

ALFRED DUNHILL LIMITED

Report and Accounts for the year ended 31 March 1997

Registered Number 00191031



**Report of the Directors
for the year ended 31 March 1997**

The directors submit their report and the audited accounts for the year ended 31 March 1997.

Principal activities

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

Results

The results of the Company for the year are set out in the profit and loss account on page 6. The profit of £81,000 has been taken to reserves.

Review of business activities and future developments

The year end financial position of the Company was satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends

Interim dividends of £2.53 per share were declared on the ordinary shares in respect of the year to 31 March 1997 amounting to £40,000,000 (1996: £30,000,000). The directors do not recommend the payment of a final dividend for the year ended 31 March 1997 (1996: £Nil).

Fixed assets

In the opinion of the directors, having considered independent professional advice, the market value of the freehold and leasehold premises exceeds by approximately £4 million the amount at which such premises are included in the historical cost balance sheet as at 31 March 1997. The majority of this surplus is attributable to the premises at Jermyn/Duke Street, London. All the premises are used for the purpose of the Company's business. If the premises were realised at this market value, the directors consider that there would be no net taxation liability reflected in the accounts.

Report of the Directors for the year ended 31 March 1997 - continued

Directors

The directors of the Company during the year and as at 31 March 1997 were:

Richard Dunhill	
K Callum O Barton	(appointed 20 March 1997)
François P L Poirel	(resigned 31 March 1997)
John S T Tomlinson	(resigned 14 August 1996)
James E K Pye	
Mounir T Moufarrige	

In addition, on 9 September 1997, Mr Richard G S Cole, Mr Stanislas de Quercize, Mr Mario Soares and Mr Richard N Thorby were appointed directors of the Company.

Directors' interests

The beneficial interest and options of directors who are also directors of Vendôme Luxury Investments Limited are disclosed in the accounts of that company.

The individual interests of any other director and their families in shares and options of the Company, their 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, were:

	Beneficial interest at 31 March		Options at 31 March		Options in the year to 31 March 1997	
	1997	1996	1997	1996	granted	exercised
R Dunhill	76,142	76,142	-	-	-	-
M T Moufarrige	-	-	30,000	30,000	-	-

The above options, all of which are in respect of Vendôme Luxury Group PLC units, were granted on 13 September 1995 at 540.5p per share. They are exercisable, subject to performance criteria and timing provisions, between 13 September 1998 and 13 September 2003.

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

**Report of the Directors
for the year ended 31 March 1997 - continued****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 purpose made by the Company in the United Kingdom during the year amounted to £16,000 (1996: £15,000). No contributions for political purposes were made during the year (1996: £Nil).

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 of the Company for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 31 March 1997. The directors also confirm that applicable accounting standards have been followed and that the accounts have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Report of the Directors
for the year ended 31 March 1997 - continued**

Creditor payment policy

The Company's current policy concerning the payment of its trade creditors is to:

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

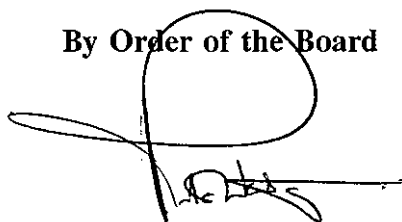
The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

The Company's average creditor payment period at 31 March 1997 was 40 days.

Auditors

A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to be 'R. Watson', is written over a large, circular stamp or seal.

R Watson
Secretary
8 October 1997

**Report of the auditors to the members of
ALFRED DUNHILL LIMITED**

We have audited the accounts on pages 6 to 21.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

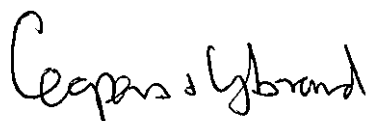
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31 March 1997 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
8 October 1997

Profit and loss account for the year ended 31 March 1997

	Notes	1997 £'000	1996 £'000
Turnover	2	78,273	84,991
Cost of sales		(42,678)	(41,201)
Gross profit		35,595	43,790
Net operating expenses	3	(50,682)	(41,902)
Operating (loss)/profit		(15,087)	1,888
Net interest receivable	4	1,248	38
Dividends receivable from subsidiary undertakings		56,989	61,105
Profit on ordinary activities before taxation	5	43,150	63,031
Taxation on profit on ordinary activities	6	(3,069)	(5,021)
Profit on ordinary activities after taxation		40,081	58,010
Dividends	7	(40,000)	(30,000)
Profit retained for the year		81	28,010

All of the profit on ordinary activities has arisen from continuing activities.

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

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

The notes on pages 8 to 21 form an integral part of these accounts.

The auditors' report is on page 5.

ALFRED DUNHILL LIMITED

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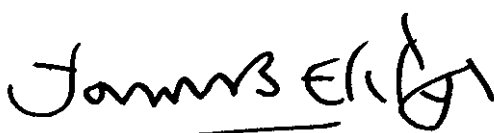
Balance sheet as at 31 March 1997

	Notes	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Fixed assets					
Tangible assets	8		7,479		3,573
Investments in subsidiaries	9		35,934		27,699
Current assets					
Stocks	10	10,489		10,809	
Debtors: amounts falling due within one year	11	88,343		90,722	
Cash at bank and in hand		21,997		9,716	
		120,829		111,247	
Creditors: amounts falling due within one year	12	(89,402)		(68,800)	
Net current assets			31,427		42,447
Total assets less current liabilities			74,840		73,719
Provisions for liabilities and charges	13		(6,069)		(5,029)
			68,771		68,690
Capital and reserves					
Called up share capital	14		1,584		1,584
Merger reserve	15		24,892		24,892
Profit and loss account	15		42,295		42,214
			68,771		68,690

The accounts on pages 6 to 21 were approved by the board of directors on 8 October 1997 and were signed on its behalf by:


K C O Barton

Director


J E K Pye

Director

The notes on pages 8 to 21 form an integral part of these accounts.
The auditors' report is on page 5.

**Notes to the accounts
for the year ended 31 March 1997****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 policies adopted by the Company, applied on a consistent basis, is set out below.

Basis of accounting

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

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 undertaking are included in the consolidated accounts of its parent company Vendôme Luxury Group PLC.

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.

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 liability method in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

**Notes to the accounts
for the year ended 31 March 1997 - continued****1 Principal accounting policies (continued)****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.

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%

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.

Investments held as current assets

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

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.

**Notes to the accounts
for the year ended 31 March 1997 - continued****1 Principal accounting policies (continued)****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 13 to the accounts provides further details relating to pension scheme arrangements.

Cash flow statement

As the Company is a wholly owned subsidiary of Vendôme Luxury Group PLC the cash flows of the Company are included in the consolidated Group cash flow statement of Vendôme Luxury Group PLC. Consequently, the Company is exempt under the terms of Financial Reporting Standard No. 1 revised from publishing a cash flow statement.

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 publishing consolidated financial statements.

2 Turnover

	1997 £'000	1996 £'000
Gross sales revenue including royalties and similar income receivable	81,083	87,890
Value added taxes, duty excise and other sales taxes	(2,810)	(2,899)
	<u>78,273</u>	<u>84,991</u>

**Notes to the accounts
for the year ended 31 March 1997 - continued**

2 Turnover (continued)

Sales to third parties for the year ended 31 March 1997 are analysed as follows:

	Europe £'000	Asia Pacific £'000	Rest of World £'000	Total £'000
Turnover by destination	<u>24,978</u>	<u>38,201</u>	<u>15,094</u>	<u>78,273</u>
Turnover by origin	<u>78,273</u>	<u>-</u>	<u>-</u>	<u>78,273</u>

Sales to third parties for the year ended 31 March 1996 were:

	Europe £'000	Asia Pacific £'000	Rest of World £'000	Total £'000
Turnover by destination	<u>27,917</u>	<u>38,845</u>	<u>18,229</u>	<u>84,991</u>
Turnover by origin	<u>84,991</u>	<u>-</u>	<u>-</u>	<u>84,991</u>

In the opinion of the directors, the Company operates in one class of business, that of luxury products. A segmental analysis of profitability and net assets by geographical region is not therefore disclosed.

3 Net operating expenses

	1997 £'000	1996 £'000
Distribution costs	14,791	14,302
Administrative expenses	<u>35,891</u>	<u>27,600</u>
	<u>50,682</u>	<u>41,902</u>

**Notes to the accounts
for the year ended 31 March 1997 - continued**

4 Net interest receivable and similar income

	1997 £'000	1996 £'000
Interest receivable and similar income from investments held as current assets:		
Unlisted companies	1,430	464
Less: interest payable on bank loans and overdrafts	(182)	(426)
	<u>1,248</u>	<u>38</u>

5 Profit on ordinary activities before taxation

	1997 £'000	1996 £'000
Profit on ordinary activities before taxation is stated after taking account of the following items:		
Depreciation of tangible fixed assets	1,926	929
Hire of plant and machinery - operating leases	320	396
Loss on disposal of fixed assets	2	23
Redundancy and other costs relating to rationalisation of operations	250	755
Exceptional items		
- accelerated depreciation of assets no longer in use	636	-
- write-off of amounts owed by subsidiaries	3,580	467
Foreign exchange losses	1,380	1,198
Auditors' remuneration		
- audit	51	50
- other services	325	168

**Notes to the accounts
for the year ended 31 March 1997 - continued**

6 Taxation on profit on ordinary activities

	1997 £'000	1996 £'000
United Kingdom current taxation		
Corporation tax charge at 33% (1996: 33%)	-	1,332
Less: double taxation relief	-	(678)
	<u>-</u>	<u>654</u>
Advance corporation tax written-off	3,795	3,057
Overseas tax	471	678
Transfer (from)/to deferred taxation:		
United Kingdom	(1,310)	223
Prior year items:		
United Kingdom corporation tax	169	1,197
Deferred tax	(56)	(788)
	<u>3,069</u>	<u>5,021</u>

7 Dividends

	1997 £'000	1996 £'000
Paid or proposed on ordinary shares:		
Interim dividends paid or proposed of £2.53 per share (1996: £1.89)	40,000	30,000

Notes to the accounts for the year ended 31 March 1997 - continued

8 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 1996	1,763	9,479	-	11,242
Additions	85	4,589	1,258	5,932
Disposals	(925)	(3,310)	-	(4,235)
	<u>923</u>	<u>10,758</u>	<u>1,258</u>	<u>12,939</u>
Depreciation				
1 April 1996	(948)	(6,721)	-	(7,669)
Charge for the year	(447)	(1,479)	-	(1,926)
Disposals	901	3,234	-	4,135
	<u>(494)</u>	<u>(4,966)</u>	<u>-</u>	<u>(5,460)</u>
Net book value at 31 March 1997	<u>429</u>	<u>5,792</u>	<u>1,258</u>	<u>7,479</u>
Net book value at 31 March 1996	815	2,758	-	3,573

The Company's net book value of leasehold land and buildings includes £286,000 (1996: £220,000) where the term unexpired is less than 50 years.

Future capital expenditure approved for which provision has not been made in these accounts:

	1997 £'000	1996 £'000
Contracts placed	<u>582</u>	<u>446</u>

Notes to the accounts for the year ended 31 March 1997 - continued

9 Investment in subsidiary undertakings

	1997 £'000	1996 £'000
Investments at cost	<u>35,934</u>	<u>27,699</u>

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 (North America) Limited a wholly owned luxury goods distributor incorporated in England and Wales and operating in North America.

10 Stocks

	1997 £'000	1996 £'000
Finished goods and goods for resale	<u>10,489</u>	<u>10,809</u>

11 Debtors: amounts falling due within one year

	1997 £'000	1996 £'000
Trade debtors	7,116	5,985
Amounts owed by holding company and fellow subsidiaries	83	169
Amounts owed by subsidiaries	77,950	81,619
Other debtors	758	510
Prepayments and accrued income	2,140	2,057
Taxation (see below)	296	382
	<u>88,343</u>	<u>90,722</u>

**Notes to the accounts
for the year ended 31 March 1997 - continued****11 Debtors: amounts falling due within one year - continued**

Taxes receivable are made up as follows:

	1997 £'000	1996 £'000
Advance corporation tax payable on dividends	(2,817)	(3,063)
United Kingdom corporation tax recoverable	3,122	3,454
	<u>305</u>	<u>391</u>
Social security	(9)	(9)
	<u>296</u>	<u>382</u>

12 Creditors: amounts falling due within one year

	1997 £'000	1996 £'000
Bank loans and overdrafts repayable in one year - unsecured	2,376	5,358
Trade creditors	2,238	2,508
Amounts owed to the holding company and fellow subsidiaries	58,439	41,948
Amounts owed to subsidiaries	13,543	8,416
Other creditors, accruals and deferred income	11,240	8,987
Relocation costs	1,566	1,583
	<u>89,402</u>	<u>68,800</u>

**Notes to the accounts
for the year ended 31 March 1997 - continued****13 Provisions for liabilities and charges**

	Deferred taxation £'000	Pensions obligations £'000	Total £'000
1 April 1996	538	4,491	5,029
Amount (utilised)/provided in the year	(538)	1,578	1,040
31 March 1997	-	6,069	6,069

Pensions

The Company is a member of the Vendôme Luxury Group UK Pension Plan. The total pension cost for the Company for the year was £1,486,000 (1996: £1,076,000). The pension cost is assessed in accordance with the advice of an independent qualified actuary using the Projected Unit method of actuarial valuation. The last formal valuation of the Plan on which these costs have been based was completed as at 31 March 1996. Under the assumptions that the long term annual rate of return on the Plan's investments will exceed the increase in pensionable earnings by 1.5% and will exceed the annual growth in future pensions and price inflation by 4%, the actuarial value of the assets represented 12.5% of the estimated long term accrued liabilities of the Plan as at the date of the valuation. The market value of the Plan's assets at 31 March 1996 was £55.4 million.

The surplus disclosed by this valuation, for the purposes of these accounts, is being spread over the average remaining service lives of the current employees of those companies participating in the Plan.

**Notes to the accounts
for the year ended 31 March 1997 - continued**

13 Provisions for liabilities and charges - continued

Deferred taxation

The deferred taxation provision and full potential liability at the balance sheet date for the Company, comprised the following:

	1997 £'000	1996 £'000
Short-term timing differences	1,907	1,481
Accelerated capital allowances/(accelerated fiscal depreciation)	266	(115)
Less: losses (1997)/advance corporation tax recoverable (1996)	(2,173)	(828)
	<u>-</u>	<u>538</u>

14 Share capital

	1997 £'000	1996 £'000
Authorised, allotted, called up and fully paid: 15,840,000 (1996: 15,840,000) ordinary shares of 10p each	<u>1,584</u>	<u>1,584</u>

15 Reserves

	Merger reserve £'000	Profit and loss account £'000
At 1 April 1996	24,892	42,214
Retained profit for the year	-	81
At 31 March 1997	<u>24,892</u>	<u>42,295</u>

**Notes to the accounts
for the year ended 31 March 1997 - continued****16 Reconciliation of movements in shareholders' funds**

	1997	1996
	£'000	£'000
Opening shareholders' funds	68,690	40,680
Profit for the financial year	81	28,010
	<hr/>	<hr/>
Closing shareholders' funds	68,771	68,690
	<hr/>	<hr/>

17 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:

	1997	1996
	£'000	£'000
Land and buildings		
Within one year	-	628
Between one and five years	502	687
After five years	2,364	1,493
	<hr/>	<hr/>
	2,866	2,808
	<hr/>	<hr/>
Other assets		
Within one year	26	29
Between one and five years	269	306
	<hr/>	<hr/>
	295	335
	<hr/>	<hr/>

Notes to the accounts for the year ended 31 March 1997 - continued

18 Employee information

The average number of persons (including executive directors) employed during the year by the Company in the production, distribution and sale of luxury consumer products was 335 (1996: 340).

Their aggregate compensation was as follows:

	1997	1996
	£'000	£'000
Gross wages and salaries	8,928	8,606
Social security costs	813	780
Pension costs	1,486	1,076
	<u>11,227</u>	<u>10,462</u>

19 Directors' emoluments

Emoluments of directors of the Company including pension contributions were:

	1997	1996
	£'000	£'000
Management remuneration	<u>925</u>	<u>748</u>

Emoluments of the directors, other than those working wholly or mainly outside the United Kingdom, excluding pension scheme contributions include amounts paid to:

	1997	1996
	£	£
The Chairman	153,648	92,846
The highest paid director	<u>240,605</u>	<u>211,597</u>

**Notes to the accounts
for the year ended 31 March 1997 - continued****20 Ultimate holding company**

The Company is a subsidiary of Vendôme Luxury Group PLC (registered in England and Wales) which together with Vendôme Luxury Group SA (registered in Luxembourg) form Vendôme Luxury Group, the accounts of which are available from 27 Knightsbridge, London, SW1X 7YB.

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.

21 Principal subsidiaries and associated undertakings

As the Company is a wholly owned subsidiary of Vendôme Luxury Group PLC, Alfred Dunhill Limited is not required to produce consolidated accounts. As detailed in note 9, the Company has principal immediate subsidiary undertakings, Alfred Dunhill Pipes Limited, Alfred Dunhill Lighters Limited and Alfred Dunhill (North America) Limited all of which are 100% owned.

There are certain other Group companies which, from a legal point of view, are associated rather than subsidiary undertakings, since they are held indirectly through Vendôme Luxury Group BV ("VLGBV"), the majority of whose equity is not owned by Vendôme Luxury Group PLC. However, by virtue of provisions in the articles of incorporation of VLGBV, Vendôme Luxury Group PLC exercises control over these companies. They are therefore fully consolidated in the accounts of Vendôme Luxury Group PLC.