# Alfred Dunhill Limited

(Registered number 00191031)

Report and Accounts
For The Year Ended 31 March 2002

# Alfred Dunhill Limited

## Report and accounts
## for the year ended 31 March 2002

## Contents

# Alfred Dunhill Limited

## Report of the Directors
## for the year ended 31 March 2002

The directors submit their report and the audited accounts for the year ended 31 March 2002.

### Principal activities

The principal activity of the Company is the marketing of luxury consumer products worldwide including clothing and accessories, watches, jewellery, leather goods, pens and associated products.

### Results

The results of the Company for the year are set out in the profit and loss account on page 5, and the notes on pages 7 to 17.

### Review of business and future developments

The year-end financial position of the Company was satisfactory, and the directors expect the present financial position to be improved in the foreseeable future.

### Dividends

No interim dividend was paid for the year ended 31 March 2002 (2001: £nil). The directors do not recommend the payment of a final dividend for the year ended 31 March 2002 (2001: £nil).

### Fixed assets

In the opinion of the directors, having considered independent professional advice, the market value of the freehold and leasehold premises exceeded by approximately £11.5 million the amount at which such premises are included in the historical cost balance sheet as at 31 March 2002.

### Directors

The directors of the Company during the year and as at 31 March 2002 were:

| | |
|---|---|
| R Dunhill | |
| K C O Barton | |
| R G S Cole | (resigned 10 April 2001) |
| M Soares | (resigned 16 October 2001) |
| J P Nolan | (resigned 16 October 2001) |
| P A Dunnett | (resigned 16 October 2001) |
| H A Lloyd-Jennings | (resigned 16 October 2001) |
| G J Leymarie | (resigned 28 October 2002) |
| A Merriman | |
| S J Critchell | (appointed 31 July 2001) |
| G A Saage | (appointed 31 July 2001) |
| D J Ward | (appointed 7 July 2001, resigned 31October 2002) |

# Alfred Dunhill Limited

## Report of the Directors
## for the year ended 31 March 2002 (Continued)

**Directors' interests**

There are no individual interests of any director and their families in shares and options of the Company, its parent company or any of their subsidiary companies or fellow subsidiaries, as shown in the register kept in accordance with section 325 of the Companies Act 1985 as at 31 March 2002.

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

**Employee information**

The Company is an equal opportunity employer and no job applicant or employee receives less favourable treatment on the grounds of sex, marital status, race, colour or creed. Employees are kept as fully informed as possible on the Company's performance and direction and there are established channels for consultation and communication at a corporate and divisional level.

**Employment of disabled persons**

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

**Donations**

Donations for charitable purposes made by the Company in the United Kingdom during the year amounted to £13,000 (2001: £7,000). No contributions for political purposes were made during the year (2001: £Nil).

## Report of the Directors
## for the year ended 31 March 2002 (Continued)

### Directors' responsibilities

The directors are required by United Kingdom company law to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 31 March 2002. The directors also confirm that applicable accounting standards have been followed and that the accounts have been prepared on a going concern basis based on the assumption that its parent company will continue to provide financial support for the foreseeable future.

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

### Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors will be proposed at the Annual General Meeting.

**By Order of the Board**

W S G Lawrence
Company Secretary
10 December 2002

# Alfred Dunhill Limited

## Independent auditors' report to the members of Alfred Dunhill Limited

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

**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 on page 3.

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.

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 directors report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**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 the company's affairs at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
10 December 2002

# Alfred Dunhill Limited

## Profit and loss account for the year ended 31 March 2002

| | Note | 2002 | 2001 £'000 |
|---|---|---|---|
| **Turnover** | 2 | **70,548** | 81,230 |
| **Cost of sales** | | **(48,428)** | (48,540) |
| **Gross profit** | | **22,120** | 32,690 |
| Distribution and selling costs | | **(31,305)** | (23,384) |
| Administrative expenses | | **(17,756)** | (7,737) |
| Pre-exceptional | | **(16,656)** | (12,131) |
| Exceptional | 3 | **(1,100)** | 4,394 |
| **Operating profit** | | **(26,941)** | 1,569 |
| Exceptional loss on disposal of tangible fixed assets | 3 | **(336)** | - |
| Income from shares in group undertakings | | **14,017** | - |
| Amounts written off investments | 4 | **(11,831)** | - |
| Net interest payable | 5 | **(2,687)** | (2,584) |
| **Loss on ordinary activities before taxation** | 6 | **(27,778)** | (1,015) |
| Tax on loss on ordinary activities | 7 | **(257)** | (74) |
| **Loss on ordinary activities after taxation being loss for the financial year** | 18 | **(28,035)** | (1,089) |

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

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 equivalents.

All material activities of the Company are continuing.

The notes on pages 7 to 17 form an integral part of these accounts

# Alfred Dunhill Limited

## Balance sheet as at 31 March 2002

| | Notes | 2002 £'000 | 2002 £'000 | 2001 £'000 | 2001 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 9 | | **7,680** | | 7,571 |
| Investments | 10 | | **25,481** | | 26,203 |
| | | | **33,161** | | 33,774 |
| **Current assets** | | | | | |
| Stocks | 11 | **10,909** | | 12,871 | |
| Debtors | 12 | **43,859** | | 52,245 | |
| Cash at bank and in hand | | **4,332** | | 3,208 | |
| | | | **59,100** | | 68,324 |
| Creditors: amounts falling due within one year | 13 | | **(99,837)** | | (82,245) |
| **Net current liabilities** | | | **(40,737)** | | (13,921) |
| **Total assets less current liabilities** | | | **(7,576)** | | 19,853 |
| **Provisions for liabilities and charges** | 14 | | **(1,369)** | | (763) |
| **Net Assets** | | | **(8,945)** | | 19,090 |
| **Capital and reserves** | | | | | |
| Called up share capital | 16 | | **1,584** | | 1,584 |
| Merger reserve | 17 | | **22,912** | | 22,912 |
| Profit and loss account | 17 | | **(33,441)** | | (5,406) |
| Equity shareholder's funds | 18 | | **(8,945)** | | 19,090 |

The accounts on pages 5 to 17 were approved by the board of directors and were signed on its behalf by:

A Merriman
Director
10 December 2002

The notes on pages 7 to 17 form an integral part of these accounts.

# Alfred Dunhill Limited

## Notes to the accounts for the year ended 31 March 2002

## 1 Principal accounting policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied on a consistent basis, is set out below.

### (1) Basis of accounting

The accounts have been prepared in accordance with the historical cost convention. The accounts have been prepared on a going concern basis as the Company's parent company has confirmed that financial support will be provided for the foreseeable future.

### (2) New accounting standards

Financial Reporting Standard 17 – "Retirement Benefits" was issued in November 2000 by the Accounting Standards Board to replace SSAP 24 "Accounting for pension costs" and is fully effective for accounting periods ending on or after 22 June 2003. In accordance with the transitional arrangements certain additional disclosures are included in the notes to the accounts.

Financial Reporting Standard 18 - "Accounting policies" has been adopted for these financial statements. The Directors have reviewed the accounting policies adopted by the Company and have confirmed that they are the most appropriate to the particular circumstances of Alfred Dunhill Limited. There is no change to the previously reported numbers as a result of the adoption of this Standard.

Financial Reporting Standard 19 – "Deferred Tax" has been adopted for the first time in these financial statements. As required by the Standard, deferred taxation has been calculated using the full provision approach rather than the partial provision approach previously employed. This has had no impact on the figures previously reported.

### (3) Consolidated accounts

The accounts contain information about Alfred Dunhill Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated accounts as it and its subsidiary undertakings are included in the consolidated accounts of its UK parent company Richemont Holdings (UK) Limited.

### (4) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Differences on exchange are included in operating profit. Transactions in foreign currencies are translated into sterling at the actual rate of exchange ruling at the date of the transaction.

### (5) Taxation

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

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

# Alfred Dunhill Limited

## Notes to the accounts for the year ended 31 March 2002

## 1 Principal accounting policies (Continued)

### (6) Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first-in-first-out basis and, where appropriate, includes labour, materials, duty and overheads attributable to the stages of production reached. Net realisable value is the price at which the stocks can be realised in the normal course of business, after allowing for the estimated costs of realisation. Where necessary, provision is made for obsolete, slow moving and defective stocks.

### (7) Depreciation

Depreciation of fixed assets is calculated to write-off the cost or valuation of the assets over their expected useful lives, by equal annual instalments. The principal rates used are:

| | |
|---|---|
| Freehold and leasehold buildings | 2% |
| Fixtures, fittings and other equipment | 10 - 33% |

### (8) Investments held as current assets

Investments held as current assets are stated at the lower of cost and net realisable value.

### (9) Impairment of fixed assets

Fixed assets are reviewed for impairment where there is some indication that impairment has occurred. Impairment is measured by comparing the carrying value of the group of assets under review with their recoverable amount. The recoverable amount is the higher of the amount that could be obtained from selling the assets or their value in use, as measured by discounting the future cash flows arising from the use of the assets at a rate of return which would be expected from an investment of similar risk.

### (10) Turnover

Turnover, which includes sales to other companies within the Alfred Dunhill group, and excludes value added tax, sales and similar taxes and trade discounts, represents the invoiced value of goods supplied and also includes royalties and similar income receivable.

### (11) Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### (12) Pension scheme arrangements

Pension costs, which are charged to the profit and loss account, are calculated on actuarial valuation methods which give a substantially even charge over the expected service lives of employees. The Company provides no other post retirement benefits to its employees.

Note 15 to the accounts provides further details relating to group defined pension scheme arrangements. The company also contributes to a number of defined contribution pension schemes covering a small number of employees and the costs of these schemes are charged to the profit and loss account as incurred.

### (13) Cash flow statement

No cash flow statement is prepared as, in accordance with Financial Reporting Standard No. 1 Revised, the Company is exempt from this requirement as it is a wholly owned subsidiary whose cash flows are included in the Compagnie Financière Richemont AG cash flow statement.

# Alfred Dunhill Limited

## Notes to the accounts for the year ended 31 March 2002

## 2 Turnover

Sales for the year ended 31 March 2002 are analysed as follows:

| | Europe £'000 | Asia Pacific £'000 | Rest of World £'000 | Total £'000 |
|---|---|---|---|---|
| External turnover by destination | 16,853 | 49,972 | 3,723 | 70,548 |
| External turnover by origin | 70,548 | - | - | 70,548 |

Sales for the year ended 31 March 2001 are analysed as follows:

| | Europe £'000 | Asia Pacific £'000 | Rest of World £'000 | Total £'000 |
|---|---|---|---|---|
| External turnover by destination | 19,836 | 54,836 | 6,558 | 81,230 |
| External turnover by origin | 81,230 | - | - | 81,230 |

In the opinion of the directors, the Company operates in one class of business, that of luxury products.

## 3 Exceptional items

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Operating exceptional items (administrative expenses): | | |
| Reversal of impairment in investments | - | 670 |
| Write off of software costs | (1,100) | - |
| Release of pension provision (note 15) | - | 3,724 |
| | (1,100) | 4,394 |
| Non-operating exceptional items: | | |
| Loss on disposal of tangible fixed assets | (336) | - |
| | (1,436) | 4,394 |

In 2001 a subsidiary, Alfred Dunhill Americas Limited, exited certain onerous leases that in 2000 had lead to an impairment charge of £670,000. This has led to the reversal of the impairment that had been charged to the profit and loss account in the year ended 31 March 2000.

In 2002 the company halted development of a new computer system. The related costs were written off.

## 4 Amounts written off investments

In 2002 the company provided against certain investments in certain subsidiary companies arising from shortfalls in the subsidiaries underlying net assets.

# Alfred Dunhill Limited

## Notes to the accounts for the year ended 31 March 2002

## 5 Net interest payable

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Interest receivable from third parties | **55** | 83 |
| Interest receivable from group undertakings | **351** | 458 |
| Less: interest payable to group undertakings | **(2,509)** | (2,911) |
| Less: interest payable on bank loans and overdrafts | **(584)** | (214) |
| | **(2,687)** | (2,584) |

## 6 Loss on ordinary activities before taxation

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| **Loss on ordinary activities before taxation is stated after charging/(crediting) the following items:** | | |
| Depreciation of tangible fixed assets | **2,846** | 1,798 |
| Hire of plant and machinery - operating leases | **274** | 163 |
| Other operating lease rentals | **4,198** | 3,313 |
| Foreign exchange losses / (gains) | **1,152** | (745) |
| Auditors' remuneration | | |
| - audit | **60** | 57 |
| - other services | **1,112** | 102 |

Fees paid to PricewaterhouseCoopers for non-audit work amounted to £1,112,000 (2001 £102,000). £1,068,000 was for work on the aborted computer implementation project (2001 £nil).

## 7 Tax on loss on ordinary activities

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Group relief receivable | **-** | 285 |
| Overseas tax | **(257)** | (359) |
| Total | **(257)** | (74) |

## Alfred Dunhill Limited

### Notes to the accounts for the year ended 31 March 2002

### 7 Tax on loss on ordinary activities (continued)

**Tax reconciliation:**

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Loss for the year | **(27,778)** | (1,015) |
| Loss for the year multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%) | **(8,333)** | (305) |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | **189** | 295 |
| Capital allowances in excess of depreciation | **(426)** | 432 |
| Other timing differences | **189** | (827) |
| Trading losses carried forward | **8,381** | - |
| Group relief receivable | **-** | 120 |
| Overseas tax | **257** | 359 |
| Total | **257** | 74 |

**Unrecognised deferred tax asset:**

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Capital allowances in excess of depreciation | **1,419** | 1,761 |
| Trading losses carried forward | **14,555** | 5,898 |
| Other timing differences | **317** | 347 |
| Total | **16,291** | 8,006 |

The Company has a net deferred tax asset of £16,291,000, which has not been recognised in the financial statements. A net deferred tax asset is recognised only when it is deemed to be recoverable. Due to uncertainty over the profitability of the Company in the foreseeable future, the deferred tax asset is not deemed to be recoverable.

### 8 Dividends

No final or interim dividends were paid in the year (2001: £nil).

## 9 Tangible fixed assets

| | Leasehold land and buildings £'000 | Fixtures, fittings, tools and equipment £'000 | Assets in the course of construction £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| 1 April 2001 | 896 | 18,045 | 510 | 19,451 |
| Additions | 735 | 4,314 | - | 5,049 |
| Disposals | (365) | (5,117) | - | (5,482) |
| Transfers | - | 510 | (510) | - |
| **31 March 2002** | **1,265** | **17,753** | **-** | **19,018** |
| **Depreciation** | | | | |
| 1 April 2001 | (639) | (11,241) | - | (11,880) |
| Charge for the year | (275) | (2,571) | - | (2,846) |
| Disposal | 231 | 3,157 | | 3,388 |
| **31 March 2002** | **(683)** | **(10,655)** | **-** | **(11,338)** |
| **Net book value at 31 March 2002** | **582** | **7,098** | **-** | **7,680** |
| Net book value at 31 March 2001 | 257 | 6,804 | 510 | 7,571 |

The Company's net book value of leasehold land and buildings includes £582,000 (2001: £255,000) where the term unexpired is less than 50 years.

## 10 Investments

| | Shares in group undertakings £'000 |
|---|---|
| **Cost** | |
| 1 April 2001 | 48,003 |
| Additions | 14,627 |
| Disposals | (3,518) |
| **31 March 2002** | **59,112** |
| **Provision** | |
| 1 April 2001 | (21,800) |
| Impairment charge in year (see note 4) | (11,831) |
| **31 March 2002** | **(33,631)** |
| **Net book value at 31 March 2002** | **25,481** |
| Net book value at 31 March 2001 | 26,203 |

## 10 Investments (continued)

The company acquired 85% of Richemont Investments Limited, a group company, during the year for £14,627,000. That company subsequently paid a dividend and also made a repayment of its share capital resulting in a write down of the carrying value of this investment.

Alfred Dunhill Americas Limited was also impaired as a result of continuing trading losses.

The principal immediate subsidiary undertakings are Alfred Dunhill Pipes Limited, a wholly owned luxury goods distributor incorporated and operating in England and Wales, Alfred Dunhill Lighters Limited, a wholly owned investment holding company incorporated and operating in England and Wales, and Alfred Dunhill Americas Limited (formerly Alfred Dunhill (North America) Limited) a wholly owned luxury goods distributor incorporated in England and Wales and operating in North America. The above disclosure is for subsidiaries that, in the directors' opinion, would principally affect the figures shown in the Financial Statements. The company owns 100% of the ordinary shares and voting rights in these subsidiaries.

## 11 Stocks

| | 2002<br>£'000 | 2001<br>£'000 |
|---|---|---|
| Finished goods and goods for resale | **10,909** | 12,871 |

## 12 Debtors

| | 2002<br>£'000 | 2001<br>£'000 |
|---|---|---|
| Trade debtors | **6,088** | 9,574 |
| Amounts owed by group undertakings | **32,142** | 36,510 |
| Other debtors | **3,453** | 1,406 |
| Prepayments and accrued income | **2,176** | 4,194 |
| Taxation recoverable | **-** | 561 |
| | **43,859** | 52,245 |

Included within Other debtors is an amount of £699,000 (2001: £694,000) falling due after more than one year.

## 13 Creditors: amounts falling due within one year

| | 2002<br>£'000 | 2001<br>£'000 |
|---|---|---|
| Bank loans and overdrafts repayable in one year | **2,036** | 7,523 |
| Trade creditors | **1,873** | 1,400 |
| Amounts owed to group undertakings | **89,351** | 64,467 |
| Other tax and social security | **333** | 248 |
| Accruals and deferred income | **6,244** | 8,607 |
| | **99,837** | 82,245 |

# Alfred Dunhill Limited

## Notes to the accounts for the year ended 31 March 2002

## 14 Provisions for liabilities and charges

| | Onerous rental contracts £'000 | Litigation provisions £'000 | Unit based incentive scheme £'000 | Total £'000 |
|---|---|---|---|---|
| 1 April 2001 | 246 | 120 | 397 | 763 |
| Increase | - | 170 | 802 | 972 |
| Utilised | - | (120) | - | (120) |
| Released | (246) | - | - | (246) |
| **31 March 2002** | - | **170** | **1,199** | **1,369** |

**Onerous rental contracts**

The onerous rental contract provision covered shortfalls anticipated under leasehold commitments. This has been released as the sub tenant is now paying the full rent.

**Litigation provisions**

Litigation provisions relate to legal claims that are expected to be utilised within the next two years.

**Unit based incentive scheme**

In June 1999 the Company adopted a long-term incentive scheme. Under the terms of the scheme certain executives of the Company may receive bonus payments based on the appreciation of the quoted price of 'A' equity units of Compagnie Financière Richemont AG, the Company's ultimate parent company, which are listed on the Swiss Exchange. The benefits under the scheme vest over periods of between three and six years, with the first vesting date being 1 July 2002. A provision of £1,199,000 has been included in the accounts at 31 March 2002 (2001 : £397,000), representing the estimated amount of the benefit and employer's national insurance contributions accrued to that date under the scheme.

## 15 Pensions

The Company contributes to a few Group pension schemes throughout the world and to personal pension schemes. The main contributions are to the Richemont UK Pension Plan ("Plan"), a funded defined benefit group plan, to which the Company is a participating employer. The total pension cost for the year is calculated for the Plan as a whole and allocated between the participating employers after taking into account relevant payroll costs and historic contributions.

The pension cost for the Company was a credit of £401,000 (2001: a credit of £3,724,000). The pension cost is assessed in accordance with the advice of an independent qualified actuary. For accounting purposes the valuation used the projected unit method of actuarial valuation with assets valued on a discounted income basis. The assumptions used were that the long-term rate of return on the Plan's investments will, on average, exceed the increase in pensionable earnings by 2.50% pa, the growth in future pensions and price inflation by 5.0% pa and the growth in future

# Alfred Dunhill Limited

## Notes to the accounts for the year ended 31 March 2002

## 15 Pensions (continued)

dividends by 1.5% pa. On this basis as at 31 March 2001, the date of the latest valuation, the actuarial value of the assets represented 150% of the actuarial value of the liabilities.
The accounting surplus is being spread over the average remaining service lives of current employees on a straight-line basis. The Company paid contributions of £21,000 to the plan over the year, which combined with the above pension credit leads to a pension prepayment of £639,000 (2001: £217,000) at the balance sheet date.
For funding purposes more cautious actuarial assumptions are adopted and any surplus or deficit may be spread on a basis which differs from that used for accounting purposes. The last formal review of the Plan for funding purposes was completed as at 31st March 2001 using the Projected Unit Method of actuarial valuation on a market related basis. The assumptions used were a long term annual rate of investment return of 6.3% pa for the past service liabilities before retirement, 7.0% pa for future service liabilities before retirement and 5.3% pa for all liabilities after retirement. The increase in pensionable earnings assumption was 4.9% pa. and the assumed growth in future pensions and price inflation was 2.4% pa At the date of review, based on these assumptions, the market value of the Plan's assets represented 121% of its long term accrued liabilities on an ongoing basis. The funding surplus is being used to finance the Employer's contributions to the Plan. The market value of the Plan's assets at 31st March 2001 was £88.3 million.

**FRS17**

The Company is unable to identify its share of the underlying assets of the Plan on a consistent and reasonable basis, and each participating employer is exposed to actuarial risks associated with the current and former employees of the other employers participating in the Plan. Paragraph 9(b) of FRS17 allows that in this case, the pension cost is equal to the Company's contributions to the Plan during the accounting period and there will be no balance sheet item.

## 16 Share capital

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| **Authorised, allotted, called up and fully paid** | | |
| 15,840,000 (2001: 15,840,000) ordinary shares of 10p each | **1,584** | 1,584 |

## 17 Reserves

| | Merger reserve £'000 | Profit and loss £'000 |
|---|---|---|
| At 31 March 2001 | **22,912** | (5,406) |
| Retained loss for the year | **-** | (28,035) |
| | **22,912** | (33,441) |

# Alfred Dunhill Limited

## Notes to the accounts for the year ended 31 March 2002

## 18 Reconciliation of movements in shareholders' funds

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Opening equity shareholders' funds | **19,090** | 20,179 |
| Retained loss for the financial year | **(28,035)** | (1,089) |
| Closing equity shareholders' funds | **(8,945)** | 19,090 |

## 19 Financial commitments

The Company has entered into lease commitments under operating leases in the normal course of business. The annual commitments, as at 31 March, under these leases expire as follows:

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Land and buildings | | |
| Within one year | **317** | 448 |
| Between one and five years | **1,258** | 42 |
| After five years | **4,053** | 4,962 |
| | **5,628** | 5,452 |
| Other operating leases | | |
| Within one year | **14** | 24 |
| Between one and five years | **124** | 211 |
| | **138** | 235 |

The company has given various guarantees, in the normal course of business, to banks and lessors on its behalf and on behalf of some of its subsidiaries.

The capital expenditure committed at 31 March 2002 by the company was £nil (2001: £2,400,000).

## 20 Employee information

The average number of persons (including executive directors) employed during the year by the Company in the purchasing, distribution and sale of luxury consumer products was 171 (2001: 219).

Their aggregate compensation was as follows:

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Gross wages and salaries | **7,095** | 10,301 |
| Social security costs | **608** | 1,001 |
| Defined benefit plan pension costs (see note 15) | **(401)** | (3,724) |
| | **7,302** | 7,578 |

# Alfred Dunhill Limited

## Notes to the accounts for the year ended 31 March 2002

### 21 Directors' emoluments

Emoluments of directors of the Company excluding pension contributions were:

| | 2002<br>£'000 | 2001<br>£'000 |
|---|---|---|
| Aggregate emoluments of directors | **892** | 866 |

| | 2002<br>£'000 | 2001<br>£'000 |
|---|---|---|
| The highest paid director | **324** | 240 |

Retirement benefits are accruing to five directors (2001:five) under a defined benefit scheme and one director (2001:nil) under a defined contribution scheme.

### 22 Related party transactions

In accordance with Financial Reporting Standard No. 8: Related Party Disclosure, the Company is exempt from disclosing transactions with entities that are part of the group, as it is a more than ninety per cent owned subsidiary undertaking of a parent whose consolidated accounts are publicly available.

### 23 Ultimate parent company

The Company is a wholly owned subsidiary of Richemont Holdings (UK) Limited (registered in England and Wales).

The directors regard Compagnie Financière Richemont AG, a listed company incorporated in Switzerland, to be the ultimate parent company. Shares representing 50% of the voting rights of that company are held by Compagnie Financière Rupert which, for the purpose of Financial Reporting Standard No. 8, is regarded by the directors as the controlling party.

Copies of the accounts of Compagnie Financière Richemont AG are available from its registered office at Rigistrasse 2, CH-6300 Zug, Switzerland.