dunhill

LONDON

# Alfred Dunhill Limited

**Registered number: 00191031**

**Annual report**

**For the year ended 31 March 2010**

# Alfred Dunhill Limited

## Annual report for the year ended 31 March 2010

### Contents

## Alfred Dunhill Limited

## Directors' report for the year ended 31 March 2010

The directors submit their report and the audited financial statements of the company for the year ended 31 March 2010

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

The results for the company show a loss after tax for the year of £5,714,000 (2009 loss of £8,445,000) on sales of £79,795,000 (2009 £85,238,000)

**Development and 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 Homes of Alfred Dunhill continue to be a global success with the fourth – in Hong Kong – joining the existing Homes in London, Shanghai and Tokyo The boutique network will continue to expand with a strong focus on luxury leather goods and menswear

Following the highly successful launch of the *Chassis* small leather goods range, Alfred Dunhill extended this to include large leather goods Menswear was a continued strength and focus the demand for menswear significantly increased, supported by changes to the ranges on offer and improved logistics Alfred Dunhill also relaunched its watch business at the end of 2009 with a collection of timepieces designed by dunhill using a Jaeger-LeCoultre movement

The year ahead will see the implementation of new systems to improve customer service

**Principal 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 on the Richemont website (www richemont com)

The financial risk management of the company is outlined in note 2 to the financial statements

# Alfred Dunhill Limited

## Directors' report for the year ended 31 March 2010

### 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

### Dividends

No interim dividend was paid for the year ended 31 March 2010 (2009 £nil) The directors do not recommend the payment of a final dividend for the year ended 31 March 2010 (2009 £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 £61,000 (2009 £500,000) No contributions for political purposes were made during the current or prior years

### Directors

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

C M Colfer
M J Woodcock

### Directors interests

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

### Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' 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 Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

### Statement of disclosure of information to the auditors

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

**Alfred Dunhill Limited**

## Directors' report for the year ended 31 March 2010

### Independent auditors

In the absence of a notice proposing that their appointment be terminated, the auditors, PricewaterhouseCoopers LLP, will be deemed to be re-appointed for the next financial year

By order of the board

W S G Lawrence
**Company Secretary**
22 June 2010

# 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 2010 which comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow, the accounting policies and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union

**Respective responsibilities of directors and auditors**

As explained more fully in the directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Simon Morley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 June 2010

## Alfred Dunhill Limited

### Statement of financial position as at 31 March

| | Note | 2010 £'000 | 2009 £'000 Restated |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | **3,822** | 4,619 |
| Retirement benefit assets | 6 | **4,135** | 2,314 |
| Deferred tax asset | 18 | **1,861** | - |
| Other non-current assets | 7 | **1,139** | 1,128 |
| | | **10,957** | 8,061 |
| **Current assets** | | | |
| Inventories | 8 | **17,753** | 23,796 |
| Trade and other receivables | 9 | **18,927** | 12,975 |
| Prepayments and accrued income | | **2,082** | 1,888 |
| Cash at bank and in hand | 10 | **27,440** | 35,493 |
| | | **66,202** | 74,152 |
| **TOTAL ASSETS** | | **77,159** | 82,213 |
| **EQUITY** | | | |
| Share capital | 11 | **235,421** | 235,421 |
| Merger reserve | | **22,912** | 22,912 |
| Retained earnings | | **(195,901)** | (188,926) |
| | | **62,432** | 69,407 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Other non-current liabilities | | **-** | 33 |
| Provisions | 13 | **491** | 31 |
| | | **491** | 64 |
| **Current liabilities** | | | |
| Trade and other payables | 12 | **9,550** | 8,918 |
| Provisions | 13 | **545** | 1,512 |
| Accruals and deferred income | | **4,141** | 2,312 |
| | | **14,236** | 12,742 |
| **TOTAL EQUITY AND LIABILITIES** | | **77,159** | 82,213 |

The financial statements on pages 7 to 32 were approved by the board of directors on 22 June 2010 and were signed on its behalf by

C M Colver
**Director**

M J Woodcock
**Director**

The notes on pages 11 to 32 form an integral part of these financial statements

# Alfred Dunhill Limited

## Statement of comprehensive income for the year ended 31 March

| | Note | 2010 £'000 | 2009 £'000 |
|---|---|---|---|
| **Sales** | | **79,795** | 85,238 |
| Cost of sales | | **(50,263)** | (53,342) |
| Gross profit | | **29,532** | 31,896 |
| Selling and distribution costs | | **(30,820)** | (33,375) |
| Administration expenses | | **(15,941)** | (16,063) |
| Royalty income | | **5,160** | 4,798 |
| **Operating loss** | 14 | **(12,069)** | (12,744) |
| Finance income | 17 | **-** | 5,025 |
| Finance costs | 17 | **(240)** | (669) |
| **Loss before taxation** | | **(12,309)** | (8,388) |
| Taxation | 18 | **6,595** | (57) |
| **Total comprehensive loss for the year attributable to the owners of the company** | | **(5,714)** | (8,445) |

The notes on pages 11 to 32 are an integral part of these financial statements

# Alfred Dunhill Limited

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

| | Share capital | Other reserves | Retained earnings | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **At 1 April 2008** | **159,421** | **22,912** | **(179,858)** | **2,475** |
| Net loss | - | - | (8,445) | (8,445) |
| Allotted, called up and fully paid ordinary shares | 76,000 | - | - | 76,000 |
| Settlement of share options | - | - | (623) | (623) |
| **At 1 April 2009** | **235,421** | **22,912** | **(188,926)** | **69,407** |
| Net loss | - | - | (5,714) | (5,714) |
| Settlement of share options | | - | (1,261) | (1,261) |
| **At 31 March 2010** | **235,421** | **22,912** | **(195,901)** | **62,432** |

The notes on pages 11 to 32 form an integral part of these financial statements

## Alfred Dunhill Limited

### Statement of cash flow for the year ended 31 March

| | Note | 2010 £'000 | 2009 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash flow generated from operations | 19 | **(7,613)** | (29,400) |
| Interest received | | **5** | 156 |
| Interest paid | | **(22)** | (844) |
| Taxation | | **(37)** | (57) |
| Net cash flows used in operating activities | | **(7,667)** | (30,145) |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | | **(415)** | (3,300) |
| Proceeds from disposal of property, plant and equipment | | **7** | 3,004 |
| Acquisition of other non-current assets | | **(11)** | (22) |
| Net cash flows used in investing activities | | **(419)** | (318) |
| **Cash flows from financing activities** | | | |
| Issue of ordinary share capital | | **-** | 76,000 |
| Net cash generated from financing activities | | **-** | 76,000 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(8,086)** | 45,537 |
| Cash and cash equivalents at beginning of year | | **35,493** | (10,628) |
| Exchange gains on cash and cash equivalents | | **33** | 584 |
| **Cash and cash equivalents at end of year** | 10 | **27,440** | 35,493 |

The notes on pages 11 to 32 form an integral part of these financial statements

# Alfred Dunhill Limited
## Notes to the financial statements for the year ended 31 March 2010

## 1 Summary of significant accounting policies

**Basis of preparation**

These financial statements have been prepared in accordance with the Companies Act 2006 as 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

The company has adopted the following new and amended IFRS as of 1 April 2009

- IFRS 2 (amendment) *Share-based Payments* 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 amendment has no impact on the company's financial statements

- IAS 1 (revised), *Presentation of Financial Statements* primarily affects the presentation of owner changes in equity and of comprehensive income The company has adopted a single statement presentation of comprehensive income, effectively combining both the income statement and all non-owner changes in equity in a single statement

Other, less significant, changes to enacted guidance are not detailed here and have had no impact on the company's financial statements

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 has taken advantage of the exemption under section 401 of the Companies Act 2006 (for non-EEA parents) from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent, Compagnie Financière Richemont SA, a company incorporated in Switzerland

**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 profit or loss

**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 profit or loss 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 profit or loss for the period 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

**Inventories**

Inventories are stated at the lower of cost or 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 profit or loss for the period

**Cash and cash equivalents**

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

**Share capital**

Ordinary shares are classified as equity Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity, net of any tax effects

**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 reporting 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 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

**Employee benefits (cont)**

*(a) Retirement benefit obligations (cont)*

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 company's asset on the statement of financial position is split using a similar approach but with adjustment for significant events that impact the statements of financial position of each participating entity This methodology ensures that risks are shared between the participating entities

The asset recognised on the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligations at the reporting 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 reporting 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 profit or loss, 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 profit or loss 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) Incentive plans*

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

**Employee benefits (cont)**

*(d) Share-based payment*

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 shares 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 reporting 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 profit or loss 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 reporting 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*

Sales revenue comprises the fair value of the sale of goods, 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**

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

**New standards and interpretations not yet adopted**

Certain new accounting standards issued by IASB and new interpretations issued by IFRIC are not yet effective for the year ended 31 March 2010 and have not been applied in preparing these financial statements

There are a number of changes to existing standards and new interpretations which will not have a material, if any, 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 Euro, Swiss franc, US dollar, HK dollar and Japanese yen Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities No hedging transactions are undertaken to mitigate foreign exchange risk

*(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 judgements

The company is required to make estimates and assumptions that affect certain asset, liability, income and expense items and certain disclosures regarding contingencies Estimates and judgements 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 Principal matters where assumptions, judgements and estimates are made 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

The amounts involved are disclosed elsewhere in the financial statements, and the likelihood of a significant adjustment to any amounts in the next 12 months is limited

## 4 Property, plant and equipment

| | Land and buildings £'000 | Plant and machinery £'000 | Fixtures, fittings, tools and equipment £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 31 March 2008 | 215 | 117 | 7,241 | 7,573 |
| Additions | - | 56 | 3,244 | 3,300 |
| Disposals | - | (45) | (3,738) | (3,783) |
| At 31 March 2009 | 215 | 128 | 6,747 | 7,090 |
| Additions | - | 103 | 312 | 415 |
| Disposals | - | - | (357) | (357) |
| **At 31 March 2010** | **215** | **231** | **6,702** | **7,148** |
| **Accumulated depreciation** | | | | |
| At 31 March 2008 | 127 | 45 | 1,707 | 1,879 |
| Charge for the year | 6 | 43 | 1,095 | 1,144 |
| Disposals | - | (45) | (507) | (552) |
| At 31 March 2009 | 133 | 43 | 2,295 | 2,471 |
| Charge for the year | 7 | 62 | 1,121 | 1,190 |
| Disposals | - | - | (335) | (335) |
| **At 31 March 2010** | **140** | **105** | **3,081** | **3,326** |
| **Net book value** | | | | |
| **At 31 March 2010** | **75** | **126** | **3,621** | **3,822** |
| At 31 March 2009 | 82 | 85 | 4,452 | 4,619 |
| At 31 March 2008 | 88 | 72 | 5,534 | 5,694 |

## 5 Investments in subsidiaries

Alfred Dunhill Club Limited is a wholly owned subsidiary of the company, to whom the company has provided a letter of support, including a commitment to potentially acquire certain assets from them at an amount not less than their carrying value The investment's carrying value of £1 has remained unchanged during the year ended 31 March 2010

Alfred Dunhill Manufacturing Limited is a wholly owned dormant subsidiary of the company held at £nil carrying value

## 6 Retirement benefit assets

Changes in the net assets recognised in the statement of financial position are as follows

| | 2010 | 2009 |
|---|---|---|
| | £'000 | £'000 |
| Balance at 1 April of prior year | 2,314 | 124 |
| Total expense charged to profit or loss | (859) | (598) |
| Contributions paid | 2,680 | 2,788 |
| **Balance at 31 March** | 4,135 | 2,314 |

The company is a participating employer in the Richemont UK Pension Plan ("the Plan"), which provides benefits based on final pensionable emoluments The Plan's funds are administered by trustees and are independent of the Company's finances

The total pension cost for the year that relates to the Plan is calculated in accordance with IAS 19 (Employee benefits) The provisions of paragraph 34A of IAS19 (Revised December 2004) have been adopted with regard to charging the net defined benefit cost to individual participating employers in the Plan

The total Plan cost is split by reference to the cost of accruing benefits, allowing for the age, benefit and salary profile of each participating employers' members in the Plan Hence, the company's pension cost represents its share of the total cost relating to the Plan Total pension costs are included in employee benefits expense (note 15)

The results of the formal actuarial valuation as at 31 March 2007 were updated to the accounting date by an independent qualified actuary in accordance with IAS19 (Employee benefits) ("IAS19")

The aggregate amount included in the statements of financial position of the participating employers, arising from the Richemont Group's ("the Group") obligations in respect of the Plan is as follows

| | 2010 | 2009 |
|---|---|---|
| | £'000 | £'000 |
| Present value of defined benefit obligation | (168,413) | (118,280) |
| Fair value of Plan assets | 145,572 | 117,500 |
| Deficit | (22,841) | (780) |
| Unrecognised actuarial losses | 29,680 | 5,327 |
| Asset recognised in the statement of financial position | 6,839 | 4,547 |

## 6 Retirement benefit assets (cont.)

A reconciliation of the present value of the Plan's overall defined benefit obligation is

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Balance at 1 April of prior year | **(118,280)** | (119,935) |
| Employers' part of current service cost | **(1,724)** | (1,997) |
| Interest cost | **(7,942)** | (7,857) |
| Contributions from Plan members | **(686)** | (780) |
| Actuarial (loss)/gains | **(45,159)** | 7,685 |
| Past service cost | **(60)** | - |
| Benefits paid | **5,438** | 4,604 |
| **Balance at 31 March** | **(168,413)** | (118,280) |

A reconciliation of the fair value of the Plan assets is as follows

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Balance at 1 April of prior year | **117,500** | 131,817 |
| Expected return on Plan assets | **6,698** | 7,838 |
| Actuarial gains/(losses) | **20,806** | (24,558) |
| Contributions paid by the employer | **5,320** | 6,227 |
| Contributions paid by Plan members | **686** | 780 |
| Benefits paid | **(5,438)** | (4,604) |
| **Balance at 31 March** | **145,572** | 117,500 |

The current allocation of Plan assets is as follows

| | 2010 % | 2009 % |
|---|---|---|
| Equity instruments | **30** | 40 |
| Debt instruments | **60** | 50 |
| Property | **10** | 10 |
| | **100** | 100 |

The Plan does not hold any assets that are directly self-invested within the Group

The expected rate of return on Plan assets as at 31 March 2010 was 6 0 % p a (2009 5 9% p a ) This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the Plan was invested in at 31 March 2010 less administration expenses The actual return on Plan assets over the year was a gain of £27 5million (2009 a loss of £16 7million)

## 6 Retirement benefit assets (cont.)

The aggregate amounts recognised in profit or loss of the participating employers are as follows

| | 2010<br>£'000 | 2009<br>£'000 |
|---|---|---|
| Employers' part of current service cost | **(1,724)** | (1,997) |
| Interest cost | **(7,942)** | (7,857) |
| Expected return on plan assets | **6,698** | 7,838 |
| Past service cost | **(60)** | - |
| | **(3,028)** | (2,016) |

Contributions are paid to the Plan in accordance with the recommendations of an independent actuarial advisor The estimated amount of total employer contributions expected to be paid to the Plan during the year ending 31 March 2011 is £4 8million (2010 actual £5 3million)

The following table sets out the key IAS19 assumptions used for the Plan

| | 2010 | 2009 |
|---|---|---|
| Price inflation | **3.7% p.a.** | 3 4% p a |
| Discount rate | **5.6% p.a.** | 6 8% p a |
| Pension increases in payment | **3.6% p a.** | 3 3% p a |
| General salary increases | **5.2% p a.** | 4 9% p a |
| Life expectancy of male aged 60 at balance sheet date | **26.6 years** | 26 5 years |
| Life expectancy of male aged 60 in 20 years time | **27.8 years** | 27 7 years |

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

Amounts for the current and previous periods

| | 2010<br>£'000 | 2009<br>£'000 | 2008<br>£'000 | 2007<br>£'000 | 2006<br>£'000 |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | **(168,413)** | (118,280) | (119,935) | (125,272) | (124,409) |
| Fair value of plan assets | **145,572** | 117,500 | 131,817 | 130,446 | 124,918 |
| (Deficit)/surplus | **(22,841)** | (780) | 11,882 | 5,174 | 509 |
| Experience adjustments on plan assets amount of gain/(loss) | **20,806** | (24,558) | (5,056) | (597) | 12,974 |
| Experience adjustments on plan liabilities amount of gain | - | - | - | 639 | - |

## 7 Other non-current assets

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Museum collection | **1,139** | 1,128 |

## 8 Inventories

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Raw materials and work in progress | **2,398** | 3,656 |
| Finished goods | **15,355** | 20,140 |
| | **17,753** | 23,796 |

The cost of inventories recognised as an expense and included in the cost of sales amounted to £44,463,000 (2009 £48,443,000)

## 9 Trade and other receivables

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Trade receivables | **3,218** | 4,774 |
| Less provision for impairment | **(131)** | (200) |
| Trade receivables – net | **3,087** | 4,574 |
| Amount owed by group undertakings | **14,533** | 7,067 |
| Other receivables | **1,307** | 1,334 |
| | **18,927** | 12,975 |

Trade and other receivables and amounts owed by group undertakings 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

## 9 Trade and other receivables (cont.)

The movement in the provision for impairment of trade and other receivables was as follows

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Balance at 1 April of prior year | **(200)** | (82) |
| Provision charged to profit or loss | **(67)** | (183) |
| Utilisation of provision | **97** | 48 |
| Reversal of unutilised provision | **39** | 17 |
| | **(131)** | (200) |

Receivables past due but not impaired

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Up to three months past due | **605** | 582 |
| Three to six months past due | **109** | 355 |
| Over six months past due | **6** | 89 |
| | **720** | 1,026 |

Based on past experience, the company does not impair receivables that are not past due unless they are known to be bad debts The company has established credit check procedures that ensure the high creditworthiness of its customers

Due to their short maturity, the fair values of trade and other receivables approximate to their book value

## 10 Cash and cash equivalents

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Cash at bank and in hand | **27,440** | 35,493 |

## 11 Share capital

| | Number of shares | Value £'000 |
|---|---|---|
| **Authorised:** | | |
| Ordinary shares of £1 each at 31 March 2009 and 31 March 2010 | 250,000,000 | 250,000 |
| **Allotted, called up and fully paid:** | | |
| Ordinary shares of £1 each at 31 March 2009 and 31 March 2010 | 235,420,616 | 235,421 |

## 12 Trade and other payables

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Trade creditors | 3,539 | 3,727 |
| Amounts owed to group undertakings | 3,808 | 2,918 |
| Other creditors | 2,203 | 2,273 |
| | 9,550 | 8,918 |

Due to their short maturity, the fair values of trade and other payables approximate to their book value

## 13 Provisions

| | Warranty and sales related £'000 | Employee benefits £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 April 2009 | 513 | 582 | 448 | 1,543 |
| Charged to profit or loss | | | | |
| - additional provisions | 13 | 666 | - | 679 |
| Utilised during the year | (204) | (646) | (336) | (1,186) |
| **At 31 March 2010** | 322 | 602 | 112 | 1,036 |

## 13 Provisions (cont.)

| | 2010 £'000 | 2009 £'000 Restated |
|---|---|---|
| **Total provisions at 31 March:** | | |
| - non-current | **491** | **31** |
| - current | **545** | **1,512** |
| | **1,036** | **1,543** |

Provisions of £31,000 as at 31 March 2009 were reclassified to non-current from current to better reflect their expected utilisation

**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 £322,000 (2009 £513,000) has been recognised It is anticipated that the provisions will be utilised within 12 months

**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 eight 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 2010 It is anticipated that the provisions will be utilised within 12 months

## 14 Operating loss

Operating loss is stated after the following items of expense

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Depreciation of property, plant and equipment (note 4) | **1,190** | 1,144 |
| Operating lease rentals | **2,471** | 2,751 |
| Employee benefits expense (note 15) | **13,852** | 12,913 |
| Trade receivables – provision for impairment | **28** | 166 |
| Loans and receivables – provision for impairment | **-** | 697 |
| Loss on disposal of property, plant and equipment (note 4) | **15** | 227 |
| Auditors' remuneration | | |
| - audit services | **115** | 128 |
| - other services | **32** | 35 |

## 15 Employee benefits expense

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Wages and salaries (including termination benefits) | **10,225** | 9,887 |
| Social security costs | **2,048** | 1,710 |
| Share option expense (note 22) | **579** | 599 |
| Pension costs – defined contribution plan | **141** | 119 |
| Pension costs – defined benefits plan (note 6) | **859** | 598 |
| | **13,852** | 12,913 |

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

| | 2010 Number | 2009 Number |
|---|---|---|
| Selling and distribution | **157** | 165 |
| Administration | **63** | 62 |
| | **220** | 227 |
| Directors | **2** | 2 |
| Full-time | **196** | 206 |
| Part-time | **22** | 19 |
| | **220** | 227 |

## 16 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 amounted to

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Wages and salaries (including termination benefits) | **1,595** | 916 |
| Pension cost – defined benefits plan | **58** | 55 |
| | **1,653** | 971 |

The above figure includes all payments made during the year to executive directors who left the company during the period or subsequent periods The highest paid director received aggregate emoluments of £1,418,000 (2009 £724,000), his accrued pension at 31 March 2010 was £12,000 (2009 £10,000), and the accrued lump sum in his defined benefit pension scheme at 31 March 2010 was £81,000 (2009 £65,000)

Retirement benefits are accruing to two directors at 31 March 2010 (2009 two) under a defined benefit scheme

The directors have interests in the share options of the company's ultimate parent, Compagnie Financière Richemont SA During the year, two of the directors (2009 one) exercised share options over 'A' equity units of Compagnie Financière Richemont SA

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

# Alfred Dunhill Limited
## Notes to the financial statements for the year ended 31 March 2010

### 17 Finance (costs)/income

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Interest income | | |
| - bank | - | 141 |
| Foreign exchange gains | - | 4,884 |
| Total finance income | - | 5,025 |
| Interest expense | | |
| - bank | (22) | (669) |
| Foreign exchange losses | (218) | - |
| | (240) | |
| Total net finance (costs)/income | (240) | 4,356 |

### 18 Taxation

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Current tax credit/(expense) | | |
| - UK corporation tax and income tax of overseas operations on profits for the period | 4,771 | - |
| - Witholding taxes suffered | (37) | (57) |
| Total current tax | 4,734 | (57) |
| Deferred tax credit | | |
| Origination and reversal of temporary differences | (1,337) | - |
| Previously unrecognised deferred tax assets assessed as recoverable at the end of the year | 3,198 | - |
| | 1,861 | - |
| Total income tax credit/(expense) | 6,595 | (57) |

## 18. Taxation (cont.)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Loss before tax | (12,309) | (8,388) |
| Loss before tax at statutory rate of taxation in the UK of 28% (2009 28%) | (3,447) | (2,349) |
| Non-deductible expenses | 414 | 556 |
| Temporary differences not provided relating to fixed assets | - | (822) |
| Other temporary differences, not provided | (401) | (496) |
| Group relief surrendered | 4,771 | 3,111 |
| Consideration receivable for losses surrendered as group relief | (4,771) | - |
| Recognition of deferred tax asset previously unrecognised | (3,198) | - |
| Overseas tax suffered | 37 | 57 |
| Total taxation (credit)/expense | (6,595) | 57 |

**Deferred taxation**

| | Not recognised | | Recognised | |
|---|---|---|---|---|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Fixed asset temporary differences | - | 3,370 | 2,841 | 226 |
| Unutilised tax losses | 35,665 | 36,318 | - | - |
| Other temporary differences | - | - | (980) | (226) |
| | 35,665 | 39,688 | 1,861 | - |

There is a net deferred tax asset at the reporting date The asset has been recognised to the extent it is considered to be recoverable in the foreseeable future Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2009 28%) The total recognised deferred tax asset is £1,861,000 (2009 £nil) The total unprovided deferred tax asset is £35,665,000 (2009 £39,688,000) which has not been recognised in the financial statements as the future utilisation is uncertain

### 19 Cash flows from operating activities

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Operating loss | **(12,069)** | (12,744) |
| Depreciation and impairment of property, plant and equipment | **1,190** | 1,144 |
| Loss on disposal of property, plant and equipment | **15** | 227 |
| Impairment of non-current assets | **-** | 697 |
| (Decrease)/increase in provisions | **(507)** | 341 |
| Increase in retirement benefit assets | **(1,821)** | (2,190) |
| Settlement of share options | **(1,840)** | (1,222) |
| Share based payments expense | **579** | 599 |
| Decrease/(increase) in inventories | **6,043** | (7,414) |
| Decrease/(increase) in trade receivables | **1,487** | (393) |
| Increase in other receivables, prepayments and accrued income | **(172)** | (395) |
| Increase in balances receivable from group undertakings | **(1,805)** | (6,483) |
| Increase/(decrease) in current liabilities | **1,571** | (5,706) |
| (Decrease)/increase in long term liabilities | **(33)** | 33 |
| Foreign exchange (loss)/gains on operating activities | **(251)** | 4,106 |
| **Cash generated from operations** | **(7,613)** | (29,400) |

### 20 Financial commitments and contingent liabilities

At 31 March 2010 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 2010 the company had signed non-cancellable operating leases in respect of which the following minimum rentals are payable

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Land and buildings | | |
| - within one year | **1,908** | 1,908 |
| - between one and five years | **5,113** | 4,946 |
| - after five years | **3,237** | 4,288 |
| | **10,258** | 11,142 |

## 21 Related party transactions

As a result of the de-twinning of the Richemont units in October 2008, certain executives holding vested options over the old CFR units were granted vested options over shares in a UK and a Luxembourg listed entity These options are fully hedged by shares held in the listed entities Both the option liability and the shares are recognised at fair value through profit or loss in the entity awarding the options, namely Richemont Employee Benefits Ltd, a company registered in Jersey The total value of the option liability as recognised in the consolidated statement of financial position of Compagnie Financière Richemont SA was €40 million

Related party transactions with fellow group undertakings were as follows

| | 2010 £'000 |
|---|---|
| Sales | 61,866 |
| Purchases | 1,809 |
| Royalties received | 574 |
| Group management fees paid | 1,330 |
| Group recharges paid | 7,899 |

The Directors consider that there are no key managers, whose roles and activities within the company define them as related parties in accordance with IAS 24, outside the Board of Directors The remuneration of the Directors is disclosed in note 16 to the financial statements This does not include share-based payments, details of which are disclosed in note 22

The company undertook the following related party transactions during the year

- The company was charged £98,000 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 balances outstanding at 31 March 2010
- The company was charged £49,000 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 2010, a balance of £24,000 was due to Ven Tek International SA
- The company paid £28,000 to the South African Golf Development Trust as a charitable donation 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 2010

## 22 Share-based payments

The Richemont Group has a long-term share-based compensation plan whereby executives are awarded options to acquire shares at the market price on the date of grant Awards under the stock option plan generally vest over periods of four to six years and have expiry dates, the date after which unexercised options lapse, of nine years from the date of grant The executive must remain in the Group's employment until vesting The options granted as from 2008 onwards include a performance condition correlated to other luxury goods companies upon which vesting is conditional

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 share** | **Number of options** |
|---|---|---|
| Balance at 1 April 2008 | 45 97 | 366,633 |
| Lapsed before de-twinning | 49 97 | (45,200) |
| Exercised before de-twinning | 25 12 | (48,510) |
| Impact of de-twinning of Richemont units | - | 304,537 |
| Lapsed after de-twinning | 32 79 | (8,589) |
| Awarded after de-twinning | 21 20 | 60,978 |
| Balance at 31 March 2009 | 21 93 | 629,849 |
| Awarded | **23.55** | **49,209** |
| Exercised | **14.78** | **(125,217)** |
| Lapsed | **24.55** | **(33,017)** |
| **Balance at 31 March 2010** | **23.63** | **520,824** |

Options in respect of 12,368 shares were exercisable at 31 March 2010 (2009 36,939 shares)

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 2010 | CHF 14 45 | 7,329 | 3 2 years |
| | CHF 18 01 | 86,118 | 4 2 years |
| | CHF 23 18 | 250,571 | 5 2 years |
| | CHF 32 79 | 85,319 | 6 2 years |
| | CHF 21 20 | 46,893 | 7 2 years |
| | CHF 23 55 | 44,595 | 8 2 years |
| 31 March 2009 | CHF 8 73 | 14,906 | 3 2 years |
| | CHF 14 45 | 82,140 | 4 2 years |
| | CHF 18 01 | 121,618 | 5 2 years |
| | CHF 23 18 | 257,444 | 6 2 years |
| | CHF 32 79 | 92,763 | 7 2 years |
| | CHF 21 20 | 60,978 | 8 2 years |

## 22. Share based payments (cont.)

The average faır value of optıons granted durıng the perıod determıned usıng a Bınomıal model was CHF 9 00 (2009 Monte Carlo model, value CHF 8 48) The sıgnıficant ınputs ınto the model were the share prıce of CHF 23 55 (2009 CHF 21 20) at the grant date, the exercıse prıces shown above, a standard devıatıon of expected share prıce returns of 43 per cent (2009 41 per cent), an expected optıon lıfe of five to seven years, a dıvıdend yıeld of 1 3 per cent (2009 2 00 per cent) and a rısk-free ınterest rate of 1 5 per cent to 2 0 per cent (2009 1 3 per cent to 1 7 per cent) The volatılıty measured at the standard devıatıon of expected share prıce returns ıs based on statıstıcal analysıs of daıly share prıces over the last sıx years

The amounts recognısed ın profit or loss (before socıal securıty and taxes) for equıty-settled share-based payment transactıons can be summarısed as follows

| | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Share optıon expense | **579** | 599 |

## 23 Country of incorporation and registered address

The company ıs regıstered ın England and Wales

The company's regıstered office ıs 15 Hıll Street, London W1J 5QT

## 24 Ultimate parent undertaking and controlling party

The company ıs a wholly owned subsıdıary of Rıchemont Holdıngs (UK) Lımıted (regıstered ın England and Wales)

The dırectors regard Compagnıe Fınancıère Rıchemont SA, a lısted company ıncorporated ın Swıtzerland, to be the ultımate parent company Shares representıng 50% of the votıng rıghts of that company are held by Compagnıe Fınancıère Rupert

Copıes of the financıal statements of Compagnıe Fınancıère Rıchemont SA are avaılable from ıts regıstered office at 50 chemın da la Chenaıe, 1293 Bellevue, Geneva, Swıtzerland