dunhill

LONDON

Alfred Dunhill Limited

Registered number: 00191031

Annual Report

For the year ended 31 March 2008

Annual report for the year ended 31 March 2008

Contents

Alfred Dunhill Limited

Directors' report for the year ended 31 March 2008

The directors submit their report and the audited financial statements for the year ended 31 March 2008.

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 six retail stores in the UK and makes wholesale sales to third party distributors in Europe, the Middle East, Africa and South America.

The results for the company show a loss for the year of £16,199,000 (2007: £13,675,000) on sales of £83,804,000 (2007: £73,972,000).

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 2008 was a very solid year for the Alfred Dunhill brand. The continued focus on building menswear and leather goods as the foundations of the brand produced positive growth and assisted in overall growth.

During the year, the Sentryman collection was launched, to include writing instruments, jewellery and leather goods. The Tradition leather goods collection was re-launched and significant transformations were made to menswear.

The first 'Home of Dunhill' was opened in Ginza, Tokyo as a unique store concept, followed in 2008 by similar stores in London and Shanghai. The new boutique concept, now proven to generate very positive sales growth, continued to be rolled out worldwide.

A range of initiatives has followed in the year ending 31 March 2009 including a new flagship store in New York, the re-launch of the Custom programme, to satisfy customer requirements across tailoring, shirting and leather goods and a planned re-launch of the website.

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's 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 28 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 2008 (2007: £nil). The directors do not recommend the payment of a final dividend for the year ended 31 March 2008 (2007: £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 £16,000 (2007: £51,000). No contributions for political purposes were made during the current or prior years.

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 2008, the average trade creditor days of the company was 25 days (2007: 24 days).

Directors

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

C M Colfer
S Gaede (resigned 18 June 2008)
A J Merriman (resigned 11 May 2007)
M J Woodcock (appointed 11 May 2007)

Directors interests

The directors have interests in the share options of the company's ultimate parent, Compagnie Financière Richemont SA. During the year, four of the directors (2007: 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 2008

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; and
- 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
5 December 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 2008 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 2008 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
9 *December 2008*

Alfred Dunhill Limited

Balance sheet as at 31 March 2008

	Note	2008 £'000	2007 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	**5,694**	2,357
Investments in subsidiaries	5	**-**	-
Retirement benefit assets	6	**124**	-
Other non-current assets	7	**1,609**	1,596
		7,427	3,953
Current assets			
Inventories	8	**17,755**	15,292
Trade and other receivables	9	**8,972**	8,181
Prepayments and accrued income		**2,912**	3,071
Cash at bank and in hand	10	**3,826**	10,135
		33,465	36,679
TOTAL ASSETS		**40,892**	40,632
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**159,421**	159,421
Other reserves	12	**22,912**	24,672
Retained earnings		**(177,357)**	(158,562)
		4,976	25,531
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	6	**-**	93
Current liabilities			
Trade and other payables	13	**16,762**	7,748
Provisions	14	**1,202**	2,613
Accruals and deferred income		**3,498**	4,647
Bank overdraft	10	**14,454**	-
		35,916	15,008
TOTAL EQUITY AND LIABILITIES		**40,892**	40,632

The financial statements on pages 7 to 10 were approved by the board of directors on 5 December 2008 and were signed on its behalf by:

C M Colter
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 2008

	Note	2008 £'000	2007 £'000
Sales		**83,804**	73,972
Cost of sales		**(56,187)**	(51,213)
Gross profit		**27,617**	22,759
Selling and distribution costs		**(30,493)**	(34,104)
Administration expenses		**(17,374)**	(16,380)
Royalty income		**4,105**	3,821
Other operating income	15	**-**	10,919
Operating loss	16	**(16,145)**	(12,985)
Finance income	19	**346**	747
Finance expense	19	**(356)**	(1,482)
Loss before taxation		**(16,155)**	(13,720)
Taxation	20	**(44)**	45
Loss for the year		**(16,199)**	(13,675)

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 2008

	Share capital	Other reserves	Retained earnings	Total
	£'000	£'000	£'000	£'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 1 April 2007	**159,421**	**24,672**	**(158,562)**	**25,531**
Net loss	-	-	(16,199)	(16,199)
Employee unit option scheme	-	429	-	429
Settlement of share options	-	(2,189)	(2,596)	(4,785)
At 31 March 2008	**159,421**	**22,912**	**(177,357)**	**4,976**

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 2008

	Note	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash flow generated from operations	21	(16,007)	(26,441)
Interest income		258	747
Interest paid		(181)	(25)
Taxation		(44)	(117)
Net cash flows from operating activities		(15,974)	(25,836)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(4,769)	(1,745)
Acquisition of other non-current assets		(20)	(26)
Proceeds from disposal of other non-current assets		-	11,750
Net cash flows from investing activities		(4,789)	9,979
Net decrease in cash and cash equivalents		(20,763)	(15,857)
Cash and cash equivalents at beginning of year		10,135	25,992
Cash and cash equivalents at end of year	10	(10,628)	10,135

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

Alfred Dunhill Limited
Notes to the financial statements for the year ended 31 March 2008

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 financial 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.

Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All 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, 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

Assets under construction are not depreciated.

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

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

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

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 purposes 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.

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 that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or 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.

Employee benefits

(a) Retirement benefit obligations

The company is a participating employer in the defined benefit Richemont 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. 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 total pension cost for the year calculated in accordance with IAS 19 (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 asset recognised in the balance sheet in respect of 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 are denominated in the currency in which the benefits will be paid, and 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 per cent of the value of plan assets or 10 per cent 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 an 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 a past practice that has created a constructive obligation.

(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, based on options granted in respect of Richemont units. 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-related 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 a practice 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.

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. All property, plant and equipment so recognised is depreciated over the shorter of the asset's expected useful life or the lease term.

Changes to IFRS

Certain new accounting standards issued by IASB and new interpretations issued by IFRIC are not yet effective for the year ended 31 March 2008 and have not been applied in preparing these financial statements.

- IFRS 2 (amended) (effective for accounting periods beginning on or after 1 January 2009) deals with two matters. It clarifies that vesting conditions can be service conditions and performance conditions only. Other features of share-based payments are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This has no impact for the company.

- IAS 1 (amended) *Presentation of Financial Statements* (effective from 1 January 2009). It primarily affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosures of specific transactions and other events required by other IFRSs.

- Revised IAS 23 *Borrowing Costs* (effective from 1 January 2009) requires that an entity capitalise, as part of the cost of the asset, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This is the company's existing policy, therefore the revised standard will not impact the company's financial statements.

- IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes with their customers. IFRIC 13 will become mandatory for the company's 2009 financial statements but it is not expected to have any impact on the financial statements.

- IFRIC 14 *IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognised as an asset and effective for periods beginning on or after 1 January 2008. The company has not yet determined the potential of the interpretation.

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 Euro, Swiss franc, US dollar, HK dollar and Japanese 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.

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, returns, discounts and incentives, 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; and
(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 2007	2,174	7,850	10,024
Additions	30	4,739	4,769
Disposals	(1,872)	(5,348)	(7,220)
At 31 March 2008	**332**	**7,241**	**7,573**
Accumulated depreciation			
At 1 April 2007	1,996	5,671	7,667
Charge for the year	32	1,103	1,135
Disposals	(1,856)	(5,067)	(6,923)
At 31 March 2008	**172**	**1,707**	**1,879**
Net book value			
At 31 March 2008	**160**	**5,534**	**5,694**
At 31 March 2007	178	2,179	2,357

5 Investments in subsidiaries

During the year, the company invested £1 in a new wholly owned subsidiary, Alfred Dunhill Club Limited.

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.

In the prior year, 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 was accounted for under administration expenses.

6 Retirement benefit assets/(obligations)

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

Changes in the net assets recognised in the balance sheet are as follows:

	2008 £'000	2007 £'000
Balance at 1 April	**(93)**	(265)
Transfer from Alfred Dunhill Manufacturing Limited (see note 5)	**-**	67
Total expense charged to the income statement	**(592)**	(833)
Contributions paid	**809**	938
Balance at 31 March	**124**	(93)

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

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

7 Other non-current assets

	2008 £'000	2007 £'000
Museum collection	**1,106**	1,086
Loans and receivables	**503**	510
	1,609	1,596

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

8 Inventories

	2008 £'000	2007 £'000
Raw materials and work in progress	**5,459**	1,967
Finished goods	**12,296**	13,325
	17,755	15,292

The cost of inventories recognised as an expense and included in the cost of sales amounted to £50,721,000 (2007: £44,823,000).

9 Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables	4,263	3,402
Less: provision for impairment	(82)	(156)
Trade receivables – net	4,181	3,246
Amount owed by group undertakings	3,733	3,973
Other receivables	1,058	962
	8,972	8,181

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-dispersed customers.

10 Cash and cash equivalents

	2008 £'000	2007 £'000
Cash at bank and in hand	3,826	10,135
Bank overdraft	(14,454)	-
	(10,628)	10,135

11 Share capital

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

12 Other reserves

	2008 £'000	2007 £'000
Merger reserve	**22,912**	22,912
Employee unit option scheme	**-**	1,760
	22,912	24,672

13 Trade and other payables

	2008 £'000	2007 £'000
Trade creditors	**7,868**	5,194
Amounts owed to group undertakings	**6,067**	2,257
Other creditors	**2,827**	297
	16,762	7,748

14 Provisions

	Warranty and sales related £'000	Employee benefits £'000	Other £'000	Total £'000
At 1 April 2007	973	1,026	614	2,613
Charged/(credited) to the income statement:				
- additional provision	4	245	-	249
- utilised during the year	(566)	(562)	(532)	(1,660)
At 31 March 2008	**411**	**709**	**82**	**1,202**

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 £411,000 (2007: £973,000) has been recognised. It is anticipated that the provisions will be utilised within five 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 five years.

14. Provisions (continued)

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 2008. It is anticipated that the provisions will be utilised within five years.

15 Other operating income

Other operating income comprises non recurring income and expenditure.

In the prior 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.

16 Operating loss

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

	2008 **£'000**	2007 £'000
Depreciation of property, plant and equipment (note 4)	**1,135**	1,242
Operating lease rentals	**2,600**	3,526
Trade receivables – provision for impairment	**(11)**	57
Loss on disposal of property, plant and equipment (note 4)	**297**	21
Profit on disposal of other non-current assets	**-**	(10,897)
Auditor's remuneration:		
- audit services	**129**	128
- services relating to taxation	**12**	28

17 Employee benefits expense

	2008 **£'000**	2007 £'000
Wages and salaries (including termination benefits)	**10,130**	8,809
Social security costs	**1,343**	1,412
Unit option expense (note 24)	**429**	467
Pension costs – defined contribution plan	**95**	62
Pension costs – defined benefits plan (note 6)	**592**	833
	12,589	11,583

17 Employee benefits expense (continued)

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

	2008 Number	2007 Number
Selling and distribution	**187**	174
Administration	**57**	66
	244	240
Directors	**3**	2
Full-time	**222**	226
Part-time	**19**	12
	244	240

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:

	2008 £'000	2007 £'000
Wages and salaries (including termination benefits)	**1,185**	1,004
Unit option expense	**319**	252
Pension cost – defined benefits plan	**60**	39
	1,564	1,295

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 £802,000 (2007: £659,000).

Retirement benefits are accruing to three directors at 31 March 2008 (2007: two) under a defined benefit scheme.

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

19 Finance costs

	2008 £'000	2007 £'000
Interest income:		
- bank	136	739
- group undertakings	1	8
Foreign exchange gains	209	-
Total finance income	346	747
Interest expense:		
- bank	(356)	(25)
Foreign exchange losses	-	(1,457)
Total finance expense	(356)	(1,482)
Total net finance costs	(10)	(735)

20 Taxation

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

	2008 £'000	2007 £'000
UK corporation tax	-	-
Overseas tax	(44)	45
Deferred tax	-	-
Total taxation	(44)	45
Loss before tax	(16,155)	(13,720)
Loss before tax at statutory rate of taxation in the UK of 30% (2007: 30%)	(4,847)	(4,116)
Non-deductible expenses	482	1,315
Temporary differences not provided relating to fixed assets	319	271
Other temporary differences, not provided	(1,250)	(643)
Benefit of tax losses carried forward, not provided	1,240	2,729
Benefit of tax losses brought forward, not provided	(6)	(3,276)
Tax losses surrendered for no consideration	4,062	3,720
Overseas tax (suffered)/received	(44)	45
Total taxation	(44)	45

20 Taxation (continued)

Deferred tax (unprovided):

	2008	2007
	£'000	£'000
Depreciation in excess of capital allowances	**4,472**	4,628
Tax losses carried forward	**35,736**	35,363
Other temporary differences	**624**	2,704
	40,832	42,695

The company has a net deferred tax asset of £40,832,000 (2007: £42,695,000), which has not been recognised in the financial statements as the future utilisation is uncertain.

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)**
	(659)

21 Cash flows from operating activities

	2008	2007
	£'000	£'000
Operating loss	**(16,145)**	(12,985)
Depreciation and impairment of property, plant and equipment	**1,135**	1,242
Loss on disposal of property, plant and equipment	**297**	21
Profit on disposal of non-current assets	**-**	(11,728)
Decrease in provisions	**(1,411)**	(383)
Decrease in retirement benefit obligations	**(217)**	(172)
Settlement of share options	**(4,785)**	-
Share based payments expense	**429**	467
Increase in inventories	**(2,463)**	(154)
Increase in trade debtors	**(935)**	(634)
(Increase)/decrease in other receivables, prepayments and accrued income	**(58)**	744
Decrease/(increase) in balances receivable from group undertakings	**4,050**	(3,985)
Increase in current liabilities	**3,879**	2,516
Foreign exchange gain/(loss) on operating activities	**217**	(1,390)
Cashflow generated from operations	**(16,007)**	(26,441)

22 Financial commitments and contingent liabilities

At 31 March 2008 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 2008 the company had signed non-cancellable operating leases in respect of which the following minimum rentals are payable:

	2008	2007
	£'000	£'000
Land and buildings		
- within one year	**1,450**	366
- between one and five years	**4,989**	454
- after five years	**5,806**	-
	12,245	820

23 Related party transactions

The company undertook the following related party transactions during the year:

- The company paid £560,000 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 2008.
- The company was charged £266,000 of costs from Laureus World Sports Awards in relation to the Alfred Dunhill Links event. The Laureus World Sports Awards is a joint venture between Daimler AG and Richemont SA. There were no outstanding balances at 31 March 2008.
- The company was charged £75,000 by Ven Tek International SA for the provision of an IT maintenance contract. Ven Tek International SA is a company under common control within the Richemont group. At 31 March 2008, a balance of £63,000 was due to Ven Tek International SA.

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 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**
Awarded	**75.10**	**54,750**
Transferred out to other group entities	**33.18**	**(26,000)**
Exercised	**27.38**	**(138,035)**
Lapsed	**34.82**	**(37,000)**
Balance at 31 March 2008	**45.97**	**366,633**

Options in respect of 20,650 units were exercisable at 31 March 2008 (2007: 73,567 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 2008	CHF 20.00	39,116	4.2 years
	CHF 24.25	7,900	3.5 years
	CHF 33.10	73,267	5.2 years
	CHF 41.25	70,000	6.2 years
	CHF 53.10	121,600	7.2 years
	CHF 75.10	54,750	8.2 years
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

The average fair value of options granted during the period determined using the black scholes model (2007: binominal valuation model) was CHF 27.38 (2007: CHF 18.89). The significant inputs into the model were unit price of CHF 73.40 (2007: CHF 53.10) at the grant date, the exercise price shown above, a standard deviation of expected unit price returns of 33 and 34 per cent (2007: 35 per cent), an expected option life of seven to nine years, dividend yield 1.46 per cent (2007: 1.73 per cent) and a risk-free interest rate of 3.0 per cent to 3.1 per cent (2007: 2.0 per cent to 2.5 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.

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:

	2008	2007
	£'000	£'000
Unit option expense	**429**	467

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 da la Chenaie, 1293 Bellevue, Geneva, Switzerland.

27 Post balance sheet events

On 26 August 2008, Richemont Holdings (UK) Limited subscribed for £76,000,000 allotted, called up and fully paid ordinary shares in the company.