



Alfred Dunhill Limited

Registered number: 00191031

Annual Report

For the Year Ended 31 March 2007

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Annual report for the Year Ended 31 March 2007

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Alfred Dunhill Limited

Directors' report for the year ended 31 March 2007

The directors submit their report and the audited financial statements for the year ended 31 March 2007

Business review and principal activities

Alfred Dunhill Limited ("the company") is part of Richemont, the Swiss luxury goods group

The company is responsible for overall maintenance of the Alfred Dunhill brand including the determination of the global marketing brief and the design and sourcing of branded products

These products are then sold on to other members of the Richemont group who in turn sell them through their own retail stores or to local wholesale accounts

The company also owns and operates 5 retail stores in the UK and makes wholesale sales to third party distributors in Europe, Middle East, Africa and South America

The results for the company show a loss for the year of £13,675,000 (2006 £22,046,000) on sales of £73,972,000 (2006 £71,102,000)

Development & future outlook

Due to its role as a global sourcing platform, the results of Alfred Dunhill Limited are dependent upon the success of the Alfred Dunhill brand as a whole

The year to 31 March 2007 has been a positive one for the brand, with both sales and margins increasing. This improvement was the result of major product launches in the year, which included the casual *Ensign* leather goods collection, the *Revolette* writing instrument, a unique three-in-one pen design, and the *Avorities* leather goods range – a functional range of bags for the modern business traveller. In addition, the menswear range was revamped and launched at the Pitti men's fashion fair in Florence, Italy.

In Britain, Alfred Dunhill unveiled its new concept store in London's Sloane Street, a store that creates a distinctively British environment. The concept will be rolled out to 77 stores in the next financial year.

In Europe, Alfred Dunhill expanded its wholesale accounts and targeted strong growth in Russia and the Middle East. This activity was supported by positive growth in mainland Europe, specifically in Italy and France.

The outlook for the year ahead is also positive for the company. New stores will open in key cities, such as Moscow and St Petersburg, and a new flagship store in London will set the tone for the company's future development.

Alfred Dunhill Limited

Directors' report for the year ended 31 March 2007

Principle risks and uncertainties

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

The key business risks and uncertainties affecting the company are considered to relate to competition from both national and independent retailers, employee retention, and product availability. However, the directors of the Richemont group manage the group's risk at a brand level rather than at an individual business unit level and further discussion of these risks and uncertainties, in the context of the Richemont group as a whole, is provided in the group's annual report which does not form part of this report. Copies of the group annual report can be found on the Richemont website

Key performance indicators

The directors of the Richemont group manage the group's operations on a divisional basis and monitor the performance of Alfred Dunhill at a consolidated brand level. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Alfred Dunhill Limited. The development, performance and position of the Alfred Dunhill brand, which includes the company, is discussed on page 29 of the group's annual report which does not form part of this report

Dividends

No interim dividend was paid for the year ended 31 March 2007 (2006 £nil). The directors do not recommend the payment of a final dividend for the year ended 31 March 2007 (2006 £nil).

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 in the United Kingdom

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.

Health and safety

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

Donations

Donations for charitable purposes made by the company in the United Kingdom during the year amounted to £51,000 (2006 £14,906). No contributions for political purposes were made during the current or prior years.

Alfred Dunhill Limited

Directors' report for the year ended 31 March 2007

Policy and practice on payment of creditors

The company agrees terms of credit on an individual basis with each supplier

For the year ended 31 March 2007, the average trade creditor days of the company were 45 days (2006 46 days)

Directors

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

C M Colfer

S Gaede (appointed 11 May 2007)

A J Merriman (resigned 11 May 2007)

M J Woodcock (appointed 11 May 2007)

Directors interests

There are no individual interests of any director and their families in shares and options of the company, its UK 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 2007

The directors have interests in the share options of the company's ultimate parent, Compagnie Financière Richemont SA. During the year one of the directors (2006 one) exercised share options over 'A' equity units of Compagnie Financière Richemont SA.

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

Alfred Dunhill Limited

Directors' report for the year ended 31 March 2007

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

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

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state that the financial statements comply with IFRSs as adopted by the European Union
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

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

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

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

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

Auditors

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

By Order of the Board



W S G Lawrence
Company Secretary
30 January 2008

Independent auditors' report to the members of Alfred Dunhill Limited

We have audited the financial statements of Alfred Dunhill Limited for the year ended 31 March 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Independent auditors' report to the members of Alfred Dunhill Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2007 and of its loss and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

A handwritten signature in black ink, appearing to read 'PwC LLP', is written across the page.

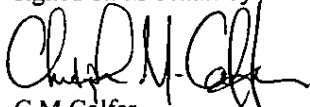
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
30 January 2008

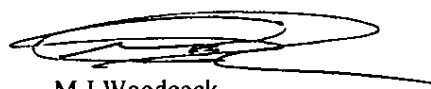
Alfred Dunhill Limited

Balance Sheet as at 31 March 2007

	Note	2007 £'000	2006 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,357	1,876
Investments in subsidiaries	5	-	22
Other non-current assets	6	1,596	1,637
		<u>3,953</u>	<u>3,535</u>
Current assets			
Inventories	7	15,292	15,138
Trade and other receivables	8	8,031	11,563
Prepayments and accrued income		3,221	3,594
Cash at bank and in hand	9	10,135	25,992
		<u>36,679</u>	<u>56,287</u>
TOTAL ASSETS		<u>40,632</u>	<u>59,822</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	159,421	159,421
Other reserves	11	24,672	24,205
Retained earnings		(158,562)	(144,887)
Total Equity		<u>25,529</u>	<u>38,739</u>
Liabilities			
Non-current liabilities			
Retirement benefit obligations	12	93	265
		<u>93</u>	<u>265</u>
Current Liabilities			
Trade and other payables	13	7,748	14,298
Provisions	14	2,613	2,996
Accruals and deferred income		4,649	3,524
		<u>15,010</u>	<u>20,818</u>
Total Liabilities		<u>15,103</u>	<u>21,083</u>
TOTAL EQUITY AND LIABILITIES		<u>40,632</u>	<u>59,822</u>

The financial statements on pages 7 to 10 were approved by the board of directors on 30 January 2008 and were signed on its behalf by


C M Colfer
Director


M J Woodcock
Director

The notes on pages 11 to 28 form an integral part of these financial statements

Alfred Dunhill Limited

Income statement for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Sales		73,972	71,102
Cost of sales		<u>(51,213)</u>	<u>(50,318)</u>
Gross profit		22,759	20,784
Selling and distribution costs		(34,104)	(34,031)
Administration expenses		(16,380)	(12,328)
Royalty Income		3,821	4,084
Other operating income/(expense)	15	10,919	(489)
Operating loss	16	<u>(12,985)</u>	<u>(21,980)</u>
Finance income	19	747	884
Finance expense	19	<u>(1,482)</u>	<u>(691)</u>
Loss before taxation		(13,720)	(21,787)
Taxation	20	<u>45</u>	<u>(259)</u>
Loss for the year		<u>(13,675)</u>	<u>(22,046)</u>

The notes on pages 11 to 28 are an integral part of these financial statements

Alfred Dunhill Limited

Statement of changes in equity for the year ended 31 March 2007

	Share Capital £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
At 1 April 2005	114,421	23,506	(122,841)	15,086
Net loss	-	-	(22,046)	(22,046)
Employee unit option scheme	-	699	-	699
Issue of share capital	45,000	-	-	45,000
At 1 April 2006	159,421	24,205	(144,887)	38,739
Net loss	-	-	(13,675)	(13,675)
Employee unit option scheme	-	467	-	467
At 31 March 2007	159,421	24,672	(158,562)	25,530

The notes on pages 11 to 28 form an integral part of these financial statements

Alfred Dunhill Limited

Cash flow statement for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Cash flows from operating activities			
Cash flow generated from operations	21	(26,441)	(5,208)
Interest income		747	339
Interest paid		(25)	(832)
Taxation		(117)	(858)
Net cash flows from operating activities		<u>(25,836)</u>	<u>(6,559)</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,745)	(636)
Proceeds from disposal of property, plant and equipment		-	136
Acquisition of other non-current assets		(26)	(31)
Proceeds from disposal of other non-current assets		<u>11,750</u>	<u>-</u>
Net cash flows from investing activities		<u>9,979</u>	<u>(531)</u>
Cash flows from financing activities			
Issue of share capital		-	45,000
Net cash flows from financing activities		<u>-</u>	<u>45,000</u>
Net (decrease)/increase in cash and cash equivalents		(15,857)	37,910
Cash and cash equivalents at beginning of year		<u>25,992</u>	<u>(11,918)</u>
Cash and cash equivalents at end of year	9	<u>10,135</u>	<u>25,992</u>

The notes on pages 11 to 28 form an integral part of these financial statements

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

1 Summary of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 1985 applicable to companies reporting under International Financial Reporting Standards and International Financial Reporting Interpretations Committee ('IFRIC') interpretations (together 'IFRS'), as adopted by the European Union. For Alfred Dunhill Limited there are no differences between IFRS as adopted for use in the European Union and full IFRS as published by the International Accounting Standards Board ('IASB').

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

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of assets and financial liabilities at fair value through profit or loss.

The financial statements are prepared on a going concern basis.

Consolidated financial statements

The financial statements 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 financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of Compagnie Financière Richemont SA.

Foreign currencies

(a) Functional and presentation currency

The financial statements are presented in Pounds Sterling, which is the company's functional and presentation currency.

(b) Transactions and balances

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

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

Property, plant and equipment

All property, plant and equipment is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. It excludes borrowing costs.

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

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

Leasehold land and buildings	the life of the lease
Plant and machinery	3 to 10 years
Fixtures, fittings, tools and equipment	3 to 10 years

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

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

Investments in subsidiaries

Investments in subsidiaries are shown at cost less impairment.

Impairment of assets

All fixed and financial assets are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be fully recoverable.

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Other non-current assets

The company holds a collection of historical pieces primarily for presentation to promote the brand and its history. They are not intended for sale. Museum collection pieces are held as non-current assets at cost less any permanent impairment in value.

Loans and receivables are non-derivative financial assets held with no intention of trading and which have fixed or determinable payments that are not quoted in an active market.

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is determined using a weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, related production overheads and, where applicable, duties and taxes. It excludes borrowing costs.

Trade and other receivables

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

Cash and cash equivalents

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Current and deferred income tax

Taxes on income are provided in the same period as the revenue and expenses to which they relate. Current taxes include capital taxes of some jurisdictions.

Deferred income tax is provided using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

Employee benefits

(a) Retirement benefit obligations

The company is a participating employer in the defined benefit Richeмонт UK Pension Plan and also operates a defined contribution plan. The plans are funded through payments to trustee-administered funds by both employees and the company taking into account periodic independent actuarial calculations that reflect the age, benefit and salary profile of members. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive post employment, usually dependant on one or more factors such as age, years of service and compensation.

The company has adopted early the provisions of paragraph 34A of IAS19 (Revised December 2004) with regard to charging the net defined benefit cost of the Richeмонт UK Pension plan to individual participating entities. The total pension cost for the year calculated in accordance with IAS19 (Employee benefits) is split between the UK entities that participate in the plan with reference to the cost of accruing benefits, allowing for the age, benefit and salary profile of each entity's members. Hence the company's pension cost represents its share of the total cost relating to the plan. The balance sheet position is split using a similar approach but with adjustment for significant events that impact the balance sheets of each participating entity. This methodology ensures that risks are shared between the participating entities.

The liability recognised in the balance sheet in respect to defined benefit plans is the present value of the defined benefit obligations at the balance sheet date less the fair values of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligations are calculated on a regular cyclical basis by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yields available at balance sheet dates on high quality corporate bonds, that have terms to maturity consistent with the terms of the related pension liability.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time ('the vesting period'). In this case, the past service costs are amortised on the straight-line method over the vesting period.

Actuarial gains and losses in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligations are charged or credited to income over the expected average remaining service lives of employees.

For defined contributions plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when the employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to, either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(c) Bonus plans

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

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

(d) Share-based payments

The executives of the company participate in a group equity-settled share-based compensation plan operated by the ultimate parent company, Compagnie Financière Richemont SA. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date the company revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement over the remaining vesting period and a corresponding adjustment to equity.

Provisions

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

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

Provisions are measured at the present value at the balance sheet date of management's best estimate of the expenditure required to settle the obligation. The pre-tax discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. Any increase in provisions due to the passage of time is recognised as interest expense.

Revenue recognition

(a) Goods and services

Sales revenue comprises the fair value of the sale of goods and services, net of value-added tax, duties, other sales taxes, rebates and trade discounts. Revenue is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Where there is historical experience of agreeing to customer returns, accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Interest income

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

(c) Royalty Income

Royalty income is recognised on the accruals basis in accordance with the substance of the relevant agreements.

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

Leases

(a) Operating leases

Payments made under operating leases (net of any incentives received) are charged to the income statement on the straight-line method over the lease term. Sub-lease income (net of any incentives given) is credited to the income statement on the straight-line method over the sub-lease term.

(b) Finance leases

At commencement of the lease term, assets and liabilities are recognised at the lower of the present value of future minimum lease payments or fair value of the leased item. Property, plant and equipment so recognised are depreciated over the shorter of their expected useful lives or the lease term.

Changes to IFRS

Certain new accounting standards issued by IASB and new interpretations issued by IFRIC are mandatory for accounting periods beginning on or after 1 January 2007. These will not affect the company's result but will affect disclosures. The standards that will affect disclosures are IFRS 7 (Financial Instruments – Disclosures) and an amendment to IAS 1 (Presentation of Financial Statements – capital disclosures) both effective for accounting periods beginning on or after 1 January 2007. It is not expected that the application of these new standards will have a material impact on the company's financial statements.

2 Financial risk management

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

(a) Market Risk

Foreign exchange risk – The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Swiss franc, US dollar, HK dollar and Yen. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

(b) Credit Risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate level of committed credit facilities. The company aims to maintain flexibility in funding by keeping committed credit lines available.

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

3 Critical accounting estimates and judgment

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

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

4 Property, plant and equipment

	Plant and Machinery £'000	Fixtures, Fittings, Tools and Equipment £'000	Total £'000
Cost			
At 1 April 2006	2,097	6,460	8,557
Additions	83	1,662	1,745
Disposals	(6)	(272)	(278)
At 31 March 2007	2,174	7,850	10,024
Accumulated depreciation			
At 1 April 2006	1,928	4,753	6,681
Charge for the year	73	1,169	1,242
Disposals	(5)	(251)	(256)
At 31 March 2007	1,996	5,671	7,667
Net book value			
At 31 March 2007	178	2,179	2,357
At 31 March 2006	169	1,707	1,876

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

5 Investments in subsidiaries

	2007 £'000	2006 £'000
Investment in Alfred Dunhill Manufacturing Limited	-	22
	-	22

On 1 April 2006, the company acquired the trade and assets of its wholly owned subsidiary, Alfred Dunhill Manufacturing Limited for non-cash consideration of £2,247,000

As a result of this acquisition, the company wrote off a loan due from Alfred Dunhill Manufacturing Limited that totalled £3,282,000 at the date of acquisition and is accounted for under administration expenses

6 Other non-current assets

	2007 £'000	2006 £'000
Museum collection	1,086	1,060
Loans and receivables	510	577
	1,596	1,637

The Loans and receivables balance comprises a one million USD interest free debenture which matures in June 2022

7 Inventories

	2007 £'000	2006 £'000
Raw materials and work in progress	1,967	1,724
Finished goods	13,325	13,414
	15,292	15,138

The cost of inventories recognised as an expense and included in the cost of sales amounted to £44,823,000 (2006 £43,857,000)

The company reversed £nil (2006 £712,000) of a previous inventory write down during the year as the goods were sold at an amount in excess of the written down value. The amount reversed has been included in the cost of sales.

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

8 Trade and other receivables

	2007 £'000	2006 £'000
Trade receivables	3,402	2,922
Less Provision for impairment	(156)	(310)
Trade receivables – net	3,246	2,612
Amount owed by group undertakings	3,973	7,768
Other receivables	812	1,183
	<u>8,031</u>	<u>11,563</u>

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

There is no concentration of credit risk with respect to trade receivables as the company has a large number of internationally-disbursed customers

9 Cash and cash equivalents

	2007 £'000	2006 £'000
Cash at bank and in hand	10,135	25,992
	<u>10,135</u>	<u>25,992</u>

10 Share capital

	Number of Shares	Value £'000
Authorised.		
Ordinary shares of £1 each at beginning and end of the year	<u>170,000,000</u>	<u>170,000</u>
Allotted called up and fully paid:		
Ordinary shares of £1 each at beginning and end of the year	<u>159,420,616</u>	<u>159,421</u>

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

11 Other Reserves

	2007	2006
	£'000	£'000
Merger reserve	22,912	22,912
Employee unit option scheme	1,760	1,293
	24,672	24,205

12 Retirement benefit obligations

Total pension costs are included in employee benefits expense (Note 17)

Changes in the net liabilities recognised in the balance sheet are as follows

	2007	2006
	£'000	£'000
Balance at 1 April	265	567
Transfer from Alfred Dunhill Manufacturing Limited (see note 5)	(67)	-
Total expense charged to the income statement	833	573
Contributions paid	(938)	(875)
	93	265

Full disclosure of the IAS 19 results for the Richemont UK Pension Plan are shown in the accounts of Richemont Holdings UK Limited

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

13 Trade and other payables

	2007	2006
	£'000	£'000
Trade creditors	5,194	3,980
Amounts owed to group undertakings	2,257	10,037
Other creditors	297	281
	7,748	14,298

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

14 Provisions

	Warranty and sales related £'000	Employee benefits £'000	Other £'000	Total £'000
As at 1 April 2006	737	811	1,448	2,996
Charged/(credited) to the income statement				
Additional provision	973	452	40	1,465
Utilised during the year	(737)	(237)	(874)	(1,848)
At 31 March 2007	<u>973</u>	<u>1,026</u>	<u>614</u>	<u>2,613</u>

Warranty and sales related provisions

The company has established provisions for potential sales returns and warranties provided on certain products. Based on past experience a provision of £973,000 (2006 £737,000) has been recognised. It is anticipated that the provisions will be utilised within 5 years.

Employee benefits provision

These include social security charges on the Compagnie Financière Richemont SA share-based compensation plan. It is anticipated that the provisions will be utilised within 5 years.

Other provisions

These provisions relate to legal and constructive obligations. It is not expected that the outcomes of legal claims will give rise to any significant losses beyond the amounts provided as at 31 March 2007. It is anticipated that the provisions will be utilised within 5 years.

15 Other operating income/(expense)

Other operating income/(expense) comprises non recurring income and expenditure.

In the current year, the company sold the lease it held on the premises at 48-51 Jermyn Street and 30, 31 and 31A Duke Street, London SW1. The company received consideration of £11,750,000 and incurred selling and other costs of £831,000.

Included within Other operating expense for the prior year was a payment of £600,000 in respect of termination benefits paid to a former director (see note 18).

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

16 Operating loss

Operating loss is stated after the following items of expense / (income)

	2007 £'000	2006 £'000
Depreciation of property, plant and equipment (note 4)	1,242	1,763
Operating lease rentals	2,957	609
Trade receivables – provision for impairment	57	20
Loss on disposal of property, plant and equipment (note 4)	21	89
Profit on disposal of other non-current assets	(10,897)	(47)
Auditor's remuneration		
- Audit services	128	117
- Services relating to taxation	28	74

17 Employee benefits expense

	2007 £'000	2006 £'000
Wages and salaries (including termination benefits)	8,809	9,565
Social security costs	1,412	2,465
Unit option expense	467	699
Pension costs – defined contribution plan	62	32
Pension costs – defined benefits plan (note 12)	833	573
	<u>11,584</u>	<u>13,334</u>

The average number of employees (full time equivalents) during the year was as follows

	2007 Number	2006 Number
Selling & Distribution	142	122
Administration	98	76
	<u>240</u>	<u>198</u>
Directors	2	3
Full-time	226	186
Part-time	12	9
	<u>240</u>	<u>198</u>

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

18 Directors' emoluments

The total level of compensation paid to directors of Alfred Dunhill Limited including pension contributions, benefits in kind and all other aspects of remuneration but excluding the value of awards under the group's stock option plan, amounted to

	2007 £'000	2006 £'000
Wages and Salaries	1,004	1,612
Termination benefits	-	600
Unit option expense	252	484
Pension cost – defined benefit plan	39	30
	<u>1,295</u>	<u>2,726</u>

The above figure includes all payments made during the year under review to executive directors who left the company during the period or subsequent periods

The highest paid director received aggregate emoluments of £659,000 (2006 £1,392,000)

Retirement benefits are accruing to two directors at 31 March 2007 (2006 two) under a defined benefit scheme

During 2006, Mr Critchell, the previous chief executive left the company. The company agreed to pay Mr Critchell as compensation for the loss of office, an amount equal to two year's basic salary. The amount was £600,000 which is subject to the deduction of tax.

The key management of the company comprises the Alfred Dunhill Limited board directors only

19 Finance costs

	2007 £'000	2006 £'000
Interest income		
- bank	739	378
- group undertakings	8	193
Interest expense		
- bank	(25)	(691)
Foreign exchange (gains)/losses	<u>(1,457)</u>	<u>313</u>
	<u>(735)</u>	<u>193</u>

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

20 Taxation

The charge for the year can be reconciled to the profit per the income statement as follows

	2007 £'000	2006 £'000
UK corporation tax	-	-
Overseas tax	45	(259)
Deferred tax	-	-
Total Taxation	<u>45</u>	<u>(259)</u>
Loss before tax	(13,720)	(21,787)
Loss before tax at statutory rate of taxation in the UK of 30% (2006 30%)	(4,116)	(6,536)
Non-deductible expenses	1,315	423
Temporary differences not provided relating to fixed assets	271	329
Other temporary differences, not provided	(643)	(153)
Benefit of tax losses carried forward, not provided	2,729	2,945
Benefit of tax losses brought forward, not provided	(3,276)	
Tax losses surrendered for no consideration	3,720	2,992
Overseas tax received/(suffered)	<u>45</u>	<u>(259)</u>
Total taxation	<u>45</u>	<u>(259)</u>

Deferred tax (unprovided):

	2007 £'000	2006 £'000
Depreciation in excess of capital allowances	4,628	4,057
Tax losses carried forward	35,363	32,509
Other temporary differences	<u>2,704</u>	<u>623</u>
	<u>42,695</u>	<u>37,189</u>

The company has a net deferred tax asset of £42,695,000 (2006 £37,189,000), which has not been recognised in the financial statements as the future utilisation is uncertain

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

20 Taxation (continued)

The unprovided deferred tax asset of Alfred Dunhill Manufacturing Limited was transferred to the company on 1 April 2006. It was made up of the following:

	£'000
Depreciation in excess of capital allowances	(76)
Tax losses carried forward	(563)
Other temporary differences	(20)
	<u>(659)</u>

21 Cash flows from operating activities

	2007 £'000	2006 £'000
Operating loss	(12,985)	(21,980)
Depreciation and impairment of property, plant and equipment	1,242	1,763
Loss on disposal of property, plant and equipment	21	-
Profit on disposal of non-current assets	(11,728)	(47)
(Decrease)/Increase in provisions	(383)	2,475
Decrease in retirement benefit obligations	(172)	(302)
Share based payments expense	467	699
(Increase)/decrease in inventories	(154)	5,326
(Increase)/decrease in trade debtors	(634)	308
Decrease in other receivables, prepayments and accrued income	744	2,033
(Increase)/decrease in balances receivable from group undertakings	(3,985)	5,433
Increase/(decrease) in current liabilities	2,516	(1,186)
Foreign exchange (loss)/gain on operating activities	(1,390)	270
Cashflow generated from operations	<u>(26,441)</u>	<u>(5,208)</u>

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

22 Financial commitments and contingent liabilities

At 31 March 2007 the company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material loss will arise

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

At 31 March 2007 the company had signed non-cancellable operating leases in respect of which the following minimum rentals are payable

	2007 £'000	2006 £'000
Land and buildings		
Within one year	366	450
Between one and five years	454	1,798
After five years	-	648
	<u>820</u>	<u>2,896</u>
Other operating leases		
Within one year	-	61
	<u>-</u>	<u>61</u>
	<u>820</u>	<u>2,957</u>

23 Related party transactions

The company undertook the following related party transactions during the year

- The company paid £540,000 to the South African PGA Tour for promotional activity. The Chairman of Compagnie Financière Richemont SA is the honorary president of the South African Golf Development Board. There were no balances outstanding at 31 March 2007.
- The company was charged £225,000 of costs from Laureus World Sports Awards in relation to the Alfred Dunhill Links event. The Laureus World Sports Awards are a joint venture between Daimler Chrysler, Mercedes Benz and Richemont, the company's ultimate parent. There were no outstanding balances at 31 March 2007.

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

24 Share-based payment

The Richemont Group has a long-term unit-based compensation plan whereby executives are awarded options to acquire units at a pre-determined price. Awards under the unit option scheme vest over periods of three to seven years and have expiry dates, the date after which unexercised options lapse, of between five and ten years from the date of grant. A reconciliation of the movement in the number of awards granted to Alfred Dunhill Limited executives is as follows:

	Weighted average exercise price in CHF per unit	Number of options
Balance at 1 April 2005	25.77	576,300
Awarded	41.25	100,900
Transferred	32.35	38,400
Exercised	24.25	(146,866)
Lapsed	31.88	(59,200)
Balance at 31 March 2006	29.06	509,534
Awarded	53.10	126,100
Transferred in from other Group entities	32.28	30,500
Transferred out to other Group entities	35.43	(10,500)
Exercised	23.15	(124,866)
Lapsed	30.81	(17,850)
Balance at 31 March 2007	36.41	512,918

Options in respect of 73,567 units were exercisable at 31 March 2007 (2006: 141,800 units). The following information applies to options outstanding at the end of each year:

	Exercise Price	Number of options	Weighted average remaining contractual life
31 March 2007	CHF 20.00	93,500	5.2 years
	CHF 24.25	37,818	4.1 years
	CHF 33.10	165,400	6.2 years
	CHF 41.25	90,100	7.2 years
	CHF 53.10	126,100	8.2 years
31 March 2006	CHF 20.00	165,200	6.2 years
	CHF 24.25	69,134	4.7 years
	CHF 33.10	187,200	7.2 years
	CHF 41.25	88,000	8.2 years

The average fair value of options granted during the period was determined using the binomial valuation model. It was CHF 18.89 (2006: CHF 14.25). The significant inputs into the model were unit price of CHF 53.10 (2006: CHF 41.25) at the grant date, exercise price shown above, standard deviation of expected unit price returns of 35.0 per cent (2006: 35.5 per cent), expected option life of six to eight years, dividend yield 1.73 per cent (2006: 1.83 per cent) and risk-free interest rate of 2.0 per cent to 2.5 per cent (2006: 1.4 per cent to 1.6 per cent). The volatility measured at the standard deviation of expected unit price returns is based on statistical analysis of daily unit prices over the last six to eight years.

Alfred Dunhill Limited

Notes to the financial statement for the year ended 31 March 2007

24 Share-based payment (continued)

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

	2007 £'000	2006 £'000
Unit option expense	<u>467</u>	<u>699</u>

25 Country of incorporation and registered address

The company is registered in England and Wales

On 29 October 2007, the company's registered office was changed to 15 Hill Street, London W1 5QT. Prior to this date, the company's registered office was 30 Duke Street, St James's London, SW1Y 6DL.

26 Ultimate parent undertaking and controlling party

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

The directors regard Compagnie Financière Richemont SA, 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.

Copies of the financial statements of Compagnie Financière Richemont SA are available from its registered office at 50 chemin de la Chênaille, 1293 Bellevue, Geneva, Switzerland.

27 Post balance sheet events

On 30 April 2007, the company signed a new 11 year lease on new office premises at 5-7 Mandeville Place, London W1. The rent payable is £1,050,000 per annum. The company also negotiated a rent-free incentive during the first year.

As part of the 2007 UK budget, the Chancellor announced a number of prospective changes to certain UK tax rules. One such change was the reduction of UK corporation tax rate from 30% to 28%, effective from 1 April 2008. The value of the company's unrecognised deferred tax asset at 31 March 2007 will decrease by £2,846,000 as a result of this change.