

Garrard Holdings Limited

Annual Report for the financial year ended 31 March 2004



Garrard Holdings Limited

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Garrard Holdings Limited

Company information

Directors

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

Secretary

Ms F Morrison
23 Albemarle Street
London
W1S 4AS

Registered office

23 Albemarle Street
London
W1S 4AS

Registered number

4144080

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Principal Bankers

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Principal Lawyers

Slaughter & May
One Bunhill Row
London
EC1Y 8YY

Garrard Holdings Limited

Chief Executive's Review

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

Asprey

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

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

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

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

Garrard

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

Garrard Holdings Limited

Chief Executive's Review (continued)

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

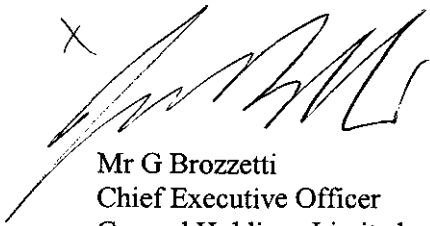
A&G

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

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

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

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

A handwritten signature in black ink, appearing to read 'G Brozzetti', is written over a horizontal line. To the left of the signature is a small 'X' mark.

Mr G Brozzetti
Chief Executive Officer
Garrard Holdings Limited

Garrard Holdings Limited

Directors' report for the financial year ended 31 March 2004

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

Review of activities

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

The company acts, and will continue to act, as the holding company for the Garrard brand in the United Kingdom whose principal activities during the period have been, and will continue to be, those of goldsmiths, silversmiths, jewellers and retailers of jewellery, watches and luxury goods.

Results and dividends

The loss on ordinary activities for the year after taxation was £4,297,000 (2003: £8,607,000) for the group.

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

Directors

The following persons served as directors during the period:

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

Advisory Board

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

Secretary

Ms F Morrison

Garrard Holdings Limited

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

Directors' interests

At the balance sheet date Mr L Stroll, Mr S Chou and Mr E Bronfman Jr have a beneficial interest in the shares of Garrard Holdings Limited, the ultimate parent company in the United Kingdom by virtue of the fact that the company is, indirectly, part owned by Sportswear Holdings Limited and SBS Partners LLC (see note 19).

Charitable donations

UK charitable donations made by the group during the year amounted to £31,000 (2003: £154,000).

Employees with disabilities

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

Staff information and consultation

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

Environmental statement

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

Garrard Holdings Limited

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

Statement of directors' responsibilities

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

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

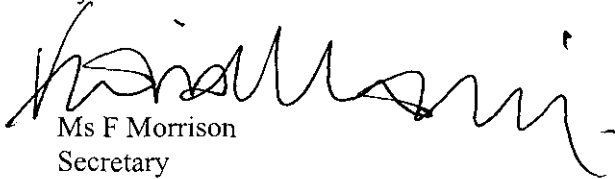
The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for maintaining sufficient internal controls to safeguard the assets of the company and prevent and detect fraud and any other irregularities.

The Directors confirm that they have complied with these requirements.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By Order of the Board



Ms F Morrison
Secretary

21st December 2004

Independent auditors' report to the members of Garrard Holdings Limited

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated and company balance sheet, the consolidated cash flow statement and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report and the Chief Executive's review.

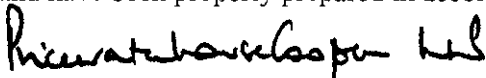
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 2004 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

21 December

2004

Garrard Holdings Limited

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

		Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
	<i>Note</i>		
Turnover		3,159	1,740
Cost of goods sold		(1,605)	(841)
Gross profit		1,554	899
Administrative expenses		(5,818)	(9,506)
Operating loss	3	(4,264)	(8,607)
Interest payable	4	(33)	-
Loss on ordinary activities before taxation		(4,297)	(8,607)
Tax on loss on ordinary activities	6	-	-
Retained loss for the financial year	17	(4,297)	(8,607)

All operations are continuing.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalent.

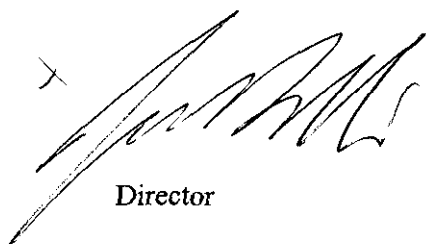
The group has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

Garrard Holdings Limited

Consolidated balance sheet as at 31 March 2004

	<i>Note</i>	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	8	4,217	4,101
Tangible assets	9	6,841	7,242
		11,058	11,343
Current assets			
Stock	11	7,778	6,942
Debtors	12	16,809	15,892
Cash at bank and in hand		31	11
		24,618	22,845
Creditors – amounts falling due within one year	13	(30,758)	(24,137)
Net current liabilities		(6,140)	(1,292)
Total assets less current liabilities		4,918	10,051
Provisions for liabilities and charges	14	(414)	(1,250)
Net assets		4,504	8,801
Capital and reserves			
Shareholders' funds			
Called up share capital	16	20,262	20,262
Profit and loss account	17	(15,758)	(11,461)
Total shareholders' funds	17	4,504	8,801

Approved by the Board on 21 December 2004



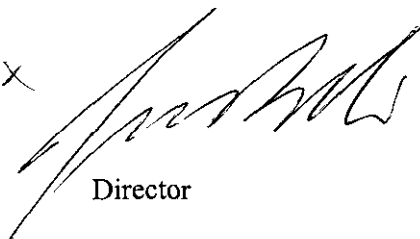
Director

Garrard Holdings Limited

Company balance sheet as at 31 March 2004

	<i>Note</i>	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	8	4,217	4,101
Tangible assets	9	6,840	7,240
Investments	10	18,510	21,332
		29,567	32,673
Current assets			
Debtors	12	1,888	1,128
Creditors – amounts falling due within one year	13	(26,901)	(23,011)
Net current liabilities		(25,013)	(21,883)
Total assets less current liabilities		4,554	10,790
Provisions for liabilities and charges	14	(7)	(23)
Net assets		4,547	10,767
Capital and reserves			
Shareholders' funds			
Called up share capital	16	20,262	20,262
Profit and loss account	17	(15,715)	(9,495)
Total shareholders' funds	17	4,547	10,767

Approved by the Board on 21 December 2004

x 
Director

Garrard Holdings Limited

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

	<i>Note</i>	2004	2003
		£'000	£'000
Net cash outflow from operating activities	18(a)	(5,089)	(28,001)
Return on investments and servicing of finance			
Interest paid	(33)	-	-
Net cash outflow from returns on investments and servicing of finance		(33)	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(502)	(5,083)	
Purchase of intangible fixed assets	(157)	(366)	
Proceeds on sale of fixed assets	-	91	
Net cash outflow from capital expenditure and financial investment		(659)	(5,358)
Net cash outflow before financing		(5,781)	(33,359)
Financing			
Issue of share capital	-	20,261	
Parent company financing	-	13,109	
Bank loans and overdraft	5,801	-	
Net cash inflow from financing		5,801	33,370
Increase in cash in the year	18(b),(c)	20	11

Garrard Holdings Limited

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

1 Accounting policies

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

a) Basis of accounts

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

The directors believe that, after making enquiries of their bankers and parent companies, they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these accounts.

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

b) Basis of consolidation

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

Garrard Holdings Limited

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

1 Accounting policies (continued)

c) Fixed assets and depreciation

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

Leasehold improvements	Over the life of the lease
Fixtures and fittings	5 to 10 years
IT development	3 to 5 years
Plant and equipment	3 years
Product development	3 years

Trademarks are amortised on a straight-line basis over a period of 10 years with the exception of the Garrard trademark, purchased externally, which is deemed by the directors to have an indefinite life. Annual impairment reviews are performed on this trademark.

d) Fixed asset investments

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

e) Stock

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

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

f) Taxation

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

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

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

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

Garrard Holdings Limited

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

1 Accounting policies (continued)

g) Pensions

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

h) Foreign currency

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

i) Turnover

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

j) Leases

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

2 a) Staff numbers

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

	2004 Number	2003 Number
Management and administration	24	24
Retail operations	16	9
Total employees	40	33

Garrard Holdings Limited

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

2 b) Staff costs

The aggregate payroll costs of these persons were as follows:

	2004 £'000	2003 £'000
Wages and salaries	1,459	1,523
Social security costs	140	129
Other pension costs (see note 15)	182	193
Total staff costs	1,781	1,845

A fellow group company has paid directors' remuneration.

3 Operating loss

Operating loss is stated after charging/(crediting):

	2004 £'000	2003 £'000
Release of wholesale returns provision (see note 14)	(800)	-
Depreciation of tangible fixed assets	768	499
Amortisation of intangible fixed assets	41	15
Rent payable	915	656
Operating lease rentals:		
- Hire of plant and machinery	4	7
Loss on disposal of tangible fixed assets	135	-
Sponsorship	22	93
Charitable donations	31	154

A fellow group company pays auditor's remuneration.

Rent is cross charged from a fellow group company.

4 Interest payable

	2004 £'000	2003 £'000
Bank loans	33	-

Garrard Holdings Limited

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

5 Deferred tax

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

The total unrecognised deferred tax asset for the company as at 31 March 2004 is £1,798,000 (2003: £856,000).

6 Taxation

a) Based on the loss for the year

	Group	
	2004	2003
	£'000	£'000
UK corporation tax (30%)	-	-

b) Factors affecting the tax charge for the period

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Loss on ordinary activities before taxation	(4,297)	(8,607)	(6,220)	(8,128)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	(1,289)	(2,582)	(1,866)	(2,438)
Effects of:				
Expenses not deductible for tax purposes	14	1,101	-	1,077
Release of provision	(240)	-	-	-
Capital allowances for the year less than depreciation	243	80	243	80
Income not chargeable to tax	-	(1,125)	-	-
Provision disallowed for tax purposes	847	-	847	-
Adjustment regarding pension contributions	(11)	-	(5)	-
Tax losses	436	2,526	781	1,281
Current year tax charge	-	-	-	-

c) Factors affecting future tax charges

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
The amount of taxable losses carried forward	22,660	19,278	8,242	5,636

7 Loss attributable to Garrard Holdings Limited

The loss before taxation for the period dealt with in the accounts of the parent company, Garrard Holdings Limited, was £6,220,000 (2003: loss £8,128,000). No separate profit and loss account is presented for Garrard Holdings Limited, as provided by Section 230(1) of the Companies Act 1985.

Garrard Holdings Limited

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

8 Intangible fixed assets

a) Group

	Trademarks £'000
Cost	
At 1 April 2003	4,116
Additions	157
At 31 March 2004	4,273
Amortisation	
At 1 April 2003	15
Charge for the year	41
At 31 March 2004	56
Net book value	
At 31 March 2004	4,217
At 31 March 2003	4,101

The financial statements for the year ended 31 March 2003 showed £3,750,000 as goodwill. This has been reclassified as trademarks to align the consolidated accounts with the assets held by the parent company.

b) Company

	Trademarks £'000
Cost	
At 1 April 2003	4,116
Additions	157
At 31 March 2004	4,273
Amortisation	
At 1 April 2003	15
Charge for the year	41
At 31 March 2004	56
Net book value	
At 31 March 2004	4,217
At 31 March 2003	4,101

Garrard Holdings Limited

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

9 Tangible fixed assets

a) Group

	IT Development	Fixtures & fittings	Leasehold improvements	Product development	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000
At 1 April 2003	139	627	6,225	753	7,744
Additions	-	227	141	134	502
Disposals	-	(81)	-	(140)	(221)
At 31 March 2004	139	773	6,366	747	8,025
Depreciation					
At 1 April 2003	36	63	171	232	502
Charge for the year	46	143	345	234	768
Disposals	-	-	-	(86)	(86)
At 31 March 2004	82	206	516	380	1,184
Net book value					
At 31 March 2004	57	567	5,850	367	6,841
At 31 March 2003	103	564	6,054	521	7,242

b) Company

	IT Development	Fixtures & fittings	Leasehold Improvements	Product development	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000
At 1 April 2003	137	627	6,225	753	7,742
Additions	-	227	141	134	502
Transfer from subsidiary company	2	-	-	-	2
Disposals	-	(81)	-	(140)	(221)
At 31 March 2004	139	773	6,366	747	8,025
Depreciation					
At 1 April 2003	36	63	171	232	502
Charge for the year	46	143	345	234	768
Transfer from subsidiary company	1	-	-	-	1
Disposals	-	-	-	(86)	(86)
At 31 March 2004	83	206	516	380	1,185
Net book value					
At 31 March 2004	56	567	5,850	367	6,840
At 31 March 2003	101	564	6,054	521	7,240

Garrard Holdings Limited

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

10 Fixed asset investments

Subsidiary undertakings

	Company £'000
Cost or valuation	
At 31 March 2003 and 31 March 2004	24,302
Amounts written off	
At 1 April 2003	(2,970)
Amounts provided during the year	(2,822)
At 31 March 2004	(5,792)
Net book value	
At 31 March 2004	18,510
At 31 March 2003	21,332

The directors have reviewed the carrying value of the company's investments in subsidiary undertakings and have assessed that, based upon an evaluation of net assets and the projected results of the businesses, the realisable value of the investments is not less than £18,510,000.

The principal trading subsidiary undertaking of Garrard Holdings Limited at the year end is listed below. This is held directly by the parent company.

Subsidiary Companies	Country of Registration/Operations	Percentage owned and voting rights
Garrard & Co. Ltd	Great Britain	100%

The activities of the principal subsidiary undertaking are that of goldsmiths, silversmiths, jewellers and retailers of luxury goods and watches.

All subsidiaries are included in the consolidated financial statements.

11 Stock

	Group 2004 £'000	2003 £'000
Finished goods and goods for resale	7,778	6,942

The company holds no stock. At 31 March 2004, the amount of consignment stock held by the group was £30,000 (2003:1,264,000).

Garrard Holdings Limited

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

12 Debtors

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	125	71	19	1
Amounts owed by subsidiary undertakings	16,197	15,499	1,628	935
Other debtors	51	89	37	79
Prepayments and accrued income	436	233	204	113
	16,809	15,892	1,888	1,128

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

13 Creditors - amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	5,801	-	5,801	-
Trade creditors	1,234	990	529	377
Amounts due to group companies	23,139	22,041	20,282	22,041
Taxation and social security	255	76	31	39
Other creditors	-	193	-	-
Accruals	329	837	258	554
	30,758	24,137	26,901	23,011

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

14 Provisions for liabilities and charges

a) Group

	Wholesale return provision £'000	Pension provision £'000	Total provision £'000
At 1 April 2003	1,200	50	1,250
Credited to the profit and loss account	(800)	(36)	(836)
At 31 March 2004	400	14	414

Garrard Holdings Limited

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

14 Provisions for liabilities and charges (continued)

b) Company

	Pension provision £'000
At 1 April 2003	23
Credited to the profit and loss account	(16)
At 31 March 2004	7

The pension provision relates to the accumulated difference between the contributions paid and the corresponding pension cost on the Asprey Group Staff Pension Scheme (see Note 15 (c)).

The wholesale return provision arises from the expected return of stock, the timing and amount of which are uncertain, from wholesale customers where the expected realisable value is lower than the cost.

15 Financial commitments

a) Lease commitments

The company has certain leases. The annual rentals payable under these leases are subject to review at various intervals.

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

	Motor Vehicles		Equipment	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Group				
Leases expiring:				
Within one year	5	6	-	15
Within two to five years	-	4	6	17
Over five years	-	-	-	-
	5	10	6	32

Garrard Holdings Limited

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

15 Financial commitments (continued)

b) Guarantees

The group's bankers, HSBC Bank Plc, have given a guarantee of liabilities on imports and exports up to £32,000 in favour of London Chamber of Commerce and Industry and £18,000 in favour of Spring St Associates regarding the rent for Garrard USA Ltd (a fellow group company).

c) Pension fund

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

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

The total pension cost charge for the group for the period ended 31 March 2004 was £182,000 (2003: £193,000) and there is a provision for pension costs of £14,000 in the group's balance sheet at 31 March 2004 (2003: £50,000) arising from the accumulated difference between the contributions paid to schemes and the corresponding pension costs.

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

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

Garrard Holdings Limited

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

15 Financial commitments (continued)

c) Pension fund (continued)

Disclosures under FRS17

Balance sheet presentation

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

Composition of the scheme

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

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

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

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

Profit & loss account presentation for total Scheme

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

Garrard Holdings Limited

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

15 Financial commitments (continued)

c) Pension fund (continued)

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

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

Movement in deficit during the year for total Scheme

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

History of experience gains and losses

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

Garrard Holdings Limited

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

16 Share capital

	2004 £'000	2003 £'000
Authorised, allotted, called up and fully paid		
As at 1 April 2003 – ordinary shares of £1 each	20,262	1
Share capital issued	-	20,261
As at 31 March 2004 – 20,861,438 ordinary shares of £1 each	20,262	20,262

17 Reserves and shareholders' funds

a) Movement on reserves

	Profit & loss account £'000
Group	
At 1 April 2003	(11,461)
Retained loss for the year	(4,297)
At 31 March 2004	(15,758)
Company	
Reserves at 1 April 2003	(9,495)
Retained loss for the year	(6,220)
At 31 March 2004	(15,715)

b) Shareholders funds

	2004 £'000	2003 £'000
Group		
Opening shareholders' funds	8,801	(2,853)
Retained loss for the year	(4,297)	(8,607)
Share capital issued	-	20,261
Closing shareholders' funds	4,504	8,801
Company		
Opening shareholders' funds	10,767	(1,366)
Retained loss for the year	(6,220)	(8,128)
Share capital issued	-	20,261
Closing shareholders' funds	4,547	10,767

Garrard Holdings Limited

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

18 Group cash flow statement

a) Reconciliation of operating loss to operating cash flows

	2004	2003
	£'000	£'000
Operating loss	(4,264)	(8,607)
Depreciation	768	499
Amortisation	41	15
(Decrease)/increase in provisions	(836)	48
Loss on sale of tangible fixed assets	135	-
Increase in stock	(836)	(5,941)
Increase in debtors	(917)	(15,832)
(Decrease)/increase in creditors	820	1,817
Net cash outflow from operating activities	(5,089)	(28,001)

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

	2004	2003
	£'000	£'000
Increase in cash in the period	20	11
Movement in borrowings	(5,801)	-
Net debt at start of year	11	-
Net debt at end of year	(5,770)	11

c) Analysis of net debt

	1 April 2003 £'000	Cash flow £'000	31 March 2004 £'000
Cash at bank and in hand	11	20	31
Debt due within 1 year	-	(5,801)	(5,801)
Net debt	11	(5,781)	(5,770)

Garrard Holdings Limited

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

19 Ultimate holding company

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

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

20 Related party transactions

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