



**Alfred Dunhill Limited**

**Registered number: 00191031**

**Annual report**

**For the year ended 31 March 2017**

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# **Alfred Dunhill Limited**

## **Annual report for the year ended 31 March 2017**

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## **Alfred Dunhill Limited**

### **Strategic report for the year ended 31 March 2017**

The Directors present their Strategic report for the year ended 31 March 2017.

#### **Business review and principal activities**

Alfred Dunhill Limited (“the Company”) is part of Richemont Group, 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 strategic selection of sourcing of branded products.

Products are distributed, outside the UK, through the Richemont subsidiaries. The Company also operates four retail stores in the UK and is commercially responsible for wholesale channels in Europe, the Middle East, Africa and North and South America.

Following an impairment review, the value of Plant and machinery has been impaired by £40,000 (2016: £2,000), Fixtures, fittings, tools and equipment by £494,000 (2016: £896,000) and Software by £2,000 (2016: £45,000).

The statement of comprehensive income for the Company show a loss for the financial year of £81,521,000 (2016: £31,659,000) on revenue of £50,429,000 (2016: £73,631,000). The net liabilities as at 31 March 2017 were £38,668,000 (2016: net assets of £20,736,000).

#### **Development and future outlook**

Due to its role as dunhill headquarters, the results of Alfred Dunhill Limited are dependent upon the success of the Alfred Dunhill brand as a whole.

The brand has developed new collections during the year for grooming, shoes and luggage as well as the agreement of a partnership for the dunhill Links collection. The gentlemen's club remains an integral component of promotional campaigns and inspiration continues to be drawn from the archives of Alfred Dunhill. The focus on customer experience is at the centre of everything that will be done in the coming year, from product to digital projection, to marketing communications and in-store experience.

#### **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 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 ([www.richemont.com](http://www.richemont.com)).

The financial risk management of the Company is outlined in Note 2 to the financial statements.

## **Alfred Dunhill Limited**

### **Strategic report for the year ended 31 March 2017 (continued)**

#### **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 Strategic Report has been approved and is signed on behalf of the board by:

A handwritten signature in black ink that reads "Gary Stevenson". The signature is written in a cursive, flowing style.

G J Stevenson  
**Director**

29 September 2017

## **Alfred Dunhill Limited**

### **Directors' report for the year ended 31 March 2017**

The Directors submit their report and the audited financial statements for the year ended 31 March 2017.

#### **Directors**

The Directors who were in office during the year and up to the date of signing the financial statements were:

G J Stevenson  
F Cardinali (resigned 5 January 2017)  
A Maag (appointed 9 January 2017)  
Rupert Brooks

#### **Company Secretary**

The Company Secretary who was in office during the year and up to the date of signing the financial statements was:

R J Brooks

#### **Directors interests**

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

#### **Company's registered number**

The company's registered number is 00191031.

#### **Going concern**

On the basis of the ongoing review of the activities, Richemont International Holding SA has provided a letter of support, confirming that they will provide ongoing financial support to the Company until at least twelve months from the date of approval of the financial statements, to enable it to continue its operating activities.

#### **Dividends**

No interim dividend was paid for the year ended 31 March 2017 (2016: £nil). The directors do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: £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.

## **Alfred Dunhill Limited**

### **Directors' report for the year ended 31 March 2017 (continued)**

#### **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.

#### **Creditor payment policy**

Alfred Dunhill Limited has a policy concerning payment of trade creditors as follows:

- inventory invoices paid between 30 and 60 days of invoice date; and
- non inventory invoices paid between 14 and 30 days of invoice date.

For all trade creditors, it is the company's policy to:

- agree the terms of payment at the start of business with that supplier;
- ensure that suppliers are aware of terms of payment; and
- to abide by the terms of payment.

For the year ended 31 March 2017, the average trade creditor days of the company were 12 days (2016: 11 days).

#### **Third Party Indemnity Provisions**

A Group company has purchased insurance on behalf of Alfred Dunhill Limited to cover the Directors against liabilities in relation to the Company during the financial year and as at the date of approval of the financial statements.

#### **Donations**

Donations for a variety of charitable purposes made by the Company in the United Kingdom during the year ended 31 March 2017 amounted to £290,000 (2016: £13,000). No contributions for political purposes were made during the current or prior years.

#### **Financial risk management**

The financial risk management of the Company is outlined in Note 2 to the financial statements.

#### **Development and future outlook**

The development and future outlook is discussed in the Strategic Report.

## **Alfred Dunhill Limited**

### **Directors' report for the year ended 31 March 2017 (continued)**

#### **Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

#### **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.

On behalf of the board



G J Stevenson

Director

28 September 2017

# **Alfred Dunhill Limited**

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

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Alfred Dunhill Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements, included within the Annual Report, comprise:

- the Statement of financial position as at 31 March 2017;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.



# Alfred Dunhill Limited

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

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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 Chapter 3 of Part 16 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.

#### What an audit of financial statements involves

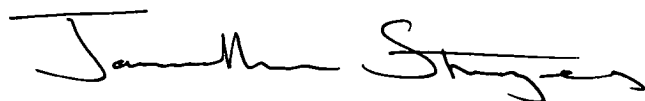
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Jonathan Sturges (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
29 September 2017

# Alfred Dunhill Limited

## Statement of financial position as at 31 March 2017

	Note	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Property, plant and equipment	4	758	867
Intangible assets	5	-	-
Other fixed assets	7	1,244	1,193
		<u>2,002</u>	<u>2,060</u>
<b>Current assets</b>			
Inventories	8	11,520	15,699
Trade and other receivables	9	13,462	15,570
Prepayments and accrued income		1,265	954
Cash and cash equivalents	10	21,532	32,072
		<u>47,779</u>	<u>64,295</u>
<b>Total Assets</b>		<u>49,781</u>	<u>66,355</u>
<b>Non-current liabilities</b>			
Pensions and similar obligations	12	(839)	(20,522)
Other non-current liabilities		(233)	(415)
Other provisions	13	(280)	(795)
		<u>(1,352)</u>	<u>(21,732)</u>
<b>Current liabilities</b>			
Trade and other payables	14	(51,811)	(15,507)
Provisions	13	(1,575)	(454)
Bank loans and overdraft	10	(25,524)	-
Accruals and deferred income		(7,055)	(7,926)
		<u>(85,965)</u>	<u>(23,887)</u>
<b>Total Liabilities</b>		<u>(87,317)</u>	<u>(45,619)</u>
<b>NET (LIABILITIES)/ASSETS</b>		<u>(37,536)</u>	<u>20,736</u>
<b>Equity</b>			
Called up share capital	11	498,315	363,421
Merger reserve		22,912	22,912
Accumulated losses		(558,763)	(365,597)
<b>TOTAL EQUITY</b>		<u>(37,536)</u>	<u>20,736</u>

The financial statements on pages 8 to 29 were approved by the board of directors on 29 September 2017 and were signed on its behalf by:



G J Stevenson  
Director



R J Brooks  
Secretary

The notes on pages 11 to 29 are an integral part of these financial statements.  
Registered number: 00191031

# Alfred Dunhill Limited

## Statement of comprehensive income for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Revenue	16	50,429	73,631
Cost of sales		<u>(37,492)</u>	<u>(45,317)</u>
<b>Gross profit</b>		<b>12,937</b>	<b>28,314</b>
Distribution costs		(35,272)	(41,113)
Administrative expenses		(55,847)	(20,983)
Other expenses		(2,536)	(943)
Other income		2,233	1,311
<b>Operating loss</b>	17	<u><b>(78,485)</b></u>	<u><b>(33,414)</b></u>
Finance income	20	3,863	234
Finance costs	20	<u>(3,709)</u>	<u>(734)</u>
<b>Loss before taxation</b>		<b>(78,331)</b>	<b>(33,914)</b>
Tax on loss	21	<u>(3,190)</u>	<u>2,255</u>
<b>Loss for the financial year</b>		<u><b>(81,521)</b></u>	<u><b>(31,659)</b></u>
<b>Other comprehensive (loss)/income:</b>			
Defined benefit plan actuarial (losses)/gains	12	(119,532)	2,997
Tax on items in other comprehensive (loss)/income		<u>7,826</u>	
<b>Other comprehensive (loss)/income</b>		<u><b>(111,706)</b></u>	<u><b>2,997</b></u>
<b>Total comprehensive loss attributable to the owners of the company</b>		<u><b>(193,227)</b></u>	<u><b>(28,662)</b></u>

The notes on pages 11 to 29 are an integral part of these financial statements.

# Alfred Dunhill Limited

## Statement of changes in equity for the year ended 31 March 2017

	Called up share capital	Merger reserve	Accumulated losses	Total Equity
	£'000	£'000	£'000	£'000
<b>As at 1 April 2015</b>	<b>263,421</b>	<b>22,912</b>	<b>(335,892)</b>	<b>(49,559)</b>
Issue of ordinary shares	100,000	-	-	100,000
Loss for the financial year	-	-	(31,659)	(31,659)
Retirement benefit obligations	-	-	2,997	2,997
Settlement of share options	-	-	(1,043)	(1,043)
<b>At 1 April 2016</b>	<b>363,421</b>	<b>22,912</b>	<b>(365,597)</b>	<b>20,736</b>
Issue of ordinary shares	134,894	-	-	134,894
Loss for the financial year	-	-	(81,521)	(81,521)
Retirement benefit obligations	-	-	(119,532)	(119,532)
Current tax benefit of retirement benefit contributions			7,826	7826
Tax on items in other comprehensive (loss)/income				
Settlement of share options	-	-	61	61
<b>At 31 March 2017</b>	<b>498,315</b>	<b>22,912</b>	<b>(558,763)</b>	<b>(37,536)</b>

The notes on pages 11 to 29 are an integral part of these financial statements.

# Alfred Dunhill Limited

## Notes to the financial statements for the year ended 31 March 2017

### 1 Summary of significant accounting policies

#### Basis of preparation

Alfred Dunhill Limited is a private company, limited by shares. The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound (£000) except when otherwise indicated. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and with those parts of the Companies Act 2006 applicable to Companies reporting under FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective and related party transactions.

Where relevant, equivalent disclosures have been given in the consolidated financial statements of Richemont Group which are available to the public and can be obtained as set out in Note 25.

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

The financial statements have been prepared under the historical cost convention and on a going concern basis, which the Directors deem appropriate in light of an intermediate parent indicating its willingness to provide support for the Company to meet its liabilities as they fall due, should this be required. The preparation of financial statements in conformity with United Kingdom Generally Accepted Accounting Practice, including FRS 101, requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement and significant estimates are disclosed below.

#### 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 publicly available consolidated financial statements of its ultimate parent, Richemont Group, 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 and stated to the nearest thousand pounds.

##### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the actual rate of exchange prevailing 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 Statement of comprehensive income.

# **Alfred Dunhill Limited**

## **Notes to the financial statements for the year ended 31 March 2017**

### **1. Summary of significant accounting policies (continued)**

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received from 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.

#### **Property, plant and equipment**

All property, plant and equipment is shown at cost less accumulated 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 Statement of comprehensive income 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 following limits:

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, calculated as the difference between the net proceeds from disposals and the carrying amounts, are included in Statement of comprehensive income.

#### **Computer software and related licences**

Costs that are directly associated with developing, implementing or improving identifiable software products having an expected benefit beyond one year are recognised as other intangible assets and amortised using the straight-line method over their useful lives, not exceeding a period of three years. Licenses are amortised over their contractual lives to a maximum period of five years. Costs associated with evaluating or maintaining computer software are expensed as incurred.

#### **Investments in subsidiaries**

Investments in subsidiaries are shown at cost less impairment.

# **Alfred Dunhill Limited**

## **Notes to the financial statements for the year ended 31 March 2017**

### **1. Summary of significant accounting policies (continued)**

#### **Impairment of assets**

All non-current and non-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 in the statement of comprehensive income 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 fixed 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 impairment in value.

#### **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. An impairment loss for trade and other 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 impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of comprehensive income 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.

# Alfred Dunhill Limited

## Notes to the financial statements for the year ended 31 March 2017

### 1. Summary of significant accounting policies (continued)

#### Current and deferred income tax

Taxes on income are provided in the same period as the revenue and expenses to which they relate.

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 substantively 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

##### *Retirement benefit obligations*

The Company is a participating employer in the Richemont UK Pension Plan (the "Plan"), which provides defined benefits. The Plan's funds are administered by trustees and are independent of the Company's finances. Contributions are paid to the Plan in accordance with a Schedule of Contributions agreed between the trustees and the Principal Employer of the Plan, Richemont Holdings (UK) Limited.

The total pension cost for the year, calculated in accordance with IAS19 (Employee Benefits), is split between the UK entities that participate in the Plan taking into account the attributes of each entity's employees in the Plan. The Company's assets and obligations relating to the Plan are calculated in accordance with its share of the obligations in the Plan at 31 March 2013 (the most recent valuation of the Plan) on the IAS19 assumptions at that date. Actuarial gains and losses are recognised immediately through Other Comprehensive Income.

For defined contribution 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 future payments is probable.

##### *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.

#### 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 include lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.



# **Alfred Dunhill Limited**

## **Notes to the financial statements for the year ended 31 March 2017**

### **Summary of significant accounting policies (continued)**

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 risk specific to the liability. Any increase in provisions due to the passage of time is recognised as interest expense.

#### **Other income**

##### *(a) Interest income*

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

##### *(b) 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 Statement of comprehensive income using the straight-line method over the lease term. Sub-lease income (net of any incentives given) is recognised in Statement of comprehensive income on the straight-line method over the sub-lease term.

##### *(b) Finance leases*

Assets held by the company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as 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 and fair value of the leased item. In cases where land and buildings are acquired under finance leases, separate values of the land and buildings are established. All property, plant and equipment so recognised is depreciated over the shorter of the asset's expected useful life or the lease term.

# **Alfred Dunhill Limited**

## **Notes to the financial statements for the year ended 31 March 2017**

### **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, Chinese yuan and Japanese yen. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. No hedging transactions are undertaken by the Company 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 assumptions**

The Company is required to make estimates and assumptions that affect the reported amount of certain asset, liability, income and expense items and certain disclosures regarding contingencies, and to make judgements in the process of applying its accounting policies. Estimates and assumptions 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 estimates and assumptions are made relate in particular to:

- (a) the determination of carrying values for property, plant and equipment and inventories;
- (b) the assessment and recording of liabilities in respect of retirement benefit obligations; and
- (c) 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.

# Alfred Dunhill Limited

## Notes to the financial statements for the year ended 31 March 2017

### 4 Property, plant and equipment

	Leasehold Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<b>Cost</b>				
At 1 April 2016	311	221	8,759	9,291
Additions	-	40	500	540
Disposals	-	(12)	(654)	(666)
<b>At 31 March 2017</b>	<b>311</b>	<b>249</b>	<b>8,605</b>	<b>9,165</b>
<b>Accumulated depreciation</b>				
At 1 April 2016	197	221	8,006	8,424
Depreciation	6	-	91	97
Impairment	-	40	494	534
Disposals	-	(12)	(636)	(648)
<b>At 31 March 2017</b>	<b>203</b>	<b>249</b>	<b>7,955</b>	<b>8,407</b>
<b>Net book value</b>				
<b>At 31 March 2017</b>	<b>108</b>	<b>-</b>	<b>650</b>	<b>758</b>
At 31 March 2016	114	-	753	867

Following an impairment review, the value of Plant and machinery has been impaired by £40,000 (2016: £2,000) and the value of Fixtures, fittings, tools and equipment has been impaired by £494,000 (2016: £896,000).

# Alfred Dunhill Limited

## Notes to the financial statements for the year ended 31 March 2017

### 5 Intangible assets

	Software £'000	Licenses £'000	Total £'000
<b>Cost</b>			
At 1 April 2016	398	141	539
Additions	2	-	2
<b>At 31 March 2017</b>	<b>400</b>	<b>141</b>	<b>541</b>
<b>Accumulated amortisation and impairment</b>			
At 1 April 2016	398	141	539
Impairment	2	-	2
<b>At 31 March 2017</b>	<b>400</b>	<b>141</b>	<b>541</b>
<b>Net book value</b>			
At 31 March 2017	-	-	-
At 31 March 2016	-	-	-

Following an impairment review, the value of Software has been impaired by £2,000 (2016: £45,000).

### 6 Investments in subsidiaries

At 31 March 2017 the Company's immediate subsidiary undertakings were:

Subsidiary undertakings	Country of incorporation and operation	Directly attributable to the Company	Class of shares held
Alfred Dunhill Club Limited	England and Wales	100%	Ordinary shares of £1 each
Alfred Dunhill Manufacturing Limited	England and Wales	100%	Ordinary shares of £1 each

Alfred Dunhill Club Limited is a private members club to whom Richemont International Holding SA has provided a letter of support. During the year ended 31 March 2017, 2,000,000 shares were acquired in Alfred Dunhill Club Limited for consideration of £2,000,000. The investment in Alfred Dunhill Club Limited has been impaired by £2,000,000 and at 31 March 2017 has a carrying value of £nil (2016: £nil).

Alfred Dunhill Manufacturing Limited, a dormant company, is held at £nil carrying value (2016: £nil).

The registered addresses of Alfred Dunhill Club Limited and Alfred Dunhill Manufacturing Limited are Bourdon House, 2 Davies Street, London W1K 3DJ and 15 Hill Street, London W1J 5QT respectively.

# Alfred Dunhill Limited

## Notes to the financial statements for the year ended 31 March 2017

### 7 Other fixed assets

	2017 £'000	2016 £'000
Museum collection	1,244	1,193

### 8 Inventories

	2017 £'000	2016 £'000
Raw materials and work in progress	1,517	2,017
Finished goods	10,003	13,682
	11,520	15,699

The cost of inventories recognised as an expense and included in the cost of sales amounted to £31,615,000 (2016: £42,134,000).

The Company recognised £1,109,000 in the write-down of inventory as an expense (2016: £247,000).

Inventories are stated after provisions for impairment of £8,669,000 (2016: £9,777,000).

### 9 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	2,145	1,508
Less: provision for impairment	-	-
Trade receivables – net	2,145	1,508
Amount owed by group undertakings	10,142	12,556
Amount owed by associated undertakings	10	35
Other receivables	1,165	1,471
	13,462	15,570

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.

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

# Alfred Dunhill Limited

## Notes to the financial statements for the year ended 31 March 2017

### 9. Trade and other receivables (continued)

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

	2017 £'000	2016 £'000
Balance at 1 April of prior year	-	-
Provision charged to profit or loss	-	(41)
Utilisation of provision	-	40
Reversal of unutilised provision	-	1
	<u>-</u>	<u>-</u>

Receivables past due but not impaired:

	2017 £'000	2016 £'000
Up to three months past due	653	31
Three to six months past due	10	-
Over six months past due	-	-
	<u>663</u>	<u>31</u>

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 for 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

	2017 £'000	2016 £'000
Cash at bank and in hand	21,532	32,072
Bank loans and overdraft	(25,524)	-
	<u>(3,992)</u>	<u>32,072</u>

### 11 Called up share capital

	Number of shares	Value £
<b>Issued and fully paid:</b>		
Ordinary shares of £1 each at 1 April 2016	363,420,616	363,420,616
Ordinary shares issued and fully paid during the year	134,894,800	134,894,800
	<u>498,315,416</u>	<u>498,315,416</u>

# Alfred Dunhill Limited

## Notes to the financial statements for the year ended 31 March 2017

### 12. Pensions and similar obligations

#### Defined Benefit Plan

The Company, along with other Richemont Group entities in the UK, is a participating employer in the Richemont UK Pension Plan. This Plan provides benefits based on final pensionable emoluments and the risks are shared between the participating entities. The assets of the Plan are held in a separate trustee-administered fund.

Over 2016/17 the Group consulted with members regarding their future pension provision, and as a result the plan closed to all future accrual from 31 March 2017. From 31 March 2017 members' benefits are linked to inflation up until their retirement date rather than pensionable salaries. Therefore, the closure of the plan has resulted in a past service credit during the year.

On 1 December 2016 the plan trustee entered into a full "buy-in" with a UK insurance company. Under the terms of the contract, the insurer will meet all benefits due to members of the plan. The premium for this insurance contract was largely met over 2016/17, in part by contributions totalling £225m from the Group.

As a result of the buy-in, the risk to the Company of future contributions falling due has almost entirely been removed. The Company is however liable for additional contributions in respect of any data or benefit errors in the insurance, and the trustee is currently reviewing these items. The expected outcome of this review is an additional premium falling due from the Plan of c.£3.5m (for all UK entities), and this additional liability has been recognised as a past service cost.

The total pension cost for the year that relates to the Plan is calculated in accordance with IAS19 (Employee Benefits). There is a policy to split the total balance sheet liability and pension cost between the UK entities that participate in the Plan.

Contributions are paid to the Plan in accordance with the recommendations of an independent actuarial advisor. The Company's contributions reflect the age, benefit and salary profile of its members in the Plan.

The Company's assets and obligations relating to the Plan are calculated in accordance with its share of the obligations in the Plan as at 31 March 2013 (the most recent valuation of the Plan) on the IAS19 assumptions at that date. The key accounting figures for the Company are as follows:

	2017 £'000	2016 £'000
Balance at 1 April of prior year	(20,522)	(26,586)
Pension cost	1,617	(1,017)
Company contribution	137,598	4,084
Other comprehensive (loss)/income	(119,532)	2,997
<b>Balance at 31 March</b>	<b>(839)</b>	<b>(20,522)</b>

Full disclosure of the IAS19R results for the plan is shown in the financial statements of Richemont Holdings (UK) Limited.

# Alfred Dunhill Limited

## Notes to the financial statements for the year ended 31 March 2017

### 13. Other Provisions

	Warranty and sales related £'000	Employee benefits £'000	Other £'000	Total £'000
At 1 April 2016	212	915	122	1,249
Charged to profit or loss:				
- additional provisions	482	1,448	2,482	4,412
Utilised during the year	(382)	(1,778)	(1,646)	(3,806)
At 31 March 2017	312	585	958	1,855

	2017 £'000	2016 £'000
Total provisions at 31 March:		
- non-current	280	795
- current	1,575	454
	1,855	1,249

#### 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 £312,000 (2016: £212,000) has been recognised. It is anticipated that the provisions will be utilised within 12 months.

#### Employee benefits provision

These include obligations arising under Compagnie Financière Richemont SA's long-term retention plan and social costs on the Compagnie Financière Richemont SA share option plan. It is anticipated that the provisions will be utilised within three 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 2017. It is anticipated that the provisions will be utilised within 12 months.

### 14. Trade and other payables

	2017 £'000	2016 £'000
Trade payables	1,927	2,199
Amounts owed to group undertakings	49,101	12,492
Other payables	783	816
	51,811	15,507



## Alfred Dunhill Limited

### Notes to the financial statements for the year ended 31 March 2017

#### 14. Trade and other payables (continued)

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

#### 15. Commitments and contingencies

The Company has committed to potentially acquiring the property, plant and equipment of its subsidiary Alfred Dunhill Club Limited at an amount not less than its carrying value, should the subsidiary choose to sell.

#### 16. Revenue

Revenue arose in the following geographical areas:

	2017 £'000	2016 £'000
UK	8,331	8,780
Rest of World	42,098	64,851
	<u>50,429</u>	<u>73,631</u>

#### 17. Operating loss

Operating loss is stated after the following items of expense:

	2017 £'000	2016 £'000
Depreciation of property, plant and equipment (Note 4)	97	97
Operating lease rentals	2,609	2,618
Impairment of investment in subsidiary (Note 6)	2,000	-
Employee benefits expense (Note 18)	14,010	17,316
Trade receivables – provision for impairment (Note 9)	-	40
Auditors' remuneration:		
- audit services	153	125
- tax compliance	74	71
	<u>227</u>	<u>196</u>

## Alfred Dunhill Limited

### Notes to the financial statements for the year ended 31 March 2017

#### 18. Employee benefits expense

	2017 £'000	2016 £'000
Wages and salaries (including termination benefits)	12,525	13,418
Social security costs	2,116	1,974
Share option expense (Note 24)	78	82
Long-term employee benefits	500	413
Pension costs – defined contribution plan	408	412
Pension costs – defined benefits plan (note 12)	(1,617)	1,017
	<u>14,010</u>	<u>17,316</u>

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

	2017 Number	2016 Number
Selling and distribution	169	183
Administration	<u>65</u>	<u>70</u>
	<u>234</u>	<u>253</u>
Directors	2	2
Full-time	218	236
Part-time	<u>14</u>	<u>15</u>
	<u>234</u>	<u>253</u>

#### 19. 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:

	2017 £'000	2016 £'000
Wages and salaries	1,895	1,563
Pension cost – defined benefits plan	2	20
– other	<u>4</u>	<u>4</u>
	<u>1,901</u>	<u>1,587</u>

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 £1,267,000 (2016: £1,394,000) including other emoluments of £34,000 and payments to his defined contribution pension scheme for the year ended 31 March 2017 were £3,459 (2016: £4,000).

# Alfred Dunhill Limited

## Notes to the financial statements for the year ended 31 March 2017

### 19. Directors' emoluments (continued)

Retirement benefits are accruing to one director at 31 March 2017 (2016: one) 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, no one of the directors (2016: 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.

### 20. Finance income/(costs)

	2017 £'000	2016 £'000
Interest income:		
- bank	2	4
- other	1	3
Foreign exchange gains	3,860	227
Total finance income	3,863	234
Interest expense:		
- bank	(10)	(726)
- other financial expenses	(8)	(8)
Foreign exchange losses	(3,691)	-
	(3,709)	(734)
Total net finance income/(costs)	154	(500)

### 21. Tax on loss

	2017 £'000	2016 £'000
Current tax credit:		
- UK corporation tax and income tax of overseas operations on profits for the year	(6,251)	2,140
- Adjustment in respect of prior years	3,061	115
Total current tax credit/(charge)	(3,190)	2,255
Deferred tax charge:		
- Adjustment in respect of prior years	-	-
	-	-
Total income tax credit/(charge)	(3,190)	2,255

# Alfred Dunhill Limited

## Notes to the financial statements for the year ended 31 March 2017

### 21. Tax on loss (continued)

There is a tax charge of £3,190,000 for the current year (2016: credit of £2,255,000). The current tax charge is reconciled to the loss before taxation at the standard rate of UK corporation tax below.

	2017 £'000	2016 £'000
Loss before taxation	(78,331)	(33,914)
Loss before taxation at statutory rate of taxation in the UK of 20% (2016: 20%)	(15,666)	(6,783)
Non-deductible expenses	314	186
Income not taxable for tax purposes	(36)	(172)
Unrecognised deferred tax	21,639	4,629
Group relief surrendered	1,575	2,140
Consideration receivable for losses surrendered as group relief	(1,575)	(2,140)
Adjustments in respect of prior years	(3,061)	(115)
Total taxation (credit)/charge	3,190	(2,255)

### Deferred taxation

	Not recognised		Recognised	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Fixed asset temporary differences	3,254	3,340	-	-
Unutilised tax losses	48,651	32,556	-	-
Retirement benefit obligations	17,247	3,843	-	-
	69,152	39,739	-	-

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2016: 18%). The total recognised deferred tax asset is £nil (2016: £nil). The total unrecognised deferred tax asset is £69,152,000 (2016: £39,739,000) which has not been recognised in the financial statements as the future utilisation is uncertain.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Act 2015 (on 26 October 2015) and Finance Act 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

# Alfred Dunhill Limited

## Notes to the financial statements for the year ended 31 March 2017

### 22. Financial commitments and contingent liabilities

At 31 March 2017 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 2017 the Company had signed non-cancellable operating leases in respect of which the following minimum rentals are payable:

	2017 £'000	2016 £'000
Land and buildings		
- within one year	2,244	2,583
- between one and five years	2,771	5,514
- after five years	-	169
	<u>5,015</u>	<u>8,266</u>

### 23. Related party transactions

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 18 to the financial statements. This does not include share-based payments, details of which are disclosed in Note 23. Related party balances with related group undertakings are disclosed in Notes 9 and 14 to the financial statements.

The Company also undertook the following related party transactions during the year:

- The Company was charged £165,000 (2016: £147,000) 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. At 31 March 2017, a balance of £10,000 (2016: £13,000) was due from Laureus World Sports Awards.
- The Company was charged £123,000 (2016: £105,000) of costs from Ventek International SA for the provision of an IT maintenance contract. Ventek International SA is a company under common control within the Richemont group.
- The Company made sales of £90,000 (2016: £34,000) to YNAP Corporation (YOOX – Net A Porter LLC) and sales of £145,000 (2016: £61,000) to YOOX-Net A Porter Group Ltd. YNAP Corporation (YOOX – Net A Porter LLC) and YOOX-Net A Porter Group Ltd are associated companies of the Richemont group.
- The Company was charged £24,000 of costs from YOOX – The Net-A-Porter Group Spa in relation to the Alfred Dunhill e-commerce site. At 31 March 2017, balance of £13,000 was due from The Net-A-Porter Group Spa.

# Alfred Dunhill Limited

## Notes to the financial statements for the year ended 31 March 2017

### 24. 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 share 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 2015	50.27	15,061
Exercised	26.46	(22,927)
Lapsed	-	-
Net transfers from other Group entity	46.69	35,193
Balance at 31 March 2016	65.64	27,327
Exercised	39.98	(6,075)
Net transfers from other Group entity	-	-
<b>Balance at 31 March 2017</b>	<b>73.00</b>	<b>21,252</b>

No options were awarded during the year. Options in respect of 2,419 shares were exercisable at 31 March 2017 (2016: 3,827 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 2017	CHF 23.55	752	1.2 years
	CHF 54.95	1,000	3.2 years
	CHF 57.45	9,000	4.2 years
	CHF 90.11	6,500	5.2 years
	CHF 94.00	4,000	6.2 years
31 March 2016	CHF 23.55	3,827	2.2 years
	CHF 54.95	2,000	4.2 years
	CHF 57.45	11,000	5.2 years
	CHF 90.11	6,500	6.2 years
	CHF 94.00	4,000	7.2 years

# Alfred Dunhill Limited

## Notes to the financial statements for the year ended 31 March 2017

### 24. Share based payments (continued)

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

	2017 £'000	2016 £'000
Share option expense	<u>78</u>	<u>82</u>

### 25. Country of incorporation and registered address

The Company is registered and domiciled in England and Wales and is incorporated in the United Kingdom.

The Company's registered office is 15 Hill Street, London W1J 5QT.

### 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 which, for the purposes of IAS 24, is regarded by the Directors as the controlling party.

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