

**Montblanc (UK) Limited**  
**(Registered Number: 03482431)**

**Annual Report**  
**For the year ended 31 March 2011**



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# **Montblanc (UK) Limited**

## **Annual report for the year ended 31 March 2011**

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# **Montblanc (UK) Limited**

## **Directors and Advisors**

### **Directors**

K Boltman	(Managing Director)
W S G Lawrence	(Secretary)
K H Handke	
S Tornieporth	

### **Registered Office**

1 Towers Place  
Richmond  
Surrey  
TW9 1EG

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

# **Montblanc (UK) Limited**

## **Directors' Report for the year ended 31 March 2011**

The directors submit their report and the audited financial statements of Montblanc (UK) Limited ("the company") for the year ended 31 March 2011

### **Principal activities**

Montblanc (UK) Limited is a company incorporated in the United Kingdom under the Companies Act 2006

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

### **Results**

During the year, the company made a profit after tax of £450,000 (2010 £1,314,000) The statement of comprehensive income is set out on page 7

### **Dividends**

An interim dividend of £5,000,000 per ordinary share, amounting to £5,000,000 (2010 £nil) was paid on 25 March 2011 The directors do not recommend the payment of a final dividend for the year ended 31 March 2011 (2010 £nil)

### **Review of business and future developments**

The company operates a number of its own boutiques in central London, and concessions in other stores in Birmingham, Manchester, and London The results for the company show a pre-tax profit of £783,000 (2010 £1,390,000) for the year and sales of £17,948,000 (2010 £17,918,000) The company had cash at bank at the year end of £2,883,000 (2010 £7,161,000) The company has borrowings of £nil (2010 £nil) Montblanc sales were only slightly ahead of the previous year Trading was affected by continued uncertainty in the UK economy The pre-tax profit dropped due to wage inflation and higher pension costs in the current year and the impairment charge reversal in the prior year It is expected that sales will grow in the coming year, driven by Montblanc's product diversification strategy

### **Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the company are considered to relate to competition from both national and independent retailers, employee retention, and product availability However, the directors of the Richemont group (Compagnie Financière Richemont SA) manage the group's risk at a brand level rather than at an individual business unit level

## **Montblanc (UK) Limited**

### **Directors' Report for the year ended 31 March 2011 continued**

#### **Key performance indicators**

The directors of the Richemont group manage the group's operations on a divisional basis and monitor the performance of Montblanc (UK) Limited at a consolidated brand level

For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Montblanc (UK) Limited

#### **Directors and their interests**

The directors of the company during the year and up to the date of signing the financial statements were -

K Boltman	(Managing Director)
W S G Lawrence	(Secretary)
K H Handke	(Director)
S Tornieporth	(Director)

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

#### **Contributions**

Contributions made by the company during the year for charitable purposes amounted to £nil (2010 £nil) No contributions for political purposes were made during the year (2010 £nil)

#### **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Directors' 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 ("IFRSs") as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they 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 applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

## Montblanc (UK) Limited

### Directors' Report for the year ended 31 March 2011 continued

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 are sufficient to show and explain the company's transactions and 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 2006

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

### Statement of disclosure of information to auditors

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

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

### Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. An elective resolution is in place which negates the need to re-appoint auditors

### By Order of the Board



W S G Lawrence

Secretary

15 June 2011

# **Montblanc (UK) Limited**

## **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 2011 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flow, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Montblanc (UK) Limited

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Simon Morley  
Senior Statutory Auditor  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London

16 June 2011



## Montblanc (UK) Limited

### Statement of comprehensive income for the year ended 31 March

	Note	2011 £'000	2010 £'000
Revenue		17,948	17,918
Cost of sales		(9,737)	(9,706)
<b>Gross profit</b>		<b>8,211</b>	<b>8,212</b>
Selling and marketing costs		(7,484)	(6,729)
Including Impairment release		-	396
Administrative expenses		(617)	(640)
Other operating income	6	673	547
<b>Operating profit</b>	4	<b>783</b>	<b>1,390</b>
Finance income/(expense)		-	-
<b>Profit before taxation</b>		<b>783</b>	<b>1,390</b>
Taxation	8	(333)	(76)
<b>Total comprehensive income for the year attributable to the owners of the company</b>		<b>450</b>	<b>1,314</b>

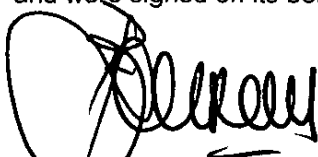
The notes on pages 11 to 32 form an integral part of these financial statements

# Montblanc (UK) Limited

## Statement of financial position as at 31 March

	Note	2011 £'000	2010 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	1,026	1,339
Intangible assets	11	7	42
Retirement benefit asset	17	62	198
Deferred tax asset	8	367	401
		<u>1,462</u>	<u>1,980</u>
<b>Current assets</b>			
Inventories	12	2,917	2,647
Trade and other receivables	13	1,425	1,441
Cash and cash equivalents	14	2,883	7,161
		<u>7,225</u>	<u>11,249</u>
<b>Current liabilities</b>			
Trade and other payables	15	(2,384)	(2,225)
Provisions	16	(56)	(65)
Corporation tax liability	8	(300)	(477)
		<u>(2,740)</u>	<u>(2,767)</u>
<b>Net current assets</b>		<u>4,485</u>	<u>8,482</u>
<b>Total assets less current liabilities</b>		<u>5,947</u>	<u>10,462</u>
<b>Non-current liabilities</b>			
Deferred income	15	(54)	(102)
Provisions	16	(119)	(62)
		<u>(173)</u>	<u>(164)</u>
<b>Net assets</b>		<u>5,774</u>	<u>10,298</u>
<b>Capital and reserves</b>			
Share capital	18	-	-
Share option reserve		139	113
Retained earnings		5,635	10,185
<b>Total equity</b>		<u>5,774</u>	<u>10,298</u>

The financial statements on pages 7 to 32 were approved by the Board of Directors and were signed on its behalf by



K Boltman  
Director  
Montblanc (UK) Limited  
Registered number 3482431  
15 June 2011

## Montblanc (UK) Limited

### Statement of changes in equity

	Note	Share capital £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2009</b>		-	89	8,871	8,960
Profit for the year		-	-	1,314	1,314
Share options value of services provided		-	24	-	24
<b>At 31 March 2010</b>		-	113	10,185	10,298
Profit for the year		-	-	450	450
Dividend		-	-	(5,000)	(5,000)
Share options value of services provided		-	26	-	26
<b>At 31 March 2011</b>		-	139	5,635	5,774

Since the share capital amounts to £1, it is not shown on the face of the statement as the disclosure is in £ thousands

Credits to the share option reserve correspond to the fair value of the employee services received in exchange for share options granted to certain of the group's executives. The share option reserve is not distributable.

The notes on pages 11 to 32 form an integral part of these financial statements

## Montblanc (UK) Limited

### Statement of cash flow for the year ended 31 March

	Note	2011 £'000	2010 £'000
<b>Cash flows from operating activities</b>			
Cash inflow from operations	19	923	2,088
Interest received		-	-
Net cash generated from operating activities		923	2,088
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	10	(202)	(45)
Disposal of property, plant and equipment		1	-
Net cash flow from investing activities		(201)	(45)
<b>Cash flows from financing activities</b>			
Dividend paid		(5,000)	-
Net cash used for financing activities		(5,000)	-
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(4,278)</b>	<b>2,043</b>
Cash and cash equivalents at 1 April	14	7,161	5,118
<b>Cash and cash equivalents at 31 March</b>	14	<b>2,883</b>	<b>7,161</b>

The notes on pages 11 to 32 form an integral part of these financial statements

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2011

### 1 Basis of preparation

#### (a) General information and basis of preparation

These financial statements of the company have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards issued or adopted by the International Accounting Standards Board ('IASB') and in accordance with interpretations issued or adopted by the International Financial Reporting Interpretations Committee ('IFRIC'), (together 'IFRS')

The policies set out below have been consistently applied to the periods presented unless otherwise stated

These financial statements have been prepared under the historical cost convention

#### (b) New accounting standards

Certain new accounting standards, amendments issued by the IASB and interpretations issued by the IFRIC are not yet effective for the year ended 31 March 2011 and have not been early adopted in preparing these financial statements. None of these are expected to have a significant effect on the company's financial statements, except for IFRS 9 Financial Instruments, which becomes mandatory for the company's 2014 financial statements and could change the classification and measurement of financial assets. The company does not plan to adopt this standard early and the extent of the impact has not been determined.

The financial statements are prepared on a going concern basis

#### (c) Foreign currency translation

##### *Functional and presentation currency*

Items included in the 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, which is the company's functional and presentation currency.

##### *Transactions and balances*

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

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 1 Basis of preparation (continued)

#### (d) Intangible assets

##### *Software*

Costs that are directly associated with developing, implementing or improving identifiable software products having an expected benefit beyond one year are recognised as intangible assets and amortised using the straight line method over their useful lives, not exceeding a period of five years. Costs associated with evaluating or maintaining computer software are expensed as incurred.

##### *Leasehold rights and incentives*

Premiums paid to parties other than the lessor at the inception of operating leases for leasehold buildings are capitalised and amortised over the lesser of 10 years or the remaining period of the lease.

#### (e) Property, plant and equipment

All property, plant and equipment is shown at cost less subsequent 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 repair and maintenance costs are charged to the statement of comprehensive income 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 estimated residual value over its estimated useful life, up to the limits, as follows:

- Leasehold improvements	the shorter of 10 years or the life of the lease
- Furniture and equipment	20% per annum
- Computer equipment	33% per annum

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 and are included in the statement of comprehensive income for the period.

#### (f) Impairment of assets

All plant, property and equipment, intangible assets and financial assets are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be fully recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 1 Basis of preparation (continued)

#### (g) 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.

#### (h) 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 set by the directors with reference to all the available information and including an assessment of the extent to which the debt may be recovered and the likelihood of such a recovery being made. The provision is recognised in the statement of comprehensive income for the period.

#### (i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### (j) Taxation

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

Deferred income tax is provided using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### (k) Employee benefits

##### *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 statement of comprehensive income in the period in which they fall due.

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 1 Basis of preparation (continued)

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.

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 brand's 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.

#### *Bonus plans*

The company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

### (l) Provisions

Provisions for restructuring costs, legal claims and other liabilities are recognised when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value at the reporting date of management's best estimate of the expenditure required to settle the obligation. The pre-tax discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

### (m) Revenue recognition

#### *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 the significant risks and rewards of ownership of the goods and services are transferred to the buyer.

### (n) Interest income

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

### (o) Leases

Payments made under operating leases (net of any incentives received) are charged to the statement of comprehensive income on a straight-line basis over the lease term.



# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 1 Basis of preparation (continued)

#### (p) 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 statement of comprehensive income as an expense, spread over the expected vesting period using a fair value model.

### 2 Critical accounting estimates and judgements

The company is required to make estimates and assumptions that affect certain statement of financial position and statement of comprehensive income items and certain disclosures regarding contingencies. Estimates and judgements applied by management are continuously evaluated and are based on information available, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances at the dates of preparation of the financial statements. Principal matters where assumptions, judgement and estimates have a significant role are described in relevant notes to the financial statements and relate in particular to:

- the determination of sales deductions, including rebates, returns, discounts and incentives, which are reported as a reduction in sales,
- the determination of carrying values for property, plant and equipment and inventories,
- the assessment and recording of liabilities in respect of retirement benefit obligations, and
- the recognition of provision for income taxes, including deferred taxation, taking into account the related uncertainties in the normal course of business.

The amounts involved are disclosed elsewhere in the financial statements, and the likelihood of a significant adjustment to any amounts in the next 12 months is limited.

### 3 Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk.

#### *(a) Market risk*

Foreign exchange risk – the company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and Swiss Franc. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The company's exposure is limited and therefore there is no formal hedging policy.

#### *(b) Credit risk*

The company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Credit risk arising from cash and deposits with credit institutions is managed by the Richemont Group.

#### *(c) Liquidity risk*

The company maintains cash balances that are designated to ensure the company has sufficient funds available for operations and planned expansions.

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2011 (continued)

#### *(d) Price risk*

The company is not exposed, materially, to commodity price risk as generally purchases are intragroup. Any exposure to commodity price risk is therefore managed by the Richemont Group.

#### *(e) Interest rate cash flow risk*

As the company has no significant interest bearing assets, with the exception of cash, the company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate risk arising from cash with credit institutions is managed by the Richemont Group.

#### **4 Operating Profit**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit is stated after charging/(crediting)		
Net movement in stock provisions	<b>(4)</b>	33
Operating lease rentals - property	<b>1,926</b>	1,854
Operating lease rentals - other	<b>64</b>	72
Employee benefit expenses	<b>2,771</b>	2,741
Depreciation of property, plant and equipment	<b>514</b>	578
Impairment reversal	<b>-</b>	(396)
Amortisation of leasehold rights	<b>31</b>	51
Amortisation of software	<b>4</b>	3
Auditors' remuneration	<b>26</b>	24
Auditors' non-audit fees	<b>4</b>	7
Repairs and maintenance expenditure on property, plant and equipment	<b>77</b>	28
Trade receivables – net movement in provisions	<b>5</b>	(1)

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 5 Employee benefits and other information

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

	2011 Number	2010 Number
Selling	56	55
Administration	9	11
	<u>65</u>	<u>66</u>

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

	2011 £'000	2010 £'000
Gross wages, salaries and commissions	2,147	2,270
Long Term Retention Plan	5	-
Social security costs	222	239
Share-based payment awards (note 16)	26	24
Pension costs charged – defined contribution plan (note 17)	36	34
Pension costs charged – defined benefit plan (note 17)	266	174
Other employee benefits	69	-
	<u>2,771</u>	<u>2,741</u>

Defined benefit pension costs of £43,000 (2010 £26,000) were recharged to Richemont Japan

### 6 Other operating income

	2011 £'000	2010 £'000
Property rental income	217	256
Head office contribution to advertising costs	437	275
Foreign exchange gain	19	-
Other income	-	16
	<u>673</u>	<u>547</u>

### 7 Directors' emoluments

Emoluments of directors of the company were

	2011 £'000	2010 £'000
Aggregate emoluments	106	138
Defined benefit contribution	38	23

Retirement benefits accruing under defined benefit schemes amounted to £36,743 (2010 £35,079) Retirement benefits are accruing under a defined benefit scheme for one director (2010 one)

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2011 (continued)

#### 8 Income tax expense/ (credit)

Analysis of charge in the year	2011 £'000	2010 £'000
Current tax - continuing operations		
- UK corporation tax and income tax of overseas operations on profits for the year	300	477
- Over provision in respect of prior year	(1)	-
<b>Total current tax charge</b>	<b>299</b>	<b>477</b>
Deferred tax		
- Origination and reversal of timing differences	5	(104)
- Previously unrecognised deferred tax assets assessed as recoverable at the end of the year	-	(297)
- Effect of decreased tax rate on opening balance	29	-
<b>Total deferred tax</b>	<b>34</b>	<b>(401)</b>
<b>Total tax charge</b>	<b>333</b>	<b>76</b>

There is a tax charge of £333,000 for the current year (2010 £76,000). The current tax charge is reconciled to the profit before tax at the standard rate of UK corporation tax below -

	2011 £'000	2010 £'000
<b>Profit before taxation</b>	<b>783</b>	<b>1,390</b>
United Kingdom corporation tax on profit for the year at 28% (2010 28%)	220	389
<i>Effects of</i>		
Expenses not deductible for tax purposes	85	95
Income not taxable	-	(111)
Group relief claimed	(300)	(477)
Consideration paid for losses surrendered as group relief	300	477
Recognition of deferred tax previously unrecognised	-	(297)
Adjustment for over provision in prior period	(1)	-
Effect of changing tax rates	29	-
<b>Total tax expense</b>	<b>333</b>	<b>76</b>

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2011 (continued)

There is a net deferred tax asset of £367,000 at 31 March 2011 (2010 £401,000). The asset has been recognised to the extent it is considered recoverable in the foreseeable future. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 26% (2010 28%). The total unrecognised deferred tax asset is £nil (2010 £nil). The asset is made up of -

Not recognised	2011 £'000	2010 £'000
Plant, property and equipment temporary differences	-	-
Share based payments	-	-
Unrecognised deferred tax asset	-	-
<b>Recognised</b>	<b>2011 £'000</b>	<b>2010 £'000</b>
Plant, property and equipment temporary differences	343	402
Other temporary differences	24	(1)
Recognised deferred tax asset	367	401

On 29 March 2011, the UK government enacted into law a reduction in the main rate of tax to 26%. As this was enacted prior to the balance sheet date, the deferred tax asset has been calculated at that rate. The government intends to enact future reductions in the main rate of 1% each year down to 23% by 1 April 2014. The impact will be dependent on the deferred tax position at that time.

#### 9 Dividends

	2011 £'000	2010 £'000
Equity - ordinary		
Interim dividend paid	5,000	-
	5,000	-

# **Montblanc (UK) Limited**

Notes to the financial statements for the year ended 31 March 2011 (continued)

## **10 Property, plant and equipment**

	Boutique fittings	IT hardware	Office furniture	Point of sale fixtures	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2010	3,088	133	108	-	3,329
Additions	122	25	1	54	202
Disposals	(28)	(35)	(1)	-	(64)
<b>At 31 March 2011</b>	<b>3,182</b>	<b>123</b>	<b>108</b>	<b>54</b>	<b>3,467</b>
<b>Accumulated depreciation</b>					
At 1 April 2010	1,763	125	102	-	1,990
Charge for the year	495	6	4	9	514
Disposals	(28)	(34)	(1)	-	(63)
<b>At 31 March 2011</b>	<b>2,230</b>	<b>97</b>	<b>105</b>	<b>9</b>	<b>2,441</b>
<b>Net book value</b>					
<b>At 31 March 2011</b>	<b>952</b>	<b>26</b>	<b>3</b>	<b>45</b>	<b>1,026</b>
At 1 April 2010	1,325	8	6	-	1,339

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 10 Property, plant and equipment (continued)

	Boutique fittings	IT hardware	Office furniture	Point of sale fixtures	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2009	3,049	127	108	-	3,284
Additions	39	6	-	-	45
<b>At 31 March 2010</b>	<b>3,088</b>	<b>133</b>	<b>108</b>	<b>-</b>	<b>3,329</b>
<b>Accumulated depreciation</b>					
At 1 April 2009	1,623	104	81	-	1,808
Charge for the year	536	21	21	-	578
Reversal of impairments	(396)	-	-	-	(396)
<b>At 31 March 2010</b>	<b>1,763</b>	<b>125</b>	<b>102</b>	<b>-</b>	<b>1,990</b>
<b>Net book value</b>					
<b>At 31 March 2010</b>	<b>1,325</b>	<b>8</b>	<b>6</b>	<b>-</b>	<b>1,339</b>
At 1 April 2009	1,426	23	27	-	1,476

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 11 Intangible assets

	Leasehold rights £'000	Software £'000	Total £'000
<b>Cost at 1 April 2010 and 31 March 2011</b>	<b>504</b>	<b>17</b>	<b>521</b>
<b>Accumulated amortisation</b>			
At 1 April 2010	473	6	479
Charge for the year	31	4	35
At 31 March 2011	504	10	514
<b>Net book value</b>			
<b>At 31 March 2011</b>	<b>-</b>	<b>7</b>	<b>7</b>
At 31 March 2010	31	11	42
	Leasehold rights £'000	Software £'000	Total £'000
<b>Cost at 1 April 2009 and 31 March 2010</b>	<b>504</b>	<b>17</b>	<b>521</b>
<b>Accumulated amortisation</b>			
At 1 April 2009	422	3	425
Charge for the year	51	3	54
At 31 March 2010	473	6	479
<b>Net book value</b>			
<b>At 31 March 2010</b>	<b>31</b>	<b>11</b>	<b>42</b>
At 31 March 2009	82	14	96

All intangible assets were externally acquired

### 12 Inventories

Inventories comprise -

	2011 £'000	2010 £'000
Goods for resale	2,856	2,507
Spare parts	61	140
	<b>2,917</b>	<b>2,647</b>



## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2011 (continued)

#### 13 Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	1,033	1,117
Less provision for impairment of receivables	(9)	(4)
Trade receivables – net	1,024	1,113
Amounts owed by group companies -		
- Fellow group subsidiaries	91	129
Credit card receivables	138	159
Rents owed by tenants	70	-
Staff travel loans	15	16
Prepayments	87	24
	1,425	1,441

The directors consider that the carrying amount of trade and other receivables approximates to their fair values

Trade and other receivables and amounts owed by group undertakings are based on expected cash flows which are not discounted as they are expected to occur within the next 12 months

The company has provided at year end amounts totalling £9,000 (2010 £4,000) as a receivables write down provision

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The company does not hold any collateral as security

#### Ageing of trade receivables

	2011 £'000	2010 £'000
Not overdue	776	817
Past due less than three months	252	226
Past due more than three months less than six months	5	74
Impairment provision for trade receivables	(9)	(4)
	1,024	1,113

	2011 £'000	2010 £'000
At 1 April	(4)	(15)
Provision for receivables impairment	(9)	(4)
Receivables written off during the year as irrecoverable	-	10
Unused amount reversed	4	5
	(9)	(4)

Based on past experience, the company does not impair receivables that are not past due unless they are known to be bad debts. The company has established credit check procedures that ensure the high creditworthiness of its customers

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2011 (continued)

#### 14 Cash and cash equivalents

	2011 £'000	2010 £'000
Cash at bank and on hand	2,883	7,161

#### 15 Trade and other payables

	2011 £'000	2010 £'000
<b>Current</b>		
Trade payables	396	424
Amounts owed to Group companies - - Fellow Group subsidiaries	1,404	883
Other payables		
Other taxes and social security	221	196
Accruals	321	683
Deferred income	42	39
	<u>2,384</u>	<u>2,225</u>
<b>Non-current.</b>		
Deferred income	54	102

The directors consider that the carrying amount of trade and other payables approximates to their fair values. No security has been given by the company in respect of the creditors detailed above.

#### 16 Provisions

	Warrant y	Sales return	Stock option plan	LTRP*	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2010	13	59	55	-	127
Provided during the year	13	50	52	5	120
Utilised during the year	(13)	(59)	-	-	(72)
<b>At 31 March 2011</b>	<u>13</u>	<u>50</u>	<u>107</u>	<u>5</u>	<u>175</u>

\* LTRP = Long Term Retention Plan

#### Analysis of total provisions:

	2011 £'000	2010 £'000
Current portion	56	65
Non-current portion	119	62
	<u>175</u>	<u>127</u>

#### Warranty and sales related provisions

The company has established provisions for potential sales returns and warranties provided on certain products. Based on past experience a provision of £63,000 (2010 £72,000) has been recognised. It is anticipated that the provisions will be utilised within 2 years.

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2011 (continued)

#### Share option scheme

The Group has a long-term share-based compensation plan whereby executives are awarded options to acquire shares at the market price on the date of grant. Awards under the stock option plan generally vest over periods of four to six years and have expiry dates, the date after which unexercised options lapse, of nine years from the date of grant. The executive must remain in the Group's employment until vesting. The options granted as from 2008 onwards include a performance condition correlated to other luxury goods companies upon which vesting is conditional.

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

	Weighted average exercise price in CHF per share	Number of options
Balance at 1 April 2009	17.50	34,018
Transfers from other Group entities	21.20	2,577
Balance at 31 March 2010 and 2011	17.76	36,595

Options in respect of 20,848 shares were exercisable at 31 March 2011 (2010: 15,122)

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 2011	CHF 8.73	4,000	1.2 years
	CHF 10.59	1,250	1.2 years
	CHF 14.45	6,436	2.2 years
	CHF 18.01	10,308	3.2 years
	CHF 23.18	6,870	4.2 years
	CHF 21.20	7,731	6.2 years
31 March 2010	CHF 8.73	4,000	2.2 years
	CHF 10.59	1,250	2.2 years
	CHF 14.45	6,436	3.2 years
	CHF 18.01	10,308	4.2 years
	CHF 23.18	6,870	5.2 years
	CHF 21.20	7,731	7.2 years

No options were awarded during the year

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

	2011	2010
	£'000	£'000
Share option expense	26	24

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2011 (continued)

As a result of the de-twinning of the Richemont units in October 2008, certain executives holding vested options over the old CFR units were granted vested options over shares in a UK and a Luxembourg listed entity. These options are fully hedged by shares held in the listed entities. Both the option liability and the shares are recognised at fair value through profit or loss in the entity awarding the options, namely Richemont Employee Benefits Ltd, a company registered in Jersey. The total value of the option liability as recognised in the consolidated balance sheet of Compagnie Financière Richemont SA was € 35 million.

#### 17 Retirement benefit schemes

##### Defined benefit plan

The company, along with other Richemont Group entities in the UK, is a participating employer in the Richemont UK Pension Plan which provides benefits based on final pensionable emoluments. The Plan's funds are administered by trustees and are independent of the company's finances.

The total pension cost for the year that relates to the Plan is calculated in accordance with IAS19 (Employee Benefits). The provisions of paragraph 34A of IAS19 (Revised December 2004) have been adopted with regard to charging the net defined benefit cost to individual participating employers 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 participating employer's members in the Plan. Hence, the company's pension cost represents its share of the total cost relating to the Plan. The company's pension costs are included in employee benefits expense (note 5).

The results of the formal actuarial valuation as at 31 March 2010 were updated to the accounting date by an independent qualified actuary in accordance with IAS19 (Employee benefits) ("IAS19").

The company's 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 statement of financial position items is as follows:

	2011 £'000	2010 £'000
Asset at 1 April of prior year	198	180
Pension cost	(266)	(174)
Company contribution	130	192
Asset at 31 March	62	198

The aggregate amount included in the statements of financial position of the participating employers arising from the Richemont Group's obligations in respect of the Plan is as follows:

	2011 £'000	2010 £'000
Present value of defined benefit obligation	(170,418)	(168,413)
Fair value of Plan assets	154,601	145,572
Deficit	(15,817)	(22,841)
Unrecognised actuarial losses	22,860	29,680
Asset recognised in the statement of financial position	7,043	6,839

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2011 (continued)

A reconciliation of the present value of the Plan's overall defined benefit obligation is

	2011 £'000	2010 £'000
Balance at 1 April of prior year	(168,413)	(118,280)
Employers' part of current service cost	(2,841)	(1,724)
Interest cost	(9,377)	(7,942)
Contributions from Plan members	(657)	(686)
Actuarial gains/(losses)	5,403	(45,159)
Past service cost	-	(60)
Benefits paid	5,467	5,438
<b>Balance at 31 March</b>	<b>(170,418)</b>	<b>(168,413)</b>

A reconciliation of the fair value of the Plan assets is as follows

	2011 £'000	2010 £'000
Balance at 1 April of prior year	145,752	117,500
Expected return on Plan assets	8,497	6,698
Actuarial gains	532	20,806
Contributions paid by the employers	4,810	5,320
Contributions paid by Plan members	657	686
Benefits paid	(5,467)	(5,438)
<b>Balance at 31 March</b>	<b>154,601</b>	<b>145,572</b>

The current allocation of Plan assets is as follows

	2011 %	2010 %
Equity instruments	30	30
Debt instruments	60	60
Property	10	10
	<b>100</b>	<b>100</b>

The Plan does not hold any assets that are directly self-invested within the Group

The expected rate of return on Plan assets as at 31 March 2011 was 5.4% p a (2010 6.0% p a). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the Plan was invested in at 31 March 2011 less administration expenses. The actual return on Plan assets over the year was a gain of £9.0m (2010 a gain of £27.5m).

The aggregate amounts recognised in the statements of comprehensive income of the participating employers are as follows

	2011 £'000	2010 £'000
Employers' part of current service cost	(2,841)	(1,724)
Interest cost	(9,377)	(7,942)
Expected return on plan assets	8,497	6,698
Past service cost	-	(60)
Amortisation of gains/ (losses)	(885)	-
	<b>(4,606)</b>	<b>(3,028)</b>

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2011 (continued)

Contributions are paid to the Plan in accordance with the recommendations of an independent actuarial advisor. The estimated amount of total employer contributions expected to be paid to the Plan during the year ending 31 March 2012 is £7.6m (2011 actual £4.8m)

The following table sets out the key IAS19 assumptions used for the Plan

	2011	2010
Price inflation (RPI)	3.5% p.a.	3.7% p.a.
Price inflation (CPI)	2.8% p.a.	n/a
Discount rate	5.5% p.a.	5.6% p.a.
Pension increases in payment	3.4% p.a.	3.6% p.a.
General salary increases	5.0% p.a.	5.2% p.a.
Life expectancy of male aged 60 at 31 March	27.2 years	26.6 years
Life expectancy of male aged 60 in 20 years time	28.7 years	27.8 years

The company does not have any significant assets or liabilities in respect of any other post retirement benefits including post retirement health care liabilities

Amounts for the current and previous periods

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of defined benefit obligation	(170,418)	(168,413)	(118,280)	(119,935)	(125,272)
Fair value of plan assets	154,601	145,572	117,500	131,817	130,446
(Deficit)/surplus	(15,817)	(22,841)	(780)	11,882	5,174
Experience adjustments on plan assets amount of gain/(loss)	532	20,806	(24,558)	(5,066)	(597)
Experience adjustments on plan liabilities amount of gain/(loss)	(2,835)	-	-	639	-

#### Defined contribution plans

Pension costs for defined contribution schemes are as follows

	2011 £'000	2010 £'000
Defined contribution schemes	36	34

# Montblanc (UK) Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 18 Share capital

	2011 £'000	2010 £'000
<b>Authorised:</b>		
10,000 ordinary shares of £1 each	10	10
<b>Allotted, called up and fully paid:</b>		
1 ordinary shares of £1 each	-	-
The company has one class of Ordinary shares, which carry no rights to fixed income		

### 19 Cash flows from operating activities

<b>Reconciliation of profit to net cash inflow from operating activities</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating profit</b>	<b>783</b>	<b>1,390</b>
Adjustments for		
Depreciation	514	578
Amortisation	35	54
Impairment reversal	-	(396)
Pension charge in excess of/ (lower than) pension contribution	136	(18)
Non-cash share based compensation charge	26	24
Changes in working capital		
Increase in inventories	(270)	63
Decrease in trade and other receivables	16	(183)
Decrease in trade and other payables	(359)	517
Increase in provisions	42	59
<b>Cash inflow from continuing operations</b>	<b>923</b>	<b>2,088</b>

### 20 Capital commitments

Capital commitments authorised and contracted for at 31 March 2011 amounted to £nil (2010 £nil) Capital commitments authorised but not contracted for at that date amounted to £nil (2010 £nil)

## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2011 (continued)

#### 21 Related party transactions

	2011 £'000	2010 £'000
<b>Sales of goods to related parties</b>		
Fellow group undertakings	9	9
<b>Sales of services to related parties</b>		
Fellow group undertakings	106	471
<b>Purchase of goods from related parties</b>		
Fellow group undertakings	9,930	9,394
<b>Purchase of services from related parties</b>		
Fellow group undertakings	76	323

Sales and purchases to and from fellow group undertakings were carried out on commercial terms and at market prices

Year end balances arising from sales, purchases of goods and services and financing activities are as follows

	2011 £'000	2010 £'000
<b>Receivables from related parties</b>		
Fellow group undertakings	91	129
<b>Payables to related parties</b>		
Fellow group undertakings	1,736	883

No provision has been recognised in respect of impairment of the above receivables

As a result of the de-twinning of the Richemont units in October 2008, certain executives holding vested options over the old CFR units were granted vested options over shares in a UK and a Luxembourg listed entity. These options are fully hedged by shares held in the listed entities. Both the option liability and the shares are recognised at fair value through profit or loss in the entity awarding the options, namely Richemont Employee Benefits Ltd, a company registered in Jersey. The total value of the option liability as recognised in the consolidated statement of financial position of Compagnie Financière Richemont SA was € 35 million.

The directors consider that there are no key managers, whose roles and activities within the company define them as related parties in accordance with IAS 24, outside the Board of Directors. The remuneration of the Directors is disclosed in note 7 to the financial statements. This does not include share options, details of which are disclosed in note 16.



## Montblanc (UK) Limited

### Notes to the financial statements for the year ended 31 March 2011 (continued)

#### 22 Operating lease commitments

##### Company as a lessee

At 31 March 2011 the company had minimum commitments under non-cancellable operating leases expiring as follows -

	2011 £'000	2010 £'000
<b>Property</b>		
Not later than one year	1,577	1,641
Later than one year and not later than five years	2,570	3,251
Later than five years	165	-
	<u>4,312</u>	<u>4,892</u>
	2011 £'000	2010 £'000
<b>Other</b>		
Not later than one year	60	57
Later than one year and not later than five years	87	58
Later than five years	-	-
	<u>147</u>	<u>115</u>

The company leases various boutique and office and premises under non-cancellable operating lease arrangements. The leases have varying terms, escalation clauses and renewal rights. The cost for certain boutique leases contains a fixed portion together with a variable portion. The variable element is most commonly a percentage of sales achieved. The commitments above reflect only the fixed elements.

##### Company as a lessor

At 31 March 2011 the company had contracted with tenants for future minimum commitments under non-cancellable operating leases expiring as follows -

	2011 £'000	2010 £'000
<b>Property</b>		
Not later than one year	217	217
Later than one year and not later than five years	271	487
Later than five years	-	-
	<u>488</u>	<u>704</u>
Rental income earned during the period was	<u>217</u>	<u>256</u>

An area of one of the company's boutiques is not used in the company's business and is sublet at market rate on a long term basis.

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## **Montblanc (UK) Limited**

### **Notes to the financial statements for the year ended 31 March 2011 (continued)**

#### **23 Ultimate and immediate holding company**

The company is a wholly owned subsidiary of Richemont Holdings (UK) Limited, a company incorporated and registered in the United Kingdom

The directors regard Compagnie Financière Richemont SA, a limited company incorporated in Switzerland, to be the ultimate parent company. Copies of the consolidated financial statements of Compagnie Financière Richemont SA may be obtained from The Secretary, Compagnie Financière Richemont SA, 50 Chemin de la Chenaie, 1293 Bellevue - Geneva, Switzerland