dunhill
LONDON

Alfred Dunhill Limited

Registered number: 00191031

Annual report

For the year ended 31 March 2016

Alfred Dunhill Limited

Annual report for the year ended 31 March 2016

Contents

Alfred Dunhill Limited
Strategic report for the year ended 31 March 2016

The Directors present their Strategic report for the year ended 31 March 2016.

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 strategic selection of sourcing of branded products.

These products are then distributed, outside the UK, through the Richemont subsidiaries.

The Company also operates seven retail stores and concessions in the UK and is commercially responsible for wholesale channels in Europe, the Middle East, Africa and North and South America.

Following an impairment review, the value of Plant and machinery has been impaired by £2,000 (2015: £45,000), Fixtures, fittings, tools and equipment by £896,000 (2015: £2,586,000), Software by £45,000 (2015: £186,000) and Licenses by £nil (2015: £15,000).

The results for the Company show a total loss for the year of £31,659,000 (2015: £14,718,000) on revenue of £73,631,000 (2015: £106,101,000). The net assets as at 31 March 2016 were £20,736,000 (2015: net liabilities of £49,559,000).

Development and future outlook

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

The brand has developed new collections during the year for grooming, shoes and luggage as well as the agreement of a partnership for the dunhill Links collection. The gentlemen's club remains an integral component of promotional campaigns and inspiration continues to be drawn from the archives of Alfred Dunhill. The year ahead will focus on the roll-out of a new store concept, building the brand's digital presence through a new e-commerce store and the expansion of the current product offerings.

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.

Alfred Dunhill Limited

Strategic report for the year ended 31 March 2016 (continued)

Key performance indicators

The Directors of the Richemont group manage the group's operations on a divisional basis and monitor the performance of Alfred Dunhill at a consolidated brand level. For this reason, the company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Alfred Dunhill Limited.

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

Gary Stevenson

G J Stevenson
Director

18 October 2016

Alfred Dunhill Limited
Directors' report for the year ended 31 March 2016

The Directors submit their report and the audited financial statements for the year ended 31 March 2016.

Directors

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

G J Stevenson
F Cardinali

Company Secretary

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

R J Brooks

Directors interests

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

Company's registered number

The company's registered number is 00191031.

Going concern

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

Dividends

No interim dividend was paid for the year ended 31 March 2016 (2015: £nil). The directors do not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: £nil).

Employee information

The Company is an equal opportunity employer and no job applicant or employee receives less favourable treatment on the grounds of sex, marital status, race, colour or creed. Employees are kept as fully informed as possible on the Company's performance and direction and there are established channels for consultation and communication at a corporate and divisional level.

Employment of disabled persons in the United Kingdom

It is the policy of the Company to give full and fair consideration to the employment of disabled persons, in jobs suited to their individual circumstances and, as appropriate, to consider them for recruitment opportunities, career development and training. Special consideration is given to retraining those who become disabled whilst in the Company's employment.

Health and safety

The Company's policy is to ensure that, as far as is reasonably practicable, working environments exist which will minimise risk to the health and safety of employees. Programmes exist to reinforce the Company's risk management procedures and to heighten awareness of environmental issues as well as health and safety matters.

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 2016, the average trade creditor days of the company were 11 days (2015: 16 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 2016 amounted to £13,000 (2015: £15,000). 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.

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 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.

On behalf of the board

Gary Stevenson

G J Stevenson
Director
18 October 2016

Independent auditors' report to the members of Alfred Dunhill Limited

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the statement of financial position as at 31 March 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

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

Jonathan Sturges (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 October 2016

Alfred Dunhill Limited

Statement of financial position as at 31 March 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Property, plant and equipment	4	**867**	1,003
Intangible assets	5	**-**	-
Other fixed assets	7	**1,193**	1,193
		2,060	2,196
Current assets			
Inventories	8	**15,699**	19,162
Trade and other receivables	9	**15,570**	24,235
Prepayments and accrued income		**954**	920
Cash and cash equivalents	10	**32,072**	3,248
		64,295	47,565
Total Assets		**66,355**	49,761
Non-current liabilities			
Retirement benefit obligations	12	**(20,522)**	(26,586)
Other non-current liabilities		**(415)**	(581)
Provisions	13	**(795)**	(318)
		(21,732)	(27,485)
Current liabilities			
Trade and other payables	14	**(15,507)**	(25,349)
Provisions	13	**(454)**	(910)
Bank overdraft	10	**-**	(39,112)
Accruals and deferred income		**(7,926)**	(6,464)
		(23,887)	(71,835)
Total Liabilities		**(45,619)**	(99,320)
TOTAL NET ASSETS/(LIABILITIES)		**20,736**	(49,559)
Equity			
Share capital	11	**363,421**	263,421
Merger reserve		**22,912**	22,912
Retained earnings		**(365,597)**	(335,892)
TOTAL EQUITY		**20,736**	(49,559)

The financial statements on pages 8 to 29 were approved by the board of directors on 18 October 2016 and were signed on its behalf by:

F Cardinali
Director

Gary Stevenson
G J Stevenson
Director

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

Alfred Dunhill Limited

Statement of comprehensive income for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Revenue	15	**73,631**	106,101
Cost of sales		**(45,317)**	(65,356)
Gross profit		**28,314**	40,745
Selling and distribution expenses		**(41,113)**	(37,621)
Administrative expenses		**(20,983)**	(25,346)
Impairment charge		**(943)**	(2,832)
Royalty income		**1,311**	2,383
Operating loss	16	**(33,414)**	(22,671)
Finance income	19	**234**	2,152
Finance costs	19	**(734)**	(569)
Loss before taxation		**(33,914)**	(21,088)
Taxation	20	**2,255**	6,370
Total loss for the year		**(31,659)**	(14,718)
Other comprehensive income/(loss):			
Retirement benefit obligations	12	**2,997**	(17,248)
Other comprehensive income/(loss)		**2,997**	(17,248)
Total comprehensive loss attributable to the owners of the company		**(28,662)**	(31,966)

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

Alfred Dunhill Limited

Statement of changes in equity for the year ended 31 March 2016

	Share capital	Merger reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000
As at 1 April 2014	**263,421**	**22,912**	**(302,087)**	**(15,754)**
Loss for the year	-	-	(14,718)	(14,718)
Retirement benefit obligations	-	-	(17,248)	(17,248)
Settlement of share options	-	-	(1,839)	(1,839)
At 1 April 2015	**263,421**	**22,912**	**(335,892)**	**(49,559)**
Issue of ordinary shares	100,000	-	-	100,000
Loss for the year	-	-	(31,659)	(31,659)
Retirement benefit obligations	-	-	2,997	2,997
Settlement of share options	-	-	(1,043)	(1,043)
At 31 March 2016	**363,421**	**22,912**	**(365,597)**	**20,736**

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

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2016

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.

Note that the Company has early adopted the following amendment to FRS 101 (effective for periods beginning on or after 1 January 2016) in these financial statements: presentation of IAS format financial statements.

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 25.

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

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

Consolidated financial statements

The financial statements contain information about Alfred Dunhill Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption under section 401 of the Companies Act 2006 (for non-EEA parents) from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the publicly available consolidated financial statements of its ultimate parent, 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 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 profit or loss.

1. Summary of significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received from the sale of goods, net of value-added tax, duties, other sales taxes, rebates and trade discounts. Revenue is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Where there is a practice of agreeing to customer returns, accumulated experience is used to estimate and provide for such returns at the time of sale.

Property, plant and equipment

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

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

Computer software and related licences

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

Investments in subsidiaries

Investments in subsidiaries are shown at cost less impairment.

1. Summary of significant accounting policies (continued)

Impairment of assets

All non-current and non-financial assets are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be fully recoverable.

An impairment loss is recognised in 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.

Inventories

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

Trade and other receivables

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

1. Summary of significant accounting policies (continued)

Current and deferred income tax

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

Deferred income tax is provided using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and the carry forward of unused tax losses can be utilised.

Employee benefits

(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.

1. Summary of significant accounting policies (continued)

(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.

(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 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.

Other income

(a) Interest income

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

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2016

1. Summary of significant accounting policies (continued)

(b) Royalty income

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

Leases

(a) Operating leases

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

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2016

3 Critical accounting estimates and assumptions

The Company is required to make estimates and assumptions that affect the reported amount of certain asset, liability, income and expense items and certain disclosures regarding contingencies, and to make judgements in the process of applying its accounting policies. Estimates and assumptions applied by management are continuously evaluated and are based on information available, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances at the dates of preparation of the financial statements. Principal matters where estimates and assumptions are made relate in particular to:

(a) the determination of carrying values for property, plant and equipment and inventories;
(b) the assessment and recording of liabilities in respect of retirement benefit obligations; and
(c) the recognition of provision for income taxes, including deferred taxation, taking into account the related uncertainties in the normal course of business.

The amounts involved are disclosed elsewhere in the financial statements.

4 Property, plant and equipment

	Leasehold Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost				
At 1 April 2015	311	219	8,534	9,064
Additions	-	2	1,108	1,110
Disposals	-	-	(883)	(883)
At 31 March 2016	**311**	**221**	**8,759**	**9,291**
Accumulated depreciation				
At 1 April 2015	191	219	7,651	8,061
Depreciation	6	-	91	97
Impairment	-	2	896	898
Disposals	-	-	(632)	(632)
At 31 March 2016	**197**	**221**	**8,006**	**8,424**
Net book value				
At 31 March 2016	**114**	**-**	**753**	**867**
At 31 March 2015	120	-	883	1,003

Following an impairment review, the value of Plant and machinery has been impaired by £2,000 (2015: £45,000) and the value of Fixtures, fittings, tools and equipment has been impaired by £896,000 (2015: £2,586,000).

5 Intangible assets

	Software £'000	Licenses £'000	Total £'000
Cost			
At 1 April 2015	353	141	494
Additions	45	-	45
At 31 March 2016	**398**	**141**	**539**
Accumulated depreciation			
At 1 April 2015	353	141	494
Impairment	45	-	45
At 31 March 2016	**398**	**141**	**539**
Net book value			
At 31 March 2016	-	-	-
At 31 March 2015	-	-	-

Following an impairment review, the value of Software has been impaired by £45,000 (2015: £186,000) and the value of Licenses has been impaired by £nil (2015: £15,000).

6 Investments in subsidiaries

The financial statements contain information about Alfred Dunhill Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under section 401 of the Companies Act 2006 (for non-EEA parents) from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent, Compagnie Financière Richemont S.A., a company incorporated in Switzerland.

At 31 March 2016 the Company's immediate subsidiary undertakings were:

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

Alfred Dunhill Club Limited is a private members club to whom Richemont International Holding S.A. has provided a letter of support. The investment in Alfred Dunhill Club Limited at 31 March 2016 has a carrying value of £nil (2015: £nil).

Alfred Dunhill Manufacturing Limited, a dormant company, is held at £nil carrying value (2015: £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

	2016 £'000	2015 £'000
Museum collection	**1,193**	1,193

8 Inventories

	2016 £'000	2015 £'000
Raw materials and work in progress	**2,017**	3,206
Finished goods	**13,682**	15,956
	15,699	19,162

The cost of inventories recognised as an expense and included in the cost of sales amounted to £42,134,000 (2015: £62,365,000).

The Company recognised £247,000 in the write-down of inventory as an expense (2015: £nil).

Inventories are stated after provisions for impairment of £9,777,000 (2015: £9,529,000).

9 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	**1,508**	1,472
Less: provision for impairment	**-**	-
Trade receivables – net	**1,508**	1,472
Amount owed by group undertakings	**12,556**	20,864
Amount owed by associated undertakings	**35**	-
Other receivables	**1,471**	1,899
	15,570	24,235

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 2016

9. Trade and other receivables (continued)

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

	2016	2015
	£'000	£'000
Balance at 1 April of prior year	**-**	(13)
Provision charged to profit or loss	**(41)**	(37)
Utilisation of provision	**40**	2
Reversal of unutilised provision	**1**	48
	-	-

Receivables past due but not impaired:

	2016	2015
	£'000	£'000
Up to three months past due	**31**	-
Three to six months past due	**-**	-
Over six months past due	**-**	-
	31	-

Based on past experience, the Company does not impair receivables that are not past due unless they are known to be bad debts. The Company has established credit check procedures for its customers.

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

10 Cash and cash equivalents

	2016	2015
	£'000	£'000
Cash at bank and in hand	**32,072**	3,248
Bank overdraft	**-**	(39,112)
	32,072	(35,864)

11 Share capital

	Number of shares	**Value £**
Issued and fully paid:		
Ordinary shares of £1 each at 1 April 2015	263,420,616	263,420,616
Ordinary shares issued and fully paid during the year	100,000,000	100,000,000
Ordinary shares of £1 each at 31 March 2016	363,420,616	363,420,616

12. 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 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.

The Company's assets and obligations relating to the plan are calculated in accordance with its share of the obligations in the plan as at 31 March 2013 (the most recent valuation of the plan) on the IAS19R assumptions at that date. The key accounting figures for the Company are as follows:

	2016	2015
	£'000	£'000
Balance at 1 April of prior year	**(26,586)**	(12,676)
Pension cost	**(1,017)**	(885)
Company contribution	**4,084**	4,223
Other comprehensive income	**2,997**	(17,248)
Balance at 31 March	**(20,522)**	(26,586)

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

13. Provisions

	Warranty and sales related	**Employee benefits**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 April 2015	246	859	123	1,228
Charged to profit or loss:				
- additional provisions	109	1,043	5	1,157
Utilised during the year	(143)	(987)	(6)	(1,136)
At 31 March 2016	**212**	**915**	**122**	**1,249**

13 Provisions (continued)

	2016	2015
	£'000	£'000
Total provisions at 31 March:		
- non-current	795	318
- current	454	910
	1,249	1,228

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 £212,000 (2015: £246,000) 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 2016. It is anticipated that the provisions will be utilised within 12 months.

14. Trade and other payables

	2016	2015
	£'000	£'000
Trade payables	2,199	4,271
Amounts owed to group undertakings	12,492	20,296
Other payables	816	782
	15,507	25,349

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

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2016

15. Revenue

Revenue arose in the following geographical areas:

	2016 £'000	2015 £'000
UK	**8,780**	9,672
Rest of World	**64,851**	96,429
	73,631	106,101

16. Operating loss

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

	2016 £'000	2015 £'000
Depreciation of property, plant and equipment (Note 4)	**97**	994
Depreciation of software (Note 5)	**-**	97
Operating lease rentals	**2,618**	2,482
Employee benefits expense (Note 17)	**17,316**	14,924
Trade receivables – provision for impairment (Note 9)	**40**	(11)
Auditors' remuneration:		
- audit services	**125**	128
- other services	**71**	31

17. Employee benefits expense

	2016 £'000	2015 £'000
Wages and salaries (including termination benefits)	**13,418**	11,735
Social security costs	**1,974**	1,607
Share option expense (Note 23)	**82**	19
Long-term employee benefits	**413**	278
Pension costs – defined contribution plan	**412**	400
Pension costs – defined benefits plan (note 12)	**1,017**	885
	17,316	14,924

Notes to the financial statements for the year ended 31 March 2016

17. Employee benefits expense (continued)

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

	2016 Number	2015 Number
Selling and distribution	**183**	177
Administration	**70**	70
	253	247
Directors	**2**	2
Full-time	**236**	229
Part-time	**15**	16
	253	247

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:

	2016 £'000	2015 £'000
Wages and salaries (including termination benefits)	**1,563**	1,408
Pension cost – defined benefits plan	**20**	32
– other	**4**	-
	1,587	1,440

The above figure includes all payments made during the year to executive directors who left the Company during the period or subsequent periods.

The highest paid Director received aggregate emoluments of £1,394,000 (2015: £1,231,000) and payments to his defined contribution pension scheme for the period ended 31 March 2016 were £4,000 (2015: £nil).

Retirement benefits are accruing to one director at 31 March 2016 (2015: one) under a defined benefit scheme.

The Directors have interests in the share options of the Company's ultimate parent, Compagnie Financière Richemont SA. During the year, one of the directors (2015: 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.

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2016

19. Finance (costs)/income

	2016 £'000	2015 £'000
Interest income:		
- bank	4	61
- other	3	-
Foreign exchange gains	227	2,091
Total finance income	234	2,152
Interest expense:		
- bank	(726)	(561)
- other financial expenses	(8)	(8)
	(734)	(569)
Total net finance (costs)/income	(500)	1,583

20. Taxation

	2016 £'000	2015 £'000
Current tax credit:		
- UK corporation tax and income tax of overseas operations on profits for the period	2,140	4,296
- Adjustment in respect of prior years	115	2,074
Total current tax credit	2,255	6,370
Deferred tax charge:		
- Adjustment in respect of prior years	-	-
	-	-
Total income tax credit	2,255	6,370

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2016

20 Taxation (continued)

There is a tax credit of £2,255,000 for the current year (2015: credit of £6,370,000). The current tax credit is reconcilied to the loss before tax at the standard rate of UK corporation tax below.

	2016	2015
	£'000	£'000
Loss before tax	**(33,914)**	(21,088)
Loss before tax at statutory rate of taxation in the UK of 20% (2015: 21%)	**(6,783)**	(4,428)
Non-deductible expenses	**186**	1,069
Income not taxable for tax purposes	**(172)**	(176)
Unrecognised deferred tax	**4,629**	(761)
Group relief surrendered	**2,140**	4,296
Consideration receivable for losses surrendered as group relief	**(2,140)**	(4,296)
Adjustments in respect of prior years	**(115)**	(2,074)
Total taxation credit	**(2,255)**	(6,370)

Deferred taxation

	Not recognised		**Recognised**	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Fixed asset temporary differences	**3,340**	3,503	**-**	-
Unutilised tax losses	**32,556**	30,898	**-**	-
Other temporary differences	**149**	153	**-**	-
Retirement benefit obligations	**3,694**	5,572	**-**	-
	39,739	40,126	**-**	-

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 18% (2015: 20%). The total recognised deferred tax asset is £nil (2015: £nil). The total unrecognised deferred tax asset is £39,739,000 (2015: £40,126,000) which has not been recognised in the financial statements as the future utilisation is uncertain.

Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted on 26 October 2015. A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

21. Financial commitments and contingent liabilities

At 31 March 2016 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 2016 the Company had signed non-cancellable operating leases in respect of which the following minimum rentals are payable:

	2016	2015
	£'000	£'000
Land and buildings		
- within one year	**2,583**	2,802
- between one and five years	**5,514**	6,236
- after five years	**169**	643
	8,266	9,681

22. 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 17 to the financial statements. This does not include share-based payments, details of which are disclosed in Note 23. Related party balances with fellow 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 £147,000 (2015: £nil) 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 2016, a balance of £13,000 (2015: £nil) was due from Laureus World Sports Awards.

- The Company was charged £105,000 (2015: £264,000) of costs from Ventek International SA for the provision of an IT maintenance contract. Ventek International SA is a company under common control within the Richemont group.

- The Company made sales of £34,000 (2015: £nil) to YOOX – Net A Porter LLC and sales of £61,000 to YOOX-Net A Porter Group Ltd. YOOX – Net A Porter LLC and YOOX-Net A Porter Group Ltd are associated companies of the Richemont group.

23. 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 2014	22.85	30,744
Exercised	22.55	(15,799)
Lapsed	23.55	(3,587)
Net transfers from other Group entity	53.39	3,703
Balance at 31 March 2015	50.27	15,061
Exercised	26.46	(22,927)
Net transfers from other Group entity	46.69	35,193
Balance at 31 March 2016	65.64	27,327

No options were awarded during the year. Options in respect of 3,827 shares were exercisable at 31 March 2016 (2015: 2,460 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 2016	CHF 23.55	3,827	2.2 years
	CHF 54.95	2,000	4.2 years
	CHF 57.45	11,000	5.2 years
	CHF 90.11	6,500	6.2 years
	CHF 94.00	4,000	7.2 years
31 March 2015	CHF 23.55	6,561	3.2 years
	CHF 57.45	5,000	6.2 years
	CHF 90.11	3,500	7.2 years

Alfred Dunhill Limited

Notes to the financial statements for the year ended 31 March 2016

23 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:

	2016	2015
	£'000	£'000
Share option expense	82	19

24. 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.

25 Ultimate parent undertaking and controlling party

The Company is a wholly owned subsidiary of Richemont Holdings (UK) Limited (registered in England and Wales).

The Directors regard Compagnie Financière Richemont SA, a listed company incorporated in Switzerland, to be the ultimate parent company. Shares representing 50% of the voting rights of that company are held by Compagnie Financière Rupert, which, for the purposes of IAS 24 is regarded by the Directors as the controlling party.

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