dunhill

LONDON

Alfred Dunhill Limited

Registered number: 00191031

Annual report

For the year ended 31 March 2014

Alfred Dunhill Limited

Annual report for the year ended 31 March 2014

Contents

Alfred Dunhill Limited

Strategic report for the year ended 31 March 2014

The Directors present their Strategic report for the year ended 31 March 2014.

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 operates seven retail stores and concessions 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 £23,826,000 (2013: £15,095,000) on sales of £102,494,000 (2013: £123,663,000).

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.

New collections focusing on lifestyle products and wider availability of bespoke and made to measure categories will strengthen Alfred Dunhill brand's position. Sportswear has also been enhanced with a new golf collection inspired by the brand's annual Links Championship, which will be sold globally. The Brand will continue to optimise distribution through the opening of larger stores, new franchise partnerships, an updated website and further rationalisation of the wholesale network.

A new boutique concept will reflect the values of the brand and product offering of the collection.

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).

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

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 by order of the board by:

Gary Stevenson

G J Stevenson
Director

18 December 2014

Alfred Dunhill Limited

Directors' report for the year ended 31 March 2014

The directors submit their report and the audited financial statements of the company for the year ended 31 March 2014.

Directors

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

M S Wikstrom (resigned 21 May 2013)
M J Woodcock (resigned 2 May 2014)
G J Stevenson
E Poletto (resigned 30 April 2013)
F Cardinali (appointed 29 August 2013)

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.

Dividends

No interim dividend was paid for the year ended 31 March 2014 (2013: £nil). The directors do not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: £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 re-training 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 2014, the average trade creditor days of the company were 24 days (2013: 23 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.

Donations

Donations for a variety of charitable purposes made by the company in the United Kingdom during the year amounted to £12,000 (2013: £2,000). No contributions for political purposes were made during the current or prior years. £10,000 was given to the British Inspiration trust for child welfare (2013: £nil).

Going concern

The financial statements are prepared on a going concern basis as the company has received a letter of support from a group company.

Alfred Dunhill Limited

Directors' report for the year ended 31 March 2014 (continued)

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic report, 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard *101 Reduced Disclosure Framework* (FRS 101). 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 United Kingdom Accounting Standards, including FRS101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

By order of the board

Gary Stevenson

G J Stevenson
Director
18 December 2014

Independent auditors' report to the members of Alfred Dunhill Limited

Report on the financial statements

Our opinion
In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited
The financial statements, which are prepared by Alfred Dunhill Limited, comprise:

- the statement of financial position as at 31 March 2014;
- 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 their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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.

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 Director's 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 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.

Christopher Richmond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 December 2014

Alfred Dunhill Limited

Statement of financial position as at 31 March

	Note	2014 £'000	2013 £'000
ASSETS			
Fixed assets			
Property, plant and equipment	4	**3,786**	2,958
Other fixed assets	6	**1,189**	1,169
		4,975	4,127
Current assets			
Inventories	7	**19,463**	23,508
Trade and other receivables	8	**10,869**	12,717
Prepayments and accrued income		**736**	1,152
Cash and cash equivalents	9	**8,195**	408
		39,263	37,785
TOTAL ASSETS		**44,238**	41,912
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	10	**263,421**	263,421
Merger reserve		**22,912**	22,912
Retained earnings		**(302,087)**	(276,192)
TOTAL EQUITY		**(15,754)**	10,141
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	11	**12,676**	14,317
Other non-current liabilities		**609**	729
Provisions	12	**304**	296
		13,589	15,342
Current liabilities			
Trade and other payables	13	**11,575**	11,463
Provisions	12	**999**	1,020
Bank overdraft	9	**29,940**	590
Accruals and deferred income		**3,889**	3,356
		46,403	16,429
TOTAL EQUITY AND LIABILITIES		**44,238**	41,912

The financial statements on pages 6 to 28 were approved by the board of directors on 18 December 2014 and were signed on its behalf by:

Gary Stevenson

F Cardinali
Director

G J Stevenson
Director

The notes on pages 9 to 28 are an integral part of these financial statements.

Registered number: 00191031

Alfred Dunhill Limited

Statement of comprehensive income for the year ended 31 March 2014

	Note	**2014**	2013
		£'000	£'000
Revenue		**102,494**	123,663
Cost of sales		**(64,272)**	(71,082)
Gross profit		**38,222**	52,581
Selling and distribution expenses		**(35,755)**	(31,878)
Administrative expenses		**(28,721)**	(40,980)
Royalty income		**2,655**	4,226
Operating loss	14	**(23,599)**	(16,051)
Net finance (costs)/income	17	**(2,485)**	754
Loss before taxation		**(26,084)**	(15,297)
Taxation	18	**2,258**	202
Total loss for the year		**(23,826)**	(15,095)
Other comprehensive income:			
Retirement benefit obligations	11	**(940)**	(10,943)
Other comprehensive loss		**(940)**	(10,943)
Total comprehensive loss attributable to the owners of the company		**(24,766)**	(26,038)

The notes on pages 9 to 28 are an integral part of these financial statements.

Alfred Dunhill Limited

Statement of changes in equity for the year ended 31 March 2014

	Share capital	Merger reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000
As at 1 April 2012	**235,421**	**22,912**	**(245,774)**	**12,559**
Loss for the year	-	-	(15,095)	(15,095)
Issue of ordinary shares	28,000	-	-	28,000
Retirement benefit obligations	-	-	(10,943)	(10,943)
Settlement of share options	-	-	(4,380)	(4,380)
At 1 April 2013	**263,421**	**22,912**	**(276,192)**	**10,141**
Loss for the year	-	-	(23,826)	(23,826)
Issue of ordinary shares	-	-	-	-
Retirement benefit obligations	-	-	(940)	(940)
Settlement of share options	-	-	(1,129)	(1,129)
At 31 March 2014	**263,421**	**22,912**	**(302,087)**	**(15,754)**

The notes on pages 9 to 28 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 March 2014

1 Summary of significant accounting policies

Basis of preparation

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 group financial statements of Compagnie Financière Richemont SA. The group financial statements of Compagnie Financière Richemont SA are available to the public and can be obtained as set out in Note 23.

As a result of FRS 101 being applicable to entities with a year-end from 1 January 2015, the company has made the business decision to adopt the standard early (FRS 101 para.11).

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 financial statements are prepared on a going concern basis as the company has received a letter of support from its immediate parent.

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, 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 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 profit or loss.

1. Summary of significant accounting policies (continued)

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 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 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 profit or loss. 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 non-current 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 in profit or loss 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.

1. Summary of significant accounting policies (continued)

Inventories

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

Trade and other receivables

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

1. Summary of significant accounting policies (continued)

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. The plans' funds are independent of the company's finances. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive post employment, usually dependant on one or more factors such as age, years of service and compensation.

The total pension cost for the year calculated in accordance with IAS 19, *Employee benefits revised (2011)* 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 liability recognised in 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 liability recognised in 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. 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions on post employee benefits are charged or credited to other comprehensive income in the period in which they arise.

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.

Notes to the financial statements for the year ended 31 March 2014

1. Summary of significant accounting policies (continued)

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

Revenue recognition

Sales 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.

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.

Notes to the financial statements for the year ended 31 March 2014

1. Summary of significant accounting policies (continued)

Leases

(a) Operating leases

Payments made under operating leases (net of any incentives received) are charged to profit or loss using 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.

(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.

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. 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 sales deductions, including rebates, returns, discounts and incentives, which are reported as a reduction in revenue;
(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.

4 Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost				
At 1 April 2013	311	160	6,989	7,460
Additions	-	50	1,761	1,811
Disposals	-	-	(447)	(447)
At 31 March 2014	**311**	**210**	**8,303**	**8,824**
Accumulated depreciation				
At 1 April 2013	178	141	4,183	4,502
Charge for the year	7	10	959	976
Disposals	-	-	(440)	(440)
At 31 March 2014	**185**	**151**	**4,702**	**5,038**
Net book value				
At 31 March 2014	**126**	**59**	**3,601**	**3,786**
At 31 March 2013	133	19	2,806	2,958

Notes to the financial statements for the year ended 31 March 2014

5 Investments in subsidiaries

Alfred Dunhill Club Limited is a wholly owned subsidiary of the company, to whom Richemont International Holding S.A. has provided a letter of support. Alfred Dunhill Limited has provided a commitment to potentially acquire certain assets from Alfred Dunhill Club Limited at an amount not less than their carrying value. During the year ended 31 March 2013, 14,000,000 shares were acquired in Alfred Dunhill Club Limited for consideration of £14,000,000. The investment in Alfred Dunhill Club Limited was impaired by £14,000,001 during the year ended 31 March 2013 and at 31 March 2014 has a carrying value of £nil (2013: £nil).

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

6 Other fixed assets

	2014	2013
	£'000	£'000
Museum collection	**1,189**	1,169

7 Inventories

	2014	2013
	£'000	£'000
Raw materials and work in progress	**3,714**	4,058
Finished goods	**15,749**	19,450
	19,463	23,508

The cost of inventories recognised as an expense and included in the cost of sales amounted to £58,597,000 (2013: £66,381,000).

The company recognised £3,038,000 in the write-down of inventory as an expense (2013: £1,468,000).

8 Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	**1,380**	1,636
Less: provision for impairment	**(13)**	(14)
Trade receivables – net	**1,367**	1,622
Amount owed by group undertakings	**8,779**	10,142
Other receivables	**723**	953
	10,869	12,717

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.

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

	2014 £'000	2013 £'000
Balance at 1 April of prior year	**(14)**	(39)
Provision charged to profit or loss	**-**	-
Utilisation of provision	**-**	22
Reversal of unutilised provision	**1**	3
	(13)	(14)

Receivables past due but not impaired:

	2014 £'000	2013 £'000
Up to three months past due	**307**	353
Three to six months past due	**86**	2
Over six months past due	**1**	1
	394	356

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.

9 Cash and cash equivalents

	2014 £'000	2013 £'000
Cash at bank and in hand	**8,195**	408
Bank overdraft	**(29,940)**	(590)
	(21,745)	(182)

10 Share capital

	Number of shares	Value £
Issued and fully paid:		
Ordinary shares of £1 each at 1 April 2013	263,420,616	263,420,616
Ordinary shares issued and fully paid during the year	-	-
Ordinary shares of £1 each at 31 March 2014	263,420,616	263,420,616

11 Retirement benefit 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.

The total pension cost for the year that relates to the plan is calculated in accordance with IAS19, *Employee Benefits revised (2011)*. There is a policy to split the total balance sheet liability and pension cost between the UK brands that participate in the plan.

The pension cost is split by reference to the cost of accruing benefits, allowing for the age, benefit and salary profile of each brand's members in the plan. Hence, the company's pension cost represents its share of the total cost relating to 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.

11. Retirement benefit obligations (continued)

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 2010 (the most recent valuation of the plan) on the IAS19 assumptions at that date. The key accounting figures for the company are as follows:

	2014	2013
	£'000	£'000
Balance at 1 April of prior year	**(14,317)**	(11,599)
Pension cost	**(1,069)**	(975)
Company contribution	**3,650**	9,200
Other comprehensive income	**(940)**	(10,943)
Balance at 31 March	**(12,676)**	(14,317)

Full disclosure of the IAS19 results for the plan is shown in the financial statements of Richemont Holdings (UK) Limited.

12 Provisions

	Warranty and sales related	**Employee benefits**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 April 2013	400	736	180	1,316
Charged to profit or loss:				
- additional provisions	2	493	23	518
Utilised during the year	(174)	(357)	-	(531)
At 31 March 2014	**228**	**872**	**203**	**1,303**

	2014	2013
	£'000	£'000
Total provisions at 31 March:		
- non-current	**304**	**296**
- current	**999**	**1,020**
	1,303	**1,316**

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 £228,000 (2013: £400,000) has been recognised. It is anticipated that the provisions will be utilised within 12 months.

Notes to the financial statements for the year ended 31 March 2014

12 Provisions (continued)

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 five 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 2014. It is anticipated that the provisions will be utilised within 12 months.

13 Trade and other payables

	2014 £'000	2013 £'000
Trade payables	**2,806**	2,345
Amounts owed to group undertakings	**7,037**	7,574
Other payables	**1,732**	1,544
	11,575	11,463

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

14 Operating loss

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

	2014 £'000	2013 £'000
Depreciation of property, plant and equipment (Note 4)	**976**	858
Operating lease rentals	**2,334**	2,167
Impairment of investment in subsidiary (Note 5)	**-**	14,000
Employee benefits expense (Note 15)	**15,155**	14,039
Trade receivables – provision for impairment (Note 8)	**(1)**	(3)
Auditors' remuneration:		
- audit services	**117**	116
- other services	**30**	13

15 Employee benefits expense

	2014 £'000	2013 £'000
Wages and salaries (including termination benefits)	**11,737**	10,841
Social security costs	**1,813**	1,671
Share option expense (Note 21)	**21**	77
Long-term employee benefits	**265**	243
Pension costs – defined contribution plan	**250**	232
Pension costs – defined benefits plan (note 11)	**1,069**	975
	15,155	14,039

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

	2014 Number	2013 Number
Selling and distribution	**181**	177
Administration	**74**	72
	255	249
Directors	**3**	3
Full-time	**232**	225
Part-time	**20**	21
	255	249

16 Directors' emoluments

M S Wikstrom was not employed by the company during the year. Full details of her emoluments as a member of the board of directors of Compagnie Financière Richemont SA can be found in note 34 of that company's financial statements.

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:

	2014 £'000	2013 £'000
Wages and salaries (including termination benefits)	**1,467**	6,561
Pension cost – defined benefits plan	**58**	82
	1,525	6,643

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 £972,000 (2013: £5,823,000), his accrued pension at 31 March 2014 was £nil (2013: £17,000), and the accrued lump sum in his defined benefit pension scheme at 31 March 2014 was £nil (2013: £116,000).

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Notes to the financial statements for the year ended 31 March 2014

16 Directors' emoluments (continued)

Retirement benefits are accruing to two directors at 31 March 2014 (2013: three) 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 (2013: two) 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.

17 Finance (costs)/income

	2014 £'000	2013 £'000
Interest income:		
- bank	44	7
Foreign exchange gains	-	912
Total finance income	44	919
Interest expense:		
- bank	(346)	(86)
- other financial expenses	(55)	(79)
Foreign exchange losses	(2,128)	-
	(2,529)	(165)
Total net finance (costs)/income	(2,485)	754

18 Taxation

	2014 £'000	2013 £'000
Current tax credit:		
- UK corporation tax and income tax of overseas operations on profits for the period	2,016	1,377
- Adjustment in respect of prior years	242	(52)
Total current tax credit	2,258	1,325
Deferred tax charge:		
- Adjustment in respect of prior years	-	(1,123)
	-	(1,123)
Total income tax credit	2,258	202

18 Taxation (continued)

There is a tax credit of £2,258,000 for the current year (2013: credit of £202,000). The current tax credit is reconciled to the loss before tax at the standard rate of UK corporation tax below.

	2014	2013
	£'000	£'000
Loss before tax	**(26,084)**	(15,297)
Loss before tax at statutory rate of taxation in the UK of 23% (2013: 24%)	**(5,999)**	(3,671)
Non-deductible expenses	**330**	383
Other temporary differences, not recognised	**(1,043)**	(3,926)
Group relief surrendered	**2,016**	1,377
Consideration receivable for losses surrendered as group relief	**(2,016)**	(1,377)
Unutilised tax losses carried forward, not recognised	**4,696**	2,478
Tax on impairment loss	**-**	3,360
Adjustments in respect of prior years	**(242)**	1,174
Total taxation credit	**(2,258)**	(202)

Deferred taxation

	Not recognised		**Recognised**	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Fixed asset temporary differences	**2,736**	2,984	**-**	-
Unutilised tax losses	**32,737**	34,347	**-**	-
Other temporary differences	**139**	97	**-**	-
Retirement benefit obligations	**3,046**	4,173	**-**	-
	38,658	41,601	**-**	-

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2013: 23%). The total recognised deferred tax asset is £nil (2013: £nil). The total unrecognised deferred tax asset is £38,658,000 (2013: £41,601,000) which has not been recognised in the financial statements as the future utilisation is uncertain.

On 2 July 2013, the Government enacted into law a reduction in the main rate of corporation tax to 20%. As this rate change has been substantively enacted at the balance sheet date, the deferred tax asset has been calculated at that rate.

19 Financial commitments and contingent liabilities

At 31 March 2014 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 2014 the company had signed non-cancellable operating leases in respect of which the following minimum rentals are payable:

	2014	2013
	£'000	£'000
Land and buildings		
- within one year	**2,200**	2,125
- between one and five years	**5,943**	7,329
- after five years	**1,747**	2,281
	9,890	11,735

20 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 16 to the financial statements. This does not include share-based payments, details of which are disclosed in Note 21. Related party balances with fellow group undertakings are disclosed in Notes 8 and 13 to the financial statements.

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

- The company was charged £368,000 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 2014, a balance of £7,000 (2013: £1,000) was due from Laureus World Sports Awards.

21 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 2012	24.95	228,383
Exercised	22.35	(32,389)
Lapsed	23.55	(5,637)
Transfer out to the Group entity	26.42	(130,747)
Balance at 31 March 2013	23.28	59,610
Exercised	23.83	(24,193)
Lapsed	23.26	(4,673)
Balance at 31 March 2014	22.85	**30,744**

No options were awarded during the year. Options in respect of 4,989 shares were exercisable at 31 March 2014 (2013: 6,825 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 2014	CHF 21.20	9,132	3.2 years
	CHF 23.55	21,612	4.2 years
31 March 2013	CHF 32.79	3,628	3.2 years
	CHF 21.20	21,128	4.2 years
	CHF 23.55	34,854	5.2 years

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Notes to the financial statements for the year ended 31 March 2014

21 Share based payments (continued)

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

	2014	2013
	£'000	£'000
Share option expense	21	77

22 Country of incorporation and registered address

The company is registered and domiciled in England and Wales.

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

23 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. Compagnie Financière Richemont SA is the ultimate parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements. Shares representing 50% of the voting rights of Compagnie Financière Richemont SA are held by Compagnie Financière Rupert.

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