

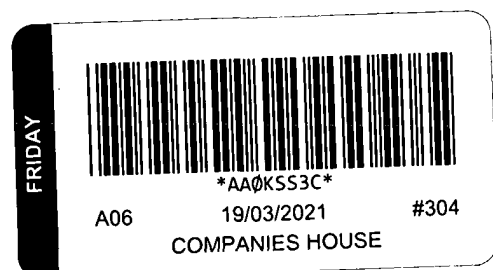


Alfred Dunhill Limited

Registered number: 00191031

Annual report

For the year ended 31 March 2020



Alfred Dunhill Limited

Annual report for the year ended 31 March 2020

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Alfred Dunhill Limited

Strategic report for the year ended 31 March 2020

The Directors present their Strategic report for the year ended 31 March 2020.

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 and sourcing of branded products.

Following an impairment review, the value of Land and Building has been impaired by £23,000 (2019: £nil), Fixtures, fittings, tools and equipment by £326,000 (2019: £5,487,000) and Assets under constructions by £nil (2019: £266,000).

The statement of comprehensive income for the Company shows a loss for the financial year of £46,248,000 (2019: £43,115,000) on revenue of £19,322,000 (2019: £19,988,000). The net assets as at 31 March 2020 were £36,604,000 (2019 net assets £83,019,000).

Development and future outlook

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

Dunhill continues to follow its strategy in elevating the Maison as a leading British luxury destination for men. Alfred Dunhill Limited continued to build menswear and leather goods categories, focusing its assortment on fewer but bigger pillars.

The Maison has continued its focused expansion of Northern Asia, with new stores opening in the People’s Republic of China. Stores are also progressively being revamped across Japan to express the rejuvenated brand vision. In 2021, the strategy will continue to focus on Northern Asia, particularly in China where sales have returned to pre Covid-19 levels.

Digital is at the core of the dunhill’s strategy, with e-commerce playing a major role and the social media being the main contributor to brand communication. For the forthcoming year, dunhill will further focus on these platforms as a strategic priority in growing its awareness globally.

Statement by the directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

‘A director of a company must act in the way they consider in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interests of the company’s employees;
- the need to foster the company’s business relationship with suppliers, customers and others;
- the impact of the company’s operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.’

Alfred Dunhill Limited

Strategic report for the year ended 31 March 2020 (continued)

Statement by the directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006 (continued)

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. It is important to recognise that in an organisation such as ours, the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to employees of the Company.

The following paragraphs summarise how the Directors' fulfil their duties:

Risk Management

Consideration of risks is an integral part of how Alfred Dunhill Limited operates on a daily basis and is part of any transaction appraisal.

Our people

The Company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, investors, communities and society as a whole. The health, safety and well-being of our employees is one of our primary considerations in the way we do business. For our business to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. We also ensure we share common values that inform and guide our behaviour with published guidelines, therefore achieving our goals in the right way.

Business Relationships

Our strategy prioritises organic growth, it is driven by ensuring the best services to existing loyal clients and bringing new customers into the business. To do this, we need to develop and maintain strong customer relationships. We value our suppliers and build long term partnerships with our key suppliers and each year bring them together to discuss our relationship, both present and future, with a supplier conference.

Community and Environment

The Company's approach is to use our position of strength to create positive change for the people and communities with which we interact. We want to leverage our expertise and enable colleagues to support the communities around us. We actively encourage environmental initiatives and measure our impact on the environment.

Shareholders

The Board is openly engaging with our group shareholder, as we recognise the importance of a continuing effective dialogue. It is important to us that shareholder understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered.

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).

Alfred Dunhill Limited

Strategic report for the year ended 31 March 2020 (continued)

Principal risks and uncertainties (continued)

The directors do not consider that the implementation of Brexit will impact the going concern of the entity and measures will be taken to comply with any new customs regulations once these are fully known.

Restrictions in trading, due to Covid-19, have reduced the company's sales revenue. After an initial easing in summer 2020 all UK stores were closed. It is anticipated that they will remain closed until mid April 2021. The directors expect to see a steady return towards normal trading from this date on. Online trading has and will continue to minimise lost sales and the Brand continues to trade in its main markets.

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 development, performance and position of the Alfred Dunhill brand, which includes the Company, is discussed within the Business Review section of the Richemont Group Annual Report and Accounts.

Impact of the Covid-19 outbreak

At the date of these financial statements, the impact and duration of the current Covid-19 outbreak and the related measures taken to control it, including the likelihood of a global recession, are unknown. In preparing these financial statements, the short-term impact on items has been fully considered. The valuations of financial assets and liabilities carried at fair value reflect inputs at the balance sheet date. In assessing the carrying value of its other non-current assets, the Company has assumed that, despite a significant short-term impact, long-term market conditions remain unchanged, as the timing of market recovery and the duration of the economic impact remain uncertain.

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



G J Stevenson
Director

16 March 2021

Alfred Dunhill Limited

Directors' report for the year ended 31 March 2020

The Directors submit their report and the audited financial statements of Alfred Dunhill Limited ("the Company") for the year ended 31 March 2020.

Directors

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

G J Stevenson

A Maag

A S Holmes (appointed 15 October 2019)

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, Compagnie Financiere Richemont 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. The Directors believe it remains appropriate to prepare the financial statements on a going concern basis as stated in Note 1.

Dividends

No interim dividend was paid for the year ended 31 March 2020 (2019: £nil). The directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: £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 2020 (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 2020, the average trade creditor days of the company were 10 days (2019: 13 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 2020 amounted to £240,000 (2019: £240,000). 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 2020 (continued)

Post balance sheet events

There were no significant events after the balance sheet date, the impact of Covid-19 is given in the Strategic Report on page 3.

Independent Auditors

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

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 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 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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) they have taken all the steps that they ought to have taken as a director in order to make themselves 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
16 March 2021

Alfred Dunhill Limited

Independent auditors' report to the members of Alfred Dunhill Limited

Report on the audit of the financial statements

Opinion

In our opinion, Alfred Dunhill Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 March 2020; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Alfred Dunhill Limited

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

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Alfred Dunhill Limited

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Christopher Solomides (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 March 2021

Alfred Dunhill Limited

Statement of Financial Position as at 31 March 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment	4	-	4,839
Intangible assets	5	-	-
Right-of-use assets	23	4,165	-
Investment	6	-	-
Deferred tax asset	20	11,012	11,074
Other fixed assets	7	1,244	1,244
		<u>16,421</u>	<u>17,157</u>
Current assets			
Inventories	8	7,121	7,165
Trade and other receivables	9	40,519	75,343
Prepayments and accrued income		2,218	1,334
Cash and cash equivalents	10	21	12
		<u>49,879</u>	<u>83,854</u>
Total Assets		<u>66,300</u>	<u>101,011</u>
Non-current liabilities			
Pensions and similar obligations	12	-	-
Other non-current liabilities		-	(9,208)
Lease liabilities	23	(19,450)	-
Other provisions	13	(123)	(161)
		<u>(19,573)</u>	<u>(9,369)</u>
Current liabilities			
Trade and other payables	14	(4,615)	(6,103)
Provisions for liabilities	13	(434)	(808)
Lease liabilities	23	(2,738)	-
Accruals and deferred income		(2,336)	(1,712)
		<u>(10,123)</u>	<u>(8,623)</u>
Total Liabilities		<u>(29,696)</u>	<u>(17,992)</u>
NET ASSETS		<u>36,604</u>	<u>83,019</u>
Equity			
Called up share capital	11	698,315	698,315
Merger reserve		22,912	22,912
Accumulated losses		(684,623)	(638,208)
TOTAL EQUITY		<u>36,604</u>	<u>83,019</u>

The financial statements on pages 13 to 36 were approved by the board of directors on 16 March 2021 and were signed on its behalf by:



G J Stevenson
Director



R J Brooks
Secretary

The notes on pages 13 to 36 are an integral part of these financial statements.
Registered number: 00191031

Alfred Dunhill Limited

Statement of Comprehensive Income for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Revenue	15	19,322	19,988
Cost of sales		<u>(7,410)</u>	<u>(6,601)</u>
Gross profit		11,912	13,387
Distribution costs		(39,079)	(39,819)
Administrative expenses ¹		<u>(23,797)</u>	<u>(21,787)</u>
Operating loss	16	<u>(50,964)</u>	<u>(48,219)</u>
Finance income	19	743	606
Finance costs	19	<u>(1,268)</u>	<u>(1,175)</u>
Loss before taxation		(51,489)	(48,788)
Tax on loss	20	<u>5,241</u>	<u>5,673</u>
Loss for the financial year		<u>(46,248)</u>	<u>(43,115)</u>
Other comprehensive income: items that will not be reclassified to profit or loss			
Defined benefit plan actuarial income	12	-	1,135
Tax on items in other comprehensive income		<u>-</u>	<u>-</u>
Total other comprehensive income		<u>-</u>	<u>1,135</u>
Total comprehensive loss for the financial year		<u>(46,248)</u>	<u>(41,980)</u>

The notes on pages 13 to 36 are an integral part of these financial statements.

¹ The presentation of operating expenses has been amended in the 2020 and 2019 periods for the aggregation of Other Expenses into the Administrative Expenses category.

Alfred Dunhill Limited

Statement of Changes in Equity for the year ended 31 March 2020

	Note	Called up share capital £'000	Merger reserve £'000	Accumulated losses £'000	Total Equity £'000
As at 1 April 2018		498,315	22,912	(596,264)	(75,037)
Issue of ordinary shares		200,000	-	-	200,000
Loss for the financial year		-	-	(43,115)	(43,115)
Defined benefit plan actuarial income		-	-	1,135	1,135
Settlement of share options		-	-	36	36
At 31 March 2019		698,315	22,912	(638,208)	83,019
Effect of adoption of IFRS16: Leases	24			(161)	(161)
Adjusted balance as at 1 April 2020		698,315	22,912	(638,369)	82,858
Loss for the financial year		-	-	(46,248)	(46,248)
Defined benefit plan actuarial income		-	-	-	-
Settlement of share options		-	-	(6)	(6)
At 31 March 2020		698,315	22,912	(684,623)	36,604

The notes on pages 13 to 36 are an integral part of these financial statements.

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

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 pounds sterling and all values are rounded to the nearest thousand pounds 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, presentation of a third statement of financial position, 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.

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 2020

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 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:

Buildings	50 years
Plant and machinery	3 to 10 years
Fixtures, fittings, tools and equipment	3 to 10 years

Land is not depreciated.

Assets under construction relate to office and boutique fittings under installation, which are depreciated from when installation is completed.

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.

Intangible Assets

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 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 2020

1 Summary of significant accounting policies (continued)

Impairment of assets

All property, plant and equipment, intangible assets, investments 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 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. The company applies the simplified approach to measuring expected credit losses ('ECL') based on lifetime ECL, as permitted by IFRS 9. A provision for impairment is established when there is evidence, based on historic experience and knowledge of the company's customer base, that the counterparty is credit impaired or the company will not be able to collect all amounts due, according to the original terms of receivables. 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 2020

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 nor 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 was a participating employer in the Richemont UK Pension Plan, which provided defined benefits. On 1 December 2016 the plan trustee entered into a full “buy-in” with a UK insurance company. This Plan paid its final premium to the insurance company during the prior year and instructed that member’s benefits are moved to buy out, so no further liability remains with the Company in respect of the Plan as of the end of the prior year.

The total pension cost for the prior year, calculated in accordance with IAS19 (Employee Benefits), was split between the UK entities that participate in the Plan taking into account the attributes of each entity’s employees in the Plan.

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.

Share-based payments

The Company’s ultimate parent company, Compagnie Financière Richemont SA, operates an equity-settled share-based compensation plan based on options granted in respect of Richemont units. The fair value of the employee services received in exchange for the grant of options is recognised as an expense by the Company. 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 year end date, the Richemont Group revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the Statement of Comprehensive Income over the remaining vesting period and a corresponding adjustment to equity

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

1 Summary of significant accounting policies (continued)

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.

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

Revenue is recognised when the customer obtains control of the goods. For retail sales, which take place in the Company's network of internal boutiques, control generally passes when the customer takes physical possession of goods, at which time the Company has a right to receive payment for the asset and it is implicit that the customer has accepted it.

Revenue relating to after-sales services is recognised when the service has been completed. Any commissions receivable on sales procured as agents are recognised as other operating income in the same period that those sales are recognised by the fellow Richemont Group companies.

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 also includes royalty income received from other Richemont Group companies & Third Party. This internal royalty income is recognised on the accrual basis and calculated as a percentage of worldwide sales to external customers. External royalty income is recognised on the accruals basis in accordance with the substance of the relevant agreements.

The Company does not have any contracts where the period between recognition of revenue and payment by the customer exceeds one year. As a consequence, the Company does not adjust the transaction price for the time value of money.

Where there is a practice of agreement to customer returns, or where we are obliged by local legal requirements, accumulated experience is used to estimate and provide for such returns at the time of sale.

The Company provides a standard warranty against manufacturing defects and recognises its obligation for repairs under this warranty as a provision.

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

1 Summary of significant accounting policies (continued)

Other income

(a) Interest income

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

(b) Income from licensed products

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

Trade and Other Payables

Trade and other payables are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest method.

Adoption of new accounting standards

The Company has adopted the following accounting standard with effect from 1 April 2019. No other amendments to IFRSs effective for the year ended 31 March 2020 have a material impact on the Company.

IFRS 16 Leases

The Company had adopted IFRS16 for the first time in the year ended 31 March 2020. This standard eliminates the distinction between operating and finance leases and results in the recognition of a right of use asset and corresponding lease liabilities for the Company's lease contracts.

The Company has applied the 'modified retrospective' method for transition, according to the provisions of IFRS 16 C5(b), which allows the cumulative effect of transition to be recognised on the date of initial application, being 1 April 2019. For each lease agreement, the right of use asset is measured at an amount equal to the lease liability, adjusted for any prepaid or accrued payments recorded in the balance sheet immediately prior to initial application.

Further details of the impact of first time adoption of this standard can be found in notes 23 and 24.

The Company has ten lease contracts under non-cancellable lease arrangements from third parties.

A right of use asset and corresponding lease liability is recognised with respect to all lease arrangements where the Company is the lessee, except for short-term leases (where the lease term is 12 months or less).

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by the incremental borrowing rate, which is based on the rate at which the Group would be able to borrow funds in the same jurisdiction over the same term as the lease agreement. The lease liability is subsequently measured using the effective interest rate method.

The right of use asset is based on the initial measurement of the lease liability, adjusted for any payments made at or before the commencement date and for initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment charges. Depreciation is charged on a straight-line basis over the lease term.

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

1 Summary of significant accounting policies (continued)

Leases (continued)

The lease term used to determine the lease liability and the useful life of the right of use asset is based on the lease agreement, excluding renewal options unless these are contractual, the specific terms of the additional rental period are included in the initial lease agreement and the Company has a reasonable expectation of exercising the option. Termination options are ignored unless the Company already has the intention to exercise the option at the commencement date.

New standards and interpretations not yet adopted

Certain new accounting standards and amendments, issued by the IASB and interpretations issued by IFRIC are not yet effective and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below.

Amendments to IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs (effective 1 January 2020). These amendments use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting, clarifies the explanation of material and incorporates some of the guidance in IAS 1 about immaterial information. No material impact is expected from the Amendments to IAS 1 and IAS 8.

Amendments to IAS 1 'Presentation of financial statements' on classification of liabilities (effective 1 January 2022). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. No material impact on profit for the future periods is expected.

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.

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

2 Financial risk management (continued)

(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 judgements are made relate in particular to:

- (a) The carrying values of property, plant and equipment, including right of use assets, have been assessed. As explained in note 23, the majority of the right of use assets balance has been impaired; the balance that has not been repaired relates to one site. In management's judgement, no impairment is required in relation to the right of use asset for that site because the rent payable by the company is significantly below the prevailing market rent;
- (b) When assessing the net realisable value of inventory, estimation is required regarding the level of future sales volumes and prices. However, a reasonably probable change in the estimates is not expected to result in a material change to the carrying value of inventory as at the balance sheet date;
- (c) The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, the incremental borrowing rate is used, being the rate that the individual lessee would have to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). No extension options have been included in the lease liabilities;
- (d) Impact of the Covid-19 outbreak: At the date of these financial statements, the impact and duration of the current Covid-19 outbreak and the related measures taken to control it, including the likelihood of a global recession, are unknown. In preparing these financial statements, the short-term impact on items has been fully considered. The valuations of financial assets and liabilities carried at fair value reflect inputs at the balance sheet date. In assessing the carrying value of its other non-current assets, the Company has assumed that, despite a significant short-term impact, long-term market conditions remain unchanged, as the timing of market recovery and the duration of the economic impact remain uncertain.

The amounts involved are disclosed elsewhere in the financial statements.

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

4 Property, plant and equipment

	Leasehold Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Asset under construction £'000	Total £'000
Cost					
At 1 April 2019	5,792	249	13,112	288	19,441
Additions	-	-	272	-	272
Disposals	-	-	(79)	-	(79)
Effect of adoption of IFRS 16: Leases (note 24)	(5,560)	-	-	-	(5,560)
Transfers and Reclassifications	-	-	(120)	(288)	(408)
At 31 March 2020	232	249	13,185	-	13,666
Accumulated depreciation and impairment					
At 1 April 2019	1,415	249	12,650	288	14,602
Depreciation	-	-	-	-	-
Impairment	23	-	326	-	349
Disposals	-	-	(79)	-	(79)
Effect of adoption of IFRS 16: Leases (note 24)	(1,206)	-	-	-	(1,206)
Transfers and Reclassifications	-	-	288	(288)	-
At 31 March 2020	232	249	13,185	-	13,666
Net book value					
At 31 March 2020	-	-	-	-	-
At 31 March 2019	4,377	-	462	-	4,839

As at 31 March 2019 the net carrying amount of assets held under finance lease included in Land and Buildings is £4,275,000. From 2020 leased assets are presented on a separate line in the balance sheet (right-of-use assets), see note 23 and 24 for details about the effect of adoption of IFRS 16.

The transfer and reclassifications relate to completed projects that moved from Asset under constructions to Fixtures and fittings. It also includes transfers to other group entities.

Following an impairment review of loss making assets, the value of Land and Buildings has been impaired by £23,000 (2019: £nil), Fixtures, fittings, tools and equipment by £326,000 (2019: £5,487,000) and Assets under construction by £nil (2018: £266,000). These are included in Administrative Expenses in Statement of Comprehensive Income.

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

5 Intangible assets

	Software £'000	Licenses £'000	Total £'000
Cost			
At 1 April 2019	236	141	377
Disposals	-	-	-
At 31 March 2020	236	141	377
Accumulated amortisation and impairment			
At 1 April 2019	236	141	377
Disposals	-	-	-
At 31 March 2020	236	141	377
Net book value			
At 31 March 2020	-	-	-
At 31 March 2019	-	-	-

6 Investments

At 31 March 2020 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 Compagnie Financiere Richemont SA has provided a letter of support. The investment in subsidiaries have been fully impaired by £21,000,000 (2019: £21,000,000).

Alfred Dunhill Manufacturing Limited, a dormant company, is held at £nil carrying value (2019: £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.

7 Other fixed assets

	2020 £'000	2019 £'000
Museum collection	1,244	1,244

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

8 Inventories

	2020 £'000	2019 £'000
Raw materials and work in progress	2,312	2,535
Finished goods	4,809	4,630
	<u>7,121</u>	<u>7,165</u>

The cost of inventories recognised as an expense and included in the cost of sales amounted to £6,074,000 (2019: £4,669,000).

The Company recognised an increase in inventory provision as an expense of £437,000 (2019: £1,220,000). The reduction in inventory provision is £692,000 (2019: £1,870,000).

Inventories are stated after provisions for impairment of £1,854,000 (2019: £2,108,000).

9 Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	29	55
Less: provision for impairment	-	(5)
Trade receivables – net	<u>29</u>	<u>50</u>
Amount owed by group undertakings	39,664	74,129
Other receivables	826	1,164
	<u>40,519</u>	<u>75,343</u>

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 2020

9 Trade and other receivables (continued)

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

	2020 £'000	2019 £'000
Balance at 1 April of prior year	(5)	(7)
Provision charged to Statement of comprehensive income	-	(5)
Utilisation of provision	5	-
Reversal of unutilised provision	-	7
Balance at 31 March	-	(5)

The ageing analysis of receivables past due is as follows:

	2020 £'000	2019 £'000
Up to three months past due	25	5
Three to six months past due	1	1
Over six months past due	1	5
	27	11

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

10 Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	21	12
	21	12

The Company is a member of the UK Physical Cash Pool, where its GBP account is swept to nil each evening, regardless as to whether the balance is positive or negative. All cash is held with the Cash Pool Leader, Richemont Holdings (UK) Limited, and the Company always has access to funding to meet its obligations as they fall due.

11 Called up share capital

	Number of shares	Value £
Authorised, issued and fully paid:		
Ordinary shares of £1 each at 1 April 2019	698,315,416	698,315,416
Ordinary shares issued and fully paid during the year	-	-
Ordinary shares of £1 each at 31 March 2020	698,315,416	698,315,416

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

12 Pensions and similar obligations

Defined Benefit Plan

The Company was a participating employer in the Richemont UK Pension Plan. The Plan closed to new entrants in 2004 and, to future accrual on 31 March 2017 and was bought out by an insurance company during 2018/19. All employees were offered membership of a defined contribution plan operated by the Group.

On 1st December 2016 the plan trustee entered into a full “buy-in” with a UK insurance company. The Plan paid its final premium to the insurance company in 2018/19 and instructed that members’ benefits were moved to buy-out, so that no further liability remained with the Company in respect of this Plan. 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, using the Plan’s assets plus contributions totalling £225m from the Group. A final premium amount was paid in 2018/19 to the insurer from the remaining assets in the Trustee bank account.

There was no amount included in the Statement of Financial Position arising from the Company’s obligations in respect of the Plan as at 31 March 2020 (2019: £nil).

The key accounting figures for the Company are as follows:

	2020 £’000	2019 £’000
Balance at 1 April of prior year	-	(1,107)
Pension cost	-	(28)
Other comprehensive income/(loss)	-	1,135
Balance at 31 March	-	-

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

13 Other Provisions

	Warranty and sales related £’000	Employee benefits £’000	Other £’000	Total £’000
At 1 April 2019	108	466	395	969
Charged to Statement of comprehensive income:				
- additional provisions	2	296	-	298
Utilised during the year	-	(496)	(214)	(710)
At 31 March 2020	110	266	181	557

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

13 Other Provisions (continued)

	2020	2019
	£'000	£'000
Total provisions at 31 March:		
- non-current	123	161
- current	434	808
	<u>557</u>	<u>969</u>

Warranty and sales related provisions

The Company has established provisions for potential sales returns and warranties provided on certain products. Based on past experience a provision of £110,000 (2019: £108,000) 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 2020. It is anticipated that the provisions will be utilised within 12 months.

14 Trade and other payables

	2020	2019
	£'000	£'000
Trade payables	1,459	2,973
Amounts owed to group undertakings	2,918	2,639
Other payables	238	491
	<u>4,615</u>	<u>6,103</u>

Due to their short maturity, the fair values of trade and other payables is assumed to be approximate to their book values. All trade and other payables are due within one year.

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

15 Revenue

Revenue by geographical areas:

	2020 £'000	2019 £'000
UK	7,600	6,911
Rest of World	11,722	13,077
	<u>19,322</u>	<u>19,988</u>

Revenue by nature:

	2020 £'000	2019 £'000
Sales of Finished Goods	8,597	8,055
Royalty income	10,725	11,933
	<u>19,322</u>	<u>19,988</u>

16 Operating loss

Operating loss is stated after the following items of expense:

	2020 £'000	2019 £'000
Depreciation of property, plant and equipment (Note 4)	-	206
Depreciation on right of use assets (Note 23)	110	-
Operating lease rentals	-	3,281
Impairment of investment in subsidiary (Note 6)	-	5,000
Employee benefits expense (Note 17)	15,464	14,133
Trade receivables – provision for impairment (Note 9)	5	5
Auditors' remuneration:		
- audit services	149	112
- other assurance services - turnover certificates	3	2
- tax compliance	17	-
	<u>169</u>	<u>114</u>

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

17 Employee benefits expense

	2020 £'000	2019 £'000
Wages and salaries (including termination benefits)	12,815	11,398
Social security costs	1,754	1,736
Share option expense (Note 22)	(6)	-
Long-term employee benefits	102	190
Pension costs – defined contribution plan	799	781
Pension costs – defined benefits plan (Note 12)	-	28
	<u>15,464</u>	<u>14,133</u>

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

	2020 Number	2019 Number
Selling and distribution	170	168
Administration	44	47
	<u>214</u>	<u>215</u>
Directors	3	2
Full-time	191	189
Part-time	20	24
	<u>214</u>	<u>215</u>

18 Directors' emoluments

The total level of compensation paid to directors of Alfred Dunhill Limited including pension contributions, benefits in kind and all other aspects of remuneration amounted to:

	2020 £'000	2019 £'000
Wages and salaries	2,014	1,174
Pension cost	12	7
	<u>2,026</u>	<u>1,181</u>

The above figure includes all payments made during the year to executive directors who left the company during the period or in the previous period.

The highest paid Director received aggregate emoluments of £1,637,000 (2019: £978,000), payments to defined contribution pension scheme for the year to 31 March 2020 were £11,948 (2019: £7,271).

Retirement benefits have accrued to one director at 31 March 2020 (2019: one) under a defined benefit scheme.

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

18 Directors' emoluments (continued)

The Directors have interests in the share options of the Company's ultimate parent, Compagnie Financière Richemont SA. During the year one of the directors 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.

19 Finance income/(costs)

	2020 £'000	2019 £'000
Interest income:		
- bank	-	1
Foreign exchange gains	743	605
Total finance income	743	606
Interest expense:		
- lease liabilities	(627)	(318)
- other financial expenses	-	(8)
Foreign exchange losses	(641)	(849)
	(1,268)	(1,175)
Total net finance costs	(525)	(569)

The company initially applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. In 2019 interest expense relating to lease liabilities is for finance lease under IAS 17 while in 2020 the interest expense is for lease liabilities under IFRS 16.

20 Tax on loss

	2020 £'000	2019 £'000
Current tax credit:		
- Adjustment in respect of prior years	5,341	4,445
- Foreign taxation	(38)	(70)
Total current tax credit	5,303	4,375
Deferred tax credit		
- Origination and reversal of timing differences	(62)	1,298
Total taxation credit	5,241	5,673

There is a tax credit of £5,241,000 for the current year (2019: credit of £5,673,000). The total tax charge is reconciled to the loss before taxation at the standard rate of UK corporation tax below.

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

20 Tax on loss (continued)

	2020 £'000	2019 £'000
Loss before taxation	(51,489)	(48,752)
Loss before taxation at statutory rate of taxation in the UK of 19% (2019: 19%)	(9,783)	(9,263)
Non-deductible expenses	-	(7)
Income not taxable for tax purposes	-	(2)
Unrecognised deferred tax	4,504	3,532
Recognised tax losses utilised	5,341	4,445
Payment for group relief received	(5,341)	(4,445)
Foreign tax credits	38	70
Adjustment in respect of prior years	-	(3)
Total taxation credit	(5,241)	(5,673)

	Unrecognised Temporary difference		Deferred Tax Asset Recognised	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Fixed asset temporary differences	23,335	24,842	-	-
Unutilised tax losses	426,001	320,871	11,012	11,074
Retirement benefit obligations	380	33,743	-	-
	<u>449,716</u>	<u>379,456</u>	<u>11,012</u>	<u>11,074</u>

Deferred tax is calculated on temporary differences using a tax rate of 19% (2019: 17%). The recognised deferred tax asset relates to unutilised tax losses that are deemed to be recoverable from other Richemont group entities totals £11,012,000 (2019: £11,074,000). The temporary differences which have not been recognised in the financial statements is because their future utilisation is uncertain.

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

20 Tax on loss (continued)

Deferred Tax Assets

There is a net deferred tax asset at the balance sheet date. Deferred taxes at the balance sheet date have been measured using these enacted tax rates 19% (2019: 17%) and reflected in these financial statements. The asset is made up of:

	Tax Losses £'000
At 1 April 2018	9,776
Credited to the statement of comprehensive income	1,298
At 31 March 2019	11,074
At 1 April 2019	11,074
Credited to the statement of comprehensive income	(62)
At 31 March 2020	11,012

21 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 22. 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 £124,000 (2019: £171,000) 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 2020, a balance of £nil (2019: £nil) was due from Laureus World Sports Awards.
- The Company was charged £108,000 (2019: £110,000) 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. At 31 March 2020, a balance of £108,000 (2019: £nil) was due from Ventek International SA.
- The Company was charged £nil (2019: £215,000) of costs from NBS Trustee One Limited and NBS Trustee Two Limited in relation to rent for the Bond Street Showroom.

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

22 Share-based payments

The Richemont Group has a long-term share-based compensation plan whereby executives are awarded options to acquire shares at the market price on the date of grant. Awards under the 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 2018	77.20	16,500
Granted	92.00	4,000
Balance at 31 March 2019	80.09	20,500
Granted	82.86	4,498
Exercised	81.87	(6,666)
Lapsed	93.14	(2,334)
Balance at 31 March 2020	78.22	15,998

During the year 4,498 share options were awarded (2019: 4,000). Options in respect of 8,500 shares were exercisable at 31 March 2020 (2019: 11,667 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 2020	CHF 57.45	5,000	1.25 years
	CHF 90.11	3,500	2.25 years
	CHF 94.00	-	3.25 years
	CHF 92.00	3,000	4.25 years
	CHF 82.86	4,498	8.34 years
31 March 2019	CHF 57.45	7,000	2.25 years
	CHF 90.11	5,500	3.25 years
	CHF 94.00	4,000	4.25 years
	CHF 92.00	4,000	8.25 years

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Notes to the financial statements for the year ended 31 March 2020

22 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:

	2020 £'000	2019 £'000
Share option expense/(income)	<u>(6)</u>	<u>36</u>

Restricted share units

A further share-based compensation plan was introduced in the current period whereby executives are awarded Restricted Share Units ('RSU'). Awards under this plan also vest over periods of three to six years from the date of grant. On vesting, the executive will receive a share in the Company. Executives are not entitled to dividends during the vesting period.

A reconciliation of the movement in the number of restricted and performance share awards granted to executives is as follows:

	Number of shares
Balance at 31 March 2019	-
Granted	3,499
Exercised	-
Balance at 31 March 2020	<u><u>3,499</u></u>

The amounts recognised in the income statement (before social security and taxes) for RSU awards was GBP 42,883 (2019: nil).

23 Leases

The Company adopted IFRS16 Leases for the first time from 1 April 2019. For further details of the adoption of this new standard and changes to the Company's accounting policies as a result, refer to note 1.

Alfred Dunhill Limited has lease contracts for various offices, warehouses and boutiques. The amounts recognised in the financial statements in relation to the leases are as follows:

Amounts recognised in the statement of financial positions

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	31 Mar 2020 £'000	1 Apr 2019 £'000
Buildings	4,165	19,134
Land	-	196
	<u><u>4,165</u></u>	<u><u>19,330</u></u>

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2020

23 Leases (continued)

Lease liabilities	31 Mar 2020 £000	1 Apr 2019 £000
Current	2,738	2,548
Non-current	19,450	22,048
	<u>22,188</u>	<u>24,596</u>

On adoption of new IFRS 16 on 1 April 2019 the the right-of-use assets are stated at cost before impairment.

In the previous year, the Company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 lease. The assets were presented in property, plant and equipment and the liabilities as part of borrowings. For adjustments recognised on adoption of IFRS 16 on 1 April 2019, please refer to note 24.

Additions to the right-of-use assets during the 2020 financial year were £74,000.

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	Note	2020 £'000	2019 £'000
Buildings		(110)	-
		<u>(110)</u>	<u>-</u>
Impairment charge of right-of-use-assets			
Buildings		(14,932)	-
Land		(196)	-
		<u>(15,128)</u>	<u>-</u>
Interest expenses (included in finance cost)	19	(627)	-
Expenses relating to short-term leases		(8)	-
Expenses relating to leases of low-value assets		(6)	-
Expenses relating to variable leases payments		(140)	-

Future minimum lease payments as at 31 March 2020 are as follows:

	2020 £'000	2019 £'000
Not later than one year	(3,322)	(319)
Later than one year and not later than five years	(9,776)	(1,276)
Later than five years	(40,801)	(34,359)
Total gross payments	<u>(53,899)</u>	<u>(35,954)</u>
Impact of finance expenses	<u>(31,711)</u>	<u>(30,477)</u>
Carrying amount of liability	<u>(22,188)</u>	<u>(5,477)</u>

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Notes to the financial statements for the year ended 31 March 2020

23 Leases (continued)

The Company initially applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16.

Following the adoption of IFRS 16, an impairment review was performed of loss making stores which resulted in an impairment of right of use assets to the value of £15,128,000. This is included in Administrative Expenses in Statement of Comprehensive Income.

The total cashflow for leases in the year was £2,940,545.

24 Effect of adoption of IFRS 16 – Leases

As indicated in notes 1 and 23, the company has adopted IFRS16 Leases retrospectively from 1 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed in note 1.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

Measurement of lease liabilities

	£'000
Operating lease commitments disclosed as at 31 March 2019	20,128
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	18,773
Add: finance lease liabilities recognised as at 31 March 2019	5,881
(Less): short-term leases not recognised as a liability	(13)
(Less): low-value lease not recognised as a liability	(45)
Lease liability recognised as at 1 April 2019	24,596
Of which are:	
Current lease liabilities	2,548
Non-current lease liabilities	22,048

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Notes to the financial statements for the year ended 31 March 2020

24 Effect of adoption of IFRS 16 – Leases (continued)

Adjustment recognised in the statement of financial position on 1 April 2019

The change in accounting policy affected the following items in the statement of financial position on 1 April 2019:

- Property, plant and equipment – decrease by £4,354,000
- Right-of-use assets – increase by £19,330,000
- Other non-current liabilities – decrease by £9,459,000
- Lease liabilities – increase by £24,596,000

The net impact on retained earnings on 1 April 2019 was a decrease of £161,000.

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.

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.

Compagnie Financière Richemont SA is the largest and smallest group of related undertakings for which consolidated financial statements are prepared.

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.

26 Post balance sheet event

There were no significant events after the balance sheet date, the impact of Covid-19 is given in note 3.