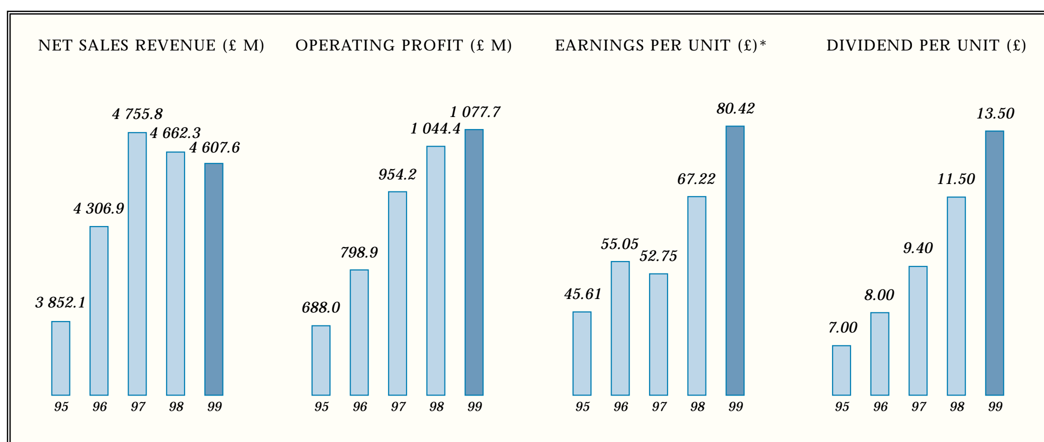
RICHEMONT

Richemont is a Swiss-based tobacco and luxury goods group.
It is managed with a view to the profitable long-term development of successful international brands.

	1999 £	1998 £	
Net sales revenue	**4 607.6 m**	4 662.3 m	– 1.2%
Operating profit	**1 077.7 m**	1 044.4 m	+ 3.2%
Attributable profit*	**461.8 m**	386.0 m	+ 19.6%
Earnings per unit*	**80.42**	67.22	+ 19.6%
Dividend per unit	**13.50**	11.50	+ 17.4%



**Attributable profit and earnings per unit have been presented on an adjusted basis, excluding exceptional items and goodwill amortisation. On a reported basis, including exceptional items and goodwill amortisation, attributable profit and earnings per unit amounted to £ 323.7 million (1998: £ 329.4 million) and £ 56.37 (1998: £ 57.37), respectively.*

GROUP STRUCTURE

The year under review has seen a strong performance by both Rothmans International and Vendôme Luxury Group in the face of difficult trading conditions. Profit attributable to unitholders increased 19.6 per cent in the year, bringing it to £ 461.8 million. This largely reflected higher profitability in both the Group's tobacco and luxury goods operations combined with the benefits of the buy out of the minority shareholders in Vendôme Luxury Group, which took effect at the end of the previous financial year.

As a consequence of the increase in profit attributable to unitholders, your Board has proposed a dividend of £ 13.50 per unit, an increase of 17.4 per cent over the prior year.

The year also saw the announcement of the merger of Rothmans International with British American Tobacco. The necessary regulatory approvals having been obtained, the transaction was completed on 7 June of this year. The new group, in which Richemont has an effective interest of 23.3 per cent, is the second largest international tobacco company with a worldwide market share of over 16 per cent. Although Richemont no longer has day to day control over its tobacco interests, it will continue, through its presence on the board of BAT, to have a significant influence on the development of the enlarged company. We look forward to the significant benefits which the bringing together of the two companies will generate.

As a consequence of the transaction, Bill Ryan, Chief Executive of Rothmans International, has resigned his position as a director of Richemont and has been appointed Deputy Managing Director of BAT. We thank him for his contribution to Rothmans International over the last 33 years – the last nine of which were as Chief Executive – and wish him every success in his challenging new role.

Over the years, I have paid tribute to all of the group's employees for their loyalty and commitment to the group. This year has been especially testing. On behalf of shareholders, I would once again like to thank them all, in particular the employees of Rothmans International to whom we extend our very best wishes for the future.

Nikolaus Senn CHAIRMAN

As a final matter, I would like to comment on Richemont's readiness to deal with the 'Year 2000' issue. Whilst no company can say with absolute certainty that all of its systems are fully Year 2000 compliant, senior group management has completed detailed reviews of all business systems which could be affected by the millennium issue. As a result of the considerable work that has been done in this area over the last three years, your Board believes the risk of business disruption as a consequence of the Year 2000 to be minimal.

Nikolaus Senn
CHAIRMAN
Compagnie Financière Richemont AG
16 June 1999

DIRECTORS AND COMPANY INFORMATION

COMPAGNIE FINANCIÈRE RICHEMONT AG

Nikolaus Senn
CHAIRMAN
Dr Senn, aged 72, is a non-executive director. He is Honorary Chairman of the former Union Bank of Switzerland.

Jean-Paul Aeschimann
DEPUTY CHAIRMAN
Maître Aeschimann, aged 65, is a non-executive director and is a director of Vendôme Luxury Group. He is an attorney at the Bar of Geneva and is also a director of Reuters SA and Barclays Bank (Suisse) SA.

Johann Rupert
CHIEF EXECUTIVE
Mr Rupert, aged 49, was previously Chairman of Rothmans International and has been appointed to the board of British American Tobacco following the merger. He is also a director of Vendôme Luxury Group and Canal+ and is Chairman of Rembrandt Group Limited and Gold Fields of South Africa Limited.

Jan du Plessis
FINANCE DIRECTOR
Mr du Plessis, aged 45, was previously a director of Rothmans International and has been appointed to the board of British American Tobacco following the merger. He is also a director of Vendôme Luxury Group and Hanover Direct.

Leo Deschuyteneer
Mr Deschuyteneer, aged 68, was appointed to the board in 1998. He is a director of Sofina SA, a leading Belgian investment company, and has served on the board of Vendôme Luxury Group since its formation in 1993.

Yves-André Istel
Mr Istel, aged 63, is a non-executive director. He is Vice Chairman of Rothschild Inc. and has been a director of Rothschild & Cie since 1993. He also serves on the boards of several other public companies and non-profit institutions.

Joseph Kanoui
Mr Kanoui, aged 62, is Chairman and Chief Executive of Vendôme Luxury Group and serves on the boards of several of the companies within the Vendôme group.

Lord Renwick of Clifton KCMG
Lord Renwick, aged 61, is a non-executive director. Having formerly served as British Ambassador to South Africa and the United States, he is now Deputy Chairman of Robert Fleming Holdings Limited and Chairman of Robert Fleming Inc. He is also Chairman of Fluor Daniel and serves on the boards of a number of other public companies including Canal+, British Airways, Liberty International, South African Breweries and Billiton.

William Ryan
Mr Ryan, aged 64, was formerly Chief Executive of Rothmans International. He resigned from the board on 16 June 1999 following his appointment as Deputy Managing Director of British American Tobacco.

Ernst Verloop
Mr Verloop, aged 72, joined the board in 1998, having previously served as a director of Rothmans International and a number of that company's Dutch subsidiaries. He is a former director of both Unilever N.V. and Unilever plc. He has also served on the supervisory boards of a number of other Dutch and international companies.

Registered Office	Rigistrasse 2 CH 6300 Zug Switzerland Telephone: 041 710 33 22 Telefax: 041 711 71 02
Group and Statutory Auditors	PricewaterhouseCoopers AG Zurich
Company Secretary	**Alan Grieve**

DIRECTORS AND COMPANY INFORMATION

RICHEMONT SA

Johann Rupert*
CHAIRMAN

Joseph Kanoui*
MANAGING DIRECTOR

Jean-Paul Aeschimann*
NON-EXECUTIVE DIRECTOR

Jan du Plessis*
FINANCE DIRECTOR

Eloy Michotte
Mr Michotte, aged 51, is an executive director with primary responsibility for corporate finance. He is a member of the board of directors of Canal+.

Frederick Mostert
Dr Mostert, aged 39, is an executive director with responsibility for intellectual property matters. He is a member of the New York Bar and is Honorary Chairman of the International Trade Mark Association.

Alan Quasha
Mr Quasha, aged 49, is a non-executive director. Based in New York, he is Chairman of Hanover Direct.

Howard Tanner
Mr Tanner, aged 55, is an executive director and serves on the board of Hanover Direct.

**Also a director of Compagnie Financière Richemont AG*

Registered Office	35 Boulevard Prince Henri L 1724 Luxembourg Telephone: 22 72 52 Telefax: 22 72 53
Statutory Auditors	PricewaterhouseCoopers S.à.r.l. Luxembourg
Company Secretary	**Alan Grieve**

Richemont SA is a wholly-owned subsidiary of Compagnie Financière Richemont AG. Participation certificates issued by Richemont SA are indivisibly twinned with the shares of Compagnie Financière Richemont AG to form Richemont units. Richemont units are traded on the Swiss Stock Exchange. Depositary receipts in respect of Richemont units are traded on the Johannesburg Stock Exchange; American Depositary Receipts are traded over the counter in New York and are quoted on SEAQ International in London.

Richemont's tobacco and luxury goods businesses both reported good results for the year, notwithstanding the continued weakness of key currencies against sterling and difficult economic conditions in many markets.

RESULTS – Sales of tobacco products declined by 4.7 per cent at actual exchange rates after the adverse impact of foreign exchange rate adjustments of £ 256.9 million. At constant rates, the underlying growth was 3.4 per cent bringing net sales revenue to £ 3 279.1 million. Although Rothmans International's operating profit was marginally lower at actual rates, in constant currency terms, operating profit was £ 906.0 million, some 10.4 per cent above the previous year.

Vendôme Luxury Group showed good growth in operating profit in Swiss franc terms with an increase of 12.2 per cent to SFr 648.2 million. In sterling terms, this amounted to £ 272.4 million at actual exchange rates, reflecting growth of 13.2 per cent.

NET SALES REVENUE	1999 £ m	1998 £ m	
Tobacco	**3 279.1**	3 171.9	+ 3.4%
Luxury goods	**1 607.1**	1 490.4	+ 7.9%
At constant rates	**4 886.2**	4 662.3	+ 4.8%
Adjustment to actual exchange rates	**(278.6)**	–	
At actual rates	**4 607.6**	4 662.3	– 1.2%

OPERATING PROFIT	1999 £ m	1998 £ m	
Tobacco	**906.0**	820.9	+ 10.4%
Luxury goods	**279.5**	240.6	+ 16.3%
Other	**(12.1)**	(17.1)	
At constant rates	**1 173.4**	1 044.4	+ 12.4%
Adjustment to actual exchange rates	**(95.7)**	–	
At actual rates	**1 077.7**	1 044.4	+ 3.3%

Johann Rupert CHIEF EXECUTIVE

MERGER OF ROTHMANS INTERNATIONAL AND BRITISH AMERICAN TOBACCO – The decision to merge Rothmans International with British American Tobacco is one which will have profound consequences for the Group.

By bringing Rothmans International and BAT together, we have created the world's second largest tobacco company. The new group will have the resources to compete effectively worldwide and will benefit from a high degree of complementarity in terms of brand portfolios and geographic spread. It will have leading positions in Latin America, Africa and Asia as well as a strong position in Europe.

Whilst we believe that Rothmans International has been well managed and has developed a strong portfolio of national and international brands, there was no escaping the fact that, in order to compete effectively in the global tobacco business in the future, it was necessary to achieve the economies of scale that only a merger could bring. It is anticipated, for example, that cost savings of at least £ 250 million per annum can be achieved by the third full year after the merger taking

effect. Whilst some of these savings would have been achievable in any event, the pace of consolidation in the industry as a whole is such that the status quo was not an option if Richemont's tobacco interests were to prosper in the long-term.

We anticipate that the Group's 23.3 per cent effective interest in the enlarged BAT, which will be equity accounted, will continue to generate the largest proportion of the Group's profits. Inevitably, however, the focus of Richemont's future development will tend towards the expansion of its wholly-owned luxury goods business.

BUSINESS DEVELOPMENTS – Rothmans International's sales volumes were adversely impacted by the economic crises which particularly hit business in Russia, Ukraine and the Central Asian Republics. Volumes were also lower in a number of established markets but increased in certain of the Group's development markets.

In terms of luxury goods, Vendôme Luxury Group saw satisfactory growth in sales and somewhat higher levels of growth in operating profit. Despite the downturn in Asia first seen towards the end of 1997 and the unsettling effect during the summer of 1998 of the economic crises in the former Soviet Union and in Brazil, sentiment improved significantly in the final quarter of 1998. In the Far East in general and in Japan in particular, consumer confidence improved and all of the Group's luxury goods brands were able to benefit during the key pre-Christmas season.

In May of this year, the Group announced the acquisition of a controlling interest in Van Cleef & Arpels, one of the world's leading jewellery brands. We believe that the brand has a unique heritage and considerable scope for further development, particularly given the potential to expand its international operations.

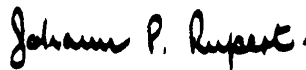
OUTLOOK – Although the Group has enjoyed satisfactory results in the last financial year, we must remain aware of the potential problems that can adversely effect our businesses.

Booming equity markets disguise the fragile state of the global economy. With over forty per cent of citizens of the United States invested in equity markets, the increase in perceived wealth has led to a growth in consumption. Should the inevitable correction in equity markets occur before real economic growth reappears in Japan, the dominant Asian economy, the credit meltdown that was experienced a year ago may appear to have been a minor squall before the storm.

Within this framework, Richemont can only seek to invest prudently to expand its core business and endeavour to protect itself from the risk of an economic slowdown or even recession. Through its interest in the enlarged BAT, Richemont will be able to participate in the restructuring of the global tobacco industry from a position of strength. Equally, given the strength of the Group's portfolio of brands, Richemont is well placed to develop its luxury goods business through further organic growth. As appropriate opportunities present themselves, this internal growth will be combined with a highly selective acquisition policy in the luxury goods sector.

We have restructured our investments over the last few years. As a result, Richemont is now quite well positioned. Vendôme will continue to perform well during continued economic prosperity, whilst the strong cash flow out of the Group's tobacco interests has traditionally proven to be an excellent hedge during periods of economic uncertainty.

We therefore look to the future with a degree of confidence, tempered by an awareness of the pitfalls that may lie ahead.



Johann Rupert
CHIEF EXECUTIVE
Compagnie Financière Richemont AG
16 June 1999

TOBACCO PRODUCTS

Richemont's tobacco interests were held during the year under review through its 66.7 per cent interest in Rothmans International. In January 1999, proposals were announced for the merger of Rothmans International and British American Tobacco p.l.c. The merger was completed on 7 June 1999 and Richemont now holds an effective 23.3 per cent interest in the enlarged British American Tobacco. Prior to the merger Rothmans International was the fourth largest multinational tobacco company in the world, being exclusively engaged in the manufacture, distribution and sale of tobacco products, including cigarettes, fine cut tobacco, pipe tobacco and cigars.

During the year under review Richemont indirectly owned two thirds of Rothmans International, the remaining one third being indirectly held by Rembrandt Group Limited, a public company incorporated in the Republic of South Africa.

Rothmans International has a portfolio of internationally recognised trade marks. Rothmans, Peter Stuyvesant and Dunhill are, in terms of sales volumes outside the United States, in the world's top 15 international cigarette trade marks. Other international cigarette trade marks include Craven "A", Winfield, and Vogue. Regional cigarette trade marks include Golden American in Western and Eastern Europe and Holiday in the Pacific region. Local cigarette trade marks include Parisienne in Switzerland, Belga in Belgium, Caballero in The Netherlands, Carrolls in Ireland, Lord in Germany and Kansas in Indonesia. Rothmans International has also developed several international, lower priced cigarette brands with trade marks such as London and Dallas. In non-cigarette tobacco products, the main trade marks are Samson (fine cut tobacco), Captain Black (pipe tobacco) and Dunhill, Schimmelpenninck and Corps Diplomatique (cigars).

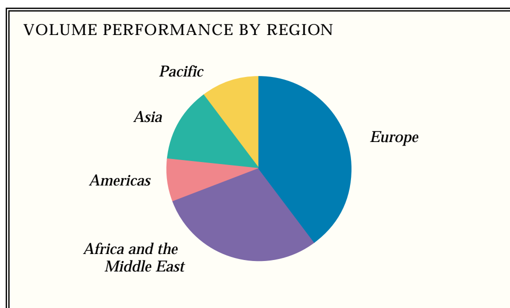
Rothmans International's brands hold the number one position in 15 different markets around the world, including Dunhill in Malaysia, Peter Stuyvesant in South Africa, Rothmans in Malta, Winfield in Australia and Holiday in New Zealand.

Rothmans International holds the number one market position in 17 markets around the world, most notably in South Africa, Malaysia, New Zealand and in several markets in the greater Gulf region, including Bahrain, Oman and Cyprus. In addition it is number two in another 14 countries, including key markets such as Australia, Belgium, Switzerland, Singapore and The Netherlands.

In Europe, the main production facilities are located in Zevenaar in The Netherlands, and in Darlington and Spennymoor in the North East of England, together accounting for some 40 per cent of Rothmans International's worldwide cigarette production. Rothmans International's other main production facilities are located in South Africa, Malaysia, Singapore, Australia, Canada, Switzerland and Russia.

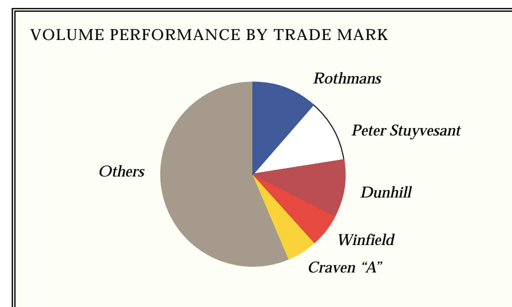
SALES VOLUME – Rothmans International's sales volumes declined by over 4.2 per cent in the year under review. The principal factor in the volume decrease was the impact of the economic crisis in Central and Eastern Europe which reduced sales in Russia, Ukraine and the Central Asian Republics by approximately 50 per cent. Volume also declined in several of the Group's established markets, notably in the United Kingdom, France and Malaysia and in South Africa, reflecting the effect on the total market there of substantial excise increases. Volume growth was achieved in certain of the Group's development markets, particularly in Indonesia, where volumes increased by over 150 per cent, and Vietnam.

VOLUME PERFORMANCE BY REGION



The Winfield brand continued to be number one in Australia, retained its position as the fourth largest brand in France and became more established in a number of markets in Western Europe. For the 1998 season sponsorship of the Williams Formula One Grand Prix team was transferred to Winfield and during the year the brand was launched in Hong Kong and Japan. Winfield is now available in over 27 domestic markets. Following the dramatic rise in Winfield volume last year sales declined slightly in the current year, largely due to the impact of price rises in France. Peter Stuyvesant maintained its market leadership in South Africa but suffered from the overall volume decline in that market. Dunhill maintained its number one position in a reduced total market in Malaysia.

VOLUME PERFORMANCE BY TRADE MARK



FINANCIAL RESULTS – Rothmans International's financial results, reported in sterling, were adversely affected by the weakness of currencies in certain of its key markets, in particular the South African rand, the Malaysian ringgit and the Australian dollar, which masked the underlying improvement in the financial performance of the Group's tobacco business. Translated at constant exchange rates, net sales revenue increased by 3.4 per cent and operating profit by 10.4 per cent. However, translated at actual average rates for each year, net sales revenue declined by 4.7 per cent and operating profit was flat year on year.

The underlying growth in net sales revenue was achieved as price increases more than offset the effect of lower sales volume, the negative impact of which was reduced due to a significant proportion of the decline arising in lower priced markets. The underlying improvement in operating profit was derived mainly

ANALYSIS OF SALES AND OPERATING PROFIT

	Net sales revenue			Operating profit		
	1999 £ m	1998 £ m		**1999 £ m**	1998 £ m	
Europe	**1 394.3**	1 369.4	+ 1.8%	**291.5**	244.6	+ 19.2%
Africa and the Middle East	**714.8**	693.4	+ 3.1%	**265.2**	225.2	+ 17.8%
Americas	**296.5**	299.6	– 1.0%	**89.7**	99.3	– 9.7%
Asia	**476.3**	475.8	+ 0.1%	**153.7**	139.8	+ 9.9%
Pacific	**397.2**	333.7	+ 19.0%	**85.3**	97.2	– 12.2%
Rothmans International and its subsidiary undertakings	**3 279.1**	3 171.9	+ 3.4%	**885.4**	806.1	+ 9.8%
Share of associated undertakings	**–**	–		**20.6**	14.8	+ 39.2%
At constant rates	**3 279.1**	3 171.9	+ 3.4%	**906.0**	820.9	+ 10.4%
Translation adjustment	**(256.9)**	–		**(88.9)**	–	

from South Africa, Australia (excluding the one-off excise duty gain last year), Equatorial Africa, West Africa and the United Kingdom. In the development markets, the effects of the difficult trading conditions in Central and Eastern Europe were partly offset by improved results for Vietnam and China.

The table set out above analyses net sales revenue and operating profit by geographic areas of operation. As explained above, Rothmans International's results were severely affected by currency movements, and therefore the analysis shown above is at constant exchange rates with an adjustment to arrive back to actual exchange rates. The following sections review the performance of Rothmans International in its five geographic areas of operation. References throughout to changes in net sales revenue and operating profit are all at constant exchange rates.

EUROPE – This region includes both Western and Eastern Europe and the former Soviet Union as well as the European-based fine cut, pipe tobacco and cigar business. The Group's major markets are the United Kingdom, France, Switzerland, Germany and the Benelux.

Sales volume in this region, which accounts for nearly 40 per cent of Rothmans International's total volume, decreased by 9.2 per cent. This reflected the very difficult trading conditions in Central and Eastern Europe following the Russian rouble crisis which had a severely adverse impact on the volume of sales in that area. In addition, sales declined in a number of West European cigarette markets, in part due to contracting domestic consumption.

Net sales revenue increased by 1.8 per cent and operating profit grew by 19.2 per cent. The improvement was mainly due to price rises and lower costs which more than offset the effect of reduced sales volume.

Rothmans International's overall cigarette market share in Western Europe remained constant at around 8 per cent. Following the very successful debut of Winfield in France in late 1996 the brand has retained its position as the fourth largest brand in the market with a

6.4 per cent share, despite a fall in volume resulting from a price realignment of the brand. The effect of lower sales volume was matched by price increases which left operating profits largely unchanged. Market share in the United Kingdom improved slightly but year on year volume declined by 11.9 per cent, in line with the contraction of the overall market, which was adversely impacted by cross-Channel shopping.

Sales volume in Central and Eastern Europe decreased by 43.7 per cent, principally as a consequence of the economic turmoil which followed the devaluation of the Russian rouble. The major markets affected were Russia, where volume fell by 48.2 per cent, Ukraine and the Central Asian Republics, both of which declined by some 65 per cent.

AFRICA AND THE MIDDLE EAST – This geographic region covers the African continent, the Middle East and South Asia. In the year under review, net sales revenue for the region increased by 3.1 per cent, as price increases in the region more than offset volume declines, particularly in South Africa. Operating profit increased by 17.8 per cent.

In South Africa, Rothmans International is the clear market leader. Peter Stuyvesant continued to strengthen its commanding number one position, growing to a market share of 35.7 per cent, and the brand is now three times larger than the number two brand in the market. However, the South African cigarette market continued to suffer the burden of increasing excise taxes and the Group's sales fell in line with the market decline.

Volume elsewhere in Africa remained stable but profitability was increased due to pricing benefits, particularly in West Africa and improved results from a number of markets in Equatorial Africa.

In the Middle East there was a significant decrease in export orders which resulted in an 18.3 per cent fall in volume. In the important markets of Saudi Arabia and the Arabian Gulf steady growth in sales of the Rothmans brand family was maintained, with sales of Rothmans Lights increasing by nearly 50 per cent following a newly developed advertising campaign.

AMERICAS – Rothmans International's main operation in the Americas is in Canada, where it operates through a 71 per cent shareholding in the publicly-listed company, Rothmans Inc. which, in turn, holds 60 per cent of Rothmans, Benson and Hedges Inc., an equity partnership with Philip Morris. In the United States, the Group focuses on the sale of cigars and pipe tobacco. In Jamaica, Rothmans International is the market leader through its associate, Carreras Group Limited.

Operating profit for the region declined by 9.7 per cent, mainly due to lower premium cigar volume which was only partly offset by higher cigarette sales prices.

On a composite basis, sales volume of cigarettes and other tobacco products fell by 1.7 per cent in Canada, due to a decline in market share. However, profitability was maintained through price increases.

In the United States, sales of premium cigars decreased by 58.3 per cent, with profitability declining as a consequence. In the pipe tobacco sector, sales volume improved by 8.7 per cent.

During the year, two of the Group's United States subsidiaries joined in the master settlement agreement between a number of cigarette manufacturers and importers and the 46 states that had not previously settled, the District of Columbia and five US commonwealths

and territories. Given the scale of the Group's operations in the United States, the payment obligations under this agreement are not anticipated to be material.

ASIA – In the Asia region Rothmans International operates through two listed companies, Rothmans of Pall Mall (Malaysia) Berhad and Rothmans Industries Limited of Singapore, and through wholly owned companies in North East Asia. Rothmans International also has a joint venture manufacturing arrangement in China with the China National Tobacco Corporation, Shandong Provincial Company.

Sales volume for the region overall increased by 1.9 per cent and net sales revenue was largely unchanged. Operating profit improved by 9.9 per cent, reflecting the volume growth, price increases and lower costs.

Rothmans of Pall Mall (Malaysia) Berhad, the market leader in Malaysia reported volumes 7.6 per cent lower than last year following a decline in the total market, although Dunhill King Size successfully maintained its dominant market leadership, with a share in excess of 40 per cent. Underlying profitability remained constant as the impact of lower volumes was offset by price increases and cost reductions.

In Singapore, Rothmans Industries Limited's domestic sales volume decreased by 7.4 per cent, reflecting a decline in the total market. In local currency terms, profitability increased by 22.9 per cent due to a strong performance in other ASEAN markets which are managed by the Singapore company, notably in Vietnam where sales grew by 24.2 per cent.

In China the continuing over-supply in the market resulted in volumes decreasing by 38.2 per cent although the trading result improved due to a reduction in costs. In Japan sales volumes remained stable and, following last year's restructuring, the result for the market was close to break-even.

PACIFIC – In the Pacific, Rothmans International operates in Australasia and Indonesia, through Rothmans Holdings Limited, a listed company. The Group is market leader in New Zealand and holds the clear number two position in Australia.

Sales volume for the region overall improved by 21.6 per cent, principally due to gains in Indonesia. Net sales revenue increased by 19.0 per cent. Operating profit decreased by 12.2 per cent, although when the benefit of last year's £ 32.4 million windfall excise profit in Australia is excluded, the underlying improvement in profit was 30.8 per cent.

The Group's share of the Australian cigarette market improved to almost 35 per cent during the year, which, with an unchanged overall market, led to a small volume improvement. The Winfield brand family retained its position as the number one cigarette brand in the market, a position it has held for over 20 years, and there were also gains in market share for Dunhill and Holiday.

Despite political, economic and social turbulence in Indonesia during the year, volume increased by in excess of 150 per cent. This dramatic increase was principally in respect of Kansas, which doubled its overall market share of the white cigarette segment to just under 16 per cent and is now the number three white cigarette in the market. Operating losses continued to be incurred in this development market as the volume benefit was largely offset by higher costs resulting from the weakness of the Indonesian ruppiah.

LUXURY GOODS

Richemont's interests in the luxury goods business are held through its wholly-owned subsidiary, Vendôme Luxury Group. Vendôme owns a unique portfolio of some of the world's best known luxury brands which design, manufacture, market and distribute a range of luxury products including jewellery, watches, writing instruments, leather goods, menswear and accessories, fragrances, lighters and women's fashion and accessories.

Vendôme, through Cartier and the specialist watch brands of Piaget, Baume & Mercier, Vacheron Constantin and Panerai, occupies a leading position in the high value jewellery and watch markets.

It is also the market leader for luxury writing instruments through Montblanc and holds a strong presence in the leather goods market with Cartier, Lancel, Alfred Dunhill and Seeger.

Chloé provides Vendôme with an important position in the market for ladies' ready-to-wear clothing and accessories, as do Alfred Dunhill, Hackett and Sulka in the field of men's clothing and accessories.

Finally, Vendôme also owns James Purdey & Sons, a prestigious name in the world game gun and rifle market.

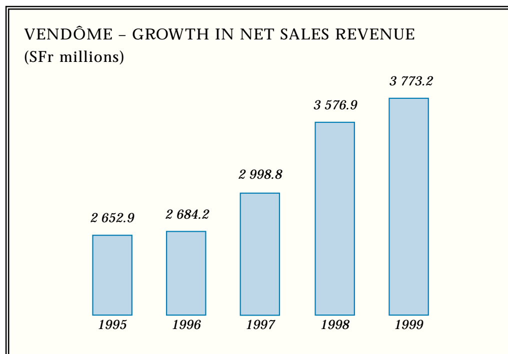
Vendôme remains true to its objective of increasing turnover and profits over the long-term. Over the last few years, much has been achieved in this respect through the successful development of each of the brands in its own area of expertise. This has been supplemented by efficiencies achieved through extensive efforts to share experience, knowledge and services wherever possible.

At the commercial level, there has been a great deal of integration between the various operations of the Group. Distribution facilities are used, wherever possible and efficient, for more than one brand so that the Group as a whole may benefit from the expertise of a small number of central facilities. Operational and administrative services such as finance and accounting, logistics, information technology and administration are increasingly provided by a single service company in the various markets served by Vendôme. These processes have been taking place gradually over a number of years and the pace of change is accelerating.

There are, however, some areas where each of our brands remain completely autonomous. The Group places great value on the individual characteristics that make each of the brands unique in its field and supports the differing organisational cultures and management styles that have made this possible. To this day, therefore, each of Vendôme's brands is completely independent in the important areas of creation, product development, marketing and communication.

The most visible area where the co-operation between the Vendôme brands can be seen is the *Salon International de la Haute Horlogerie*. This annual event, held in Geneva

under the auspices of Vendôme, provides a showcase for some of the world's leading names at the top end of the luxury watch market to present their latest collections. All of the Group's brands participate in this event.



CARTIER – Cartier has once again enjoyed an excellent year, highlighted by a marked increase in jewellery and watch sales. This performance is all the more striking as it follows the success of Cartier's 150th anniversary year and has been achieved in a difficult economic environment, which has particularly affected Asia and South America.

Cartier jewellery has again benefited from substantial increases in sales of high and new jewellery lines. As Cartier jewellery is sold exclusively through the company's retail network, these increases have contributed to substantial growth in retail sales. Cartier's ranges of gold jewellery have been further developed during the year. A rejuvenated range of *Trinity Bijoux* was supported by a striking and original advertising campaign which featured the work of a leading fashion photographer. New products included a white gold limited edition version specially engraved for Christmas. A further development in the gold jewellery market, *Nouvelle Vague* presented Cartier with an opportunity to increase its market share in the gold jewellery sector by appealing to a younger, more fashion-oriented clientele. The success of these new gold jewellery products is partly responsible for the exceptional performance of Cartier in Japan this year.

The most significant development in the Cartier range of watches in the year was the success of the *Tank Française* and *Pasha* 32 millimetre gold and jewellery models. Within the other ranges, new creations such as the steel *Tank Française*, the *Panthère Ruban*, the *Pasha C* and *Santos* chronographs have led to an increased share of the growing steel and steel/gold market.

In addition, preparations were made for a major new initiative the *Cartier Collection Privée*. This was launched at the *Salon International de la Haute Horlogerie* in April 1999 and features limited editions of some of Cartier's most successful watches in solid gold or platinum with mechanical movements and specially designed leather straps.

Cartier has continued to develop its accessory lines in the year; notable successes being the launch of the perfume *Déclaration* and the introduction of the *Diabolo* pen. This new writing instrument has rapidly become a best-seller.

Despite a decline in demand for leather goods in the important South East Asian markets, the success of the new leather ranges such as the *Panthère* and *Happy Birthday* collections enabled Cartier to improve its market position.

These new products were supported by continued investment in the distribution network, involving new store locations and the renovation of existing stores. Amongst the 20 new locations, 15 are owned and operated by Cartier. The major openings this year took place in Cannes, Seattle and Nagoya. In addition, five new franchised stores were opened.

Cartier has maintained its efforts in advertising and publicity in the year, with events such as the launches of the high jewellery collection in Paris, New York, Hong Kong and Taipei and an international gala evening organised in Paris in celebration of the 20th anniversary of the introduction of the modern day line of *Santos* watches. The long and illustrious history of the famous *Tank* range of watches, originally created during the First World War, was celebrated with the publication of a book entitled *Tank*, which represents the definitive reference work for collectors.

The *Fondation Cartier pour l'Art Contemporain* has, over many years, exhibited the work of many international artists. Exhibitions during the year included two thematic exhibitions, *Être Nature* which examined the meeting of human and nature's creations and *Issey Miyake Making Things*, as well as exhibitions by two contemporary artists Gottfried Honegger and Stan Douglas.

After a number of years of substantial growth, supported by continued investment, Cartier is better placed than ever to take advantage of the changes occurring in the luxury business.

ALFRED DUNHILL – Much has been achieved this year at Alfred Dunhill under its new management team. In particular, many new product initiatives have been launched in the last twelve months.

There have been new menswear collections, including the new Alfred Dunhill label and the innovative *Traveller* suit, which is made of specially resilient fabric and comes with two pairs of trousers – a boon to businessmen away from home. The rejuvenation of the Alfred Dunhill leather ranges has been continued with the launch of the new *City Escape* and *London* ranges. In addition, new accessory products, such as the *Baby Facet* watch and the *Torpedo* pen, perpetuate the tradition of creativity within Alfred Dunhill.

Sales are beginning to reflect the quality of these new products as well as the efforts of sales teams worldwide who are now supported by more competitive pricing and stronger advertising support.

Further, in a significant move designed to strengthen Alfred Dunhill's position in the men's fragrance market, a new worldwide licence agreement for the distribution of Alfred Dunhill fragrances was signed in the year with a leading cosmetics group.

Distribution structures have been strengthened during the year, particularly in the United Kingdom, France, Italy and Spain. This has given an added impetus to sales growth in these countries. Retail sales have increased due to the opening of 11 new stores, including a new flagship in Osaka, Japan. Other new stores have also been opened in Europe, the Americas and the Far East. At the same time, action has been taken to reduce administrative overheads, with a positive result on Alfred Dunhill's profitability.

Alfred Dunhill has traditionally been a major

sponsor of international golf tournaments, highlighted by the Alfred Dunhill Cup which is played annually over the Old Course, St Andrews. This year, interest in this event was increased by a catwalk presentation of Alfred Dunhill's latest menswear and golf collections featuring many of the professional golfers in the tournament.

MONTBLANC – Since its introduction in 1924, Montblanc's ***Meisterstück*** fountain pen has come to represent the finest quality and design in the world of luxury writing instruments. To mark the 75th anniversary of the ***Meisterstück,*** special writing instruments, leather goods and watches have been created in limited editions of 1924, 925 and 75 pieces incorporating silver, gold and platinum components together with strategically positioned diamonds.

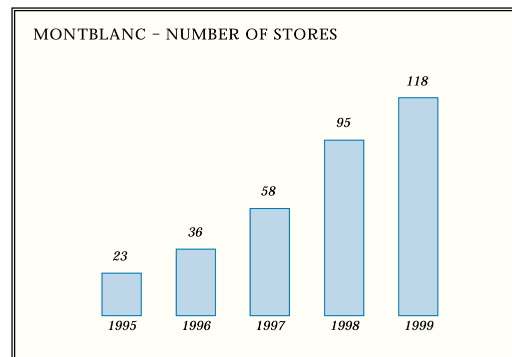
Each year, Montblanc creates a small number of limited edition sets that are particularly attractive to collectors. This year, the limited edition honouring patrons of the arts was dedicated to Frederick the Great. As always, solid gold versions of this collector's item were presented to personalities from the world of art who, in recognition of their achievements, were awarded the *Montblanc de la Culture* prize.

A number of new products have been launched in the year. The recently introduced ranges of watches and eyewear have been further extended in the year with additional models. Many new watch models were unveiled for the first time at the 1998 *Salon International de la Haute Horlogerie,* including a dual time zone version and pieces with malachite and lapis lazuli dials. A range of steel watches was also introduced during the year. The eyewear collection was carefully extended with a small selection of classical shapes, including a platinum plated version.

A new leather line, entitled ***Platinum,*** was launched in the year. As the name suggests, this range incorporates platinum fittings and is available through Montblanc's growing network of stores.

At the end of the year, Montblanc's retailing network comprised 118 stores worldwide, after a further 30 openings in the year. Of these, 19 are owned and operated by Montblanc, eight of which are located in the United States, Montblanc's major market. In addition, 11 new franchised stores were opened worldwide during the year.

The development of the Montblanc retail network is



part of a continuing programme to enhance the quality of distribution linked to sustained efforts in the area of wholesale distribution, particularly in the United States.

SPECIALIST WATCH BRANDS – Vendôme's specialist watch brands continue to develop by taking increasing

advantage of the Group's global distribution system.

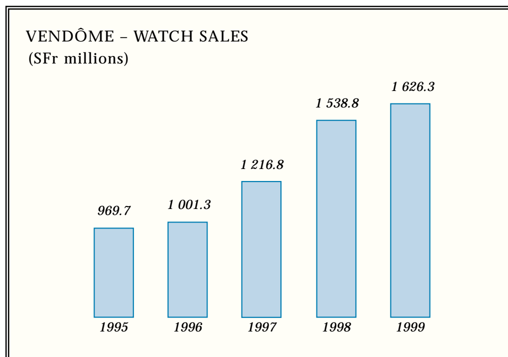
In the year, Piaget commenced its own operations in Japan, having taken the business back from its previous agent whilst, at the same time, making preparations to take back the business in the United States from a second agent. Both of these new operations are being serviced by Vendôme subsidiaries in the countries concerned. Growth in Piaget sales has also been achieved through the introduction of new products including the *Miss Protocole* and the *Ultra-thin* square watch. The *Miss Protocole* is aimed at a younger female customer group and features an interchangeable strap. The *Ultra-thin* watch was elected Watch of the Year by the Swiss magazine *Montres Passion*. Piaget's major project to renovate the mechanism of the Venice clock tower was completed in time for its 500th anniversary in February 1999, after two years of work. This has been commemorated by the creation of a unique Piaget table clock which incorporates the aesthetic elements of the original clock tower. This piece was auctioned in New York in April, with a part of the proceeds being donated to the City of Venice.

Baume & Mercier also enjoyed a year of growth centred around its recently rejuvenated product range. The year saw another important product launch – the *CapeLand* – which completes the range of sports watches for men and women. The *CapeLand* features a large round case and a unique bracelet. The *Linea* range of watches, a classic model with a successful history, celebrated its 10th anniversary in the year, an event which was marked by the introduction of a special version in pink gold set with diamonds. A more recent success, the *Hampton* range, was extended with new models designed featuring a black dial, polished steel case and a specially resistant strap made of a material that withstands the elements. These new products were supported by a new advertising campaign entitled *Life and Lifestyle,* which uses strong colours and striking images to highlight the extra touch that characterises Baume & Mercier watches. Baume & Mercier continues to sponsor sports events and personalities that complement the brand's image. Sponsorship events during the year included a Baume & Mercier yacht skippered by the Frenchman Bernard Malleret. A highlight of the year was its participation in the *Route du Rhum* race from St Malo in France to Guadeloupe in the Caribbean.

Vacheron Constantin continues to grow within Vendôme. Acquired in December 1996, the company is substantially integrated into the Vendôme structure. Product innovation and development has been maintained, with regular additions to the five watch ranges: *Les Essentielles, Les Joailleries, Overseas, Les Complications* and *Les Historiques.* Highlights during the year have been the *Chronomètre Royal,* the *Réserve de Marche* and the *245.* Following the stringent precision and endurance testing of the Swiss Official Chronometer Testing Authority, the *Chronomètre Royal* was awarded the coveted certification of Official Swiss Chronometer. Vacheron Constantin remains an important sponsor of cultural events in its home city, Geneva. Since 1948, prizes have been given to young science students at the University of Geneva in the fields of astronomy, physics or mathematics. Following the 50th anniversary of these awards, the 1999 prize was awarded in February at the Vacheron Constantin Museum in Geneva.

The international launch of Panerai took place

successfully in the year. Acquired by Vendôme in 1997, Panerai watches are now available worldwide through a limited number of exclusive distributors. The launch was supported by a new advertising campaign which concentrates on the strong features of the Panerai watch. Another interesting development in the year was the publication of an official book which recounts the origins of Panerai and illustrates its development as a supplier to the Italian navy.



LANCEL – Since the acquisition of Lancel in October 1997, Lancel's management team has been strengthened, using resources from both inside and outside the Group, and new products have been launched.

The 1998 Spring/Summer and Autumn/Winter collections featured soft, fresh tones, emphasising the importance of the leather product as an accessory. Other creations included the Antea range of luggage, which comprises an extensive line of cases, trolleys, garment bags and pouches in highly damage resistant materials. New advertising campaigns were launched in the year to support the new products and reinforce the Lancel image in the mind of customers. Other developments in the year included additional store openings, including Nantes and Athens. Lancel has significant international potential and the Group's resources will be used to further support this development over the next few years.

OTHER BRANDS – Vendôme's other brands enjoyed another year of further development.

The awareness of Chloé continued to increase with the publicity surrounding the two fashion shows in Paris and the success of its young designer, Stella McCartney. These collections were supported by a new advertising campaign which continued the repositioning of Chloé's image towards a younger customer. New products have also been introduced in the year, including an eyewear range. Japan is an important market for Chloé and a catwalk presentation of the Paris collection was held in Tokyo for the first time. The presentation featured the same decor as the Paris show giving customers in the Far East a unique look at the world of Paris fashion. At the same time, Chloé's distribution in Japan was extended with the opening of a store in the most contemporary of Japanese department stores, Isetan, in Shinjuku.

Vendôme's two menswear brands, Hackett and Sulka, both showed continued growth in the year.

Hackett has had a particularly successful year, gaining additional recognition in the business for quality products. In London, new stores have opened in Canary Wharf, Covent Garden and Terminal 4 at Heathrow Airport and the product range is now available through selected retailers across the United Kingdom after a year of intensive effort in building a wholesale

distribution network.

Wholesale sales have also increased at Sulka with products now available at the three premier luxury speciality stores in the United States: Saks Fifth Avenue, Neiman Marcus and Bergdorf Goodman. New product ranges were also introduced, with the seasonal collections of menswear supported by new accessory lines such as the Sulka fragrance.

Vendôme's two remaining brands have had a satisfactory year. Seeger, the German leather goods brand, has restructured key components of its business so that it will be in a stronger position to benefit from the expected increase in demand. Purdey maintains full order books for its sporting guns and rifles and is developing well in this very specialised market.

The performance of these smaller brands is constantly being monitored to ensure that the Group's expectations in terms of profitability and commercial potential are achieved. Changes have been made to the management of some of these brands in the year and additional resources are being provided to those brands that require support to ensure that they are in the best possible position to succeed in a difficult market.

Whilst committed to developing all of its brands, Vendôme strategy is to build upon its core businesses of jewellery, watches, writing instruments, leather goods and ready-to-wear clothing through continual improvement in the quality of the distribution network and improved efficiency of common services. This will ensure long-term growth in turnover and profitability for the Group.

PAY TELEVISION

Richemont holds a 15 per cent interest in Canal+ SA of France. Canal+ is Europe's largest pay television operator, with over 11.6 million active subscriptions at 31 December 1998.

Canal+ consolidated its position as Europe's leading pay television operator during its financial year ended 31 December 1998, with increased subscriptions and a strengthened market share. Overall subscriptions grew by 16 per cent to 11.6 million at the year end. Of these, 6.2 million were in France and 5.4 million in Canal+'s international territories. Canal+ is the leading pay television operator in each of the territories in which it operates.

In France, the most important market for Canal+, subscriber numbers increased by 8.7 per cent and the cancellation rate declined from 9.3 per cent in the previous year to 8.5 per cent. The wider programme offering facilitated by digital technology has resulted in a substantial increase in the number of digital subscribers, in part resulting from the transfer of existing analogue subscribers to the digital service. CanalSatellite enjoyed a further year of substantial growth with over 1.1 million subscribers at the end of the year, new subscriptions to the service representing 60 per cent of all new subscriptions to digital satellite television in France. NC Numéricable achieved growth of 4.4 per cent in the number of its cable subscribers, with a further increase in the number of digital cable subscribers planned for 1999 with the launch of high speed Internet access scheduled for the second half of the year.

After the relaunch of the Italian analogue and digital services under the 'TELE+' brand in 1997, the company recorded strong growth in that market. The premium TELE+ subscriber base grew by a net 100 000 subscriptions to 965 000 whilst the D+ digital package achieved 200 000 new subscriptions.

The enhancement of the sports offering in Scandinavia and the tailoring of the package to national tastes has been a major success. This resulted in an increase of over 20 per cent in subscriber numbers to over 605 000. In the Benelux, the cancellation rate has again been reduced and subscriber numbers increased by some 10 per cent. Digital services were launched during the year in the Netherlands and in Belgium.

Operating profit for the year ended 31 December 1998 improved significantly from FFr 143.2 million to FFr 331.8 million before the effect of exceptional items. The result was achieved despite the adverse impact on profitability of the losses incurred by operations in Italy, the Benelux and Scandinavia, which were included in Canal+'s 1998 result for a full 12 month period rather than the nine months reflected in the previous financial year. The overall operating result for the French operations amounted to FFr 971.2 million in 1998,

DIRECT RETAILING

Richemont holds a 49 per cent interest in Hanover Direct Inc, one of the leading direct to home retailers in the United States. The company has successfully launched Internet based versions of each of its catalogues and offers a full service fulfilment platform to third party, e-commerce based retailers.

Despite a general softening in the catalogue retail environment in October and November 1998, Hanover Direct's core catalogue business, in particular 'The Company Store', 'Silhouettes' and 'Improvements', continued to show growth in sales and profitability.

In its financial year ended 31 December 1998, Hanover Direct reported revenues of $ 546.1 million compared to $ 557.6 million in the prior year. Overall operating losses increased from $ 1.8 million to $ 16.8 million. These results reflect the acceleration of the investment in e-commerce initiatives and the provisions for underperforming brands made during the second half year.

In 1998, Hanover Direct continued to strengthen its business for the years ahead by positioning the company to become an industry leader in the field of electronic commerce. With all of the company's catalogues on-line by the middle of the year, sales via the Internet grew to $ 8.3 million for the entire year. This compared to approximately $ 0.7 million for 1997.

To ensure maximum leverage from the company's fast growing portfolio of 'digital' assets management have begun the transformation of Hanover Direct into two distinct, Internet-driven organisations. The first – Brand Marketing – offers innovative, quality, branded products to consumers through the family of print catalogues as well as through on-line sales. The second division – Web Services – provides a comprehensive range of fulfilment, order management and web marketing services to third party companies entering into e-commerce. Its goal is to become a leader in this high-growth market niche. A major component of this business is Keystone Fulfillment Inc, which specialises in product handling and storage, telesales and order processing.

Web-based retailing is complemented by the 242 million catalogues mailed to customers each year. Hanover Direct's valuable 12-month customer base, of some 4 million catalogue shoppers, is migrating steadily to the Internet, where they typically spend 8 to 10 times more than the average Internet shopper.

The realignment of Hanover Direct into two dynamic divisions will accelerate its ability to grow, taking full advantage of the rapid expansion of electronic commerce. During 1999, the company plans to launch its 'Shoppers Edge' merchandise super store on the Internet with a wide range of products at factory-direct prices. It will also extend its existing alliances with key Internet players such as 'Excite', 'XOOM.com' and 'Artselect' to

During the year under review, the Group recorded impressive results at the operating and attributable profit levels despite the adverse impact of foreign exchange due to the weakness of certain key currencies. In both the tobacco and luxury goods businesses, strong growth was recorded in constant currency terms, net sales revenue increasing by 4.8 per cent.

OPERATING RESULTS BY BUSINESS SEGMENT

	At actual exchange rates 1999 £ m	At constant exchange rates 1999 £ m	1998 £ m
Sales revenues			
Tobacco	**3 022.2**	**3 279.1**	3 171.9
Luxury goods	**1 585.4**	**1 607.1**	1 490.4
	4 607.6	**4 886.2**	4 662.3
Operating profit			
Tobacco	**817.1**	**906.0**	820.9
Luxury goods	**272.4**	**279.5**	240.6
Other	**(11.8)**	**(12.1)**	(17.1)
	1 077.7	**1 173.4**	1 044.4

The Group's net sales revenue increased by 4.8 per cent at constant exchange rates but was again adversely effected by the weakness of certain key currencies during the year under review. This resulted in an adjustment of £ 278.6 million to bring net sales revenue at actual rates to £ 4 607.6 million.

Operating profit at constant rates grew by 12.4 per cent to £ 1 173.4 million. These results were, however, also adversely effected by currency weakness. This was particularly evident in Rothmans International where operating profit fell by 0.5 per cent at actual exchange rates but increased by 10.4 per cent in constant currencies. At actual exchange rates, the Group's growth was reduced to 3.2 per cent, the adverse impact of currency movements of some £ 95.7 million reducing the operating profit to £ 1 077.7 million.

Operating losses of £ 11.8 million from other interests largely reflect losses arising from Richemont's 15 per cent interest in Canal+, Europe's leading pay television operator, and its 49 per cent interest in Hanover Direct, a leading direct to home catalogue retailer in the United States.

CONSOLIDATED PROFIT AND LOSS ACCOUNT ON AN ADJUSTED BASIS

	1999 £ m	1998 £ m
Operating profit at constant exchange rates	**1 173.4**	1 044.4
Adjustment to actual rates	**(95.7)**	–
Operating profit at actual exchange rates	**1 077.7**	1 044.4
Net investment expense	**(63.2)**	(43.6)
Profit before taxation	**1 014.5**	1 000.8
Taxation	**(286.2)**	(298.0)
Profit after taxation	**728.3**	702.8
Minority interests	**(266.5)**	(316.8)
Profit attributable to unitholders	**461.8**	386.0
Earnings per unit	**£ 80.42**	£ 67.22

Consolidated Profit and Loss Account – To facilitate the comparison of the Group's results against last year, the profit and loss account set out above is presented on an adjusted basis. This excludes the effects of exceptional items and goodwill amortisation from results for both years. The commentary that follows focuses on the comparison of these adjusted results against last year's results presented on the same basis.

Net Investment Expense – Net investment expense increased from £ 43.6 million to £ 63.2 million, reflecting principally an increase of £ 20.8 million at Vendôme Luxury Group, due to the costs of financing the buy out of its minority interests, which took effect at the end of the previous financial year. Net investment expense at Rothmans International fell by £ 2.3 million, largely as a result of lower working capital requirements, primarily in the United Kingdom.

Taxation – The effective taxation rate fell from 29.8 per cent to 28.2 per cent, reflecting a substantial fall in the rate incurred by Rothmans International, due to the benefits of a one-off tax holiday in Malaysia. This was partially offset by an increase in the rate reported by Vendôme Luxury Group, due to the impact of the interest charge on the loan to finance the buy out of the minority interests, which is not deductible for tax purposes.

Minority Interests – The share of profit after taxation attributable to minority interests decreased to £ 266.5 million from £ 316.8 million in the prior year principally as a result of the buy out of the public shareholders in Vendôme Luxury Group. The current year's charge is represented almost entirely by the Rothmans International minorities.

Attributable Profit – Profit attributable to unitholders and earnings per unit, adjusted to exclude exceptional items and goodwill amortisation, increased by 19.6 per cent to £ 461.8 million and £ 80.42, respectively.

The key exchange rates used for the translation of results of companies not reporting in sterling are detailed in the table below:

AVERAGE EXCHANGE RATES AGAINST STERLING

	1999	1998	
Swiss franc	**2.38**	2.40	– 0.8%
German mark	**2.88**	2.91	– 1.0%
United States dollar	**1.66**	1.64	+ 1.2%
Australian dollar	**2.66**	2.30	+ 15.7%
South African rand	**9.64**	7.75	+ 24.4%
Malaysian ringgit	**6.41**	5.23	+ 22.6%

Dividend – The Board of Directors of Richemont SA has recommended the payment of a dividend to holders of participation certificates of £ 13.50 per certificate, representing an increase of 17.4 per cent over the previous year. The dividend will be payable, free of withholding taxes, on Monday 4 October 1999.

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. Therefore the total dividend payable to unitholders in respect of the year ended 31 March 1999 will be £ 13.50.

Goodwill – Richemont's accounting policy, in accordance with International Accounting Standards, is to capitalise and subsequently amortise goodwill through the consolidated profit and loss account over its estimated useful life, up to a maximum period of 20 years. The Group's goodwill amortisation charge at the attributable profit level for the year ended 31 March 1999, was £ 138.1 million (1998: £ 90.8 million). A proportion of this charge, however, related to goodwill arising on acquisitions made by the Group's associated undertakings. Such goodwill is capitalised within the balance sheet of the associate concerned and consequently, following the principles of equity accounting, appears in the Richemont consolidated balance sheet as part of investments in associated undertakings. At 31 March 1999, of the goodwill amortisation charge referred to above, £ 12.1 million (1998: £ 9.3 million) related to goodwill which has been capitalised by associated undertakings.

The majority of acquisitions made by Group companies involve substantial values being attributed to intangible assets. In view of the difficulty of accurately separating acquired brands and trademarks from the other intangible assets of acquired businesses, Richemont has elected to categorise all such acquired intangibles as goodwill. International Accounting Standards require that this goodwill be amortised through the Group's profit and loss account each year. In consequence, although Richemont believes the level of marketing expenditure investment each year should increase rather than decrease the value of its intangible assets, the Group's earnings are adversely impacted by a significant goodwill amortisation charge. In this regard, the Group's results are presented on both a reported and adjusted basis, the latter excluding the effects of goodwill amortisation.

To facilitate the comparison of the Group's results against last year, the profit and loss account set out below is presented on a reported basis, with a separate reconciliation of attributable profit from a reported to an adjusted basis.

CONSOLIDATED PROFIT AND LOSS ACCOUNT ON A REPORTED BASIS

	1999 £ m	1998 £ m
Operating profit	**1 077.7**	1 044.4
Goodwill amortisation	**(165.8)**	(120.3)
Exceptional items	**–**	34.9
Profit before net investment expense and taxation	**911.9**	959.0
Net investment expense	**(63.2)**	(43.6)
Profit before taxation	**848.7**	915.4
Taxation	**(286.2)**	(299.1)
Profit after taxation	**562.5**	616.3
Minority interests	**(238.8)**	(286.9)
Profit attributable to unitholders on a reported basis	**323.7**	329.4
Earnings per unit on a reported basis	**£ 56.37**	£ 57.37

A summary of the effects of goodwill amortisation and exceptional items on profit attributable to unitholders is shown below.

	1999 £ m	1998 £ m
Profit attributable to unitholders on a reported basis	**323.7**	329.4
Elimination of goodwill amortisation	**138.1**	90.8
Goodwill amortisation	**165.8**	120.3
Goodwill amortisation attributable to minority interests	**(27.7)**	(29.5)
Exceptional items	**–**	(34.2)
Profit attributable to unitholders on an adjusted basis	**461.8**	386.0

Goodwill Amortisation – The Group's accounting policy of amortising goodwill through the consolidated profit and loss account impacted the results on a reported basis, in both the current and prior years. The goodwill amortisation charge at the pre-tax profit level for the year ended 31 March 1999 was £ 165.8 million (1998: £ 120.3 million). The increase over the prior year was £ 45.5 million of which some £ 38 million related to the buy-out of the Vendôme minorities. At the attributable profit level, after deduction of minority interests, the amortisation charge amounted to £ 138.1 million (1998: £ 90.8 million).

Exceptional Items – The results for the year ended 31 March 1998 included an exceptional gain of £ 34.9 million representing Richemont's 15 per cent share of Canal+'s exceptional items, being primarily the profit arising on the disposal of its interest in Première, the German pay television channel. The Group's attributable share of the net exceptional gain was £ 34.2 million after tax and minority interests.

TOBACCO – On 11 January 1999, the boards of Richemont and Rembrandt Group Limited ('Rembrandt') announced the terms of a merger of their combined interests in Rothmans International B.V. with British American Tobacco p.l.c.

Following receipt of the necessary regulatory approvals, the merger became effective on 7 June 1999. As a result, Richemont and Rembrandt together indirectly own 35 per cent of the fully diluted equity of BAT. This is made up of 604 336 627 Ordinary and 241 734 651 Convertible Redeemable Preference shares in BAT. The Richemont and Rembrandt interests are held through a joint holding company, which is two-thirds owned by Richemont and one-third by Rembrandt.

The following comments relate to the performance of Rothmans International in the year to 31 March 1999.

The table set out below analyses net sales revenues and operating profit by geographic areas of operation. Given the material impact of exchange rate movements on the results for the year, the analysis shown is at both actual and constant 1998 exchange rates.

Sales volumes declined by 4.2 per cent in the year under review. The principal factor in the volume decrease was the impact of the economic crises in Central and Eastern Europe, which reduced sales in Russia, Ukraine and the Central Asian Republics by approximately 50 per cent. Volumes also declined in several of the group's established markets, notably in South Africa, the United Kingdom, France and Malaysia. Volume growth was achieved in certain of the group's development markets, particularly in Indonesia and Vietnam.

An underlying improvement in the profitability of the tobacco business was masked by the adverse effect of the weakness of certain key currencies, in particular the South African rand, the Malaysian ringgit and the Australian dollar. Translated at constant currencies, net sales revenue increased by 3.4 per cent and operating profit by 10.4 per cent. However, at actual exchange rates, net sales revenue declined by 4.7 per cent and operating profit was largely unchanged.

ROTHMANS INTERNATIONAL – ANALYSIS OF SALES AND OPERATING PROFIT

	Net sales revenue			Operating profit		
	At actual exchange rates 1999 £ m	At constant exchange rates 1999 £ m	1998 £ m	At actual exchange rates 1999 £ m	At constant exchange rates 1999 £ m	1998 £ m
Europe	**1 387.5**	**1 394.3**	1 369.4	**293.9**	**291.5**	244.6
Africa and the Middle East	**617.4**	**714.8**	693.4	**220.7**	**265.2**	225.2
Americas	**278.2**	**296.5**	299.6	**83.5**	**89.7**	99.3
Asia	**413.7**	**476.3**	475.8	**126.9**	**153.7**	139.8
Pacific	**325.4**	**397.2**	333.7	**72.7**	**85.3**	97.2
Rothmans International and its subsidiary undertakings	**3 022.2**	**3 279.1**	3 171.9	**797.7**	**885.4**	806.1
Share of associated undertakings				**19.4**	**20.6**	14.8
				817.1	**906.0**	820.9

The underlying growth in net sales revenue was achieved as price increases more than offset the effect of lower volumes. Operating profit at constant rates in respect of the geographic regions referred to above was influenced by the following key factors:

- In Europe operating profit benefited from price increases and cost reductions, principally in France and the United Kingdom, which more than compensated for the adverse impact on volumes in Russia, Ukraine and the Central Asian Republics resulting from economic turmoil following the devaluation of the Russian rouble.
- Operating profit in Africa and the Middle East increased by 17.8 per cent, largely reflecting pricing benefits and improved results from a number of markets in Africa. In South Africa volume declined further following excise increases.
- The major factor in the decrease in operating profit in the Americas region was the reduction of sales of premium cigars in the United States. Volumes in Canada fell slightly, but profitability was maintained through improved margins.
- Despite the significant economic problems in Asia, operating profit for the region improved due to volume growth, notably in Vietnam, and improved margins in Malaysia and Singapore, which offset the effect of reduced volumes in those markets. In China the continuing over-supply in the market resulted in lower volumes, although the trading result improved due to a reduction in costs.
- Underlying operating profit in the Pacific increased by 30.8 per cent at constant exchange rates, excluding last year's windfall excise duty gain in Australia. This was largely as a result of improved margins in Australia and New Zealand. In Indonesia sales volumes more than doubled. This market, however, continued to report operating losses, as this growth was offset by higher import costs resulting from the weakness of the Indonesian ruppiah.
- The increased profit resulting from interests in associated undertakings principally reflects continuing improvements in profitability from the Jamaican cigarette operation.

ROTHMANS INTERNATIONAL – PROFIT AND LOSS ACCOUNT

	At actual exchange rates 1999 £ m	At constant exchange rates 1999 £ m	1998 £ m
Operating profit	**817.1**	**906.0**	820.9
Net investment expense	(47.1)	(44.1)	(49.4)
Profit before taxation	**770.0**	**861.9**	771.5
Taxation	(210.2)	(234.3)	(237.7)
Profit after taxation	**559.8**	**627.6**	533.8
Minority interests	(120.4)	(140.6)	(124.8)
Profit attributable to shareholders	**439.4**	**487.0**	409.0
Profit attributable to Richemont (66.7%)	**292.9**	**324.7**	272.7

Note: excludes goodwill amortisation.

Net investment expense was reduced by £ 2.3 million to £ 47.1 million, reflecting improvements in short-term working capital requirements principally in the United Kingdom.

The effective rate of taxation charged was 27.3 per cent compared with 30.8 per cent in the previous year. This reflects a non-recurring tax concession in Malaysia which has resulted in the Group's subsidiary undertaking in that country not charging corporate taxation on its profits for the year ended 31 March 1999, as well as a beneficial change in the mix of international corporate taxation rates applicable to the Group's profits.

Minority interests decreased by £ 4.4 million to £ 120.4 million mainly as a consequence of the reductions in sterling terms of the profitability reported by partly owned companies in the Group, namely in Australia and Canada and to a lesser extent in Malaysia and Singapore, as a consequence of the further weakening of the relevant currencies.

At constant exchange rates, profit attributable to shareholders increased by 19.1 per cent. However, at actual exchange rates attributable profit was £ 30.4 million (7.4 per cent) higher at £ 439.4 million.

As a consequence of the completion of the merger of Rothmans International and British American Tobacco p.l.c., Richemont's 23.3 per cent interest in British American Tobacco p.l.c. will, in future, be equity accounted rather than fully consolidated. Given that the merger with British American Tobacco p.l.c. was completed only on 7 June 1999, however, Richemont's results for the year ending 31 March 2000 will reflect its 66.7 per cent interest in the results of Rothmans International for the 2 month period to the end of May 1999 and, thereafter, the 23.3 per cent interest in British American Tobacco p.l.c. for the 10 month period to March 2000.

LUXURY GOODS – Net sales revenue from the Group's luxury goods companies increased by 5.5 per cent during the year to SFr 3 773.2 million. This reflected a good performance in Europe throughout the year and a return to growth in the Far East in the second six-month period.

The table below analyses sales by major product line.

Sales in all product areas were affected by the downturn in the Far East in the first half of the year, with the exception of jewellery sales, which showed substantial increases throughout the year. The increase in jewellery sales has been primarily achieved through increased retail sales at Cartier.

Retail growth has also been the major factor in the increase in sales of gold and jewellery watches in Europe, although decreased sales in the Far East, an area more dependent on wholesale sales, in the first half of the year have offset this good performance. Sales of other watches benefited from the launch of successful new products by almost all of the watch brands, with growth of 15.7 per cent achieved for the year.

Menswear and leather goods are the two product areas which are most dependent upon sales in the Far East; both have therefore experienced a difficult year. A downturn in sales of leather goods was more than compensated by the inclusion of a full year's results for Lancel, compared to six months in the prior year, resulting in the reported increase of 6.3 per cent.

Sales of writing instruments declined in the year following the positive impact of successful product launches in the prior year. In addition, the continuing effects of a long-term rationalisation of distribution channels in the United States has reduced sales in that region, whilst sales in the Far East have decreased due to the decline in spending in the tourist and duty free markets.

SALES REVENUE BY MAJOR PRODUCT LINE

	1999 SFr m	1998 SFr m	
Jewellery	**770.0**	671.6	+ 14.7%
Gold and jewellery watches	**867.2**	882.6	– 1.7%
Other watches	**759.1**	656.2	+ 15.7%
Leather goods	**364.5**	342.8	+ 6.3%
Writing instruments	**336.0**	346.3	– 3.0%
Menswear	**182.0**	196.1	– 7.2%
Other	**494.4**	481.3	+ 2.7%
	3 773.2	3 576.9	+ 5.5%

Net sales revenues by geographic area are shown in the table below.

SALES REVENUE BY GEOGRAPHIC AREA

	1999 SFr m	1998 SFr m	
Europe	**1 618.5**	1 413.3	+ 14.5%
Far East	**1 287.3**	1 313.7	– 2.0%
Americas	**762.3**	742.9	+ 2.6%
Other	**105.1**	107.0	– 1.8%
	3 773.2	3 576.9	+ 5.5%

Europe was the main contributor to growth in the year, reflecting improvements in all the major markets. The European market also benefited from the inclusion of Lancel, which has a very strong European base, for a full year rather than the six month period in the previous financial year.

Sales in Japan continued to grow rapidly, with the successful introduction of new products and further investment in the distribution network. In the other major markets in the Far East, sales increased in the second half year, but this was insufficient to compensate fully for decreases experienced in the first six months.

Sales in the Americas showed modest growth, with good increases at Cartier partly offset by lower growth in certain other brands and a decrease at Montblanc.

Sales through the Group's network of owned stores increased by 9.4 per cent, to SFr 1 465.0 million, to represent 38.8 per cent of total sales, reflecting a combination of new store openings, new products and marketing initiatives. Wholesale sales increased by 3.1 per cent, with good performances in Europe and the Americas partly offset by lower sales in a difficult environment in the duty free and tourist markets of the Far East.

The following table, which presents the financial results of Vendôme Luxury Group for the year ended 31 March 1999, shows turnover and operating profit in both Swiss francs, Vendôme's reporting currency, and sterling.

Operating profit for the year increased by 12.2 per cent to SFr 648.2 million, reflecting a significant improvement in profitability in the second half of the year, partly due to lower operating expenses.

The movement in net investment expense against the prior year is due to the interest cost of the syndicated loan of SFr 1.3 billion, which was used to finance the buy-out of the minority shareholders at the end of the previous financial year. The interest has been paid on largely Swiss franc denominated borrowings during the year.

The increase in the effective tax rate, from 24.9 per cent last year to 29.4 per cent in the current year, reflects the interest expense on the syndicated loan, which is not deductible for taxation purposes. Profit attributable to minority interests fell, due largely to the acquisition of the remaining shares in Lancel.

During the year under review, Vendôme was a wholly-owned subsidiary of Richemont, the buy-out of the public minorities having been effected at the end of the previous financial year. In consequence, the share of Vendôme's profit attributable to Richemont increased from 70 per cent in the prior year to 100 per cent in the year under review.

VENDÔME LUXURY GROUP PROFIT AND LOSS ACCOUNT

	1999 SFr m	1998 SFr m	1999 £ m	1998 £ m
Net sales revenue	**3 773.2**	3 576.9	**1 585.4**	1 490.4
Operating profit at actual exchange rates	**648.2**	577.5	**272.4**	240.6
Net investment (expense)/income	**(43.4)**	5.7	**(18.2)**	2.4
Profit before taxation	**604.8**	583.2	**254.2**	243.0
Taxation	**(178.0)**	(145.2)	**(74.8)**	(60.5)
Profit after taxation	**426.8**	438.0	**179.4**	182.5
Minority interests	**(3.2)**	(6.8)	**(1.4)**	(2.8)
Profit attributable to Vendôme shareholders	**423.6**	431.2	**178.0**	179.7
Profit attributable to Richemont (1998: 70%)	**423.6**	301.8	**178.0**	125.8

Note: excludes goodwill amortisation.

BALANCE SHEET – Excerpts from the Group's balance sheet analysed between the principal business segments are set out below:

SUMMARY BALANCE SHEET AT 31 MARCH 1999

	Rothmans £ m	Vendôme £ m	Richemont £ m	Total £ m	1998 £ m
Net operating assets	1 263.5	871.5	310.1	2 445.1	2 423.8
Goodwill	1 542.3	893.9	251.4	2 687.6	2 757.9
Net cash/(borrowings)	(878.4)	(617.7)	136.1	(1 360.0)	(1 627.4)
Cash and cash equivalents	314.3	177.5	136.1	627.9	(147.0)
Long-term borrowings	(1 192.7)	(795.2)	–	(1 987.9)	(1 480.4)
Other long-term liabilities	(425.4)	(52.1)	–	(477.5)	(504.7)
	1 502.0	1 095.6	697.6	3 295.2	3 049.6

Rothmans International – The major year-on-year change in the balance sheet is the reduction in the level of working capital, mainly due to reduced holdings of stocks in the United Kingdom. This improvement, coupled with strong cash generation in several markets has also increased the Group's cash and cash equivalents at 31 March 1999.

The small increase in long-term borrowings is largely attributable to the impact of foreign exchange rate movements in terms of debt denominated in currencies other than sterling.

On 15 April 1998, Rothmans International announced the establishment of a Global Medium Term Note programme ('the Programme'). The issuers under the Programme are Rothmans Nederland Holdings B.V., R&R Finance Limited and Rothmans Finance plc. Under the Programme, each issuer may from time to time issue Notes denominated in any currency (including the Euro) and having a minimum maturity of one month. The Programme allows issuance of Notes up to a maximum aggregate nominal amount of US$ 2 billion or its equivalent in other currencies. Notes may be listed on the Luxembourg Stock Exchange or other stock exchanges, or may be unlisted. Rothmans International B.V. is the guarantor of all Notes issued under the Programme.

Vendôme Luxury Group – The increase in net operating assets reflects an increase in working capital of over 25 per cent compared to the previous year end, primarily due to increased stock and debtor balances. The increase in goodwill is due to the purchase of the remaining minority interests in Lancel and the acquisition of the Piaget North American distribution network from the Movado group. Total net borrowings remain broadly in line with the prior year.

Richemont – The net operating assets and goodwill reported in respect of Richemont itself are made up almost entirely by its investments in associated undertakings. These are a 15 per cent interest in Canal+ and a 49 per cent interest in Hanover Direct Inc. The closing net cash position at the end of the year at the company level reflected net funds of £ 136.1 million.

ROTHMANS INTERNATIONAL – SUMMARY BALANCE SHEET

	1999 £ m	1998 £ m
Fixed assets		
Tangible assets	**503.6**	484.7
Investments in associated undertakings	**65.5**	47.7
Other long-term investments	**51.3**	47.7
	620.4	580.1
Net working capital	**643.1**	815.9
Net operating assets	**1 263.5**	1 396.0

The movement in net working capital was the only significant change in the past year. At 31 March 1998 Rothmans International held a high level of stocks immediately prior to the United Kingdom fiscal budget, but did not hold an equivalent level of stocks in the current year.

VENDÔME LUXURY GROUP – SUMMARY BALANCE SHEET

	1999 SFr m	1998 SFr m	1999 £ m	1998 £ m
Fixed assets				
Tangible assets	**496.5**	457.2	**207.7**	179.3
Long-term investments	**155.8**	135.0	**65.2**	52.9
	652.3	592.2	**272.9**	232.2
Net working capital	**1 430.7**	1 069.6	**598.6**	419.5
Net operating assets	**2 083.0**	1 661.8	**871.5**	651.7

CASH FLOW STATEMENT – Richemont's tobacco business reported a significant increase in cash generated from operating activities in the year under review to £ 1 062.8 million, due in part to reduced working capital requirements.

SUMMARY CASH FLOW STATEMENT

	1999 £ m	1998 £ m
Cash generated from operating activities		
Rothmans International	1 062.8	631.6
Vendôme Luxury Group	198.0	331.6
Other	7.5	(44.5)
	1 268.3	918.7
Returns on investments and servicing of finance	(58.6)	(43.6)
Taxation paid	(320.6)	(290.5)
Net acquisition of tangible fixed assets	(136.7)	(164.5)
Acquisition of Vendôme Luxury Group public minorities	–	(1 053.0)
Buy-back of Richemont units	(45.0)	–
Other acquisitions of subsidiary and associated undertakings, minority interests and investments	(35.2)	(156.8)
Net cash inflow/(outflow) before financing activities	672.2	(789.7)
Financing activities	(38.9)	554.4
Dividends paid	(297.8)	(393.5)
Net cash inflow/(outflow) after financing activities	335.5	(628.8)
Exchange rate effects	(6.3)	(255.8)
Increase/(decrease) in cash and cash equivalents	329.2	(884.6)
Cash and cash equivalents – opening	(147.0)	737.6
Cash and cash equivalents – closing	182.2	(147.0)
Long-term borrowings	(1 537.0)	(1 480.4)
Net borrowings	(1 354.8)	(1 627.4)

Net cash inflow from operating activities has increased by £ 349.6 million, largely as a result of the decrease in working capital. The reduction in working capital in the year is mainly attributable to a lower level of stocks held by Rothmans International in the United Kingdom.

In the year under review, there were no major acquisitions by the Group. During March 1999, 46 220 Richemont "A" units were repurchased pursuant to the programme announced on 25 February 1999. The consideration for the units was £ 45.0 million. A further 53 780 units were repurchased in April 1999 for a total consideration of £ 53.0 million, bringing the total repurchased to 100 000 units and the total outlay to £ 98.0 million.

The acquisition of Vendôme Luxury Group's minorities was reflected in the balance sheet at 31 March 1998 and gave rise to significant cash flows in the prior year.

Set out below are the cash flow analyses of Rothmans International and Vendôme Luxury Group, the principal subsidiaries of the Group.

ROTHMANS INTERNATIONAL – CASH FLOW FROM OPERATIONS

	1999 £ m	1998 £ m
Operating profit (including associated undertakings)	**817.1**	820.9
Depreciation (excluding goodwill amortisation)	**72.9**	75.1
Earnings before interest, tax, depreciation and amortisation	**890.0**	896.0
Other non-cash items	**(55.4)**	(19.9)
Decrease/(increase) in working capital	**228.2**	(244.5)
Cash generated from operating activities	**1 062.8**	631.6

The increase in other non-cash items largely reflects the movement in other long-term liabilities, principally the adjustment to post retirement and risk provisions. The movement in working capital of £ 472.7 million is mainly due to the lower level of stocks held in the United Kingdom.

VENDÔME LUXURY GROUP – CASH FLOW FROM OPERATIONS

	1999 SFr m	1998 SFr m	1999 £ m	1998 £ m
Operating profit	**648.2**	577.5	**272.4**	240.6
Depreciation (excluding goodwill amortisation)	**92.0**	83.1	**38.6**	34.7
Earnings before interest, tax, depreciation and amortisation	**740.2**	660.6	**311.0**	275.3
Other non-cash items	**4.8**	8.0	**2.0**	3.3
(Increase)/decrease in working capital	**(273.8)**	127.2	**(115.0)**	53.0
Cash generated from operating activities	**471.2**	795.8	**198.0**	331.6

The significant movement in working capital, of some SFr 401 million, is partly due to a rise in inventory held at the year-end, resulting from the expansion of the group's retail network, together with an increase in wholesale trade debtors, which have risen in line with the level of activity in the months of February and March.

INVESTMENTS IN ASSOCIATED COMPANIES – In addition to its tobacco and luxury goods businesses, Richemont also holds interests in pay television and direct retailing.

PAY TELEVISION – Richemont holds a 15 per cent investment in Canal+ SA of France, Europe's leading pay television operator. Canal+ operates analogue and digital services in France, Spain, Italy, Scandinavia, the Benelux, francophone Africa and Poland and had some 12.1 million subscribers at 31 March 1999.

In its financial year to December 1998, Canal+'s operating losses decreased significantly from the prior period, reflecting improved profitability in the French operations, principally Canal+ and CanalSatellite, together with lower losses in Italy, the Benelux and Scandinavia. The performance in these markets reflects the positive impact on subscription revenues from several launches which took place during the previous year, the two most significant being the digital platform in Italy and the relaunch of premium channels in the Netherlands.

In the financial year to 31 December 1998, Canal+ recorded an operating profit before exceptional items of FFr 331.8 million compared to FFr 143.2 million for the prior year. In addition, Canal+ reported its share of net operating losses of associated undertakings at FFr 788.8 million and a net credit in respect of exceptional items of FFr 347.4 million. Given their non-material impact within the context of Richemont's results for the year, Richemont's share of the exceptional items reported by Canal+ have been included in arriving at the share of operating losses attributable to the Group. Canal+'s adjusted operating losses therefore amounted to FFr 109.6 million or £ 11.3 million. In sterling terms Richemont's share of operating losses was £ 1.7 million compared to £ 16.9 million in the prior year, although the prior year only included nine months of Canal+ results.

Richemont's share of the attributable loss reported by Canal+ on an adjusted basis for the year to December 1998 is £ 1.4 million, an improvement of £ 12.2 million compared to the prior year.

DIRECT RETAILING – Richemont holds a 49 per cent interest in Hanover Direct, a leading direct to home catalogue retailer in the United States. During the year Hanover Direct has repositioned itself, moving towards a focus on electronic commerce. In March 1999, Hanover Direct announced a strategic realignment of the company, resulting in the creation of two separate divisions. The first of these – Brand Marketing – focuses on the merchandising and marketing of Hanover Direct's various brands through both catalogues and Internet web sites, whilst the second – Web Services – provides telesales, fulfilment and technology platforms to the company and to third party e-commerce retailers.

In its financial year ended December 1998, Hanover Direct reported increased operating losses compared with the previous year. The increase was due to lower demand experienced in certain catalogues together with the costs related to the investment in e-commerce. Richemont's share of Hanover Direct's operating losses increased to £ 4.7 million in the year to 31 March 1999.

RICHEMONT

CONSOLIDATED FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Board of Directors of Compagnie Financière Richemont AG ('Richemont' or 'the Company') is pleased to submit its report on the activities of the Company and its subsidiary and associated undertakings (together, 'the Group') for the year ended 31 March 1999. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 1999 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 59 to 62.

The agenda for the Annual General Meeting, which is to be held in Zug on 16 September 1999, is set out on page 73.

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 8 to 21and the Financial Review on pages 22 to 36. Details of the Company's underlying investments are given in the schedule of Principal Group Companies on pages 68 and 69. These investments are principally held through the Company's wholly-owned subsidiary Richemont SA, Luxembourg.

The financial statements are prepared in accordance with the Accounting and Reporting Recommendations as issued by the Foundation for Accounting and Reporting Recommendations in Switzerland. The accounting policies of the Group also conform with International Accounting Standards as issued by the International Accounting Standards Committee. The financial statements are presented in pounds sterling.

(A) ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention.

(B) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiary undertakings together with the Group's share of the results and retained post-acquisition reserves of associated undertakings.

Subsidiary undertakings are defined as those undertakings which are controlled by the Group. Control of an undertaking most commonly exists when the Company holds, directly or indirectly through other subsidiary undertakings, more than 50 per cent of the ordinary share capital and voting rights of the undertaking. An undertaking in which the Company holds, directly or indirectly through other subsidiary undertakings, 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 amounts are arrived at by reference to the last audited accounts available.

Associated undertakings are defined as those undertakings, not classified as subsidiary undertakings, where the Group is able to exercise a significant influence. Associated undertakings are accounted for under the equity method. 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 results of subsidiary and associated undertakings are 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 the 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 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 taxation expected to be payable in respect of profits earned to the end of the period, including taxation on dividends ordinarily expected to be payable within the Group out of such profits.

Deferred taxation arises from temporary differences between the recognition of certain items in the balance sheet for accounting and taxation purposes. Deferred taxation is accounted for using the liability method in respect of all material temporary differences. Currently enacted rates are used to determine deferred income taxation. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

(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. Repairs and maintenance costs are charged to the profit and loss account when incurred.

The costs of fixed assets are depreciated over the expected useful lives of the assets, up to the limits of:

Freehold and leasehold buildings	50 years
Plant and machinery	15 years
Fixtures, fittings, tools and equipment	10 years

Freehold land and assets under construction are not depreciated.

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

(G) GOODWILL

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 assets acquired, the excess is regarded as goodwill. Goodwill is amortised through the consolidated profit and loss account on the straight-line basis over its estimated useful life, up to a maximum of 20 years.

(H) ADVERTISING, PROMOTION, RESEARCH, DEVELOPMENT, PATENTS AND TRADE MARK EXPENSES

These expenses are written off in the accounting period in which they are incurred and taken into account in arriving at profit for the year, except advertising and promotional costs relating to specific future events which are carried forward to the accounting period in which those events take place.

(I) INVESTMENTS IN ASSOCIATED UNDERTAKINGS

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

(J) 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.

(K) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. In general, cost is determined on a weighted average or 'first in first out' basis. The cost of manufactured products comprises material cost plus direct labour, a proportion of overheads attributable to the stage of production reached and, where applicable, duties and taxes.

(L) DEBTORS

Trade and other debtors are stated at face value net of provisions for amounts which are not expected to be recoverable in full.

(M) MARKETABLE SECURITIES

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

(N) PROVISIONS FOR EMPLOYEES' POST RETIREMENT BENEFITS

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 are generally funded by payments to separate trustee administered funds or insurance companies. However, certain pension schemes for employees in Europe are unfunded and balance sheet provisions are carried representing the Group's liability to meet the future obligations of such schemes.

The cost of providing post retirement benefits is charged to the profit and loss account on a systematic basis, with surpluses or deficits arising 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 external funds are treated as assets or liabilities.

(O) PRODUCT WARRANTIES

Provisions are made for warranty repair costs relating to the sale of certain products which are sold under international guarantee against mechanical faults.

(P) FINANCIAL INSTRUMENTS

The Group only utilises derivative financial instruments in order to hedge interest rate and foreign exchange risk. The Group does not recognise changes in the market value of any derivative financial instruments in place at the balance sheet date within the financial statements. Where these relate to interest rate risk, settlements under such instruments are accrued and recorded as an adjustment to the interest income or expense related to the underlying exposure. Premiums paid on options are amortised to the profit and loss account over the life of the agreements. Where derivative financial instruments hedge future commitments or transactions in foreign currencies, the unrealised exchange differences are deferred against the matching gains and losses on the underlying transactions.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1999

	Notes	1999 £ m	1998 £ m
Gross sales revenue		9 648.1	9 800.1
Duty, excise and sales taxes		(5 040.5)	(5 137.8)
Net sales revenue	*2*	4 607.6	4 662.3
Cost of sales		(2 506.5)	(2 627.9)
Gross profit		2 101.1	2 034.4
Net operating expenses	*3*	(1 036.4)	(988.2)
Operating profit of the Company and its subsidiary undertakings	*3*	1 064.7	1 046.2
Share of operating profit/(losses) of associated undertakings	*4*	13.0	(1.8)
Operating profit		1 077.7	1 044.4
Goodwill amortisation		(165.8)	(120.3)
Share of Canal+ exceptional items	*5*	–	34.9
Profit before net investment expense and taxation		911.9	959.0
Net investment expense	*6*	(63.2)	(43.6)
Profit before taxation		848.7	915.4
Taxation	*7*	(286.2)	(299.1)
Profit after taxation		562.5	616.3
Minority interests		(238.8)	(286.9)
Profit attributable to unitholders	*8*	323.7	329.4

A summary of profit attributable to unitholders on an adjusted basis, excluding the effects of goodwill amortisation and exceptional items, is set out below:

	1999 £ m	1998 £ m
Analysis of profit attributable to unitholders		
Profit attributable to unitholders as reported	323.7	329.4
Goodwill amortisation	138.1	90.8
Share of Canal+ exceptional items	–	(34.2)
Profit attributable to unitholders on an adjusted basis	461.8	386.0

	Notes	£	£
Earnings per unit	*9*		
Earnings per unit on a reported basis		56.37	57.37
Earnings per unit on an adjusted basis		80.42	67.22

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 1999

	Notes	1999 £ m	1998 £ m
ASSETS			
Fixed assets			
Tangible	*10*	**746.4**	700.2
Goodwill	*11*	**2 687.6**	2 757.9
		3 434.0	3 458.1
Deferred tax assets	*12*	**113.3**	113.4
Investments			
Associated undertakings	*13*	**330.8**	321.5
Other long-term investments	*14*	**126.7**	132.3
		457.5	453.8
Net current assets			
Inventories	*15*	**1 477.9**	1 839.2
Debtors	*16*	**972.3**	905.9
Marketable securities	*17*	**103.1**	120.5
Cash		**524.8**	410.4
Current assets		**3 078.1**	3 276.0
Current liabilities	*18*	**(1 617.1)**	(2 057.0)
Current tax liabilities		**(175.0)**	(207.7)
		1 286.0	1 011.3
		5 290.8	5 036.6
UNITHOLDERS' FUNDS			
Share capital	*20*	**223.2**	223.2
Participation reserve	*21*	**430.7**	430.7
Unitholders' capital	*22*	**653.9**	653.9
Retained earnings and other reserves	*23*	**2 050.7**	1 776.7
		2 704.6	2 430.6
MINORITY INTERESTS		**590.6**	619.0
LONG-TERM LIABILITIES			
Borrowings	*24*	**1 548.7**	1 514.1
Other	*25*	**368.5**	394.9
Deferred tax liabilities	*12*	**78.4**	78.0
		1 995.6	1 987.0
		5 290.8	5 036.6

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 1999

	Notes	**1999 £ m**	1998 £ m
Cash inflow from operating activities	*28*	**1 268.3**	918.7
Returns on investments and servicing of finance			
Interest income and similar items		**71.6**	54.5
Interest paid and similar items		**(150.0)**	(107.8)
Income from other long-term investments		**6.4**	4.8
Dividends from associated undertakings		**13.4**	4.9
Cash flow applied to returns on investments and servicing of finance		**(58.6)**	(43.6)
Taxation paid		**(320.6)**	(290.5)
Investing activities			
Acquisitions of tangible fixed assets		**(159.9)**	(185.3)
Proceeds from disposals of tangible fixed assets		**23.2**	20.8
Acquisitions of subsidiary undertakings, net of cash acquired	*29*	**(18.9)**	(108.4)
Proceeds from disposals of subsidiary undertakings, net of cash sold		**0.6**	–
Acquisition of Vendôme Luxury Group public minorities	*29*	**–**	(1 053.0)
Acquisitions of other minority interests	*29*	**(8.9)**	(11.4)
Acquisitions of associated undertakings		**(11.6)**	(19.9)
Proceeds from disposals of associated undertakings		**–**	0.2
Buy-back of Richemont units		**(45.0)**	–
Acquisitions of other long-term investments		**(32.1)**	(22.2)
Proceeds from disposals of other long-term investments		**35.7**	4.4
Cash flow applied to investing activities		**(216.9)**	(1 374.8)
Net cash inflow/(outflow) before financing activities		**672.2**	(790.2)
Financing activities			
New long-term borrowings		**980.8**	702.9
Repayments of long-term borrowings		**(1 012.8)**	(140.2)
Capital element of finance lease payments		**(6.9)**	(7.8)
Dividend paid on Richemont SA participation reserve		**(66.0)**	(54.0)
Amounts paid to minority interests		**(231.8)**	(339.5)
Cash flow (applied to)/generated from financing activities		**(336.7)**	161.4
Net cash inflow/(outflow) after financing activities		**335.5**	(628.8)
Effect of exchange rate movements		**(6.3)**	(255.8)
Net increase/(decrease) in cash and cash equivalents		**329.2**	(884.6)
Cash and cash equivalents at beginning of year		**(147.0)**	737.6
Cash and cash equivalents at end of year	*30*	**182.2**	(147.0)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 1999

	Share capital £ m	Participation reserve £ m	Reserve for unit buy-back £ m	Translation and other reserves £ m	Retained earnings £ m	Total £ m
Balance at 1 April 1997	223.2	430.7	–	135.4	1 486.8	2 276.1
Exchange adjustments	–	–	–	(120.9)	–	(120.9)
Transfer to legal reserves	–	–	–	0.5	(0.5)	–
Total net gains and losses not recognised in the income statement	–	–	–	(120.4)	(0.5)	(120.9)
Profit attributable to unitholders	–	–	–	–	329.4	329.4
Dividend paid on Richemont SA participation reserve	–	–	–	–	(54.0)	(54.0)
Balance at 31 March 1998	223.2	430.7	–	15.0	1 761.7	2 430.6
Balance at 1 April 1998	223.2	430.7	–	15.0	1 761.7	2 430.6
Exchange adjustments	–	–	–	61.3	–	61.3
Transfer to legal reserves	–	–	–	1.4	(1.4)	–
Buy-back of Richemont units	–	–	(45.0)	–	–	(45.0)
Total net gains and losses not recognised in the income statement	–	–	(45.0)	62.7	(1.4)	16.3
Profit attributable to unitholders	–	–	–	–	323.7	323.7
Dividend paid on Richemont SA participation reserve	–	–	–	–	(66.0)	(66.0)
Balance at 31 March 1999	223.2	430.7	(45.0)	77.7	2 018.0	2 704.6

Note 1 – Reclassification of comparative figures

As a result of the adoption of International Accounting Standard 12 Revised (Income Taxes) the comparative figures have been restated to reflect the separate disclosure of deferred tax assets and liabilities and current tax liabilities on the balance sheet. Consequently, the comparative amounts disclosed in other long-term investments, debtors, current liabilities, net operating assets and other long-term liabilities notes have been restated.

Note 2 – Net sales revenue

The analysis of net sales revenue by business segment was as follows:

	1999 £ m	1998 £ m
Tobacco	3 022.2	3 171.9
Luxury goods	1 585.4	1 490.4
	4 607.6	4 662.3

The analysis of net sales revenue by geographical area was as follows:

	1999 £ m	1998 £ m
Europe	2 067.6	1 958.2
Asia Pacific	1 280.0	1 356.9
Middle East, Africa and India	661.5	738.0
Americas	598.5	609.2
	4 607.6	4 662.3

Note 3 – Operating profit

The analysis of net operating expenses was as follows:

	1999 £ m	1998 £ m
Selling and distribution costs	296.7	319.4
Administration expenses	744.7	684.0
Other operating income	(5.0)	(15.2)
	1 036.4	988.2

The analysis of operating profit of the Company and its subsidiary undertakings by business segment was as follows:

	1999 £ m	1998 £ m
Tobacco	797.7	806.1
Luxury goods	272.4	240.6
Other	(5.4)	(0.5)
Operating profit of the Company and its subsidiary undertakings	1 064.7	1 046.2

The segmental analysis of operating profit by geographical area has not been disclosed as the Directors are of the opinion that such disclosure would be prejudicial to the Group's competitive position.

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

	1999 £ m	1998 £ m
Depreciation of tangible fixed assets	114.2	112.1
Personnel expenses	779.1	789.4
Operating lease rentals	126.2	112.6

Note 4 – Share of results of associated undertakings

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

	1999 £ m	1998 £ m
Operating profit/(loss)	13.0	(1.8)
Goodwill amortisation	(12.1)	(9.3)
Exceptional items	–	34.9
Net interest income	6.2	10.4
Profit before taxation	7.1	34.2
Taxation	(7.2)	(6.0)
(Loss)/profit after taxation	(0.1)	28.2
Other shareholders' interests	1.7	1.2
Dividends	(3.7)	(4.8)
(Loss)/profit retained for the year	(2.1)	24.6

Note 5 – Share of Canal+ exceptional items

The exceptional gain of £ 34.9 million in the year to 31 March 1998 represented Richemont's share of Canal+'s exceptional items, being primarily the disposal of its interests in Première, the German pay-tv channel. Canal+ included in its results a net capital gain of the French franc equivalent of £ 232.9 million, mainly consisting of the gain generated by the sale of Première, partially offset by Canal+'s share of the losses arising from its 45 per cent interest in Telepiù held for resale. The Group's attributable share of the exceptional gain was £ 34.2 million after taxation and minority interests.

Note 6 – Net investment expense

	1999 £ m	1998 £ m
Interest income and similar items	46.7	55.2
Interest expense and similar charges	(125.3)	(119.4)
	(78.6)	(64.2)
Share of net interest income of associated undertakings	6.2	10.4
	(72.4)	(53.8)
Income from other long-term investments	9.2	10.2
	(63.2)	(43.6)

Note 7 – Taxation

	1999 £ m	1998 £ m
Current taxation	274.2	330.6
Deferred taxation	4.8	(37.5)
	279.0	293.1
Share of taxation of associated undertakings	7.2	6.0
	286.2	299.1

At 31 March 1999, the Company and its subsidiary undertakings had taxation losses of £ 146.5 million (1998: £ 118.9 million) in respect of which taxation assets had not been recognised, excluding those detailed in note 12, as the future utilisation of these losses is uncertain. Based on current rates of taxation, utilisation of these losses at 31 March 1999 would result in the recognition of a taxation asset of £ 37.1 million (1998: £ 31.2 million).

Note 8 – Profit attributable to unitholders

	1999 £ m	1998 £ m
Attributable profit of the Company and its subsidiary undertakings	325.8	304.8
Group's share of (loss)/profit retained by associated undertakings	(2.1)	24.6
	323.7	329.4

Note 9 – Earnings per unit

Earnings per unit on a reported basis are calculated by reference to the profit attributable to unitholders of £ 323.7 million (1998: £ 329.4 million) and 5 742 000 units in issue (1998: 5 742 000).

Earnings per unit are also shown on an adjusted basis, excluding the effects of goodwill amortisation and exceptional items. The exceptional items were the share of associates' exceptional gains in the year to 31 March 1998. The profit attributable to unitholders used for this calculation was £ 461.8 million (1998: £ 386.0 million).

Note 10 – Tangible fixed assets

	Land and buildings £ m	Plant and machinery £ m	Fixtures, fittings, tools and equipment £ m	Assets under construction £ m	Total £ m
Cost					
1 April 1998	368.8	576.7	469.0	47.6	1 462.1
Exchange adjustments	7.9	7.5	14.6	12.4	42.4
Additions	12.0	26.0	77.3	47.5	162.8
Acquisitions of subsidiaries	–	–	1.0	–	1.0
Transfers and reclassifications	26.6	43.4	4.3	(74.3)	–
Disposals and provisions	(3.3)	(19.5)	(66.8)	(0.4)	(90.0)
31 March 1999	412.0	634.1	499.4	32.8	1 578.3
Depreciation					
1 April 1998	95.6	380.7	285.6		761.9
Exchange adjustments	13.2	7.5	8.2		28.9
Charge for the year	12.3	37.5	64.4		114.2
Disposals and provisions	(1.8)	(18.0)	(53.3)		(73.1)
31 March 1999	119.3	407.7	304.9		831.9
Net book value					
1 April 1998	273.2	196.0	183.4	47.6	700.2
31 March 1999	292.7	226.4	194.5	32.8	746.4

Included above are fixed assets with a net book value of £ 11.1 million (1998: £ 13.2 million) held under finance leases.

The net book value of land and buildings at 31 March comprises:

	1999 £ m	1998 £ m
Freehold land	39.0	36.0
Freehold buildings	195.3	182.2
Long leaseholds	37.7	37.9
Short leaseholds	20.7	17.1
	292.7	273.2

The fire insurance value of fixed assets at 31 March 1999 was £ 2 769.7 million (1998: £ 2 599.0 million).

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

	1999 £ m	1998 £ m
Contracts placed	34.4	34.3
Authorised but not yet contracted	55.4	93.0
	89.8	127.3

Note 11 – Goodwill

	1999 £ m	1998 £ m
Cost		
Balance at 1 April	2 987.0	2 120.7
Exchange adjustments	58.4	(24.8)
Goodwill arising in the year	25.6	891.1
Disposals	(0.1)	–
Balance at 31 March	3 070.9	2 987.0
Amortisation		
Balance at 1 April	229.1	118.9
Exchange adjustments	0.5	(0.7)
Charge for the year	153.7	110.9
Balance at 31 March	383.3	229.1
Net book value	2 687.6	2 757.9

Goodwill arising in the year to 31 March 1999 principally related to the acquisition of the Lancel minority, the purchase of the Piaget North American distribution network from the Movado Group and the purchase of an additional interest in Hanover Direct.

Note 11 – Goodwill (continued)

Goodwill arising in the year to 31 March 1999 is analysed in the following table:

	£ m
Consideration	27.8
Net assets acquired	(13.0)
Goodwill arising on acquisition of subsidiaries and minority interests	14.8
Goodwill arising on the acquisition of additional interests in associated undertaking	10.8
	25.6

The total consideration shown above is reconciled to the amounts shown in the cash flow statement in note 29.

A proportion of the total goodwill amortisation charge of £ 165.8 million (1998: £ 120.3 million) shown at the pre-tax profit level in the consolidated profit and loss account related to goodwill arising on acquisitions made by the Group's associated undertakings. Such goodwill is capitalised in the balance sheet of the associate concerned and consequently appears in the Group balance sheet within investments in associated undertakings (see note 13 below). Of the total goodwill amortisation charge, £ 12.1 million (1998: £ 9.3 million) related to goodwill which has been capitalised by Richemont's associated undertakings.

Note 12 – Deferred taxation

	1 April 1998 £ m	(Charge)/ credit for the year £ m	Acquisitions £ m	Exchange differences £ m	31 March 1999 £ m
Deferred tax liabilities					
Accelerated tax depreciation	(26.2)	(22.2)	–	(0.9)	(49.3)
Additional provisions allowed for taxation	(36.9)	6.6	1.0	(1.6)	(30.9)
Others	(14.9)	16.3	–	0.4	1.8
	(78.0)	0.7	1.0	(2.1)	(78.4)
Deferred tax assets					
Lower tax depreciation rates	4.9	(2.2)	–	1.2	3.9
Retirement benefits	8.5	15.0	–	–	23.5
Provisions disallowed for taxation	15.2	1.3	–	0.5	17.0
Tax losses carried forward	0.1	1.5	–	–	1.6
Unrealised gross margin elimination	62.5	(21.7)	–	3.8	44.6
Others	22.2	0.6	–	(0.1)	22.7
	113.4	(5.5)	–	5.4	113.3
Net deferred tax assets	35.4	(4.8)	1.0	3.3	34.9

Note 13 – Investments in associated undertakings

	1999 £ m	1998 £ m
Carrying value at 1 April	**321.5**	379.2
Exchange adjustments	**14.6**	(39.2)
Acquisitions	**5.5**	7.6
Disposals	**(0.3)**	(1.8)
Decrease in post-acquisition retained earnings and other reserves	**(10.5)**	(24.3)
Carrying value at 31 March	**330.8**	321.5

Investments in associated undertakings at 31 March 1999 include goodwill of £ 217.5 million (1998: £ 209.6 million) which has been capitalised by the Group's associated undertakings.

Note 14 – Other long-term investments

	1999 £ m	1998 £ m
Shares in listed companies, at cost less amounts written off	**49.5**	52.0
Shares in unlisted companies, at cost less amounts written off	**5.8**	18.7
Other	**71.4**	61.6
	126.7	132.3
Market value of shares in listed companies at 31 March	**61.6**	63.8

Note 15 – Inventories

	1999 £ m	1998 £ m
Raw materials and consumables	**472.0**	490.3
Work in progress	**164.9**	151.5
Finished goods and goods for resale	**841.0**	1 197.4
	1 477.9	1 839.2

Note 16 – Debtors

	1999 £ m	1998 £ m
Trade debtors	**677.9**	656.7
Amounts owed by associated undertakings	**17.8**	16.9
Other debtors	**174.5**	143.4
Prepayments and accrued income	**102.1**	88.9
	972.3	905.9

Note 17 – Marketable securities

	1999 £ m	1998 £ m
Listed securities	**81.5**	54.9
Unlisted securities	**21.6**	65.6
	103.1	120.5
Market value of listed securities at 31 March	**83.8**	56.0

Note 18 – Current liabilities

	1999 £ m	1998 £ m
Bank loans and overdrafts	**445.7**	677.9
Short-term portion of long-term loans	**0.6**	4.6
Trade creditors	**184.4**	220.0
Obligations under finance leases	**5.0**	5.6
Amounts owed to associated undertakings	**0.7**	0.1
Duty and excise taxes	**513.7**	660.5
Other creditors	**222.5**	224.5
Accruals and deferred income	**244.5**	263.8
	1 617.1	2 057.0

Bank loans and overdrafts amounting to £ 81.6 million (1998: £ 38.1 million) and duty and excise taxes payable of £ 240.4 million (1998: £ 0.4 million) are secured on tangible assets of Group undertakings.

Note 19 – Net operating assets

The analysis of operating assets by business segment was as follows:

	1999 £ m	1998 £ m
Tobacco	**1 198.2**	1 348.3
Luxury goods	**849.1**	658.2
Other	**43.5**	102.3
The Company and its subsidiary undertakings	**2 090.8**	2 108.8
Share of associated undertakings	**330.8**	321.5
Net operating assets	**2 421.6**	2 430.3

Net operating assets comprise total assets less current liabilities excluding goodwill, marketable securities, cash, bank loans and overdrafts and the short-term portion of long-term loans:

	1999 £ m	1998 £ m
Net operating assets	**2 421.6**	2 430.3
Goodwill	**2 687.6**	2 757.9
Marketable securities	**103.1**	120.5
Cash	**524.8**	410.4
Bank loans and overdrafts	**(445.7)**	(677.9)
Short-term portion of long-term loans	**(0.6)**	(4.6)
Total assets less current liabilities	**5 290.8**	5 036.6

Note 20 – Share capital

	1999 £ m	1998 £ 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

Note 21 – Participation reserve

	1999 £ m	1998 £ m
Reserve in respect of 5 742 000 participation certificates with no par value issued by Richemont SA	**430.7**	430.7

Note 22 – 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:

	1999	1998
(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

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 23 – Retained earnings and other reserves

	1999 £ m	1998 £ m
Balance at 1 April	**1 776.7**	1 622 .2
Appropriation of prior year retained earnings:		
Dividend paid on Richemont SA participation reserve	**(66.0)**	(54.0)
Profit attributable to unitholders	**323.7**	329.4
Exchange adjustments	**61.3**	(120.9)
	2 095.7	1 776.7
Reserve for buy-back of Richemont units established in Compagnie Financière Richemont AG and Richemont SA entity accounts	**(45.0)**	–
Balance at 31 March	**2 050.7**	1 776 .7
Closing retained earnings and other reserves are analysed as follows:		
The Company and its subsidiary undertakings	**2 046.4**	1 776.5
Associated undertakings	**4.3**	0.2
	2 050.7	1 776.7

On 25 February 1999 Richemont announced proposals to initiate the buy-back of up to 100 000 units of its share capital in the context of a share option scheme to be introduced for employees within the Group. By 31 March 1999 Richemont had acquired 46 220 units. The programme was completed on 23 April 1999.

Legal reserves amounting to £ 63.2 million (1998: £ 61.8 million) are included above but are not available for distribution.

Note 24 – Long-term borrowings

	1999 £ m	1998 £ m
Bonds	579.5	–
Bank loans	936.5	1 478.9
Other loans	1.8	1.5
	1 517.8	1 480.4
Short-term portion of long-term loans (note 18)	(0.6)	(4.6)
Long-term loans	1 517.2	1 475.8
Obligations under finance leases	7.0	9.0
Other creditors	24.5	29.3
	1 548.7	1 514.1

Bank and other loans are subject to market rates of interest. Bank loans amounting to £ 11.5 million (1998: £ 1.2 million) are secured on tangible assets of Group undertakings.

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

	1999 £ m	1998 £ m
Amounts repayable in the financial years ending 31 March:		
2000	–	0.6
2001	517.8	1 064.5
2002	85.4	71.1
2003	528.7	329.9
thereafter	385.3	9.7
	1 517.2	1 475.8

On 15 April 1998, Rothmans International B.V. announced the establishment of a Global Medium Term Note programme ('the Programme'). The issuers under the Programme are Rothmans Nederland Holdings B.V., R&R Finance Limited and Rothmans Finance plc. Under the Programme, each issuer may from time to time issue Notes denominated in any currency (including Euro) and having a minimum maturity of one month. The Programme allows the issuance of Notes up to a maximum aggregate nominal amount of US$ 2 billion or its equivalent in other currencies. Notes may be listed on the Luxembourg Stock Exchange or other stock exchanges, or may be unlisted. Rothmans International B.V. is the guarantor of all Notes issued under the Programme.

On 6 May 1998, the following Notes were issued by Rothmans Nederland Holdings B.V.:
US$ 330 million 6.875% due 2008; and
US$ 330 million 6.500% due 2003.

Following the issue of these Notes, on 11 May 1998 Rothmans Nederland Holdings B.V. repaid its NLG 1 248 million syndicated loan facility dated 30 November 1995, which at 31 March 1998 was included within bank loans.

On 21 July 1998, the following Notes were issued by R&R Finance Limited:
DEM 500 million 5.5% due 2005.

The proceeds were used on 29 July 1998 to reduce the SFr 499.5 million syndicated loan facility dated 24 June 1996, which at 31 March 1998 was included within long-term borrowings.

During the year, the existing syndicated bank facilities in the name of Rothmans International Limited (£ 399.9 million) and R&R Finance Limited (SFr 80.0 million) were cancelled. In place of the £ 399.9 million facility, on 14 December 1998, a new revolving syndicated bank facility was established on behalf of Rothmans Finance plc (£ 400.0 million) with a maturity of 5 years. The facility is supported by a guarantee from Rothmans International B.V. and was drawn down at 31 March 1999.

Following the announcement of the proposed merger of Rothmans International B.V. with British American Tobacco p.l.c., the Group renegotiated the terms of the £ 400.0 million revolving syndicated bank facility in order to ensure that the facility remained available after the merger. As a result, on completion of the merger, the maturity date of this facility was amended to March 2001. This is regarded as a post balance sheet event requiring adjustment and is therefore reflected in the above table analysing long-term borrowings by due date of repayment.

In addition to the above, Rothmans Nederland Holdings B.V., Rothmans Finance plc, R&R Finance Limited, and Rothmans International B.V. became guarantors under certain British American Tobacco p.l.c. group bank facilities on completion of the merger. In return, British American Tobacco p.l.c. became a guarantor in respect of certain of the Group's borrowings, including those under the £ 400.0 million facility and in respect of Notes already issued or to be issued under the Programme.

Obligations under finance leases fall due for payment as follows:

	1999 £ m	1998 £ m
Amounts payable between two and five years	2.9	5.3
Amounts payable between one and two years	4.5	4.2
Amounts payable within one year	5.2	5.9
	12.6	15.4
Less: future finance charges included above	(0.6)	(0.8)
	12.0	14.6
Included in current liabilities (note 18)	(5.0)	(5.6)
Included in long-term borrowings	7.0	9.0

Note 25 – Other long-term liabilities

	1999 £ m	1998 £ m
Obligations for post retirement benefits	**315.5**	314.2
Other provisions	**53.0**	80.7
	368.5	394.9

Note 26 – Post retirement benefits

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. Medical benefits are also provided to pensioners in certain countries.

The total cost in respect of post retirement benefits was as follows:

	1999 £ m	1998 £ m
Regular cost	**52.3**	57.0
Spreading of surpluses and deficiencies	**(32.3)**	(15.4)
Notional interest on balance sheet provisions	**21.6**	21.5
	41.6	63.1

The following balances were included in the consolidated balance sheet in respect of post retirement benefits:

	1999 £ m	1998 £ m
Debtors	**1.3**	1.6
Current liabilities	**15.2**	14.7
Other long-term liabilities	**315.5**	314.2

The principal component of the other long-term liabilities of £ 315.5 million shown above at 31 March 1999 related to the obligations of Rothmans International's main German companies to pay future pension benefits, which are unfunded and therefore 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 1999 using the projected unit credit method and assuming average future salary and pension increases of 3.5 per cent and 1.5 per cent per annum, respectively. At the exchange rate then ruling, the present value of the companies' future pension liabilities amounted to £ 190.9 million, which was covered by balance sheet provisions then existing. The charge to the Group profit and loss account in respect of the schemes for the year to 31 March 1999 was £ 8.4 million (1998: £ 9.8 million).

A number of Group companies sponsor defined benefit pension schemes which are funded by payments to separate trustee administered funds. The Group's liabilities to meet the future obligations of these schemes are consequently not shown in the consolidated balance sheet. The largest such scheme is the Rothmans International UK Pension Fund, which covers the majority of Rothmans International's employees in the United Kingdom. An actuarial valuation of the Fund was carried out by William M Mercer Limited as at 31 March 1996 using the projected unit credit method. Under the assumptions that the long-term annual rate of return on the Fund's investments will exceed the increase in pensionable earnings by 1.5 per cent and will exceed the annual growth in future pensions by 4.0 per cent, the actuarial value of the estimated long-term accrued liabilities of the Fund as at 31 March 1996 was £ 377.5 million. The actuarial value of assets represented 123 per cent of these liabilities, and at the date of the valuation the market value of the Fund's assets was £ 584 million. The surplus shown by the above valuation is being spread over the average remaining service lives of the current employees of participating companies. Participating companies did not contribute to the Fund during the year. As in previous years, an updated review of the assumptions applicable to the actuarial valuation of the Fund at the balance sheet date was carried out by William M Mercer Limited. As part of this review, the assumptions applicable were also amended to reflect the economic conditions in the United Kingdom at the balance sheet date. In particular it was assumed that the Fund's investments will exceed the increase in pensionable salary by 1.7 per cent per annum and will exceed the annual growth in future pensions by 3.2 per cent per annum. Assets were taken at a smoothed market value. The effect of making these changes is to disclose a value of the Fund assets that represented 147 per cent of the value of the liabilities at the balance sheet date. As a result, the credit to the Group profit and loss account in respect of the scheme for the year to 31 March 1999 was £ 5.1 million (1998: £ 10.9 million charge).

Note 26 – Post retirement benefits (continued)

The liabilities of other Group companies to pay future pension benefits, and liabilities in respect of the provision of medical benefits to pensioners, are in general exceeded by either the actuarial value of assets separately administered to provide for such future payments or by provisions made within the accounts of each company. All material liabilities have been calculated by, and 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, liabilities have been reassessed such that the cost of providing post retirement benefits is charged against profits on a systematic basis over the relevant employees' service lives.

Note 27 – Financial commitments and contingent liabilities

At 31 March 1999 certain Group companies had contingent liabilities and commitments. These principally related to commitments under forward exchange contracts together with commodity contracts which are appropriate to the companies' respective businesses. Such contracts are entered into exclusively to hedge current and forecast future foreign currency exposures and trading commitments arising in the ordinary course of business. No material losses are expected to arise in respect of these contingent liabilities and commitments.

At 31 March 1999 the Company and its subsidiary undertakings had signed non-cancellable operating leases in respect of which the following minimum rentals are payable:

	Land and buildings £ m	Other assets £ m	Total £ m
Within one year	66.9	6.8	73.7
Between two and five years	161.2	5.5	166.7
Thereafter	157.0	0.2	157.2
	385.1	12.5	397.6

Certain of Rothmans International's subsidiary undertakings are involved in tobacco product liability litigation in Canada, the Republic of Ireland, Nigeria and Louisiana, and three environmental protection cases in California. It is not possible to determine the total amount of claims pending as these cases seek unspecified damages. A representative action has been threatened in Australia and two medical reimbursement actions have been threatened in France. The Rothmans International defendants believe that they have strong defences to the claims in all these cases, will deny liability and defend the actions vigorously. Rothmans International did not consider it appropriate to make any provisions in its financial statements as at 31 March 1999 in respect of any pending litigation.

Note 28 – Cash inflow from operating activities

	1999 £ m	1998 £ m
Operating profit	1 077.7	1 044.4
Share of operating (profit)/loss of associated undertakings	(13.0)	1.8
Depreciation of tangible fixed assets	114.2	112.1
Profit on disposals of tangible fixed assets	(7.9)	(4.3)
(Decrease)/increase in long-term liabilities	(29.1)	12.1
Decrease/(increase) in inventories	377.8	(424.7)
Increase in debtors	(36.6)	(6.3)
(Decrease)/increase in current liabilities	(214.8)	183.6
Cash inflow from operating activities	1 268.3	918.7

Note 29 – Acquisitions of subsidiary undertakings and minority interests

	1999 £ m	1998 £ m
Total consideration payable (note 11)	27.8	1 264.0
Non cash consideration	–	(55.6)
Consideration paid during the year	27.8	1 208.4
Cash and cash equivalents of subsidiary undertakings acquired	–	(35.6)
Acquisitions of subsidiary undertakings and minority interests – cash outflow	27.8	1 172.8
Analysed as:		
Acquisitions of subsidiary undertakings, net of cash acquired	18.9	108.4
Acquisition of Vendôme Luxury Group public minorities	–	1 053.0
Acquisition of other minority interests	8.9	11.4
	27.8	1 172.8

Note 30 – Cash and cash equivalents

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

	1999 £ m	1998 £ m
Marketable securities	103.1	120.5
Cash	524.8	410.4
Bank loans and overdrafts	(445.7)	(677.9)
	182.2	(147.0)

Note 31 – Principal group companies

Details of Richemont's underlying investments are given in the schedule of Principal Group Companies on pages 68 and 69.

Note 32 – Financial instruments

(a) Primary financial instruments

The balance sheet values of cash, debtors, current liabilities and long-term borrowings are approximately equal to their market values and are therefore not dealt with under this note. In the case of the following items, the stated balance sheet amounts differ from their market or fair values at the balance sheet date:

	Net book values		Fair values	
Category	**1999 £ m**	1998 £ m	**1999 £ m**	1998 £ m
Marketable securities				
– Rothmans International	**69.5**	94.1	**71.1**	95.2
– Rest of group	**33.6**	26.4	**34.3**	26.4
	103.1	120.5	**105.4**	121.6
Other long-term investments				
– Rothmans International	**51.3**	47.8	**99.0**	82.6
– Rest of group	**75.4**	84.5	**78.8**	86.9
	126.7	132.3	**177.8**	169.5

(b) Derivative financial instruments

The Group is exposed to financial risks arising from the international nature of its business operations. The main financial risks include funding risk, foreign exchange risk, interest rate risk and credit risk. The Group has established appropriate policies to manage such risks. It is the responsibility of the Group's treasury operations to monitor and manage these financial risks within approved policies. To manage such financial risks the Group utilises derivative hedging instruments. Derivative instruments are used to offset exposure arising in the normal course of the Group's activities, whereby the market risk associated with such instruments is primarily offset by equal and opposite movements in the positions covered. The instruments are treated as off-balance-sheet financial instruments, with related gains and losses recorded in the settlement of the underlying transactions. In the event of early termination of a hedging instrument, the gain or loss continues to be deferred and is included in the settlement of the underlying transaction. Treasury operations are restricted to the hedging of underlying financial risks; trading is not permitted.

Foreign exchange and interest rate risk

To manage foreign exchange risk the Group transacts forward foreign exchange contracts, currency swaps and currency options. Forward foreign exchange contracts hedge receivables or payables denominated in foreign currencies or related commitments in foreign currency. Hedging is undertaken as appropriate on a rolling monthly basis out to a maximum maturity of 12 months. The profit or loss on each contract is recognised on maturity in order to match the underlying exposure.

To manage interest rate risk the Group selectively undertakes interest swaps, forward rate agreements and interest rate options. Interest rate swaps and forward rate agreements are treated as off-balance-sheet financial instruments and the resulting interest differentials are recorded as an adjustment to interest expense. In the event of early termination of an interest rate swap or forward rate agreement, gains and losses are deferred and modify the interest cost over the remaining term of the underlying debt. The underlying capital gains or losses on forward interest rate contracts that are designated as hedges are used to adjust the interest expense for the duration of the underlying debt. For other instruments, only the underlying losses are recognised in the results.

Note 32 – Financial instruments (continued)

Foreign exchange and interest rate risk (continued)

	Nominal amount		Book value		Fair value adjustment		Credit risk	
Category	1999 £ m	1998 £ m	1999 £ m	1998 £ m	1999 £ m	1998 £ m	1999 £ m	1998 £ m
Currency forward contracts								
– Rothmans International	**1 249.4**	1 207.0	–	–	**(9.8)**	8.1	**10.2**	23.5
– Rest of group	**34.4**	52.1	–	–	–	–	–	–
	1 283.8	1 259.1	–	–	**(9.8)**	8.1	**10.2**	23.5
Currency options								
– Rothmans International	–	15.3	–	–	–	1.2	–	1.2
– Rest of group	–	–	–	–	–	–	–	–
	–	15.3	–	–	–	1.2	–	1.2
Interest rate swaps								
– Rothmans International	**1 625.5**	773.8	–	–	**(51.9)**	(12.2)	**9.2**	–
– Rest of group	–	–	–	–	–	–	–	–
	1 625.5	773.8	–	–	**(51.9)**	(12.2)	**9.2**	–
Interest rate options								
– Rothmans International	**2 822.5**	1 744.3	–	–	**1.0**	0.6	**2.2**	0.6
– Rest of group	–	–	–	–	–	–	–	–
	2 822.5	1 744.3	–	–	**1.0**	0.6	**2.2**	0.6

i) Nominal amount

Nominal amounts represent the sum of all currency contracts by category bought or sold but not offset at the balance sheet date. The contracts have been translated from underlying currencies to sterling using exchange rates existing at the balance sheet date. Nominal amounts do not represent amounts exchanged by the contracting parties, but rather represent the contract on which payments are calculated. The potential risk relates to fluctuations in market prices as well as the credit risk of counterparties.

ii) Book value

The Group does not generally recognise the value of any derivative instruments in place at the balance sheet date within its financial statements.

iii) Fair value

The fair value adjustments of existing interest rate swap agreements and forward rate agreements represent the amount that the Group would have to pay or would receive if the contract were terminated at the balance sheet date. The computation of fair values does not consider the offsetting change in the value of the item being hedged. The fair values of forward foreign exchange contracts are calculated based on market prices for contracts of similar term. Currency options and interest rate options are valued on the basis of quoted market prices or on estimates based on option pricing models.

iv) Credit risk

The credit risk is the sum of the fair value adjustments of derivatives with a positive fair value. The credit risk is the danger of non-performance by counterparties. This risk is minimised by entering into contracts exclusively with banks of high credit standing and ensuring that the limits set by the Group for each bank are adhered to. The Group has no significant concentrations of credit risk.

Note 33 – Post balance sheet events

(a) Merger of Rothmans International and British American Tobacco

On 11 January 1999, the boards of Richemont and Rembrandt Group Limited ('Rembrandt') announced the terms of a merger of their combined interests in Rothmans International BV ('Rothmans') with British American Tobacco p.l.c. ('BAT'). On 8 April 1999, the shareholders of BAT and Rembrandt approved the proposed merger. Following receipt of the necessary regulatory approvals, the merger became effective on 7 June 1999. The enlarged group retains the British American Tobacco name.

Under the terms of the agreement, BAT acquired the entire issued share capital of Rothmans International, in consideration for which it issued Ordinary Shares and Convertible Preference Shares to R&R Holdings SA, a holding company jointly held by Richemont and Rembrandt. The new shares account for 35 per cent of the fully diluted ordinary share capital of BAT, 25 per cent in Ordinary Shares and 10 per cent in Convertible Preference Shares. The consideration has been structured to provide Richemont and Rembrandt jointly with an economic interest of 35 per cent in the enlarged group, whilst limiting their voting interest to a maximum of 25 per cent.

The initial Ordinary Shares and the Convertible Preference Shares issued at completion have a value of £ 5.1 billion based on BAT's share price of 604½p per share at the close of business on 4 June 1999 being the last available price prior to completion of the transaction. This valuation is arrived at by valuing the Convertible Preference Shares as Ordinary Shares and without taking account of any value attributable to the fact that the Convertible Preference Shares may be redeemed for cash in certain circumstances.

(b) Van Cleef & Arpels

On 12 May 1999, Richemont acquired a 60 per cent interest in Van Cleef & Arpels, manufacturers and retailers of jewellery and watches. The transaction valued Van Cleef & Arpels at approximately £ 190 million, of which Richemont's share was some £ 115 million.

To the General Meeting of Shareholders of
Compagnie Financière Richemont AG, Zug

As auditors of the Group, we have audited the consolidated financial statements on pages 39 to 57, consisting of the statement of accounting policies, consolidated profit and loss account, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the notes to the consolidated financial statements of Compagnie Financière Richemont AG for the year ended 31 March 1999.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with International Standards on Auditing as issued by the International Federation of Accountants, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and cash flows, in accordance with the Accounting and Reporting Recommendations as issued by the Foundation for Accounting and Reporting Recommendations in Switzerland and comply with the law and the accounting provisions as contained in the Listing Rules of the Swiss Exchange.

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

PricewaterhouseCoopers AG
Kurt Hausheer Clive Bellingham
Zurich, 16 June 1999

FINANCIAL STATEMENTS OF THE COMPANY

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1999

	Notes	1999 SFr m	1998 SFr m
INCOME			
Dividends		**49.7**	63.4
Interest income		**5.0**	4.3
Other income		**5.8**	7.3
		60.5	75.0
EXPENSES			
Interest paid		**1.1**	0.9
General expenses	*2*	**15.8**	13.0
		16.9	13.9
PROFIT BEFORE TAXATION		**43.6**	61.1
Taxation		**0.8**	0.8
NET PROFIT FOR THE YEAR		**42.8**	60.3

BALANCE SHEET

AT 31 MARCH 1999

	Notes	1999 SFr m	1998 SFr m
NON-CURRENT ASSETS			
Investments	*3*	**700.6**	700.6
Fixed assets	*4*	**21.9**	22.3
		722.5	722.9
CURRENT ASSETS			
Loans to affiliated companies		**224.8**	189.3
Debtors		**0.1**	0.3
Cash		**1.3**	1.7
		226.2	191.3
		948.7	914.2
SHAREHOLDERS' EQUITY			
Share capital	*5*	**574.2**	574.2
Legal reserve	*6*	**117.6**	114.5
Reserve for own shares	*7*	**26.9**	–
Retained earnings	*8*	**193.6**	180.8
		912.3	869.5
LIABILITIES			
Current liabilities			
Accrued expenses		**0.4**	0.3
Taxation		**0.8**	1.2
Loans from affiliated companies		**35.0**	43.0
		36.2	44.5
Long-term liabilities		**0.2**	0.2
		36.4	44.7
		948.7	914.2

NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 1999

Note 1 – Basis of preparation of the financial statements
The financial statements represent the financial position of the Company at 31 March 1999 and the results of its operations for the year then ended, prepared in accordance with Swiss law.

Note 2 – General expenses

	1999 SFr m	1998 SFr m
General expenses are comprised as follows:		
Personnel costs	**3.9**	3.5
Depreciation	**0.5**	0.5
Other	**11.4**	9.0
	15.8	13.0

Note 3 – Investments
These comprise investments in wholly-owned subsidiary companies, which are stated at cost.

	1999 SFr m	1998 SFr m
Richemont SA, Luxembourg	**700.0**	700.0
Other investments	**0.6**	0.6
	700.6	700.6

Note 4 – Fixed assets
Excluding land, the net book value of tangible fixed assets is SFr 14.3 million (1998: SFr 14.7 million). The fire insurance value of tangible fixed assets amounts to SFr 20.1 million (1998: SFr 20.9 million).

Note 5 – Share capital

	1999 SFr m	1998 SFr m
5 220 000 "A" bearer shares with a par value of SFr 100 each, fully paid	**522.0**	522.0
5 220 000 "B" registered shares with a par value of of SFr 10 each, fully paid	**52.2**	52.2
	574.2	574.2

Note 6 – Legal reserve

	1999 SFr m	1998 SFr m
Balance at 1 April	**114.5**	112.7
Transfer from retained earnings	**3.1**	1.8
	117.6	114.5

The legal reserve is not available for distribution.

Note 7 – Reserve for own shares
On 25 February 1999 the Company announced proposals to initiate the buy-back of up to 100 000 Richemont "A" units in the context of a share option scheme to be introduced for employees. By 31 March 1999, a wholly-owned subsidiary of the Company had acquired a total of 46 220 Richemont "A" units, for a total consideration of SFr 107.5 million. A Richemont "A" unit is composed of one "A" bearer share issued by the Company and one participation certificate issued by Richemont SA. At the time of formation of Richemont, 25 per cent of the value of an "A" unit was attributed to the "A" bearer share issued by the Company and 75 per cent to the participation certificate issued by Richemont SA. In terms of the reserve for own shares to be established in respect of the units repurchased a reserve in the amount of SFr 26.9 million, being 25 per cent of the purchase consideration attributable to the share element of the units repurchased, has been established in the balance sheet of the Company. The balance of the purchase consideration has been established as a reserve in respect of the participation certificates repurchased in the balance sheet of Richemont SA.

Note 8 – Retained earnings

	1999 SFr m	1998 SFr m
1 April, before appropriation of prior year retained earnings	**180.8**	122.3
Transfer to legal reserve	**(3.1)**	(1.8)
Reserve for own shares	**(26.9)**	–
1 April, after appropriation	**150.8**	120.5
Net profit for the year	**42.8**	60.3
	193.6	180.8

The retained earnings are stated before the proposed appropriation as set out on page 62.

Note 9 – Contingent liabilities
At 31 March 1999 the Company had given guarantees totalling SFr 1 983.8 million in respect of which it had received indemnities from subsidiaries in the same amount to cover obligations of various group companies amounting to SFr 1 303.3 million. The Company does not foresee any liability arising under these guarantees and, therefore, no provision has been made.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 1999

Note 10 – Significant shareholders

At the Annual General Meeting of shareholders which was held on 10 September 1998, the following significant shareholdings were notified to the Company:

- 5 220 000 "B" registered shares held by Compagnie Financière Rupert, representing 50.0 per cent of the voting rights in the Company.
- 1 573 484 "A" bearer shares held by Richemont Securities AG, representing 15.1 per cent of the voting rights in the Company. Richemont Securities AG acts as Depositary for depositary receipt holders and votes on their behalf and acts on their instructions 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.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF RETAINED EARNINGS

AT 31 MARCH 1999

	SFr m
AVAILABLE RETAINED EARNINGS	
1 April, after appropriation	177.7
Transfer to reserve for own shares	(26.9)
Net profit for the year	42.8
	193.6

PROPOSED APPROPRIATION

The Board of Directors proposes that the available retained earnings of SFr 193.6 million are carried forward.

Details of the dividend proposed in respect of the participation certificates of Richemont SA, Luxembourg are given on page 67.

The Board of Directors — *Zug, 16 June 1999*

REPORT OF THE STATUTORY AUDITORS

To the General Meeting of Shareholders of
Compagnie Financière Richemont AG, Zug

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Compagnie Financière Richemont AG for the year ended 31 March 1999.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with the law and the Company's articles of incorporation.

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

PricewaterhouseCoopers AG
Kurt Hausheer — Clive Bellingham
Zurich, 16 June 1999

RICHEMONT SA

FINANCIAL STATEMENTS OF THE COMPANY

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 1999. 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 CURRENCY TRANSLATION

Transactions in foreign currencies during the year are recorded at exchange rates ruling at the time the transactions take place. Monetary assets and liabilities, expressed in currencies other than pounds sterling, are translated at exchange rates ruling at the year end. The resulting exchange gains or losses are credited or charged to income 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 concerned.

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1999

	1999 £ m	1998 £ m
INCOME		
Dividend	**100.0**	224.7
Other income	**–**	0.1
	100.0	224.8
EXPENSES		
General expenses	**1.9**	3.4
PROFIT BEFORE TAXATION	**98.1**	221.4
Taxation	**0.1**	0.1
NET PROFIT FOR THE YEAR	**98.0**	221.3

BALANCE SHEET

AT 31 MARCH 1999

	Notes	1999 £ m	1998 £ m
ASSETS			
Investments	*2*	**1 224.5**	1 224.5
Cash		**1.0**	1.4
Loans to group companies	*9*	**8.9**	–
		1 234.4	1 225.9
CAPITAL AND RESERVES			
Share capital	*3*	**143.5**	143.5
Participation reserve	*4*	**430.7**	430.7
Legal reserve	*5*	**14.3**	14.3
General reserve	*6*	**285.3**	285.3
Reserve for own participation certificates	*7*	**33.7**	–
Retained earnings	*8*	**326.4**	348.7
		1 233.9	1 222.5
LIABILITIES			
Loans from group companies	*9*	**0.5**	3.4
		1 234.4	1 225.9

NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 1999

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 1999 and the results of its operations for the year then ended.

Note 2 – Investments
These comprise investments in subsidiary companies, which are stated at cost.

Note 3 – Share capital

	1999 £ m	1998 £ m
Issued and fully paid		
1 914 000 shares with a par value of £ 75 each	**143.5**	143.5

Note 4 – Participation reserve

	1999 £ m	1998 £ m
Reserve established in respect of 5 742 000 participation certificates with no par value	**430.7**	430.7

The Company has set aside a participation reserve amounting to £ 430.7 million and issued, in respect of this reserve, 5 220 000 (1998: 5 220 000) bearer non-voting participation certificates with no par value and 522 000 (1998: 522 000) registered non-voting participation certificates with no par value. Bearer and registered participation certificates have identical rights.

Note 5 – Legal reserve
The legal reserve amounting to £ 14.3 million (1998: £ 14.3 million) is not available for distribution.

Note 6 – General reserve
The general reserve amounting to £ 285.3 million (1998: £ 285.3 million) is available for distribution subject to the approval of the shareholders.

Note 7 – Reserve for own participation certificates
On 25 February 1999 proposals were announced to buy back up to 100 000 Richemont "A" units in the context of a share option scheme to be introduced for employees. By 31 March 1999, a wholly-owned subsidiary of the Company had acquired a total of 46 220 Richemont "A" units, for a total consideration of £ 45.0 million. A Richemont "A" unit is composed of one "A" bearer share issued by Compagnie Financière Richemont AG and one participation certificate issued by the Company. At the time of formation of Richemont, 25 per cent of the value of an "A" unit was attributed to the "A" bearer share issued by Compagnie Financière Richemont AG and 75 per cent to the participation certificate issued by the Company. In terms of the reserve for own participation certificates to be established in respect of the units repurchased a reserve in the amount of £ 33.7 million, being 75 per cent of the purchase consideration attributable to the participation certificate element of the units repurchased, has been established in the balance sheet of the Company. The balance of the purchase consideration has been established as a reserve in respect of the shares repurchased in the balance sheet of Compagnie Financière Richemont AG.

Note 8 – Retained earnings

	1999 £ m	1998 £ m
1 April, before appropriation of prior year retained earnings	**348.7**	198.0
Transfer to reserve for own participation certificates	**(33.7)**	–
14.33 per cent dividend paid on share capital (1998: 11.53 per cent)	**(20.6)**	(16.6)
15.33 per cent dividend paid on participation reserve (1998: 12.53 per cent)	**(66.0)**	(54.0)
1 April, after appropriation	**228.4**	127.4
Net profit for the current year	**98.0**	221.3
	326.4	348.7

The retained earnings at 31 March are stated before the proposed appropriation thereof as set out on page 67.

Note 9 – Loans to and from group companies
The loans to and from group companies are principally interest free and are repayable on demand.

Note 10 – Contingent liabilities
At 31 March 1999 the Company had given guarantees totalling £ 1 157.5 million (1998: £ 1 148.8 million) to cover obligations of various group companies amounting to £ 545.3 million (1998: £ 25.0 million). The Company does not foresee any liability arising under these guarantees and, therefore, no provision has been made.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF RETAINED EARNINGS

AT 31 MARCH 1999

	£ m
AVAILABLE RETAINED EARNINGS	
1 April, after appropriation	**262.1**
Transfer to reserve for own participation certificates	**(33.7)**
Net profit for the year	**98.0**
	326.4
PROPOSED APPROPRIATION	
17.00 per cent dividend payable on share capital	**24.4**
18.00 per cent dividend payable on participation reserve	**77.5**
Balance to be carried forward	**224.5**
	326.4

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 £ 13.50 per participation certificate. It will be payable to unitholders of Richemont on 4 October 1999 in respect of coupon number 43, free of charges, at the banks designated as paying agents.

The Board of Directors

Luxembourg, 14 June 1999

REPORT OF THE STATUTORY AUDITORS

To the Shareholders
Richemont SA, Luxembourg

We have audited the accompanying annual accounts of Richemont SA for the year ended 31 March 1999. These annual accounts are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these annual accounts based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying annual accounts give, in conformity with the legal requirements, a true and fair view of the financial position of Richemont SA as of 31 March 1999 and of the results of its operations for the year then ended.

PricewaterhouseCoopers S.à.r.l.
Statutory auditors
represented by Luc Henzig
Réviseur d'Entreprises
Luxembourg, 14 June 1999

PRINCIPAL GROUP COMPANIES

AS AT 31 MARCH 1999

Country of incorporation	Name of company	Effective interest
Subsidiary undertakings – tobacco products		
Australia	Rothmans Holdings Limited	33.3%
	Rothmans of Pall Mall (Australia) Limited	33.3%
Belgium	Tabacofina-Vander Elst NV	66.7%
Canada	Rothmans, Benson & Hedges Inc.	28.5%
	Rothmans Inc.	47.5%
Germany	Brinkmann Niemeyer GmbH	66.7%
	Rothmans Cigaretten GmbH	66.7%
Japan	Rothmans Japan Limited	66.7%
Jersey	Carreras Rothmans (C.I.) Limited	66.7%
	R&R Finance Limited	66.7%
Luxembourg	R&R Holdings SA	66.7%
	RTH Luxembourg SA	66.7%
Malaysia	Rothmans of Pall Mall (Malaysia) Berhad	33.3%
Netherlands	Rothmans International BV	66.7%
	Rothmans Services BV	66.7%
	Rothmans Manufacturing (The Netherlands) BV	66.7%
	Rothmans Nederland Holdings BV	66.7%
	Rothmans International Holdings BV	66.7%
	Rothmans International Holdings II BV	66.7%
	Rothmans Central & Eastern Europe BV	66.7%
	Rothmans Far East BV	66.7%
	Theodorus Niemeyer BV	66.7%
New Zealand	Rothmans of Pall Mall (New Zealand) Limited	33.3%
Republic of Ireland	PJ Carroll and Company Limited	66.7%
Singapore	Rothmans Industries Limited	33.3%
South Africa	Rothmans International Holdings Southern Africa (Pty) Limited	66.7%
Switzerland	Rothmans of Pall Mall Limited	66.7%
	FJ Burrus SA	66.7%
United Kingdom	Rothmans UK Holdings Limited	66.7%
	Rothmans International Limited	66.7%
	Rothmans International Tobacco (UK) Limited	66.7%
	Rothmans (UK) Limited	43.3%
	Rothmans Finance plc	66.7%
United States of America	Lane Limited	66.7%
	Tobacco Exporters International (USA) Limited	66.7%
Zimbabwe	Rothmans of Pall Mall (Zimbabwe) Limited	33.5%

PRINCIPAL GROUP COMPANIES

AS AT 31 MARCH 1999

Country of incorporation	Name of company	Effective interest
Subsidiary undertakings – luxury goods		
France	Cartier SA	100.0%
	Chloé International SA	100.0%
	Lancel SA	100.0%
Germany	Cartier GmbH	100.0%
	Karl Seeger Lederwarenfabrik GmbH	100.0%
	Montblanc – Simplo GmbH	100.0%
Hong Kong	Les Must de Cartier Far East Limited	100.0%
	PBM (Hong Kong) Limited	100.0%
Italy	Vendôme Italia Spa	100.0%
	Officine Panerai Marketing & Communicazione Srl	100.0%
Japan	Cartier Japan Limited	100.0%
	Dunhill Group Japan Limited	66.0%
Luxembourg	Vendôme Luxury Group SA	100.0%
Netherlands	Cartier International BV	100.0%
	Montblanc International BV	100.0%
Switzerland	Baume & Mercier SA	100.0%
	Cartier International SA	100.0%
	CTL Horlogerie SA	100.0%
	Interdica SA	100.0%
	Piaget (International) SA	100.0%
	Vacheron & Constantin SA	100.0%
United Kingdom	Alfred Dunhill Limited	100.0%
	Cartier Limited	100.0%
	Hackett Limited	100.0%
	James Purdey & Sons Limited	100.0%
United States of America	A Sulka & Company Limited	100.0%
	Cartier, Incorporated	100.0%
	VLG North America Inc.	100.0%
	Montblanc Inc.	100.0%
Subsidiary undertakings – other		
Luxembourg	Richemont Finance SA (Holding company)	100.0%
Switzerland	Richemont Securities AG (Transfer secretaries)	100.0%
United Kingdom	Richemont International Limited (Advisory services)	100.0%
Associated undertakings		
France	Canal+ SA (Pay television)	15.0%
Jamaica	Carreras Group Limited (Tobacco products)	31.6%
United States of America	Hanover Direct, Inc. (Direct retailing)	48.8%

FIVE YEAR RECORD

CONSOLIDATED PROFIT AND LOSS ACCOUNT	1995 £ m	1996 £ m	1997 £ m	1998 £ m	1999 £ m
Net sales revenue					
Tobacco – including Southern African pre-acquisition element	2 979.3	3 165.0	3 300.1	3 171.9	**3 022.2**
Less: Southern African pre-acquisition element	(427.6)	(324.9)	–	–	**–**
Tobacco – as reported	2 551.7	2 840.1	3 300.1	3 171.9	**3 022.2**
Luxury goods	1 300.4	1 466.8	1 455.7	1 490.4	**1 585.4**
	3 852.1	4 306.9	4 755.8	4 662.3	**4 607.6**
Operating profit					
Tobacco – including Southern African pre-acquisition element	673.3	759.4	810.0	820.9	**817.1**
Less: Southern African pre-acquisition element	(173.9)	(153.7)	–	–	**–**
Tobacco – as reported	499.4	605.7	810.0	820.9	**817.1**
Luxury goods	222.4	249.7	243.3	240.6	**272.4**
Pay television	(38.1)	(46.3)	(81.0)	(16.9)	**(1.7)**
NAR Group/Direct retailing	11.2	(3.2)	(16.1)	0.3	**(4.7)**
Other	(6.9)	(7.0)	(2.0)	(0.5)	**(5.4)**
	688.0	798.9	954.2	1 044.4	**1 077.7**

PROFIT AND LOSS ACCOUNT ANALYSES	1995 £ m	1996 £ m	1997 £ m	1998 £ m	1999 £ m
Rothmans International					
Net sales revenue by geographic region					
Europe	1 286.8	1 377.0	1 412.3	1 369.4	**1 387.5**
Africa and the Middle East	627.6	682.7	675.1	693.4	**617.4**
Americas	266.6	283.6	304.7	299.6	**278.2**
Asia	466.2	493.7	540.1	475.8	**413.7**
Pacific	332.1	328.0	367.9	333.7	**325.4**
	2 979.3	3 165.0	3 300.1	3 171.9	**3 022.2**
Operating profit by geographic region					
Europe	181.2	218.8	249.4	244.6	**293.9**
Africa and the Middle East	212.2	264.2	236.0	225.2	**220.7**
Americas	91.0	84.4	93.5	99.3	**83.5**
Asia	122.1	138.4	143.7	139.8	**126.9**
Pacific	54.4	34.9	73.3	97.2	**72.7**
Rothmans International and its subsidiary undertakings	660.9	740.7	795.9	806.1	**797.7**
Share of associated undertakings	12.4	18.7	14.1	14.8	**19.4**
	673.3	759.4	810.0	820.9	**817.1**

PROFIT AND LOSS ACCOUNT ANALYSES (CONTINUED)	1995 SFr m	1996 SFr m	1997 SFr m	1998 SFr m	**1999 SFr m**
Vendôme Luxury Group					
Net sales revenue by geographic region					
Europe	1 098.8	1 045.9	1 114.0	1 413.3	**1 618.5**
Far East	981.7	1 063.0	1 208.4	1 313.7	**1 287.3**
Americas	499.3	487.3	593.4	742.9	**762.3**
Other	73.1	88.0	83.0	107.0	**105.1**
	2 652.9	2 684.2	2 998.8	3 576.9	**3 773.2**
Net sales revenue by product category					
Jewellery	437.7	470.0	525.9	671.6	**770.0**
Gold and jewellery watches	566.5	565.5	705.4	882.6	**867.2**
Other watches	403.2	435.8	511.4	656.2	**759.1**
Writing instruments	310.4	315.3	319.7	346.3	**336.0**
Leather goods	288.8	295.7	295.3	342.8	**364.5**
Menswear	159.8	162.7	185.5	196.1	**182.0**
Other	486.5	439.2	455.6	481.3	**494.4**
	2 652.9	2 684.2	2 998.8	3 576.9	**3 773.2**
Net sales revenue by distribution channel					
Retail	781.9	835.1	1 026.6	1 339.1	**1 465.0**
Wholesale	1 871.0	1 849.1	1 972.2	2 237.8	**2 308.2**
	2 652.9	2 684.2	2 998.8	3 576.9	**3 773.2**
Operating profit	453.6	456.9	501.1	577.5	**648.2**

FIVE YEAR RECORD

CONSOLIDATED PROFIT AND LOSS ACCOUNT	1995 £ m	1996 £ m	1997 £ m	1998 £ m	**1999 £ m**
Reconciliation of profit attributable to unitholders					
On a reported basis	279.6	416.4	513.4	329.4	**323.7**
Goodwill amortisation	5.5	60.0	81.0	90.8	**138.1**
Share of Canal+ exceptional items	–	–	–	(34.2)	**–**
Gain on merger of media interests	–	–	(291.5)	–	**–**
Gain on merger of tobacco interests	–	(160.3)	–	–	**–**
Profit on sale of properties	(23.2)	–	–	–	**–**
On an adjusted basis	261.9	316.1	302.9	386.0	**461.8**

PER UNIT INFORMATION	1995	1996	1997	1998	1999
Earnings per unit excluding exceptional items and goodwill amortisation	£ 45.61	£ 55.05	£ 52.75	£ 67.22	**£ 80.42**
Earnings per unit including exceptional items and goodwill amortisation	£ 48.69	£ 72.52	£ 89.41	£ 57.37	**£ 56.37**
Dividend per unit	£ 7.00	£ 8.00	£ 9.40	£ 11.50	**£ 13.50**

CONSOLIDATED BALANCE SHEET	1995 £ m	1996 £ m	1997 £ m	1998 £ m	**1999 £ m**
Net operating assets					
Rothmans International	893.0	932.2	1 218.1	1 396.0	**1 263.5**
Vendôme Luxury Group	714.9	825.0	740.6	651.7	**871.5**
Richemont/other	274.1	390.0	326.0	376.1	**310.1**
	1 882.0	2 147.2	2 284.7	2 423.8	**2 445.1**
Goodwill	50.9	1 646.8	2 001.8	2 757.9	**2 687.6**
Net liquid funds/(borrowings)	1 220.3	(240.1)	(409.3)	(1 627.4)	**(1 360.0)**
Other long-term liabilities	(613.4)	(636.1)	(542.2)	(504.7)	**(477.5)**
	2 539.8	2 917.8	3 335.0	3 049.6	**3 295.2**
Unitholders' funds	1 525.8	1 924.6	2 276.1	2 430.6	**2 704.6**
Minority interests	1 014.0	993.2	1 058.9	619.0	**590.6**
	2 539.8	2 917.8	3 335.0	3 049.6	**3 295.2**

NOTICE OF MEETING

The Annual General Meeting of shareholders of Compagnie Financière Richemont AG will be held at 3.00 p.m. in the "Grosser Saal", Artherstrasse 2–4, 6300 Zug on Thursday, 16 September 1999.

AGENDA

1. Business Report
The Board of Directors proposes that the General Meeting, having taken cognisance of the reports of the Auditors, approve the consolidated financial statements of the Group, the financial statements of the Company and the Directors' Report for the business year ended 31 March 1999.

2. Appropriation of Profits
The Board of Directors proposes that the available retained earnings of the Company at 31 March 1999 of SFr 193 600 000 be appropriated as follows:

Balance to be carried forward SFr 193 600 000

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 1999.

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, Leo Deschuyteneer, Yves-André Istel, Joseph Kanoui, Lord Renwick of Clifton and Ernst Verloop.

5. Election of the Auditors
The Board of Directors proposes that PricewaterhouseCoopers be re-appointed for a further term of one year as Auditors of the consolidated financial statements of the Group and of the financial statements of the Company.

The financial statements of the Group and of the Company along with the related reports of the Auditors together with the Directors' Report for the year ended 31 March 1999 will be available for inspection at the registered office of the Company from 23 August 1999 onwards. A copy of these documents, which are contained in the Richemont Annual Report 1999, 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 11 September 1999:

UBS AG
Bank J Vontobel & Co AG
Darier, Hentsch & Cie
Pictet & Cie
Bank von Ernst & Cie AG

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 the 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
Chief Executive

Zug, 16 June 1999

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