RICHEMONT

ANNUAL REPORT 1993

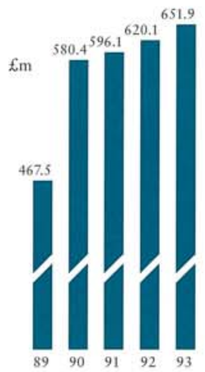
Compagnie Financière Richemont AG is a Swiss-based holding company which exercises financial and operational control over companies operating primarily in the fields of tobacco and luxury goods. It is the ultimate parent of a family of some of the world's leading consumer brands.

The Group is managed with a view to the profitable long-term development of successful international brands.

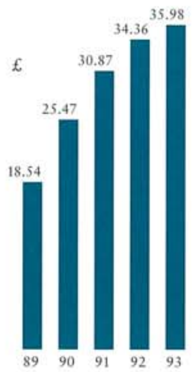
Contents

FINANCIAL HIGHLIGHTS

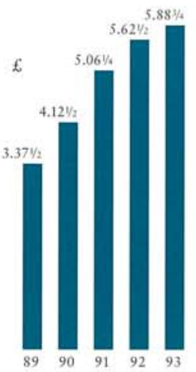
	1993	1992	Increase
	£	£	
Profit before taxation	**651.9 m**	620.1 m	5.1 %
Attributable profit before extraordinary item	**206.6 m**	197.3 m	4.7 %
Earnings per unit	**35.98**	34.36	4.7 %
Dividend per unit	**5.88¾**	5.62½	4.7 %
Unitholders' funds	**1 588.1 m**	1 296.9 m	22.5 %
Net assets per unit	**276.58**	225.86	22.5 %



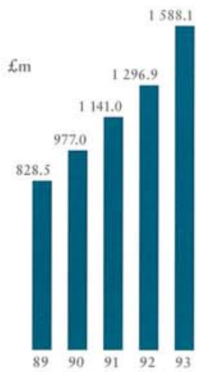
Profit before taxation



Earnings per unit



Dividend per unit



Unitholders' funds

Directors and Company Information

Compagnie Financière Richemont AG

Nikolaus Senn
Chairman

Jean-Paul Aeschimann
Deputy Chairman

Johann Rupert*
Managing Director

Jan du Plessis*

Max Ehrbar

René Gerber*

Yves-André Istel

Joseph Kanoui*

The Rt Hon Lord Swaythling

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Zurich

Statutory Auditors

Price Waterhouse AG
Zurich

Company Secretary

Alan Grieve

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Chairman

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Managing Director

Jean-Paul Aeschimann

Jan du Plessis*

René Gerber*

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Statutory Auditors

Coopers & Lybrand SC
Luxembourg

Company Secretary

Alan Grieve

LETTER TO UNITHOLDERS

DEAR UNITHOLDER,

In a year which has seen a continuing recession in many markets, I am pleased to be able to report a satisfactory performance by each of the Group's principal operating companies. Overall, gross sales revenue increased to £7671.3 million, an increase of 9.5 per cent over last year, and profit attributable to unitholders grew by 4.7 per cent to £206.6 million. Given these results, the Board proposes an increase of 4.7 per cent in the dividend payable for the year, bringing this to £5.88¾ per unit.

The results for the year have been achieved against a background of continued change in terms of the global market for tobacco products. The markets in Western Europe, North America, Australia and New Zealand declined somewhat during the period, following the pattern of recent years. In contrast to this, significant new markets – most notably in Eastern Europe, including Russia, and in China – are opening up to Western brands. These changes pose significant challenges and major opportunities to our tobacco operating companies.

Trading conditions have proved difficult for luxury goods companies in general during the year under review. The faint signs of economic recovery which are beginning to emerge are only slowly being translated into increased consumer confidence. The Group is, however, well placed in terms of the strength and diversity of its brands to take advantage of the upturn when it occurs. The policy of vertical integration implemented by Cartier Monde, through which key manufacturing activity is increasingly being brought within the Group's control, is evidence of Richemont's long-term commitment to maintaining and developing its brands. This commitment and the attention paid to design, innovation, quality of production and customer service will ensure the continued strength of the brands in a time when customers are becoming ever more selective.

The creditable results which have been achieved are due in no small measure to the professionalism of the Group's management and staff at all levels. The Board thanks them for their significant contribution over the past year.

Nikolaus Senn
CHAIRMAN
Compagnie Financière Richemont AG

Zug, 25 June 1993

Group Structure

Compagnie Financière Richemont AG

Richemont SA

- **Luxury Goods**
  - LUXCO SA
    - CARTIER MONDE SA
      - Cartier operating companies
    - PBM HOLDING SA
    - PBM INTERNATIONAL HOLDING SA
      - Piaget operating companies
      - Baume & Mercier operating companies
    - A Sulka & Company Limited
  - DUNHILL HOLDINGS PLC
    - Alfred Dunhill Ltd
    - Montblanc-Simplo GmbH
    - Chloé International SA
    - Karl Lagerfeld SA
    - Hackett Ltd
- **Tobacco**
  - ROTHMANS INTERNATIONAL p.l.c.
    - Europe
      - PJ Carroll and Company Ltd
      - Rothmans Cigaretten GmbH
      - Rothmans International (Europe) BV
      - Rothmans International Tobacco (UK) Ltd
      - Rothmans Tobacco Company BV
      - Rothmans (UK) Ltd
      - Schimmelpenninck Sigarenfabrieken BV
      - Sullana AG
      - Tabacofina-Vander Elst NV
      - Theodorus Niemeyer BV
    - Middle East, Africa & Eastern Europe
      - Rothmans of Pall Mall (International) Ltd
    - Asia Pacific
      - Rothmans (Far East) Ltd
      - Rothmans Holdings Ltd
        - Rothmans of Pall Mall (Australia) Ltd
        - Rothmans of Pall Mall (New Zealand) Ltd
      - Rothmans Industries Ltd
      - Rothmans of Pall Mall (Malaysia) Berhad
    - Americas
      - Carreras Group Ltd
      - Lane Ltd
      - Rothmans Inc
        - Rothmans, Benson & Hedges Inc
      - Tobacco Exporters International (USA) Ltd
- **Other Activities**
  - FilmNet SA
  - North American Resources Ltd
  - Business Control SA
  - Richemont International Ltd
  - Richemont Securities AG

Details of Richemont's effective interests in these companies are given in the schedule of Principal Group Companies on pages 58 and 59.

Johann Rupert
MANAGING DIRECTOR

COMPAGNIE Financière Richemont AG is the ultimate parent of a family of some of the world's leading tobacco and luxury goods brands. These are held through the Group's controlling shareholdings in Rothmans International p.l.c. and Luxco SA.

Rothmans International produces and distributes tobacco products around the world – including the major international brands Rothmans, Peter Stuyvesant, Dunhill and Cartier. Its luxury goods interests comprise a majority holding in Dunhill Holdings PLC, which controls the Alfred Dunhill, Montblanc, Chloé, Karl Lagerfeld and Hackett brands, and a significant minority interest in Cartier Monde SA.

Luxco SA holds controlling interests in Cartier Monde SA, through which it controls Cartier, Piaget and Baume & Mercier, and A Sulka & Company.

Group Results Against a difficult economic environment, the Group can report an advance of 3.3 per cent in consolidated operating profit to £603.3 million. This has been achieved on consolidated net sales revenue of £3 430.7 million, which itself represents an increase of 10.4 per cent over the previous year's level. Profit attributable to unitholders and earnings per unit have increased to £206.6 million and £35.98 respectively, an increase of 4.7 per cent compared to last year's levels.

Sales of tobacco products showed an increase of 10.6 per cent to £2 411.4 million, generating operating profits of £413.4 million, an increase of 12.6 per cent over the previous year.

Overall, the Group's luxury goods companies reported an increase of 9.8 per cent in consolidated net sales revenue to £1 019.3 million, with operating profits showing a decrease of 5.5 per cent at £202.8 million.

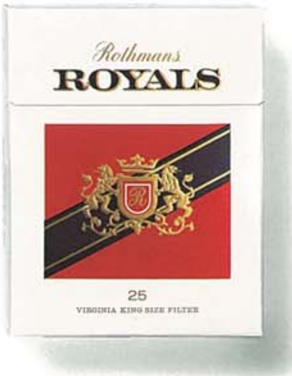
TOBACCO PRODUCTS Richemont's interests in the tobacco industry are held through Rothmans International p.l.c. whose operating companies produce a wide range of cigarettes, cigars and smoking tobaccos for distribution and sale throughout the world. Its leading international cigarette brands are complemented by a number of regional and local brands which enjoy considerable success in their own markets. These include Lord Extra in Germany, Belga in Belgium, Rothmans Royals in the United Kingdom and Golden American in Eastern Europe.

Worldwide, companies in the Rothmans International group operate 47 factories and employ some 21 000 people in the tobacco industry.

During the year under review, Rothmans International has announced two major developments which demonstrate the company's belief in, and commitment to, the tobacco industry.

In Russia, Rothmans International concluded a joint venture agreement with Nevo Tobacco Limited, a privately owned Russian tobacco company, to form A O Rothmans-Nevo; this company will construct a new cigarette factory in St Petersburg, to commence production in mid 1995. The investment by Rothmans International is likely to be in the order of £55 million. This venture is a major initiative to pursue the opportunities that Russia offers as one of the largest consumer markets in the world. Rothmans International has already established a position in the Russian market through rapidly growing export sales; the joint manufacturing venture will consolidate and strengthen that market position for the longer term.

Proposals have been put forward to form a new regional holding company for East Asia – Rothmans of Pall Mall Limited – by the merging of interests in that region between Rothmans International and the Group's associated companies in Malaysia and Singapore. Rothmans International will have a 50 per cent interest in the new company, the remainder being held by local shareholders. The head office of the new company will be located in Hong Kong. The merger of interests will bring together the growing markets of North East Asia – China, Japan, Taiwan, South Korea and Hong Kong – with the established domestic markets of the two public companies, Rothmans of Pall Mall (Malaysia) Berhad and Rothmans Industries Limited, Singapore. Subject to a number of regulatory approvals being obtained and the approval of the shareholders in both companies, it is hoped that the merger of interests may be finalised by the end of 1993.



THIS PAGE: *Strengthening Rothmans' market position in Russia: poster advertising in Red Square.*
OPPOSITE PAGE: *(Left) Customised trams in Eastern Europe, such as this one in Warsaw, build brand awareness.*
(Right) Rothmans Royals: a successful new brand in the United Kingdom.

Europe Most of the major markets of Western Europe showed some contraction of total demand during 1992/93; overall Group volume for these markets also declined, but by a smaller factor.

Sales volume was buoyant in the United Kingdom, where total sales increased by 11 per cent. Rothmans Royals King Size made further good progress, achieving a market share of more than 4 per cent in the short time since its launch. Profitability benefited from the increase in sales volume and from pricing moves.

In France and Italy, where the total market showed some volume reduction, Group brands achieved gains in market share. In France, Golden American has made good progress since its launch in March 1992 and is now the Group's third largest brand in that market.

During 1992/93 total demand for cigarettes declined in Belgium and The Netherlands. In both markets the Group's brands suffered a slight loss of market share. In Belgium, reduced volume and cost increases led to reduced operating profit. In The Netherlands profitability improved with the benefit of price increases.

The German domestic market for manufactured cigarettes contracted during 1992/93, adversely affected by cross-border sales and by the shift in demand to tobacco rolls, a form of roll-your-own cigarette. Volume sales of the Group's cigarette brands were reduced, but trading profitability improved as a result of substantial cost savings.

Tobacco Products Division The Tobacco Products Division comprises Rothmans International's European-based fine cut, pipe tobacco and cigar businesses. Sales and profits advanced once again, with increased contributions from the fine cut business in Belgium and in Germany from the Westpoint brand of tobacco rolls.

Europe Duty Free Duty free markets in Europe continued their recovery from the setbacks of the Gulf War period in 1991. Duty free sales volumes of the Group's brands increased by some 17 per cent; Rothmans King Size, Peter Stuyvesant, Golden American and Vogue all gained substantially.

Eastern Europe Good progress was made with an overall volume increase of 12 per cent, despite a very marked reduction in the former Yugoslavia. Sales volumes improved in a number of markets including Russia, Hungary, Romania, and Bulgaria. Golden American and Rothmans King Size performed particularly well.

THIS PAGE: *Peter Stuyvesant is one of the Group's successful international brands.*

OPPOSITE PAGE: *The promotion of regional brands plays an important part in Rothmans' marketing strategy: these include Lord Extra in Germany and Belga in Belgium.*

Middle East and Africa Markets of the Middle East and Africa are served by the Group partly through exports and partly through local manufacture. Overall Group sales volume in these markets increased by some 4 per cent in 1992/93. In the Middle East, with a return to more normal trading conditions following the upheavals of recent years, total volume increased for the markets of the Arabian peninsula – Saudi Arabia, Yemen and the Gulf States – with an improvement in profitability in most markets.

Australia, New Zealand and Pacific Markets Rothmans Holdings Limited, the Group's publicly quoted company in Australia, serves the markets of Australia, New Zealand, Indonesia, the Philippines and other Pacific territories. Results for 1992/93 showed lower sales volumes across these markets; consolidated operating profit increased by 2 per cent before abnormal charges to cover the costs of restructuring the company's operations in Australia and the Philippines and to write down the value of surplus leaf stocks.

East Asia An important development in the region was the opening in September 1992 of the new factory for the joint venture between Rothmans and the Shandong Tobacco Corporation at Jinan in Shandong province. This is one of China's biggest tobacco growing areas and Rothmans International has worked with local growers in the area over a number of years to improve the quality of their tobacco leaf.

In Malaysia, total volume in the domestic market was level with that of the previous year. Group volume, however, declined by some 11 per cent largely due to the termination of a manufacturing and marketing agreement with Philip Morris. Profitability was sustained by pricing benefits and cost savings.

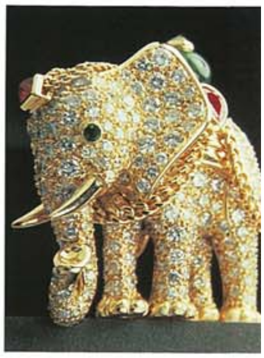
In Singapore, sales in the domestic market were once again affected by the restrictive marketing environment, though margins were improved largely by price adjustments.

Americas Rothmans Group companies operate in Canada, in the United States and in Jamaica. In Canada, the domestic cigarette market has been distorted by the rapid growth of cross-border sales. Taking account of all forms of supply, sales of the Group's products were slightly increased and operating profitability improved marginally.

Business in the United States benefited from price increases and growth in duty free sales, which more than offset lower domestic volumes.

This Page: *The Paris-Moscow-Beijing rally attracted considerable attention for Rothmans International's motor sports sponsorship.* Opposite Page: *(Left) September 1992: the opening of a new joint venture factory between Rothmans and the Shandong Tobacco Corporation, China. (Right) Hong Kong will play a prominent role in the Group's plans for expansion in East Asia.*

THIS PAGE: *Many of the finest pieces from the Cartier Collection were exhibited at the Hermitage Museum in St Petersburg.*
OPPOSITE PAGE: *(Left) The programme specially produced for the exhibition. (Top right) The "Route des Indes" range of jewellery was launched in 1992 and has been widely acclaimed.*



LUXURY GOODS Richemont's interests in luxury goods brands are held through Luxco SA and Rothmans International p.l.c. Luxco has a controlling interest of 53.2 per cent in Cartier Monde SA, the balance being held by Rothmans International. Luxco, directly and through Cartier Monde, controls Piaget and Baume & Mercier and owns Sulka. Rothmans International, in addition to its investment in Cartier Monde, owns 57.7 per cent of Dunhill Holdings PLC, which in turn controls the Alfred Dunhill, Montblanc, Chloé, Karl Lagerfeld and Hackett brands.

CARTIER MONDE SA During the year under review, Cartier Monde SA, comprising Cartier, Piaget and Baume & Mercier, generated net sales revenue of £714.7 million, an increase of 3.1 per cent over the previous year. Although operating profit declined by 6.4 per cent to £153.2 million, a 1.8 per cent increase in attributable profit was reported for the year. Managed as independent entities, each with a clearly defined market strategy within the Cartier Monde SA organisation, the three brands are perceived to be leaders in their respective fields in terms of design and sophistication.

Cartier Cartier continues to invest in its policy of vertical integration, the primary objective of which is to bring within the Group all essential manufacturing activity. In 1992 investments were made in joint venture manufacturing arrangements with the company's major supplier of watch movements and its principal leatherware supplier. In addition, at the beginning of the year, the Group's new watch assembly plant was opened at St Imier in Switzerland. This complements Cartier's established distribution facilities located in the canton of Fribourg.

Cartier's uniquely qualified design, product development and marketing departments are continually striving for the combination of inspiration and tradition that makes a new Cartier product. In 1992 the "Route des Indes" range of new jewellery, which was inspired by Indian mythology, was introduced to the market. This range has been widely acclaimed and has been well received by customers.

Through its "les must de Cartier" range, Cartier has successfully developed a range of watches, leather goods and accessories which, whilst embodying Cartier's tradition of design, elegance and style, represent an extension of the brand through which it can reach a wider public.

A major element of Cartier's investment in the future is in the support given to the brand through its promotional strategy. This strategy includes specific events, such as the sponsorship of the Cartier polo championship at Windsor in the United Kingdom. Further, a programme of exhibitions of the unique Cartier Collection at world renowned museums has been developed. The collection, which has been built up over a number of years to over 1 000 pieces, embodies the history of Cartier since the opening of Louis Cartier's first shop in Paris in 1847. Following the highly successful exhibition at the Petit Palais in Paris in 1991, the Group was proud to be able to exhibit many of its finest pieces in 1992 at the Hermitage Museum in St Petersburg, a city which takes a special place in the history of Cartier.

The continued investment in Cartier's network of owned and franchised boutiques has always been a keystone of the company's commercial and marketing policy. In 1992 this policy has been continued with the opening of boutiques in the United States and Japan.

Piaget Founded in 1874, Piaget has produced some of the world's finest watches, always in solid gold and with a wide variety of bejewelled cases and faces. It maintains that tradition today and is proud to be a leader amongst Geneva's master watchmakers.

Following their introduction in Geneva last Spring, the Georges Piaget and the new Polo watches have generated strong sales. In November 1992 the latest Piaget boutique was opened in the Place Vendôme in Paris increasing the number of Piaget boutiques to six. The new store has performed well in excess of management's expectations.

Piaget, too, has built up a collection of its historic watches and in 1992 organised the "Montres et Merveilles" ("Watches and Wonders") exhibition in Milan. This exhibition displayed many unique, historic timepieces, both from the Piaget and private collections.

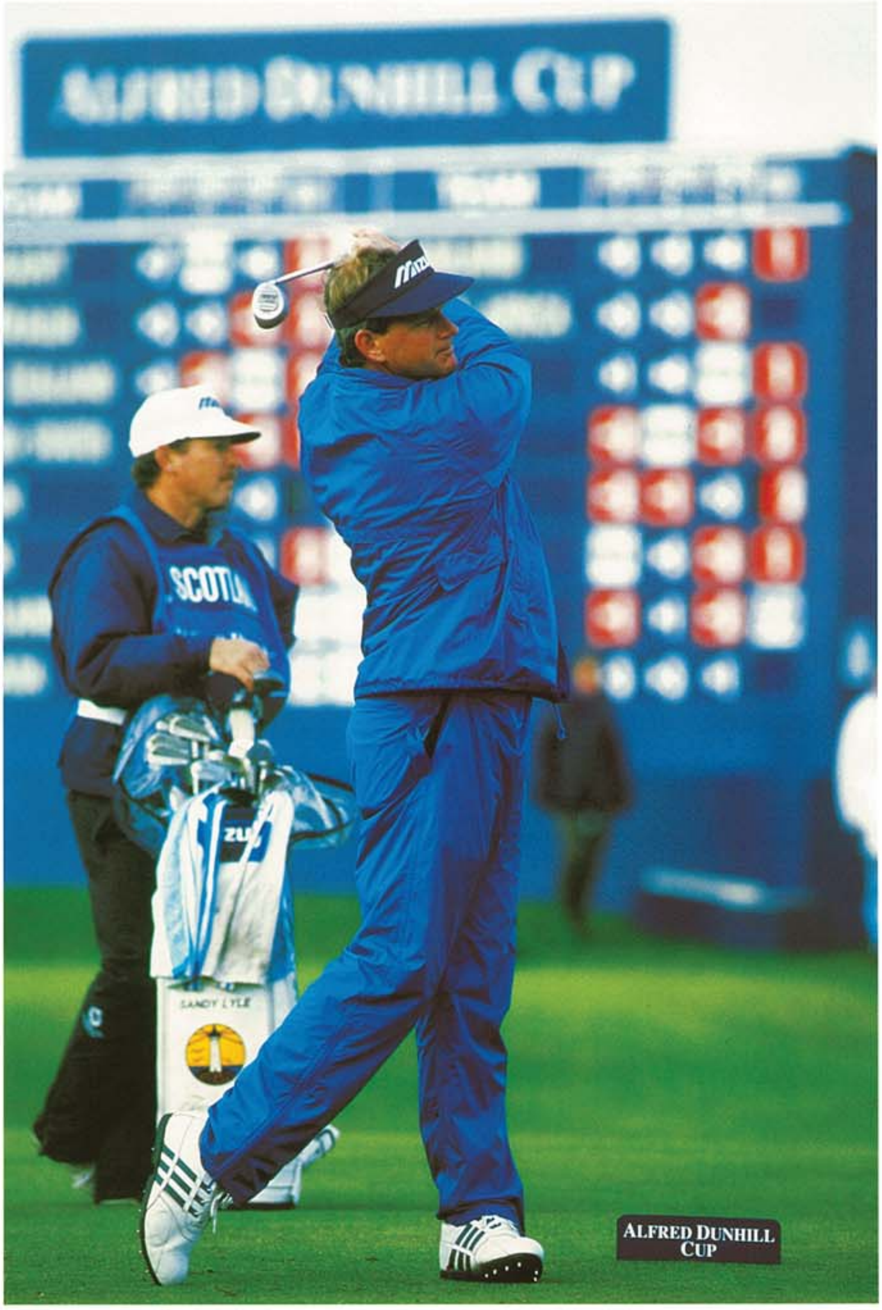
Baume & Mercier The Baume & Mercier group markets a wide range of precision timepieces through a line of classic watches and a range of technical and sports watches. The company has been renowned for its innovation since its foundation in the 1830s.

During the year, the ladies Transpacific watch was introduced to customers; this is an elegant new design which uses the smallest ladies chronograph movement in existence. The various models have been well received and are likely to become classics amongst the world's chronographs.

In 1992 Baume & Mercier sponsored an expedition to the summit of Mount Everest. The principal objective of this expedition was to place satellite triangulation equipment on the summit to enable the precise height of the mountain – some two metres below the previously recognised figure – to be determined.

This Page: *The Tanagra watch is just one of Piaget's classic lines.*

Opposite Page: *(Top left) The mirror-like façade of Cartier's distribution centre in Fribourg is a landmark beside the busy Bern to Geneva highway. (Below) Cartier's new watch assembly plant at St Imier in the canton of Bern. (Bottom left) The Baume & Mercier sponsored expedition at the summit of Mount Everest. (Right) Historic Piaget watches such as this model were displayed at the "Montres et Merveilles" exhibition in Milan.*



This Page: *Sandy Lyle competing at the annual Alfred Dunhill Cup at St Andrews in Scotland.*

Opposite Page: *In 1992, the new Sulka store opened in San Francisco.*

Sulka Established in 1895, Sulka is a leading supplier of luxury menswear. With a business philosophy of providing clothes combining tasteful design with the highest possible levels of quality, the company has now implemented its new business concept, based on a new corporate identity, new product designs, new stores, new marketing and a new level of comprehensive service to the Sulka customer. Its stores in New York and Paris have been remodelled and new stores have been opened in San Francisco, Chicago and Beverly Hills. The revised concept has been well received by customers.

DUNHILL HOLDINGS Richemont's interest in Dunhill Holdings PLC is held through the 57.7 per cent interest held by Rothmans International p.l.c. Under Dunhill Holdings are grouped five operating units: Alfred Dunhill, Montblanc, Chloé, Karl Lagerfeld and Hackett.

During the year under review, although attributable profit declined by 6.7 per cent, the company reported an operating profit of £55.5 million, virtually unchanged from the figure of £55.7 million reported in the previous year. This was achieved despite a substantial downturn in consumer spending in Japan, weakening economies in Germany, Italy and Spain and only very hesitant recoveries in the United States and United Kingdom. The Board of Dunhill Holdings has indicated that unless there is an improvement in these major economies in the near future it is unlikely that the Dunhill group will be able to sustain this level of operating profit in the current year.

Alfred Dunhill The company produces a wide range of products, including clothing, accessories, watches and fragrances for men. Every Alfred Dunhill product is designed to meet the requirements of the discerning male in terms of quality and style.

Trading during the year was affected by the difficult economic climate. The company is, however, pursuing its strategy of opening new retail stores and, in particular, strengthening its continental European presence. New stores were opened in prime locations in Geneva and Madrid, bringing the company's retail network to 36 outlets. During the year, Alfred Dunhill celebrated its centenary with a special exhibition of pieces from the Alfred Dunhill Archive Collection in London, Dubai, Hamburg, Paris and Tokyo. The exhibition was supported by an imaginative advertising campaign based on the original advertisements for Dunhill motorists' accessories and has attracted considerable public interest.

Montblanc The company enjoys a reputation as the world's leading producer of luxury writing instruments. It is particularly renowned for its black Meisterstück range and the solid sterling silver and gold Solitaire range. A combination of unique styling, attention to detail and exacting quality standards make these products extremely sought after.

Montblanc has achieved good results and has taken control of distribution in its major markets during the year. Following the success of the Chicago and Pacific Place, Hong Kong boutiques, new stores and shop-in-shop outlets are being introduced. During the year, a new range of leather goods – retaining the close ties to the company's origins as a producer of writing instruments – was launched along with new pens, including the Hemingway and Octavian special editions and the Doué range. Montblanc also acquired Seeger, a small but highly regarded German manufacturer of leather goods.

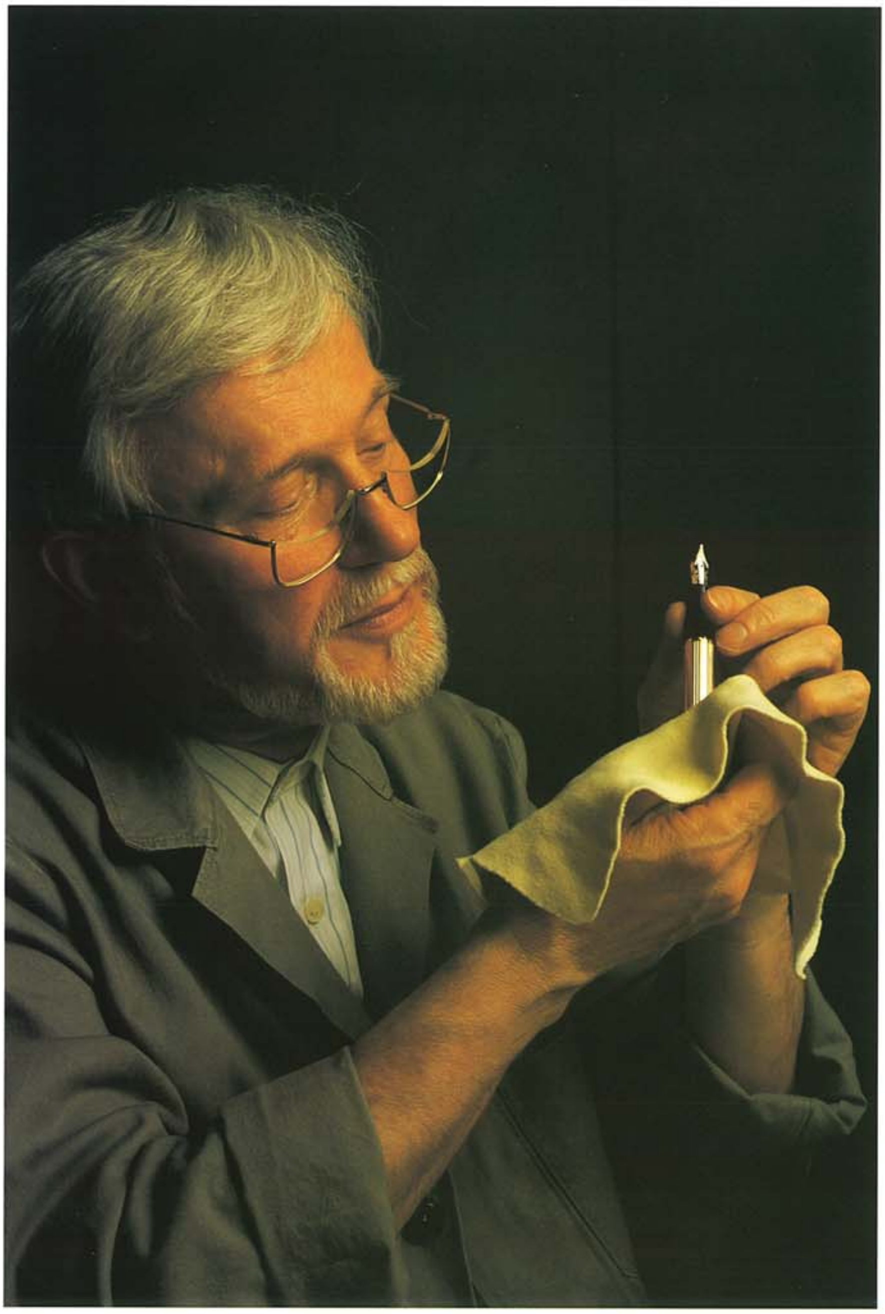
Chloé The Paris fashion house is famous for its ready-to-wear range, with couture-style luxury, and its fragrances. To this, it has added a range of accessories and is implementing a retail distribution strategy through the opening of its flagship store in Paris and, during the year under review, a new boutique in Madrid.

With the acquisition in 1992 of the Karl Lagerfeld business, Mr Lagerfeld has once again begun designing for Chloé after a break of almost a decade. His new designs for Chloé have retained those elements of the Chloé style which were characteristic of his earlier work for the house and were enthusiastically received by the critics and by customers.

Karl Lagerfeld The Karl Lagerfeld brand was acquired in 1992 by Dunhill. It is geared to an international clientele of sophisticated, modern women and has a unique niche in the marketplace between the more traditional and the avant-garde designers.

The "KL by Karl Lagerfeld" ladies ready-to-wear clothing range has shown promising results in Europe and offers an opportunity for geographical expansion. In addition, the company operates its own boutiques in Paris, London, Tokyo, Hong Kong, Singapore and Taipei and shop-in-shop boutiques in selected department stores in the United States. The business also encompasses the "Lagerfeld" and "Photo" fragrances and a range of products manufactured under licence.

Hackett Acquired by Dunhill in 1991, this small, typically English business is rapidly gaining a name as a tailor specialising in traditional styles and traditional values in terms of the quality of materials and workmanship in its products. A new flagship store was opened during the year in Sloane Street in London and a further expansion of the retail network is planned.



THIS PAGE: *The reputation of the Montblanc brand relies upon the skills of dedicated craftsmen.*
OPPOSITE PAGE: *(Top Left) Chloe's Spring/Summer 1993 collection was enthusiastically received.*
(Right) The distinctive Spring/Summer 1993 collection presented by Karl Lagerfeld made a significant impact.
(Bottom left) During the year the new Hackett flagship store opened in Sloane Street, London.

OTHER INTERESTS

North American Resources Richemont has a 50 per cent interest in North American Resources Limited the principal asset of which has become its 60 per cent investment in Horn & Hardart, a publicly traded company quoted on the American Stock Exchange. Horn & Hardart, through its subsidiary Hanover Direct, is the leading specialty direct retailer in the United States.

Hanover Direct operates a range of specifically targeted direct mail catalogues, featuring household and gift items and male and female fashions. Its strategy is to build brands by meeting the needs of targeted consumer groups through customised products and personalised service. Pursuant to this strategy, the company recently announced the acquisition of the San Francisco-based retail and direct mail operations of Gump's.

For the year under review, Horn & Hardart reported sales of US$ 579.3 million or some £ 343 million. Through a series of restructuring transactions and organisational and operational changes led by North American Resources, Horn & Hardart has achieved a dramatic turnaround in its operations. As part of the restructuring, Horn & Hardart eliminated its restaurant and hospitality business to focus on one business area – specialty direct retailing.

FilmNet SA Following the acquisition during the year of the remainder of the share capital in the FilmNet group from Esselte AB of Sweden and the widening of the consortium which owns FilmNet SA, Richemont now has a 45 per cent equity interest in the company. During the year under review, RTL-4 SA, the leading commercial broadcaster in The Netherlands, acquired a 10 per cent interest in FilmNet SA; the balance of the equity in the company is held by Electronic Media Network Limited, the successful South African pay-TV operator.

Having been at the time of its acquisition a one-channel subscription television service, showing only feature films, FilmNet's service has now been expanded to provide each of its markets with a service more closely tailored to local viewers' interests. In addition to "FilmNet – The Movie Channel" showing principally feature films, a second channel, "FilmNet Plus", now carries a programme of films, sport, special events and children's programming specific to each market. This involves the use of multiple satellite "feeds" to cable operators, as well as the Astra 1A and Thor satellites which serve the Benelux and Scandinavian direct-to-home markets.

The transformation of FilmNet in this way involves a substantial cost and the benefits of the change will clearly not be seen overnight. Richemont and its partners are committed to the successful implementation of this strategy and recognise that it will be a number of years before the full profitability of this investment can be realised.

PROSPECTS As we indicated at the beginning of this review, the signs of recovery which are beginning to manifest themselves in the United States and certain other economies are unfortunately no more than faint indications of improvement in an otherwise dire economic situation. In other economies, the worst effects of the recession are yet to be felt and the anti-inflationary stance that has been adopted by some central banks will undoubtedly contribute to a further delay before any signs of recovery manifest themselves in Europe.

Over recent years we have warned of the recessionary forces affecting world economies. Having anticipated the downturn in economic growth, management have acted prudently to limit its impact on the Group's businesses. Richemont is the proprietor of a group of companies with an excellent family of brands. Carefully managed and nurtured, those brands are the assets on which the future of the Group will be built.

Johann P. Rupert.

Johann Rupert
MANAGING DIRECTOR
Compagnie Financière Richemont AG

Zug, 25 June 1993

GROUP RESULTS The results for the year ended 31 March 1993 showed an improvement in the profitability of the Group mainly due to good results achieved by the Group's tobacco interests. These were partially offset by reduced profit contributions from luxury products and associated undertakings.

The Group's operating profit for the year ended 31 March 1993 increased by 3.3 per cent to £603.3 million. Included in operating profit is a charge for the amortisation of goodwill of £14.8 million, which is £1.5 million more than the previous year, reflecting additional goodwill amortisation arising from new investments and the full year effect of amortisation arising from investments made in the previous year. Operating profit from tobacco increased by 12.6 per cent to £413.4 million, while operating profit from luxury products decreased by 5.5 per cent to £202.8 million. These results are satisfactory given the difficult economic conditions that prevailed. The Group's share of operating profit of associated undertakings decreased by £17.5 million to £10.0 million.

Net interest receivable increased by 35.4 per cent to £48.6 million, reflecting generally higher liquidity levels throughout the Group. Profit before taxation accordingly increased by 5.1 per cent to £651.9 million. The effective tax rate was 35.3 per cent, which is broadly in line with the previous year.

Attributable profit before extraordinary items increased by 4.7 per cent from £197.3 million to £206.6 million. Earnings per unit on the same basis also increased by 4.7 per cent from £34.36 to £35.98. The earnings per unit in respect of the previous year has been restated to reflect the 10-for-1 subdivision of units which took effect on 6 October 1992.

DIVIDEND The Board of Directors of Richemont SA has recommended the payment of a dividend to holders of participation certificates equal to 7.85 per cent of the amount of the participation reserve, inclusive of the 1.0 per cent preference dividend. This will amount to a total dividend of £33.8 million or £5.88¾ per participation certificate – an increase of 4.7 per cent over the previous year.

The Board of Directors of Compagnie Financière Richemont AG has resolved to accept this recommendation, which will be approved at the Annual General Meeting of Richemont SA. However, in accordance with its policy of reserve accumulation, the Board of Compagnie Financière Richemont AG has decided not to propose an additional dividend in respect of its own share capital for the year under review.

The total dividend payable to unitholders in respect of the year ended 31 March 1993 will therefore be £5.88¾ per unit.

ANALYSIS BY BUSINESS SEGMENT The table below analyses the Group's results between the two principal business segments, tobacco and luxury products, as well as other activities.

	Net sales revenue		Operating profit	
	1993	1992	1993	1992
	£m	£m	£m	£m
Tobacco	2 411.4	2 180.3	413.4	367.0
Luxury products	1 019.3	928.0	202.8	214.6
Other activities	–	–	(8.1)	(11.6)
The Company and its subsidiary undertakings	3 430.7	3 108.3	608.1	570.0
Share of associated undertakings			10.0	27.5
Goodwill amortisation			(14.8)	(13.3)
Operating profit			603.3	584.2

Note: Amounts shown in respect of other activities include operating costs incurred centrally and not allocated to the tobacco or luxury product segments.

Tobacco Net sales revenue from tobacco increased by £231.1 million (10.6 per cent) to £2 411.4 million. Approximately £100 million of this increase was due to exchange rate movements on translation of the net sales revenue of subsidiary undertakings which have reporting currencies other than sterling. The total volume of cigarette sales by Group companies across the world fell just short of the previous year's level. Significant increases in volume were achieved in Eastern Europe and the United Kingdom, although volumes contracted in a number of other markets, including Germany, Indonesia, Malaysia, the Philippines and the former Yugoslavia.

Tobacco operating profit from subsidiary undertakings increased by £46.4 million (12.6 per cent) to £413.4 million, with the operating margin improving from 16.8 per cent to 17.1 per cent. Operating profit benefited from higher selling prices in most of the Group's major cigarette markets, cost reductions following the rationalisation programmes in Europe and Australia and the increased sales volumes of cigarettes in Eastern Europe and of fine cut products in Germany. However, the profit increase was restricted by the effect of covering foreign currency exposures by forward contracts which delayed the realisation of the full benefits of the decline in sterling.

Rationalisation costs of £22.2 million were charged against operating profit from tobacco, compared with £28.7 million last year. These costs, which arose from the ongoing process of reorganisation to improve efficiency, were incurred mainly in Europe and Australia.

Luxury products During the year under review, net sales revenue from the Group's luxury products companies – mainly comprising Cartier Monde SA and Dunhill Holdings PLC – increased by 9.8 per cent to £1019.3 million. Operating profit decreased by £11.8 million (5.5 per cent) to £202.8 million.

Cartier Monde achieved net sales revenue of £714.7 million which is 3.1 per cent more than the previous year while operating profit decreased by 6.4 per cent to £153.2 million. In Swiss franc terms, which is the reporting currency of Cartier Monde, net sales revenue decreased by 3.4 per cent to SFr 1.7 billion and operating profit decreased by 12.0 per cent to SFr 366.1 million reflecting reduced demand in the Far East, particularly for Piaget watches. At the attributable profit level, however, Cartier Monde achieved an increase of 1.8 per cent for the year.

Dunhill increased net sales revenue by 29.7 per cent to £298.9 million, with operating profit remaining stable at £55.5 million. Attributable profit for the year declined by 6.7 per cent. The improvement in net sales revenue reflects acquisitions, foreign exchange effects and real growth in sales. Alfred Dunhill was affected by reduced demand both in Japan and from Japanese tourists elsewhere in the Far East, although results in Europe were encouraging. Montblanc achieved excellent results in a year in which it took control of distribution in several of its major markets.

Share of associated undertakings The Group's share of operating profit of associated undertakings decreased by £17.5 million to £10.0 million, principally due to a decreased profit contribution from North American Resources Limited and increased losses incurred by FilmNet SA.

The decreased profit contribution from North American Resources is due to the non-recurrence of the profit on the sale of an oil refinery in the previous year. Following such disposal North American Resources acquired a 60.0 per cent interest in Horn & Hardart, the leading specialty direct retailer in the United States. In the year ended 31 March 1993, Horn & Hardart had sales of $579.3 million and attributable profit of $7.9 million.

FilmNet SA, the Group's pay-TV associate, reported increased losses due to planned additional investment expenditure. This expenditure has been incurred to expand the subscriber base by widening the range of programmes being offered. FilmNet has moved from a one-channel subscription television service to a multi-channel service more closely tailored to local viewers' interests, featuring films, sports, special events and children's programmes.

BALANCE SHEET The decline in sterling during the year has had an inflationary effect on the balance sheet, with the result that £117.1 million of the £291.2 million increase in unitholders' funds since 31 March 1992 is due to currency movements.

Summary balance sheet

	1993 £m	1992 £m
Assets		
Tangible fixed assets	648.4	553.4
Investment in associated undertakings	103.7	83.0
Other long-term investments	116.5	90.9
	868.6	727.3
Net working capital	798.4	702.4
Net operating assets	1 667.0	1 429.7
Goodwill	558.6	523.4
Cash and cash equivalents	1 742.1	1 425.4
	3 967.7	3 378.5
Capital employed		
Unitholders' funds	1 588.1	1 296.9
Minority interest	1 130.9	897.4
Long-term liabilities	1 248.7	1 184.2
	3 967.7	3 378.5

Tangible fixed assets increased by £95.0 million comprising additions of £110.3 million, depreciation of £102.3 million and exchange movements of £87.0 million. Investments in associated undertakings and other investments increased mainly due to various small investments being made during the year. Cartier Monde added to its Cartier and Piaget collections and also invested in the watch manufacturing facility, Cartier Ebel Cristalor, and the leather goods manufacturing facility of Loewe in Spain. Rothmans International acquired additional shares in Tabacalera SA, the Spanish state-controlled monopoly. The net working capital increase is mainly the result of exchange rate movements.

At 31 March 1993 goodwill amounted to £558.6 million with the increase of £35.2 million arising from various small investments. In addition to the investments described in the previous paragraph, Rothmans International also invested in the London Tobacco Company and Nestor Gianaclis (owner of the "Lord" cigarette trademark), while Dunhill Holdings acquired various Montblanc distributors, the Karl Lagerfeld business and the German leather goods manufacturer, Karl Seeger. The increase in goodwill capitalised was offset by goodwill amortisation of £14.8 million.

Long-term liabilities, which represent mainly internally-funded pension obligations of certain subsidiary undertakings amounting to £328.1 million and provision for deferred taxation amounting to £86.8 million, increased by £64.5 million of which practically the whole amount was due to exchange rate movements.

CASH FLOW At 31 March 1993 cash and cash equivalents, which comprise cash, marketable securities, short-term bank loans and overdrafts, amounted to £1742.1 million representing an increase over the previous year of £316.7 million of which exchange rate movements amounted to £147.0 million.

Summary cash flow statement

	1993 £m	1992 £m
Net cash inflow from operating activities	709.8	617.4
Net interest received	47.8	36.9
Net dividends paid	(113.9)	(116.2)
Taxation paid	(238.1)	(213.6)
Net acquisition of tangible fixed assets	(110.2)	(126.4)
Net acquisition of investments	(18.0)	(42.4)
Net (acquisition)/disposal of subsidiary and associated undertakings	(66.7)	74.3
Net cash inflow before financing	210.7	230.0
Cash flow applied to financing	(41.0)	(69.3)
Effect of exchange rate movements	147.0	1.6
Increase in cash and cash equivalents	316.7	162.3
Cash and cash equivalents – opening	1 425.4	1 263.1
Cash and cash equivalents – closing	1 742.1	1 425.4

Net cash inflow from operating activities increased by £92.4 million to £709.8 million as a result of higher operating profit from the company and its subsidiary undertakings and a small increase of £10.4 million in working capital requirements. Notwithstanding an increase in inventory levels at Dunhill Holdings arising from the acquisitions made by that company during the year, inventory levels within the tobacco division and Cartier Monde decreased when measured at constant exchange rates.

Despite the increased cash inflow from operating activities and the reduced investment activities, the net cash inflow before financing decreased by £19.3 million to £210.7 million. This decrease is due to the fact that the previous year cash flow included the £150.6 million proceeds from the sale of the investment in TransAtlantic Holdings PLC.

RICHEMONT

CONSOLIDATED FINANCIAL STATEMENTS

Statement of Accounting Policies

(a) Accounting convention

The financial statements are prepared under the historical cost convention and are presented in pounds sterling.

(b) Basis of consolidation

The financial statements include the accounts of the Company and its subsidiary undertakings. A company in which the Company holds directly or indirectly through other subsidiary undertakings more than 50 per cent of the ordinary share capital and voting rights is classified as a subsidiary undertaking. A company in which the Company has an effective interest of between 20 per cent and 50 per cent of the ordinary share capital and voting rights is also accounted for as a subsidiary undertaking if the Group is able to exercise a dominant influence over the undertaking. The accounts of subsidiary undertakings are generally drawn up at 31 March of each year. Where audited accounts are not drawn up to this date, the financial statements are arrived at by reference to the last audited accounts available.

A company, not classified as a subsidiary undertaking, in which the Group holds a long-term interest of between 20 per cent and 50 per cent of the ordinary share capital and voting rights is accounted for under the equity method as an associated undertaking. The Group's share of the results and attributable net assets of associated undertakings are derived from accounts drawn up at 31 March of each year. Where audited accounts are not drawn up to this date, the amounts are arrived at by reference to the last audited accounts available.

The attributable profit of subsidiary and associated undertakings is included in the financial statements from their date of acquisition.

(c) Foreign currencies

Assets and liabilities denominated in foreign currencies, including investments in associated undertakings, are translated into pounds sterling at exchange rates prevailing at the balance sheet date. For consolidation purposes, the share capital of the Company is translated from Swiss francs into pounds sterling at the historical rate. The earnings of those undertakings in the Group, including associated undertakings, whose accounts are denominated in foreign currencies are translated into pounds sterling at average exchange rates prevailing during the year. Exchange adjustments arising from the translation of assets and liabilities of subsidiary undertakings and investments in associated undertakings denominated in foreign currencies are credited or charged directly to consolidated reserves. Where foreign currency borrowing is used to hedge against investments denominated in foreign currency the resultant exchange differences have also been recorded as movements in reserves. Other exchange differences, including those arising from currency conversions in the normal course of business, are credited or charged to operating profit for the year.

(d) Gross sales revenue

Gross sales revenue is the amount receivable by the Company and its subsidiary undertakings from sales to third parties. The amount receivable includes value added taxes, duties and other sales taxes, but is stated after deducting trade discounts.

(e) Taxation

Provision is made in each accounting period for all taxes payable in respect of profit earned in that period, including taxation on dividends ordinarily expected to be payable within the Group out of such profits.

Deferred taxation is provided on timing differences arising from the recognition in different accounting periods of certain items of income and expenditure for accounting and taxation purposes. Deferred taxation is provided for on the liability method only in respect of timing differences that are expected to materialise in the foreseeable future.

(f) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis over the expected useful lives of the assets. Land and assets under construction are not depreciated. Repairs and maintenance costs are charged to the profit and loss account when incurred.

Assets held under finance leases are capitalised and depreciated over their expected useful lives or, if shorter, the lease period. The liabilities corresponding to remaining capital payments under finance leases are included within creditors.

Rentals paid on assets held under operating leases are charged to the profit and loss account in the accounting period when the expense arises.

(g) Intangible assets

Where the consideration paid in respect of the Group's investment in subsidiary and associated undertakings is in excess of the fair value to the Group of the separable net tangible assets acquired, the excess is regarded as goodwill. Goodwill is amortised through the consolidated profit and loss account on the straight-line basis over 40 years.

Advertising, promotion, research, development, patent and trademark expenses are charged to the profit and loss account in the accounting period in which they are incurred.

(h) Investments in associated undertakings

Investments in associated undertakings are stated at the Group's share of their net tangible assets, adjusted where necessary to reflect the Group's accounting policies.

The Group's share of associated undertakings' operating profit, net interest and taxation charge is accounted for in the consolidated profit and loss account.

The Group's share of reserve movements in associated undertakings is accounted for as movements in the consolidated reserves.

(i) Other long-term investments

Long-term investments, other than investments in associated undertakings, are stated at cost less amounts written off for diminutions in value which are considered to be of a permanent nature.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of manufactured products comprises material cost plus direct labour, an appropriate proportion of overheads and, where applicable, duties and taxes.

(k) Marketable securities

Marketable securities, which comprise investments in listed shares and bonds, are stated at the lower of cost and market value.

(l) Provision for employees' pensions

The Group operates various pension schemes around the world in accordance with local conditions and practices in the countries concerned. The major schemes are of the defined benefit type and generally are funded by payments to separate trustee-administered funds or insurance companies. However, certain schemes for employees in Europe are unfunded and balance sheet provisions are carried representing the Group's liability to meet the future obligation of such schemes.

The cost of providing pensions is charged to the profit and loss account on a systematic basis, with pension surpluses or deficits allocated over the expected remaining service lives of current employees. Differences between the amounts charged in the profit and loss account and payments made to pension funds are treated as assets or liabilities.

(m) Product warranties

Warranty repair costs relating to the sale of certain products, which are sold under an international guarantee against mechanical defects, are charged to operating profit when incurred.

Consolidated Profit and Loss Account
for the year ended 31 March 1993

	Notes	1993 £ m	1992 £ m
Gross sales revenue		7 671.3	7 006.6
Duty, excise and other taxes		(4 240.6)	(3 898.3)
Net sales revenue		3 430.7	3 108.3
Operating profit of the Company and its subsidiary undertakings	1	608.1	570.0
Share of operating profit of associated undertakings	2	10.0	27.5
Amortisation of goodwill		(14.8)	(13.3)
Operating profit	3	603.3	584.2
Net interest income and similar items	4	48.6	35.9
Profit before taxation		651.9	620.1
Taxation	5	(230.1)	(220.6)
Profit after taxation		421.8	399.5
Minority interests		(215.2)	(202.2)
Attributable profit before extraordinary item	6	206.6	197.3
Extraordinary item	7	–	33.7
Profit attributable to unitholders		206.6	231.0
Earnings per unit (based on attributable profit before extraordinary item)	8	£ 35.98	£ 34.36

Consolidated Balance Sheet
at 31 March 1993

	Notes	1993 £ m	1992 £ m
Assets			
Fixed assets			
Tangible	9	648.4	553.4
Intangible	10	558.6	523.4
		1 207.0	1 076.8
Investments			
Associated undertakings	11	103.7	83.0
Other long-term investments	12	116.5	90.9
		220.2	173.9
Net current assets			
Inventories	13	1 223.0	1 071.5
Debtors	14	1 055.7	888.2
Marketable securities	15	971.6	893.6
Cash		1 255.8	940.6
Current assets		4 506.1	3 793.9
Current liabilities	17	(1 965.6)	(1 666.1)
		2 540.5	2 127.8
		3 967.7	3 378.5
Unitholders' funds			
Share capital	18	223.2	223.2
Participation reserve	19	430.7	430.7
Unitholders' capital	20	653.9	653.9
Retained earnings and other reserves	21	934.2	643.0
		1 588.1	1 296.9
Minority interests		1 130.9	897.4
Long-term liabilities			
Borrowings	22	778.3	777.8
Other	23	470.4	406.4
		1 248.7	1 184.2
		3 967.7	3 378.5

Consolidated Cash Flow Statement
for the year ended 31 March 1993

	Notes	1993 £ m	1992 £ m
Cash flow from operating activities	3	709.8	617.4
Returns on investments and servicing of finance			
Interest income and similar items		174.7	160.4
Interest paid and similar items		(126.9)	(123.5)
Dividends from associated undertakings		2.2	2.0
Dividends paid on participation reserve		(32.3)	(29.1)
Dividends paid to minority shareholders		(83.8)	(89.1)
Cash flow applied to returns on investments and servicing of finance		(66.1)	(79.3)
Taxation paid		(238.1)	(213.6)
Investing activities			
Acquisition of tangible fixed assets, net of disposals		(110.2)	(126.4)
Acquisition of subsidiary undertakings, net of cash acquired		(51.4)	(15.1)
Acquisition of minority interests		(0.2)	(10.8)
Acquisition of investments, net of disposals		(18.0)	(42.4)
Acquisition of associated undertakings		(15.1)	(53.2)
Disposal of associated undertakings		–	153.4
Cash flow applied to investing activities		(194.9)	(94.5)
Net cash inflow before financing		210.7	230.0
Financing activities			
New long-term borrowings		37.5	28.2
Repayments of long-term borrowings		(81.5)	(69.5)
Increase/(decrease) of minority interests		3.0	(3.0)
Others		–	(25.0)
Cash flow applied to financing activities		(41.0)	(69.3)
Effect of exchange rate movements		147.0	1.6
Net increase in cash and cash equivalents		316.7	162.3
Cash and cash equivalents at beginning of year		1 425.4	1 263.1
Cash and cash equivalents at end of year	16	1 742.1	1 425.4

Note 1 – Operating profit

Operating profit of the Company and its subsidiary undertakings includes the following items:

	1993 £ m	1992 £ m
Depreciation of tangible fixed assets	**102.2**	87.9
Operating lease rentals	**65.3**	113.7
Income from long-term investments	**2.0**	2.1

Note 2 – Share of profit of associated undertakings

The Group's share of the profit of associated undertakings is set out below. The Group's share of operating profit, goodwill amortisation, net interest and taxation has been included under the respective headings in the consolidated profit and loss account.

	1993 £ m	1992 £ m
Operating profit before goodwill amortisation	**10.0**	27.5
Goodwill amortisation	**(0.5)**	–
Net interest expense and similar items	**(1.1)**	(1.7)
Profit before taxation	**8.4**	25.8
Taxation	**(5.4)**	(7.5)
Profit after taxation	**3.0**	18.3
Other shareholders' interests	**(0.2)**	(1.4)
Dividends	**(2.2)**	(2.0)
Profit retained for the year	**0.6**	14.9

Note 3 – Reconciliation of operating profit to cash flow from operating activities:

	1993 £ m	1992 £ m
Operating profit	**603.3**	584.2
Adjusted for:		
Share of operating profit of associated undertakings	**(10.0)**	(27.5)
Amortisation of goodwill	**14.8**	13.3
Depreciation of tangible fixed assets	**102.2**	87.9
Increase in long-term provisions	**12.5**	22.3
Profit on disposal of tangible fixed assets	**(2.9)**	(8.7)
Loss on sale of investments	**0.3**	0.4
Increase in inventories	**(1.5)**	(72.1)
Increase in debtors	**(75.4)**	(30.5)
Increase in creditors	**66.5**	48.1
Cash flow from operating activities	**709.8**	617.4

Note 4 – Net interest income and similar items

	1993 £ m	1992 £ m
Interest income and similar items	175.3	158.7
Interest expense and similar charges	(125.6)	(121.1)
	49.7	37.6
Share of net interest expense of associated undertakings	(1.1)	(1.7)
	48.6	35.9

Note 5 – Taxation

	1993 £ m	1992 £ m
Current taxation	234.2	219.2
Deferred taxation	(9.5)	(6.1)
	224.7	213.1
Share of taxation on profit of associated undertakings	5.4	7.5
	230.1	220.6

Note 6 – Attributable profit before extraordinary item

	1993 £ m	1992 £ m
Attributable profit of the Company and its subsidiary undertakings	206.0	182.4
Group's share of profit retained by associated undertakings	0.6	14.9
	206.6	197.3

Note 7 – Extraordinary item

The extraordinary item in the prior year of £33.7 million represents the gain realised on the disposal of the Group's investment in TransAtlantic Holdings PLC on 30 May 1991 for a cash consideration of £150.6 million.

Note 8 – Earnings per unit

Earnings per unit are calculated by reference to the net profit before extraordinary item of £206.6 million (1992: £197.3 million) and 5 742 000 units in issue (1992: 5 742 000 units).

Note 9 – Tangible fixed assets

	1993 Cost £ m	1993 Accumulated depreciation £ m	1993 Net book value £ m	1992 Net book value £ m
Land and buildings	372.1	123.3	248.8	214.4
Plant and machinery	664.6	448.8	215.8	188.2
Fixtures, fittings, tools and equipment	370.0	210.0	160.0	126.7
Assets under construction	23.8	–	23.8	24.1
	1 430.5	782.1	648.4	553.4

Included above are fixed assets with a net book value of £35.2 million (1992: £19.7 million) held under finance leases.

Authorised capital expenditure for which no provision has been made in these financial statements:

	1993 £ m	1992 £ m
Contracts placed	24.5	37.4
Authorised but not yet contracted	61.9	50.8
	86.4	88.2

Note 10 – Intangible fixed assets

	1993 £ m	1992 £ m
Goodwill at cost	603.5	553.9
Accumulated amortisation	(44.9)	(30.5)
	558.6	523.4

Goodwill arising during the year was principally in respect of acquisitions of subsidiary undertakings by Rothmans International p.l.c., Nestor Gianaclis GmbH and the London Tobacco Company Limited, and Dunhill Holdings PLC's acquisitions of Karl Lagerfeld SA and Montblanc USA. Goodwill arising during the year in respect of associated undertakings was principally from acquisitions made by Cartier Monde SA in Loewe Fabrica de Articulos De Piel and in C.E.C. (Cartier Ebel Cristalor).

The goodwill arising during the year is calculated as follows:

	1993 Consideration £ m	1993 Net assets acquired £ m	1993 Goodwill arising £ m
Subsidiary undertakings acquired	56.2	12.7	43.5
Associated undertakings acquired	7.8	1.7	6.1
	64.0	14.4	49.6

Net assets acquired were mainly inventory.

Note 11 – Investments in associated undertakings

	1993	1992
	£ m	£ m
Unlisted	103.7	83.0

The changes during the year in the carrying value of investments in associated undertakings are set out below:

	1993	1992
	£ m	£ m
Carrying value at 1 April	83.0	174.9
Foreign exchange adjustments	13.1	(9.4)
Acquisitions	10.0	24.3
Disposals	(1.3)	(119.6)
(Decrease)/increase in post-acquisition retained earnings and other reserves	(1.1)	12.8
	103.7	83.0

Note 12 – Other long-term investments

	1993	1992
	£ m	£ m
Shares in listed companies, at cost less amounts written off	72.3	56.4
Shares in unlisted companies, at cost less amounts written off	8.6	5.4
Other	35.6	29.1
	116.5	90.9
Market value of shares in listed companies at 31 March	78.2	74.5

Note 13 – Inventories

	1993	1992
	£ m	£ m
Raw materials	550.2	504.4
Finished goods	672.8	567.1
	1 223.0	1 071.5

Note 14 – Debtors

	1993	1992
	£ m	£ m
Trade debtors	736.2	636.2
Other debtors	194.6	143.2
Prepayments and accrued income	124.9	108.8
	1 055.7	888.2

Note 15 – Marketable securities

	1993 £ m	1992 £ m
Shares, at lower of cost and market value	7.8	4.9
Bonds, at lower of cost and market value	963.8	888.7
	971.6	893.6
Market value at 31 March	1 006.7	905.9

Note 16 – Cash and cash equivalents per cash flow statement

The cash and cash equivalents figure in the consolidated cash flow statement comprises:

	1993 £ m	1992 £ m
Marketable securities	971.6	893.6
Cash	1 255.8	940.6
Bank loans and overdrafts	(485.3)	(408.8)
	1 742.1	1 425.4

Note 17 – Current liabilities

	1993 £ m	1992 £ m
Bank loans and overdrafts	485.3	408.8
Short-term portion of long-term loans	43.0	59.6
Trade creditors	153.9	138.3
Taxation	228.9	198.5
Duty and excise taxes	634.7	497.5
Other creditors	198.9	178.1
Accrued expenses and deferred income	220.9	185.3
	1 965.6	1 666.1

Bank loans and overdrafts amounting to £5.7 million (1992: £8.6 million) and duty and excise creditors of £12.0 million (1992: £44.8 million) are secured by assets of Group undertakings.

Note 18 – Share capital

	1993 £ m	1992 £ m
Authorised, issued and fully paid		
5 220 000 "A" bearer shares with a par value of SFr 100 each	202.9	202.9
5 220 000 "B" registered shares with a par value of SFr 10 each	20.3	20.3
	223.2	223.2

Both classes of shares were subdivided in the ratio of 10 for 1 with effect from 6 October 1992. The subdivision resulted in the par value of an "A" bearer share being reduced from SFr 1 000 per share to SFr 100 per share and the par value of a "B" registered share being reduced from SFr 100 per share to SFr 10 per share. The number of shares outstanding at 31 March 1992 has been restated to reflect the subdivision.

Note 19 – Participation reserve

	1993 £ m	1992 £ m
Reserve in respect of 5 742 000 participation certificates with no par value issued by Richemont SA	**430.7**	430.7

The number of participation certificates outstanding at 31 March 1992 has been restated to reflect the 10 for 1 subdivision which took effect on 6 October 1992.

Note 20 – Unitholders' capital

In accordance with the articles of incorporation of the respective companies, the shares issued by the Company and the participation certificates issued by Richemont SA have been twinned as follows:

(a) Each "A" bearer share in the Company with a par value of SFr 100 is twinned with one bearer participation certificate in Richemont SA with no par value to form one "A" unit, issued to bearer.

(b) Every ten "B" registered shares in the Company with a par value of SFr 10 each are twinned with one registered participation certificate in Richemont SA with no par value to form one "B" unit, issued in registered form.

The total number of units in issue is thus made up as follows:

	1993	1992
(a) "A" bearer units, each comprising one "A" bearer share in the Company and one bearer participation certificate in Richemont SA	**5 220 000**	5 220 000
(b) "B" registered units, each comprising ten "B" registered shares in the Company and one registered participation certificate in Richemont SA	**522 000**	522 000
	5 742 000	5 742 000

The total number of units outstanding at 31 March 1992 has been restated to reflect the 10 for 1 subdivision of the "A" bearer shares, the "B" registered shares and the participation certificates of Richemont SA which took effect on 6 October 1992.

In view of this indivisible twinning of shares and participation certificates, the participation reserve of Richemont SA is presented in the consolidated balance sheet of the Company as a component of unitholders' funds. For the same reason, information which would normally be stated on a per share basis is stated in these financial statements on a per unit basis.

Note 21 – Retained earnings and other reserves

	1993 £ m	1992 £ m
Balance brought forward at 1 April	**643.0**	487.1
Appropriation of prior year retained earnings:		
7.5 per cent (1992: 6.75 per cent) dividend paid on participation reserve	**(32.3)**	(29.1)
Profit attributable to unitholders	**206.6**	231.0
Exchange differences	**117.1**	(45.9)
Other movements	**(0.2)**	(0.1)
	934.2	643.0
Analysed as follows:		
The Company and its subsidiary undertakings	**929.5**	639.0
Associated undertakings	**4.7**	4.0
	934.2	643.0

The retained earnings and other reserves at 31 March in each year are stated before the appropriation of retained earnings for the year then ended.

Legal reserves amounting to £44.6 million (1992: £44.3 million) are included above but are not available for distribution.

Note 22 – Long-term borrowings

	1993 £ m	1992 £ m
Rothmans Tobacco (Holdings) Limited, Jersey 10.25 per cent Loan Notes 1994	**612.7**	612.7
Bank loans	**163.0**	192.1
Other loans	**1.7**	2.4
	777.4	807.2
Short-term portion of long-term loans	**(43.0)**	(59.6)
Long-term loans	**734.4**	747.6
Liabilities under finance leases	**24.6**	15.1
Other creditors	**19.3**	15.1
	778.3	777.8

Note 22 – Long-term borrowings (continued)

In consideration for acceptance of its offer, in December 1989, to acquire the whole of the "B" ordinary share capital of Rothmans International p.l.c. which it did not already own, Rothmans Tobacco (Holdings) Limited, Jersey ("RTH"), issued £612.7 million in aggregate nominal amount of Rothmans Tobacco (Holdings) Limited Guaranteed Unsecured 10.25 per cent Loan Notes 1994 ("the Notes"). RTH is a wholly-owned subsidiary undertaking of the Company. Unless previously redeemed or repaid or repurchased by RTH, the Notes will mature on 15 October 1994 and bear interest at a fixed rate of 10.25 per cent per annum. The Notes are in registered form, are transferable and rank pari passu with all other unsecured and unsubordinated obligations of RTH. No application has been made for the Notes to be listed, or dealt in, on any stock exchange. The payment of principal and interest in respect of the Notes has been irrevocably and unconditionally guaranteed jointly and severally by the Company and Richemont SA ("the Guarantors"). The obligations of the Guarantors are unsecured but, in the instrument constituting the Notes, RTH and the Guarantors give certain negative pledges and provision is made for the substitution of the Guarantors, the provision of cash collateral and the substitution or exchange of the principal debtor.

Bank and other loans are subject to market rates of interest. Bank loans amounting to £73.7 million (1992: £74.2 million) are secured by tangible assets of Group undertakings.

An analysis of long-term loans by due date is set out below:

		1993 £ m	1992 £ m
Amounts repayable in the financial years ending 31 March:	1994	–	27.3
	1995	623.9	622.4
	1996	62.8	52.5
	1997	28.4	26.3
	thereafter	19.3	19.1
		734.4	747.6

Note 23 – Other long-term liabilities

	1993 £ m	1992 £ m
Pension obligations	328.1	270.2
Deferred taxation	86.8	107.2
Other provisions	55.5	29.0
	470.4	406.4

Note 24 – Pensions

The total pension cost for the Group is as follows:

	1993	1992
	£ m	£ m
Regular cost	50.1	39.5
Spreading of surpluses and deficiencies	(4.1)	(5.8)
Notional interest on balance sheet provisions	17.5	15.0
	63.5	48.7

The liabilities of Group companies to pay future pension benefits are in general exceeded by either the actuarial value of assets separately administered to provide for such future payments or by provisions for pensions made within the accounts of each company. All material liabilities have been calculated by, and pension costs have been provided in accordance with, the recommendations of independent qualified actuaries. Where the valuation methods used locally do not comply with the Group's accounting policy, pension costs have been reassessed such that the cost of providing pensions is charged against profits on a systematic basis over the remaining service lives of the relevant employees.

However, the obligations of Martin Brinkmann GmbH and Rothmans Cigaretten GmbH, the Group's main German subsidiary undertakings, to pay future pension benefits are provided by way of balance sheet provisions. Actuarial valuations of the companies' estimated long-term liabilities were performed by Rüss, Dr Zimmermann and Partner, Actuaries, Hamburg as at 31 March 1993 using the entry age method and assuming average future salary and pension increases of 5.25 per cent and 3.75 per cent per annum respectively. At the exchange rate then ruling, the present value of the companies' future pension liabilities so calculated at an annual interest rate of 7.25 per cent amounted to £244.0 million, or £4.0 million in excess of the balance sheet provisions then existing.

The following balances are included in the consolidated balance sheet in respect of pensions:

	1993	1992
	£ m	£ m
Debtors	6.2	3.1
Creditors	20.5	12.6
Other long-term liabilities	328.1	270.2

Note 25 – Segmental analysis by product group

	Net sales revenue		Operating profit		Net operating assets	
	1993	1992	1993	1992	1993	1992
	£ m	£ m	£ m	£ m	£ m	£ m
Tobacco	2 411.4	2 180.3	413.4	367.0	918.0	828.7
Luxury products	1 019.3	928.0	202.8	214.6	619.9	491.0
Other activities	–	–	(8.1)	(11.6)	25.4	27.0
The Company and its subsidiary undertakings	3 430.7	3 108.3	608.1	570.0	1 563.3	1 346.7
Share of associated undertakings			10.0	27.5	103.7	83.0
Goodwill amortisation			(14.8)	(13.3)	–	–
			603.3	584.2	1 667.0	1 429.7

Amounts shown in respect of other activities include operating costs and assets carried centrally and not allocated to the tobacco or luxury products segments. Net operating assets comprise tangible fixed assets, investments and net current assets less cash and cash equivalents.

Note 26 – Segmental analysis by geographical area

	Net sales revenue		Operating profit		Net operating assets	
	1993	1992	1993	1992	1993	1992
	£ m	£ m	£ m	£ m	£ m	£ m
Europe	1 811.0	1 579.0	296.0	284.8	909.3	817.3
Asia Pacific	938.5	867.2	165.4	154.5	328.6	284.1
Middle East, Africa and India	224.0	226.9	48.2	47.0	101.8	79.1
Americas	457.2	435.2	98.5	83.7	223.6	166.2
The Company and its subsidiary undertakings	3 430.7	3 108.3	608.1	570.0	1 563.3	1 346.7
Share of associated undertakings			10.0	27.5	103.7	83.0
Goodwill amortisation			(14.8)	(13.3)	–	–
			603.3	584.2	1 667.0	1 429.7

Note 27 – Financial commitments and contingent liabilities

At 31 March 1993 certain Group companies had contingent liabilities and trading commitments in the ordinary course of business in respect of which no material losses are expected to arise.

At 31 March 1993 the Group in total had signed non-cancellable operating leases in respect of which the following minimum rentals are payable:

	Land and buildings	Other assets	Total
	1993	1993	1993
	£ m	£ m	£ m
Within one year	52.7	3.6	56.3
Between two and five years	121.4	3.4	124.8
Thereafter	126.0	0.2	126.2
	300.1	7.2	307.3

Report of the Auditors

To the Directors
Compagnie Financière Richemont AG, Zug

We have audited the consolidated financial statements consisting of the consolidated balance sheet, consolidated profit and loss account, consolidated cash flow statement and the notes to the consolidated financial statements of Compagnie Financière Richemont AG for the year ended 31 March 1993 in accordance with the provisions of the law. Our audit was conducted in accordance with the International Standards on Auditing issued by the International Federation of Accountants. We confirm that we meet the legal requirements concerning professional qualification and independence.

In our opinion the consolidated financial statements give a true and fair view of the financial position, the result of operations and cash flows of Compagnie Financière Richemont AG in accordance with the principles of consolidation and valuation described in the statement of accounting policies and with the provisions of the law.

COOPERS & LYBRAND AG

Kurt Hausheer	Clive Bellingham	Zurich, 25 June 1993
Swiss Certified Public Accountant	Chartered Accountant	
Lead Auditor	Lead Auditor	

Compagnie Financière Richemont AG

Statutory Financial Statements

Directors' Report

The Board of Directors of Compagnie Financière Richemont AG is pleased to submit its report on the activities of the Company for the year ended 31 March 1993. The following financial statements set out the financial position of the Company at 31 March 1993 and the results of its operations for the year then ended.

The agenda for the Annual General Meeting, which is to be held in Zug on 9 September 1993, is set out on page 60.

The results of the Group are presented in the Consolidated Financial Statements on pages 29 to 46. Further information on the Group's activities during the year under review and a commentary on the Consolidated Financial Statements are contained in the Review of the Year on pages 7 to 23 and the Financial Review on pages 24 to 28. Details of the Company's underlying investments are given in the schedule of Principal Group Companies on pages 58 and 59. These investments are principally held through the Company's wholly-owned subsidiary Richemont SA, Luxembourg.

Profit and Loss Account
for the year ended 31 March 1993

	Notes	1993 SFr 000	1992 SFr 000
Income			
Dividends		**20 454**	21 316
Other income		**5 403**	5 052
		25 857	26 368
Expenses			
Interest paid		**1 052**	1 145
General expenses	2	**13 469**	11 099
		14 521	12 244
Profit before taxation		**11 336**	14 124
Taxation		**1 055**	2 322
Net profit for the year		**10 281**	11 802

BALANCE SHEET
AT 31 MARCH 1993

	Notes	1993 SFr 000	1992 SFr 000
Non-current Assets			
Investments	3	702 875	702 935
Fixed assets	4	24 643	18 649
		727 518	721 584
Current Assets			
Loans to affiliated companies		1 945	8
Debtors		220	284
Cash		1 725	1 205
		3 890	1 497
		731 408	723 081
Shareholders' Equity			
Share capital	5	574 200	574 200
Legal reserve	6	109 701	109 101
Retained earnings	7	40 780	31 099
		724 681	714 400
Liabilities			
Accrued expenses		307	2 770
Loans from affiliated companies		4 525	5 232
Long-term liabilities – accrued taxation		1 895	679
		6 727	8 681
		731 408	723 081

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 1993

Note 1 – Basis of preparation of the financial statements

The financial statements represent the financial position of the Company at 31 March 1993 and the results of its operations for the year then ended.

Note 2 – General expenses

	1993 SFr 000	1992 SFr 000
Personnel costs	5 301	4 504
Depreciation	622	302
Other	7 546	6 293
	13 469	11 099

Note 3 – Investments

These comprise investments in wholly-owned subsidiary companies, which are stated at cost.

	1993 SFr 000	1992 SFr 000
Richemont SA, Luxembourg	700 000	700 000
Other investments	2 875	2 935
	702 875	702 935

Note 4 – Fixed assets

Excluding land, the net book value of tangible fixed assets is SFr 17.0 million. The fire insurance value of the aforementioned tangible fixed assets amounts to SFr 18.1 million.

Note 5 – Share capital

	1993 SFr 000	1992 SFr 000
5 220 000 "A" bearer shares with a par value of SFr 100 each, fully paid	522 000	522 000
5 220 000 "B" registered shares with a par value of SFr 10 each, fully paid	52 200	52 200
	574 200	574 200

Both classes of shares were subdivided in the ratio 10 for 1 with effect from 6 October 1992. The subdivision resulted in the par value of an 'A' bearer share being reduced from SFr 1000 per share to SFr 100 per share and the par value of a 'B' registered share being reduced from SFr 100 per share to SFr 10 per share. The number of shares outstanding at 31 March 1992 has been restated to reflect the subdivision.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 1993

Note 6 – Legal reserve

	1993	1992
	SFr 000	SFr 000
Balance at 1 April	109 101	108 501
Transfer from retained earnings	600	600
	109 701	109 101

The legal reserve is not available for distribution.

Note 7 – Retained earnings

	1993	1992
	SFr 000	SFr 000
1 April, before appropriation of prior year retained earnings	31 099	19 897
Transfer to legal reserve	(600)	(600)
1 April, after appropriation	30 499	19 297
Net profit for the year	10 281	11 802
	40 780	31 099

The retained earnings are stated before the proposed appropriation as set out on page 52.

Note 8 – Contingent liabilities

In December 1989, Rothmans Tobacco (Holdings) Limited, Jersey ("RTH"), a wholly-owned subsidiary, issued £612.7 million 10.25 per cent Loan Notes, denominated in pounds sterling, at par in consideration for acceptance of its offer to acquire the whole of the "B" ordinary share capital of Rothmans International p.l.c. which it did not already own. Unless previously redeemed or repaid or repurchased by RTH, the Loan Notes will mature on 15 October 1994. The Loan Notes are in registered form and are transferable, but unlisted. The payment of principal and interest in respect of the Loan Notes has been guaranteed jointly and severally by the Company and Richemont SA, Luxembourg ("the Guarantors"). The obligations of the Guarantors are unsecured but, in the instrument constituting the Loan Notes, RTH and the Guarantors give certain negative pledges and provision is made for the substitution of the Guarantors, the provision of cash collateral and the substitution or exchange of the principal debtor.

At 31 March, 1993 the Company had, in addition, guaranteed obligations of certain subsidiaries amounting to SFr 597.4 million, of which SFr 176.2 million was utilized. The Company does not foresee any liability arising under these guarantees and, therefore, no provision has been made.

Note 9 – Significant shareholders

At the annual general meeting of shareholders which was held on 15 September 1992, the following significant shareholdings were notified to the Company:

- 5 220 000 "B" registered shares held by Compagnie Financière Ehrbar, representing 50.0 per cent of the voting rights in the Company.
- 2 604 040 "A" bearer shares held by Richemont Securities AG, representing 24.9 per cent of the voting rights in the Company. Richemont Securities AG acts as Depositary for depositary receipt holders and votes on their behalf at shareholders' meetings. The depositary receipts are listed on the Johannesburg Stock Exchange and represent claims against the Depositary in respect of a one hundredth undivided share of the rights and benefits, including voting rights, attaching to an "A" bearer unit.

The above figures have been restated to reflect the 10 for 1 subdivision of shares which took effect on 6 October 1992.

Compagnie Financière Richemont AG

Proposal of the Board of Directors for the Appropriation of Retained Earnings at 31 March 1993

	SFr 000
Available retained earnings	
1 April, after appropriation	30 499
Net profit for the year	10 281
	40 780
Proposed appropriation	
Transfer to legal reserve	600
Balance to be carried forward	40 180
	40 780

Details of the dividend proposed in respect of the participation certificates of Richemont SA, Luxembourg are given on page 57.

The Board of Directors

Zug, 22 June 1993

Report of the Statutory Auditors

To the Shareholders
Compagnie Financière Richemont AG, Zug

As statutory auditors of your company we have audited the books of account and the financial statements presented by the Board of Directors for the year ended 31 March 1993 in accordance with the provisions of the Swiss Code of Obligations. Our audit was conducted in accordance with auditing standards promulgated by the profession in Switzerland. We confirm that we comply with the legal requirements concerning professional qualification and independence.

Based on our audit we conclude that the books of account, the financial statements and the proposed appropriation of retained earnings are in accordance with the law and the articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PRICE WATERHOUSE AG
Alan Freeman   Martin James
Auditors in charge

Zurich, 25 June 1993

Richemont SA

Financial Statements

Directors' Report

The Board of Directors of Richemont SA is pleased to submit its report on the activities of the Company for the year ended 31 March 1993. The following financial statements set out the financial position of the Company and the results of its operations for the year then ended.

Statement of Accounting Policies

(a) Accounting convention

The financial statements are prepared under the historical cost convention and are presented in pounds sterling.

(b) Foreign currencies

Transactions in foreign currencies during the year are recorded at exchange rates ruling at the time the transactions take place. Assets and liabilities denominated in currencies other than pounds sterling are translated at exchange rates ruling at the balance sheet date. The resulting exchange gains or losses are credited or charged to the profit and loss account in the current year.

(c) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less amounts written off for diminutions in value which are considered to be of a permanent nature. Dividend income is recognised upon declaration by the subsidiary undertaking.

Richemont SA

Profit and Loss Account
for the year ended 31 March 1993

	1993 £ 000	1992 £ 000
Income		
Dividend	42 000	40 000
Other income	18	39
	42 018	40 039
Expenses		
General expenses	3 280	1 728
Profit before taxation	38 738	38 311
Taxation	137	75
Net profit for the year	38 601	38 236

Balance Sheet
at 31 March 1993

	Notes	1993 £ 000	1992 £ 000
Assets			
Investments	2	909 408	913 978
Cash		7 201	7 013
Dividend receivable		42 000	40 000
Debtors		21	25
		958 630	961 016
Capital and reserves			
Share capital	3	143 550	143 550
Participation reserve	4	430 650	430 650
Legal reserve	5	9 703	7 778
General reserve	6	285 307	285 307
Retained earnings	7	88 771	93 725
		957 981	961 010
Liabilities			
Accrued expenses		649	6
		958 630	961 016

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 1993

Note 1 – Basis of preparation of the financial statements

Richemont SA is a Luxembourg holding company, incorporated on 5 March 1979. It is a wholly-owned subsidiary of Compagnie Financière Richemont AG, Zug, Switzerland. The financial statements represent the financial position of the Company at 31 March 1993 and the results of its operations for the year then ended.

Note 2 – Investments

These comprise investments in and loans to wholly-owned subsidiary companies, which are stated at cost.

	1993 £ 000	1992 £ 000
Investments in subsidiary companies	620 836	620 824
Loans to subsidiary companies	288 572	293 154
	909 408	913 978

Note 3 – Share capital

	1993 £ 000	1992 £ 000
Authorised		
Shares with a par value of £75 each	200 000	200 000
Issued and fully paid		
1 914 000 shares with a par value of £75 each	143 550	143 550

The shares were subdivided in the ratio of 10 for 1 with effect from 6 October 1992. The subdivision resulted in the par value of a share being reduced from £750 per share to £75 per share. The number of shares outstanding at 31 March 1992 has been restated to reflect the subdivision.

Note 4 – Participation reserve

	1993 £ 000	1992 £ 000
Reserve established in respect of 5 742 000 participation certificates with no par value	430 650	430 650

The company has set aside a participation reserve amounting to £430 650 000 and issued, in respect of this reserve, 5 220 000 (1992: 5 220 000) bearer non-voting participation certificates with no par value and 522 000 (1992: 522 000) registered non-voting participation certificates with no par value. Bearer and registered participation certificates have identical rights.

Both classes of participation certificates were subdivided in the ratio of 10 for 1 with effect from 6 October 1992. The number of participation certificates outstanding at 31 March 1992 has been restated to reflect that subdivision.

Note 5 – Legal reserve

The legal reserve amounting to £9 703 000 (1992: £7 778 000) is not available for distribution.

Note 6 – General reserve

The general reserve amounting to £285 307 000 (1992: £285 307 000) is available for distribution subject to the approval of the shareholders.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 1993

Note 7 – Retained earnings

	1993 £ 000	1992 £ 000
1 April, before appropriation of prior year retained earnings	93 725	94 637
Transfer to legal reserve	(1 925)	(1 825)
6.5 per cent dividend paid on share capital (1992: 5.75 per cent)	(9 331)	(8 254)
7.5 per cent dividend paid on participation reserve (1992: 6.75 per cent)	(32 299)	(29 069)
1 April, after appropriation	50 170	55 489
Net profit for the current year	38 601	38 236
	88 771	93 725

The retained earnings at 31 March are stated before the proposed appropriation thereof as outlined on page 57.

Note 8 – Contingent liability

In December 1989, Rothmans Tobacco (Holdings) Limited, Jersey ("RTH"), a wholly-owned subsidiary, issued £612.7 million 10.25 per cent Loan Notes, denominated in pounds sterling, at par in consideration for acceptance of its offer to acquire the whole of the "B" ordinary share capital of Rothmans International p.l.c. which it did not already own. Unless previously redeemed or repaid or repurchased by RTH, the Loan Notes will mature on 15 October 1994. The Loan Notes are in registered form and are transferable, but unlisted. The payment of principal and interest in respect of the Loan Notes has been guaranteed jointly and severally by the Company and Compagnie Financière Richemont AG, Zug ("the Guarantors"). The obligations of the Guarantors are unsecured but, in the instrument constituting the Loan Notes, RTH and the Guarantors give certain negative pledges and provision is made for the substitution of the Guarantors, the provision of cash collateral and the substitution or exchange of the principal debtor.

RICHEMONT SA

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF RETAINED EARNINGS AT 31 MARCH 1993

	£ 000
Available retained earnings	
1 April, after appropriation	50 170
Net profit for the year	38 601
	88 771
Proposed appropriation	
Transfer to legal reserve	2 000
6.85 per cent dividend payable on share capital	9 833
7.85 per cent dividend payable on participation reserve	33 806
Balance to be carried forward	43 132
	88 771

The proposed dividend on the share capital will be payable to Compagnie Financière Richemont AG, Zug.

The proposed dividend on the participation reserve amounts to £5.88¾ per participation certificate. It will be payable to unitholders of Richemont on 28 September 1993 in respect of coupon number 5, free of charges, at the banks designated as paying agents.

The Board of Directors — Luxembourg, 21 June 1993

REPORT OF THE AUDITORS

To the Shareholders
Richemont SA, Luxembourg

We have examined the balance sheet at 31 March 1993 of Richemont SA and the related profit and loss account. Our examination was made in accordance with generally accepted auditing standards.

In our opinion, the accompanying financial statements examined by us give a true and fair view of the financial position of Richemont SA at 31 March 1993 and of the profit for the year then ended in accordance with the principles of valuation described in the statement of accounting policies. We also confirm that the proposal of the Board of Directors for the appropriation of the retained earnings is in agreement with the law and the Company's statutes.

COOPERS & LYBRAND — Luxembourg, 22 June 1993

PRINCIPAL GROUP COMPANIES

The principal companies in the Group, as well as in each case the effective interest in their ordinary share capital attributable to Richemont as at 31 March 1993, are set out below. The list of companies distinguishes between subsidiary undertakings and associated undertakings in accordance with the Group's accounting policy as set out in note (b) on page 30.

Country of incorporation	Name of company	Principal activity	Effective interest
Subsidiary undertakings			
Switzerland	Baume & Mercier SA	Luxury goods	65.0%
	Business Control SA	Management services	100.0%
	Cartier International SA	Management services	77.2%
	Cartier SA	Luxury goods	77.2%
	PBM International Holding SA	Holding company	65.0%
	Richemont Securities AG	Transfer secretaries	100.0%
	SA Ancienne Fabrique G. Piaget et Cie.	Luxury goods	65.0%
	Sullana AG	Tobacco products	62.4%
Australia	Rothmans Holdings Limited	Holding company	31.2%
	Rothmans of Pall Mall (Australia) Limited	Tobacco products	31.2%
Belgium	Tabacofina-Vander Elst NV	Tobacco products	62.1%
Canada	Rothmans, Benson & Hedges Inc.	Tobacco products	26.7%
	Rothmans Inc.	Holding company	44.4%
France	A. Sulka SA	Luxury goods	90.3%
	Cartier SA	Luxury goods	77.2%
	Chloé International SA	Luxury goods	36.0%
	Karl Lagerfeld SA	Luxury goods	36.0%
Germany	Cartier GmbH	Luxury goods	77.2%
	Montblanc-Simplo GmbH	Luxury goods	36.0%
	Rothmans Cigaretten GmbH	Tobacco products	62.4%
Hong Kong	Les Must de Cartier Far East Limited	Luxury goods	77.2%
Italy	L.M.C. International Spa	Luxury goods	77.2%
Japan	Cartier Japan Limited	Luxury goods	77.2%
Jersey	Rothmans Tobacco (Holdings) Limited	Holding company	100.0%
Luxembourg	Cartier Monde SA	Holding company	77.2%
	Luxco SA	Holding company	90.3%

PRINCIPAL GROUP COMPANIES

Country of incorporation	Name of company	Principal activity	Effective interest
Malaysia	Rothmans of Pall Mall (Malaysia) Berhad	Tobacco products	31.2%
Netherlands	Cartier International BV	Luxury goods	77.2%
	Rothmans Exports (The Netherlands) BV	Tobacco products	62.4%
	Rothmans International (Europe) BV	Holding company	62.4%
	Rothmans Nederland BV	Tobacco products	62.4%
	Rothmans Tobacco Company BV	Holding company	62.4%
	Schimmelpenninck Sigarenfabrieken BV	Tobacco products	62.4%
	Theodorus Niemeyer BV	Tobacco products	62.4%
New Zealand	Rothmans of Pall Mall (New Zealand) Limited	Tobacco products	31.2%
Republic of Ireland	PJ Carroll and Company Limited	Tobacco products	62.4%
Singapore	Rothmans Industries Limited	Tobacco products	31.2%
United Kingdom	Alfred Dunhill Limited	Luxury goods	36.0%
	A. Sulka and Company Limited	Luxury goods	90.3%
	Cartier Limited	Luxury goods	77.2%
	Dunhill Holdings PLC	Holding company	36.0%
	Hackett Limited	Luxury goods	28.4%
	Richemont International Limited	Advisory services	100.0%
	Rothmans (Far East) Limited	Tobacco products	62.4%
	Rothmans International Investments Limited	Holding company	62.4%
	Rothmans International p.l.c.	Holding company	62.4%(1)
	Rothmans International Tobacco Limited	Management services	62.4%
	Rothmans International Tobacco (UK) Limited	Tobacco products	62.4%
	Rothmans of Pall Mall (International) Limited	Tobacco products	62.4%
	Rothmans (UK) Limited	Tobacco products	40.6%
United States of America	A. Sulka & Company Limited	Luxury goods	90.3%
	Cartier Incorporated	Luxury goods	77.2%
	Lane Limited	Tobacco products	62.4%
	Tobacco Exporters International (USA) Limited	Tobacco products	62.4%

Associated undertakings

British Virgin Islands	North American Resources Limited	Holding company	50.0%(2)
Jamaica	Carreras Group Limited	Tobacco products	29.4%
Luxembourg	FilmNet SA	Holding company	45.0%

(1) Richemont holds 99.9 per cent of the Ordinary shares, 60.1 per cent of the "B" Ordinary shares and 100.0 per cent of the preference share capital of Rothmans International p.l.c. In total, Richemont has an effective interest of 62.4 per cent in the Ordinary and "B" Ordinary share capital of the company and controls 67.9 per cent of the voting rights.

(2) Richemont, in addition, holds 100 per cent of the convertible preference shares of North American Resources Limited.

Notice of Meeting

The Annual General Meeting of shareholders of Compagnie Financière Richemont AG will be held at 3.00 pm in the "Grosser Saal", Artherstrasse 2–4, 6300 Zug on Thursday, 9 September 1993.

Agenda

1. Business Report

The Board of Directors proposes that the General Meeting, having taken cognisance of the report of the Statutory Auditors, approve the annual financial statements and the Directors' Report for the business year ended 31 March 1993.

2. Appropriation of Profits

The Board of Directors proposes that the available retained earnings of the Company at 31 March 1993 of SFr 40 780 422 be appropriated as follows:

Transfer to legal reserve	SFr 600 000
Balance to be carried forward	SFr 40 180 422
	SFr 40 780 422

3. Discharge of the Board of Directors

The Board of Directors proposes that its members be discharged from their obligations in respect of the business year ended 31 March 1993.

4. Election of the Board of Directors

The Board of Directors proposes that the following members be re-elected to serve for a further term of one year: Nikolaus Senn, Jean-Paul Aeschimann, Johann Rupert, Jan du Plessis, Max Ehrbar, René Gerber, Yves-André Istel, Joseph Kanoui, Lord Swaythling.

5. Election of the Auditors

The Board of Directors proposes that Coopers & Lybrand AG be appointed for a term of one year as Auditors of the financial statements of the Company and of the consolidated financial statements of the Group.

The financial statements and the related report of the Statutory Auditors, together with the Directors' Report for the year ended 31 March 1993, will be available for inspection at the registered office of the Company from 16 August 1993 onwards. A copy of these documents, which are contained in the Richemont Annual Report 1993, will be sent to shareholders upon request.

Cards for admission to the Annual General Meeting together with voting forms may be obtained by holders of bearer shares, upon deposit of their share certificates, from any branch of the following banks up to 2 September 1993:

Union Bank of Switzerland

Bank J Vontobel & Co AG

Darier, Hentsch & Cie

Pictet & Cie

Anlage- und Kreditbank AKB

Deposited shares will be blocked until the close of the meeting. No admission cards will be issued on the day of the meeting itself.

A shareholder may appoint a proxy, who need not be a shareholder, as his or her representative at the meeting. Forms of proxy are provided on the reverse of the admission cards. In accordance with Swiss law, each shareholder may be represented at the meeting by the Company, by a bank or similar institution or by Dr Andreas Renggli, Notary Public, Baarerstrasse 8, 6300 Zug as independent agent. Unless proxies include explicit instructions to the contrary, voting rights will be exercised in support of the proposals of the Board of Directors.

Depositary agents, as defined in Article 689d of the Swiss Company Law, are requested to indicate to the Company, as soon as possible and in any event to the admission control prior to the commencement of the meeting, the number and par value of the shares they represent together with the reference numbers of the relevant admission cards. Institutions subject to the Swiss Federal Act on Banks and Savings Banks of 8 November 1934 and professional fund managers and trustees may be considered as depositary agents.

For the Board of Directors

Nikolaus Senn
Chairman

Johann Rupert
Managing Director

Zug, 25 June 1993