status, race, colour or creed.

Employees are kept as fully informed as possible of the company's performance and direction, and there are established channels for consultation and communication.

### Employment of disabled persons

It is the policy of the company to give full and fair consideration to the employment of disabled persons, in jobs suited to their individual circumstances and, as appropriate, to consider them for recruitment opportunities, career development and training. Special consideration is given to re-training those who become disabled whilst in the company's employment.

### Health and safety

The company's policy is to ensure that, as far as is reasonably practicable, working environments exist which will minimise risk to the health and safety of employees. Programmes exist to reinforce the company's risk management procedures and to heighten awareness of environmental issues as well as health and safety matters.

### Payables payment policy

The current policy concerning the payment of the majority of its trade payables is to:

(a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;
(b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
(c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to payables for revenue and capital supplies of goods and services without exception

### Amendment of financial statements

No party has the power to amend the financial statements after issue.

### Auditors

An elective resolution is in place which negates the need to re-appoint auditors.

**Montblanc (UK) Limited**

By Order of the Board

W S G Lawrence
Secretary
28th January 2009

# Montblanc (UK) Limited

## Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing 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 the financial statements comply with IFRS as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are content that all the relevant audit information has been disclosed to the auditors and that there is no relevant audit information of which the auditors are unaware and that each has taken all the steps they should have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.
- this confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

By order of the board

**W S G Lawrence**
**Secretary**
**28th January 2009**

# Independent auditors' report to the members of Montblanc (UK) Limited

We have audited the financial statements of Montblanc (UK) Limited for the year ended 31 March 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, Statement of Changes in shareholders' equity 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 financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**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 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.

# Independent auditors' report to the members of Montblanc (UK) Limited

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2008 and of its profit 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.

PricewaterhouseCoopers LLP

**PricewaterhouseCoopers LLP**

**Chartered Accountants and Registered Auditors**

London

28th January 2009

# Montblanc (UK) Limited

## Income statement for the year ended 31 March 2008

| | Note | 2008<br>£'000 | 2007<br>£'000<br>(as re-stated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 2 | **18,377** | 16,326 |
| Cost of sales | | **(9,699)** | (8,266) |
| Gross profit | | **8,678** | 8,060 |
| Selling and administrative expenses | | **(7,386)** | (7,350) |
| Other operating income | | **1,080** | 934 |
| **Operating profit** | | **2,372** | 1,644 |
| Interest income | 5 | **125** | 74 |
| Interest expense | 5 | **(5)** | - |
| Profit before tax | 6 | **2,492** | 1,718 |
| Taxation on ordinary activities | 7 | **-** | - |
| **Profit for the year attributable to equity shareholders** | | **2,492** | 1,718 |

The company has no recognized income and expense other than those included in the profit above, and accordingly, no separate statement of recognized income and expense is prepared.

The notes on pages 12 to 24 form an integral part of these financial statements.

# Montblanc (UK) Limited

## Balance Sheet as at 31 March 2008

| | Note | 2008 £'000 | 2007 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 9 | **133** | 184 |
| Property, plant and equipment | 10 | **1,445** | 1,366 |
| | | **1,578** | 1,550 |
| **Current assets** | | | |
| Inventories | 11 | **2,119** | 2,018 |
| Trade and other receivables | 12 | **1,489** | 1,518 |
| Cash and cash equivalents | | **5,508** | 3,377 |
| | | **9,116** | 6,913 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **(2,215)** | (2,349) |
| **Net current assets** | | **6,901** | 4,564 |
| **Non-current liabilities** | | | |
| Retirement benefit liabilities | 14 | **(39)** | (82) |
| Deferred tax liabilities | 15 | **-** | - |
| Provisions | 16 | **(87)** | (187) |
| **Net assets** | | **8,353** | 5,845 |
| **Shareholders' equity** | | | |
| Ordinary shares | 17 | **-** | - |
| Retained earnings | | **8,284** | 5,792 |
| Employee share option reserve | | **69** | 53 |
| **Total shareholders' equity** | | **8,353** | 5,845 |

The financial statements on pages 8 to 24 were approved by the board of directors on 28th January 2009 and ~~were~~ signed on its behalf by:

Kevin Boltman
Director

The notes on pages 12 to 24 form an integral part of these financial statements.

## Montblanc (UK) Limited

### Statement of changes in shareholders' equity

| | Share Capital | Retained earnings | Other reserve | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2006 | - | 4,074 | 34 | 4,108 |
| Net profit | - | 1,718 | - | 1,718 |
| Dividend | - | - | - | - |
| Share based payments | - | - | 19 | 19 |
| At 1 April 2007 | - | 5,792 | 53 | 5,845 |
| Net profit | - | 2,492 | - | 2,492 |
| Share-based payments | - | - | 16 | 16 |
| At 31 March 2008 | - | 8,284 | 69 | 8,353 |

Since the Share Capital amounted to £1, it is not shown on the face of the statement as the disclosure is in £ thousands.

# Montblanc (UK) Limited

**Cash flow statement for the year ended 31 March 2008**

| | | **2008** | 2007 |
|---|---|---|---|
| | | **£'000** | £'000 |
| | | | (as re-stated) |
| **Cash flows from operating activities** | | | |
| Operating profit | | **2,372** | 1,644 |
| Adjustments for: | | | |
| Depreciation | 10 | **378** | 247 |
| Amortisation | 9 | **51** | 50 |
| Share-based expenses | | **16** | 19 |
| Provision for social charge | 16 | **-** | (58) |
| Provision for sales guarantees | | **43** | 1 |
| Provision for sales returns | | **(1)** | 75 |
| Exchange rate differences | | **(136)** | 13 |
| Changes in working capital | | | |
| Increase in inventories | 11 | **(101)** | (359) |
| Decrease in receivables | 12 | **29** | (116) |
| Increase in payables | 13/14 | **(319)** | 803 |
| **Net cash generated from operating activities** | | **2,332** | 2,319 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant & equipment | 10 | **(471)** | (876) |
| Disposal of property, plant & equipment | | **14** | 12 |
| Interest received | 5 | **120** | 74 |
| **Net cash used in investing activities** | | **(337)** | (790) |
| **Cash flows from financing activities** | | | |
| Dividends paid to company's shareholders | 8 | **-** | - |
| Cash flow from financing activities | | **-** | - |
| Effects of exchange rate changes | | **136** | (13) |
| **Net increase in cash & cash equivalents** | | **2,131** | 1,516 |
| **Cash and cash equivalent at 1 April** | | **3,377** | 1,861 |
| **Cash and cash equivalent at 31 March** | | **5,508** | 3,377 |

The notes on pages 12 to 24 form an integral part of these financial statements.

## 1 Summary of significant accounting policies

These financial statements have been prepared on the going concern basis under the accounting policies set out below, which have been applied consistently and in accordance with applicable accounting standards.

**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The accounts have been prepared in accordance with the historical cost convention.

**Revenue recognition**

*(a) Goods and services*

Sales revenue comprises the fair value of the sale of goods and services, net of value-added tax, duties, other sales taxes, rebates and trade discounts. Revenue is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

*(b) Interest income*

Interest income is recognized on a time-proportion basis using the effective interest method.

**Foreign currencies**

*(a) Functional and presentation currency*

Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Sterling Pound, which is the company's functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the actual rate of exchange ruling at the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

*The company as a lessee*

The annual rental for operating leases is charged to the income statement on a straight-line basis over the lease term. Operating lease incentives for sub-lessees are allocated to the income statement over the term of the lease, or over the period until the next rent review to open market value, whichever is shorter.

### Taxation

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

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. In general, cost is determined on a weighted average cost, or on an individual cost basis. Net realisable value is the price at which inventories can be realised in the normal course of business, after allowing for the estimated cost of realisation. Where necessary, provision is made for obsolete, slow moving and defective inventories.

### Property, plant and equipment

Property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, up to the limits of, as follows:

| | |
|---|---|
| Leasehold improvements | 10 years, or the period of the lease if less. |
| Furniture and equipment | 5 years |
| Computer equipment | 3 years |
| Motor vehicles | 3 to 4 years |

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

**Intangible Assets**

Intangible assets, which are key money on shop leases, are initially recorded at cost less accumulated depreciation and impairment, and amortised on a straight-line basis over the lesser of 10 years or the remaining period of the lease.

**Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

**Cash and cash equivalents**

For the purposes of cash flow statement, cash and cash equivalents comprise deposits with banks and financial institutions, bank and cash balances, and liquid investments within 3 months, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current borrowings.

**Trade and other payables**

Trade and other payables are stated at their nominal value.

**Provisions**

Provisions are made when there is a liability resulting from past events and the amount can be reliably estimated. The amount recognised as provision is the best estimate of expenditure required to settle the present obligation at balance sheet date.

**Share capital**

Shares issued by the Company are classified as equity attributable to the company's shareholders.

**Employee benefit**

*a) Retirement benefit obligations*

The Company participates in a defined contribution pension plan which is open to its UK employees. Employer contributions are charged to the profit and loss account in the period in which they are incurred. The Company's pension costs relating to the defined contribution plan for the year was £9,966 (2007: £5,032).

The Company is also a participating employer in the Richemont UK Pension Plan, which provides defined benefits. The Plan's funds are administered by trustees and are independent of the Company's finances. Contributions are paid to the Plan in accordance with the recommendations of an independent actuarial advisor.

# Montblanc (UK) Limited

## Notes to the financial statement for the year ended 31 March 2008 - continued

The total pension cost for the year, calculated in accordance with IAS19 (Employee Benefits), is split between the UK brands that participate in the Plan taking into account the attributes of each brands' employees in the Plan. In determining the total pension cost, actuarial gains and losses in excess of the 10% corridor (10% of the greater of the Plan's assets and liabilities) are recognised over the future remaining working life of the active membership.

*b) Share-based payments*

The executives of the company participate in a group equity-settled share-based compensation plan operated by the ultimate parent company, Compagnie Financière Richemont SA. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Share-based payments are recognised in the income statement as an expense, spread over the expected vesting period using a fair value model.

## 2 Revenue

An analysis of the company's revenue is as follows:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Sale of goods and services | **18,377** | 16,326 |

## 3 Directors' emoluments

Emoluments of directors of the Company excluding pension contributions were:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Aggregate emoluments | **135** | 138 |

Retirement benefits accruing under defined benefit schemes amounted to £643,000.

## 4 Staff costs

The aggregate remuneration comprised:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Wages and salaries | **1,878** | 1,701 |
| Social security costs | **195** | 172 |
| Share option costs | **16** | 19 |
| Pension costs – defined contribution costs | **9** | 5 |
| - defined benefit costs | **85** | 121 |
| | **2,166** | 2,018 |

The average weekly number of persons (excluding executive directors) employed by the company during the year was 61 (2007: 61). 17 employees (2007: 20) participated in the group pension scheme for the year ended 31 March 2008 and 31 March 2007.

## 5 Finance income

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| | | (as re-stated) |
| Interest income | **125** | 74 |
| Interest expense | **(5)** | - |

In 2008 Foreign exchange gains have been reclassified from Interest Income to Other Operating Income on the face of the Income Statement and Cash Flow Statement. The 2007 balances have been restated to reflect this on the face of the Income Statement and the Cash Flow Statement.

## 6 Profit before tax

Profit before tax is stated after charging/(crediting) the following items:

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| | | (as re-stated) |
| Staff costs (note 4) | **2,073** | 1,892 |
| Inventories | | |
| - cost of inventories recognised as an expense | **9,050** | 7,829 |
| - (decrease) / increase in stock provisions | **(46)** | 26 |
| Depreciation of property, plant and equipment | **378** | 247 |
| Amortisation | **51** | 50 |
| Operating lease rentals – Property | **1,286** | 1,286 |
| Foreign exchange differences | **(136)** | 13 |
| Profit on disposal of fixed assets | **(7)** | - |
| Auditors' remuneration | | |
| - Audit services | **26** | 24 |
| - Tax | **-** | 2 |
| Rental income | **(165)** | (165) |
| Advertising contribution | **(783)** | (779) |

In 2008 Rental Income and Advertising Contribution are disclosed separately as Other Operating Income on the face of the Income Statement. The 2007 balances have been restated to reflect this.

## 7 Taxation

Analysis of charge in the year:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| **Current tax** | | |
| Group relief payable at 0% | - | - |
| Total current tax | - | - |
| **Deferred tax** | | |
| Current year deferred tax | - | - |
| Prior year deferred tax | - | - |
| Total deferred tax | - | - |
| Total tax charge | - | - |

Deferred tax in the current and prior year was unrecognised.
The charge for the year can be reconciled to the profit per the income statement as follows:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Profit on ordinary activities before tax | **2,492** | 1,718 |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2007: 30%) | **748** | 515 |
| Effects of: | | |
| - Expenses not deductible for tax purposes | **95** | 218 |
| - Fixed asset timing differences, not provided | **61** | 28 |
| - Other timing differences, not provided | **43** | (4) |
| - Tax benefit of share option exercised | - | (112) |
| - Group relief (claimed) | **(947)** | (645) |
| Total tax charge for period | - | - |

The standard rate of corporation tax in the UK from 1 April 2008 is 28%

## 8 Dividends

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Interim paid: nil (2007: nil) per £1 share | - | - |

The directors are not proposing a final dividend in respect of the financial year ending 31 March 2008 (2007: nil).

# Montblanc (UK) Limited

## Notes to the financial statement for the year ended 31 March 2008 - continued

### 9 Intangibles

| | Leasehold rights £'000 | Total £'000 |
|---|---|---|
| **Cost** | | |
| At 1 April 2007 and at 31 March 2008 | **504** | **504** |
| **Aggregate amortisation and impairment** | | |
| At 1 April 2007 | 320 | 320 |
| Charge for the year | 51 | 51 |
| At 31 March 2008 | 371 | 371 |
| **Net book value** | | |
| At 31 March 2008 | **133** | **133** |
| At 31 March 2007 | 184 | 184 |

### 10 Property, plant and equipment

| | Boutique Fittings | Motor Vehicles | IT Hardware | Office Furniture | Total £'000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 April 2007 | 1,800 | 72 | 90 | 105 | 2,067 |
| Additions | 436 | - | 32 | 3 | 471 |
| Disposals | (106) | (72) | - | - | (178) |
| At 31 March 2008 | 2,130 | - | 122 | 108 | 2,360 |
| **Accumulated depreciation** | | | | | |
| At 1 April 2006 | 563 | 50 | 50 | 38 | 701 |
| Charge for the year | 314 | 15 | 27 | 22 | 378 |
| Disposals | (99) | (65) | - | - | (164) |
| At 31 March 2007 | 778 | - | 77 | 60 | 915 |
| **Net book value** | | | | | |
| At 31 March 2008 | **1,352** | **-** | **45** | **48** | **1,445** |
| At 31 March 2007 | 1,237 | 22 | 40 | 67 | 1,366 |

## 11 Inventories

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Goods for resale | **1,991** | 1,868 |
| Spare parts | **105** | 140 |
| Stock in transit | **23** | 10 |
| | **2,119** | 2,018 |

## 12 Trade and other receivables

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Trade receivables | **1,158** | 1,174 |
| Amounts due by group companies | **37** | 43 |
| Prepayments | **208** | 214 |
| Other receivables | **86** | 87 |
| | **1,489** | 1,518 |

## 13 Trade and other payables

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Trade payables | **545** | 365 |
| Amounts owed to group undertakings | **1,076** | 1,279 |
| Tax and social security | **51** | 47 |
| Other payables – rent free period | **13** | 28 |
| Sales returns | **74** | - |
| Sales guarantees – current portion | **68** | - |
| Accruals | **388** | 630 |
| | **2,215** | 2,349 |

Amounts due to group companies are unsecured, interest free and repayable on standard 30-day terms.

## 14 Pension

**Defined benefit plans**

The Company, along with other Richemont Group entities in the UK, is a participating employer in the Richemont UK Pension Plan. This Plan provides benefits based on final pensionable emoluments and the risks are shared between the participating entities. The assets of the Plan are held in a separate trustee-administered fund.

The total pension cost for the year that relates to the Plan is calculated in accordance with IAS19 (Employee Benefits). The Group has adopted early the provisions of paragraph 34A of IAS19 (Revised December 2004) with regard to charging the net defined benefit cost to individual Group entities. There is a policy to split the total cost between the UK brands that participate in the Plan.

The total cost is split by reference to the cost of accruing benefits, allowing for the age, benefit and salary

profile of each brand's members in the Plan. Hence, the Company's pension cost represents its share of the total cost relating to the Plan.
Contributions are paid to the Plan in accordance with the recommendations of an independent actuarial advisor. The Company's contributions reflect the age, benefit and salary profile of its members in the Plan.

The Company's balance sheet asset or liability relating to the Plan is calculated as the cumulative difference between the pension cost and the Company's contributions to the Plan. The recent history of pension costs, contributions and balance sheet items is as follows:

| £'000's | **2008** | 2007 |
|---|---|---|
| **Balance sheet liability/(asset) at year start** | **82** | 95 |
| Pension cost | **85** | 121 |
| (Company Contribution) | **(128)** | (134) |
| **Balance sheet liability/(asset) at year end** | 39 | 82 |

Full disclosure of the IAS19 results for the Plan is shown in the accounts of Richemont Holdings Limited.

## 15 Deferred tax asset

There is a net deferred tax asset at the balance sheet date. This has not been recognized as it is not considered to be recoverable in the foreseeable future. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2007 - 30%).The total unprovided deferred tax asset is £372k (2007: £239k). This is made up of:

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| **Provided deferred tax asset** | | |
| Fixed asset timing differences | - | - |
| Other timing differences | - | - |
| | - | - |

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| **Unprovided deferred tax asset** | | |
| Fixed asset timing differences | **(242)** | (165) |
| Other timing differences | **(63)** | (25) |
| Share based payments | **(67)** | (49) |
| | (372) | (239) |

No deferred tax asset was recognized in the prior period and it has been assumed that group losses will be available to shelter any taxable profits in the foreseeable future. For these reasons, no deferred tax asset has been recognized in the current period.

## 16 Provision for liabilities and charges

| | Sales Returns £'000 | Sales Guarantees £'000 | Social charges on share options £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 April 2007 | 75 | 92 | 20 | 187 |
| Utilised during the year | (38) | - | - | (38) |
| Net amount (released)/ provided in the year | 37 | 43 | - | 80 |
| Transferred to short term liabilities | (74) | (68) | - | (142) |
| **At 31 March 2008** | - | 67 | 20 | 87 |

A provision for sales returns, a provision for social charges on employee share option plan and a provision for liabilities under sales guarantees are set up in accordance with IAS 37.

## 17 Share capital

| | **2008 £'000** | 2007 £'000 |
|---|---|---|
| **Authorised** | | |
| 10,000 ordinary shares of £1 each | **10** | 10 |
| **Issued and fully paid** | | |
| 1 ordinary shares of £1 each | - | - |

## 18 Operating lease commitments

The commitments under non-cancellable operating leases are as follows:

| | **2008 £'000** | 2007 £'000 |
|---|---|---|
| Property | | |
| - Expiring within one year | **1,184** | 1,095 |
| - Expiring between two to five years | **3,911** | 3,785 |
| - Expiring after five years | **1,379** | 2,204 |
| | **6,474** | 7,084 |

## 19 Related party transactions

During the year, the company entered into the following transactions with associated undertakings:

| **Transactions with related party (income)/ expense** | | **Purchases £'000** | **Other Transactions £'000** |
|---|---|---|---|
| Fellow subsidiaries | **- 2008** | **9,706** | **(377)** |
| Fellow subsidiaries | - 2007 | 8,718 | 655 |

| **Balances with related party** | | **Debtor £'000** | **Creditor £'000** |
|---|---|---|---|
| Fellow subsidiaries | **- 2008** | **37** | **(1,076)** |
| Fellow subsidiaries | - 2007 | 43 | (1,279) |

Key management compensation and other related party transactions are disclosed in note 3, Directors' emoluments.

The company has not entered into any other related party transactions as defined by IAS 24.

## 20 Share-based payment

### Unit option scheme

The Group has a long-term unit-based compensation plan whereby executives are awarded options to acquire units at a pre-determined price. Awards under the unit option scheme vest over periods of three to seven years and have expiry dates, the date after which unexercised options lapse, of between 5 and 10 years from the date of grant.

A reconciliation of the movement in the number of awards granted to executives is as follows:

| | Weighted average exercise price in CHF per unit | Number of options |
|---|---|---|
| Balance at 1 April 2006 | 26.94 | 33 750 |
| Awarded | 53.1 | 3 000 |
| Exercised | 23.81 | ( 19 500) |
| Balance at 31 March 2007 | 35.02 | 17 250 |
| Balance at 31 March 2008 | | 17 250 |

4,750 options were exercisable at 31 March 2008 (2007: nil).

The following information applies to options outstanding at the end of each year:

| | Exercise Price | Number of options | Weighted average remaining contractual life |
|---|---|---|---|
| 31 March 2007 | | | |
| | CHF 20.00 | 4 000 | 5.2 years |
| | CHF 24.25 | 1 250 | 5.2 years |
| | CHF 33.10 | 4 500 | 6.2 years |
| | CHF 41.25 | 4 500 | 7.2 years |
| | CHF 53.10 | 3 000 | 8.2 years |
| 31 March 2008 | | | |
| | CHF 20.00 | 4 000 | 4.2 years |
| | CHF 24.25 | 1 250 | 4.2 years |
| | CHF 33.10 | 4 500 | 5.2 years |
| | CHF 41.25 | 4 500 | 6.2 years |
| | CHF 53.10 | 3000 | 7.2 years |

The average fair value of options granted during the period determined using the black scholes model (2007: binomial valuation model) was CHF 27.38 (2007: CHF 18.89). The significant inputs into the model were the unit price of CHF 73.40 (2007: CHF 53.10) at the grant date, the exercise prices shown above, a standard deviation of expected unit price returns of 33 and 34 per cent (2007: 35.0 per cent), an expected option life of seven to nine years, a dividend yield of 1.46 per cent (2007: 1.73 per cent) and a risk-free interest rate of 3.0 per cent to 3.1 per cent (2007: 2.0 per cent to 2.5 per cent). The volatility measured at the standard deviation of expected unit price returns is based on statistical analysis of daily unit prices over the last seven to nine years.

The amounts recognised in the financial statements (before social security and taxes) for equity-settled share-based payment transactions can be summarised as follows:

| | 2008 | 2007 |
|---|---|---|
| Unit option expense | 36 724 | 44 086 |

## 21 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Montblanc International BV, registered in the Netherlands.

The directors regard Compagnie Financière Richemont SA, a listed company incorporated in Switzerland, to be the ultimate parent company. Copies of the financial statements of Compagnie Financière Richemont SA are available from its registered office at 8 Boulevard James-Fazy, 1201 Geneva, Switzerland.