

RICHEMONT

ANNUAL REPORT 1992

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

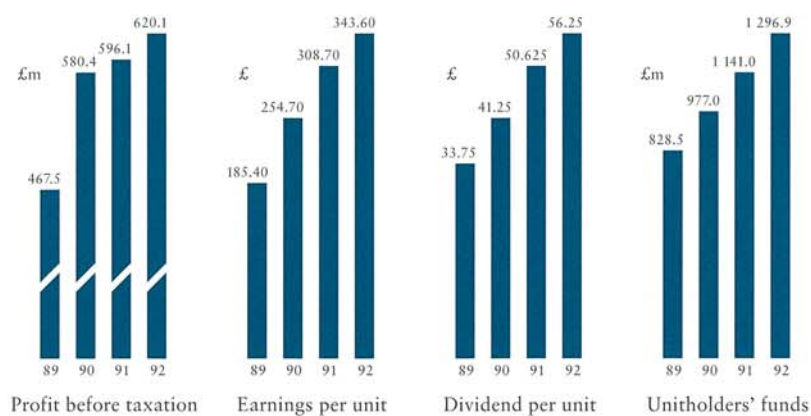
The Group is managed with a view to the profitable long-term development of successful international brands.

## C O N T E N T S

Financial Highlights	3
Directors and Company Information	4
Letter to Unitholders	5
Group Structure	6
Review of the Year	7
Financial Review	24
Consolidated Financial Statements	31
– Statement of Accounting Policies	32
– Consolidated Profit and Loss Account	34
– Consolidated Balance Sheet	35
– Consolidated Cash Flow Statement	36
– Notes to the Consolidated Financial Statements	37
Statutory Financial Statements	
– Compagnie Financière Richemont AG	47
– Richemont SA	53
Principal Group Companies	58
Notice of Meeting	60

## FINANCIAL HIGHLIGHTS

	1992	1991	Increase
	£	£	
Profit before taxation	620.1 m	596.1 m	4.0 %
Attributable profit before extraordinary item	197.3 m	177.3 m	11.3 %
Earnings per unit	343.60	308.70	11.3 %
Dividend per unit	56.25	50.625	11.1 %
Unitholders' funds	1 296.9 m	1 141.0 m	13.7 %
Net assets per unit	2 258.60	1 987.10	13.7 %



DIRECTORS AND COMPANY INFORMATION

COMPAGNIE FINANCIÈRE RICHEMONT AG

Nikolaus Senn CHAIRMAN	Registered Office Rigistrasse 2 CH 6300 Zug Switzerland Telephone: 042 22 33 22 Telefax: 042 21 71 38
Jean-Paul Aeschimann DEPUTY CHAIRMAN	
Johann Rupert <sup>*</sup> MANAGING DIRECTOR	Auditors
Jan du Plessis <sup>*</sup>	Price Waterhouse AG Zurich
Max Ehrbar	
René Gerber <sup>*</sup>	Company Secretary Alan Grieve
Yves-André Istel	
Joseph Kanoui <sup>*</sup>	
The Rt Hon Lord Swaythling	

RICHEMONT SA

Johann Rupert <sup>*</sup> CHAIRMAN	Registered Office 24-26 Avenue de la Liberté L 1930 Luxembourg Telephone: 40 24 72 Telefax: 40 24 73
Joseph Kanoui <sup>*</sup> MANAGING DIRECTOR	
Jean-Paul Aeschimann	Auditors
Jan du Plessis <sup>*</sup>	Price Waterhouse Luxembourg
René Gerber <sup>*</sup>	
Eloy Michotte <sup>*</sup>	Company Secretary Alan Grieve
Alan Quasha	
Howard Tanner <sup>*</sup>	

<sup>\*</sup>Denotes member of the Executive Committee

## LETTER TO UNITHOLDERS



**D**EAR UNITHOLDER,

Despite the difficult economic environment in which Richemont has had to operate over the past year, we are pleased to be able to report a further year of growth in the Group's principal activities. Gross sales revenue increased by 8.7 per cent to over £7 000 million in the year. Net profit attributable to unitholders grew by a satisfactory 11.3 per cent from £177.3 million to £197.3 million. In the light of this continued growth, we propose

that the dividend for the year also be increased by 11.1 per cent to £56.25 per unit.

The revision to the Swiss Company Law which takes effect this year is an important step towards greater transparency in financial reporting and a move to bring Swiss requirements more into line with our European neighbours. Although Richemont has since its formation prepared consolidated financial statements, we welcome the changes which require greater disclosure of financial information from Swiss companies in general. The new law does, however, require certain amendments to the statutes of the Company and at this year's Annual General Meeting shareholders will be asked to approve the adoption of a revised set of statutes to reflect those changes and other amendments which the Board considers to be desirable at this time.

The new Company Law also permits shares of a lower par value such that it is now possible to reduce the nominal value of the 'A' shares to SFrs 100 per share and that of the 'B' shares to SFrs 10 per share. If approved, these lower par values will permit the split of Richemont units in the ratio of 10 for 1 such that the market price of the 'A' units traded on the Swiss stock exchanges will move into a trading range more comparable with other leading stocks. This, we believe, will lead to more liquidity in the units, which will be to the benefit of all shareholders.

The Group's employees have responded wholeheartedly to the additional demands which have been placed upon them in what have often been very difficult trading conditions. We thank them for their efforts, which have contributed in no small measure to the Group's continued growth.

A handwritten signature in dark ink, appearing to read 'N. Senn', written over a light blue horizontal line.

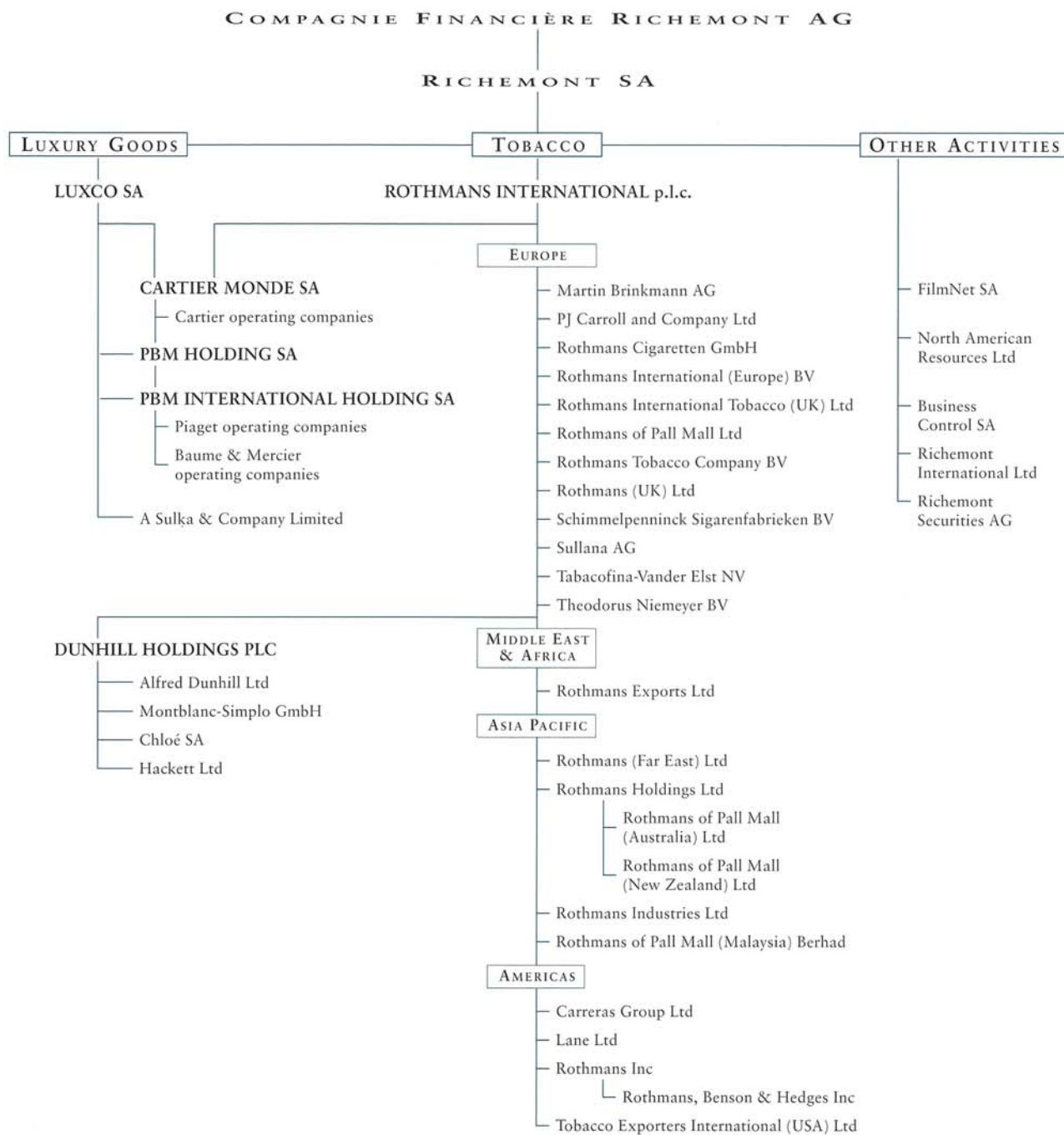
Nikolaus Senn

CHAIRMAN

Compagnie Financière Richemont AG

Zug, 25 June 1992

## GROUP STRUCTURE



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

## REVIEW OF THE YEAR



**Johann Rupert**  
MANAGING DIRECTOR

**D**URING the year under review, Compagnie Financière Richemont AG exercised financial and operational control over subsidiaries operating primarily in the fields of tobacco and luxury goods with a turnover of £7 006.6 million.

The Group has manufacturing operations in over thirty countries, including eight plants in Switzerland, and its products are sold in more than 160 countries around the world. The Group employs in excess of 29 000 people.

Over the last two years we expressed reservations about the outlook for the world economy. These have proved to be well founded. In a difficult year the Group nevertheless produced satisfactory results with both the tobacco and luxury goods interests achieving higher profits.

**Group Results** Consolidated net sales revenue increased by 4.0 per cent to £3 108.3 million for the year under review. Sales of tobacco products showed an increase of 6.3 per cent to £2 180.3 million with sales of luxury goods amounting to £928.0 million, an increase of 2.7 per cent over the previous year.

Consolidated operating profit amounted to £584.2 million, an increase of 5.0 per cent compared to the previous period. Tobacco operations generated operating profits of £367.0 million, an increase of 4.4 per cent over last year, while operating profits from the Group's luxury goods activities increased by 4.1 per cent to £214.6 million.

Overall, profit attributable to unitholders and earnings per unit increased by 11.3 per cent to £197.3 million and £343.60 respectively.

## REVIEW OF THE YEAR

**T**OBACCO PRODUCTS Richemont's interests in the tobacco industry are held through Rothmans International p.l.c. Rothmans International operating companies produce a wide range of well known brands of cigarettes, cigars and smoking tobacco for distribution and sale throughout the world. International cigarette brands include Rothmans, Peter Stuyvesant, Dunhill and Cartier. Companies in the Group operate 50 factories and employ over 22 000 people in the tobacco industry.

Worldwide volume of cigarette sales by Group companies was marginally down on the record sales level achieved in the previous year. Some markets reflected the effects of political turmoil and others the effects of adverse economic factors, but many markets continued to grow at an encouraging rate.

In last year's report we mentioned that Rothmans International's organisational structure was being reviewed and the management of the tobacco operations strengthened. Restructuring to meet the opportunities and challenges of a fast changing market-place is a continuing process within the Group. A more integrated form of management structure has been put in place to deal with the changing needs of markets across the world.

The first stage was to strengthen the senior management team around the new Chief Executive of the Tobacco Division. With that team in place the next stage has been to appoint four regional chief executives to co-ordinate more closely the marketing and business strategies for the individual markets in which Group companies operate.

Within each market the structure and mode of operation of Group companies has been critically examined to determine the most effective basis for the future growth of the Group.

For some time we have been working to equip the Group for the evolution of a single internal market in the European Community. Unfortunately prospects for this evolution remain uncertain. Agreement on the necessary steps to harmonise tobacco taxation, packaging requirements and other vital matters is no closer than before. For instance, the major development during 1991 advanced the cause of ad valorem taxation – a system which favours those state tobacco monopolies still to be found in several European countries. This is to the disadvantage of the main international companies who have done so much to promote technical development and product variation in all the markets to which they have been admitted.

The European Commission's proposal to ban advertising and promotion of tobacco products seems to undermine the whole competitive ethos of the Community. It is also likely to result in adverse consequences elsewhere in the world. Some three quarters of world tobacco production comes from developing countries of Africa, Asia and Latin America. In many of these countries tobacco is a significant contributor to the economy, foreign exchange earnings and rural employment.



REVIEW OF THE YEAR



## REVIEW OF THE YEAR

The Rothmans Group devotes considerable resources to working with tobacco growers in many parts of the world to improve quality and yield. The Group remains committed to the future of the tobacco business and the people who participate in it at every stage.

**Europe** During the year under review, most European markets, with the exception of the United Kingdom and Germany, showed modest volume growth. Group profitability was maintained with savings in operating costs more than matching increased marketing spending.

In the United Kingdom the Group increased its share of a reduced market by the successful introduction of Rothmans Royals King Size. Increases in operating costs, however, occasioned some decline in market profitability.

In the Republic of Ireland, profitability of PJ Carroll Holdings PLC was broadly maintained in a market in which volume increased by 4 per cent.

Although Group brands in the Netherlands experienced a small decline in volume, profitability improved, mainly through price increases. As part of a major reorganisation undertaken during the year, the Group's operating subsidiaries serving the Dutch market – Turmac Tobacco Company BV and Sigarettenfabriek Ed Laurens BV – have, with effect from April 1992, combined their resources to form Rothmans Tobacco Company BV. This company also services the French market where imported and licensed brands continued to increase their market share and the Group's profitability increased.

The Group's Belgian operating subsidiary, Tabacofina-Vander Elst NV, maintained the leading position in its market, although profitability was slightly down.

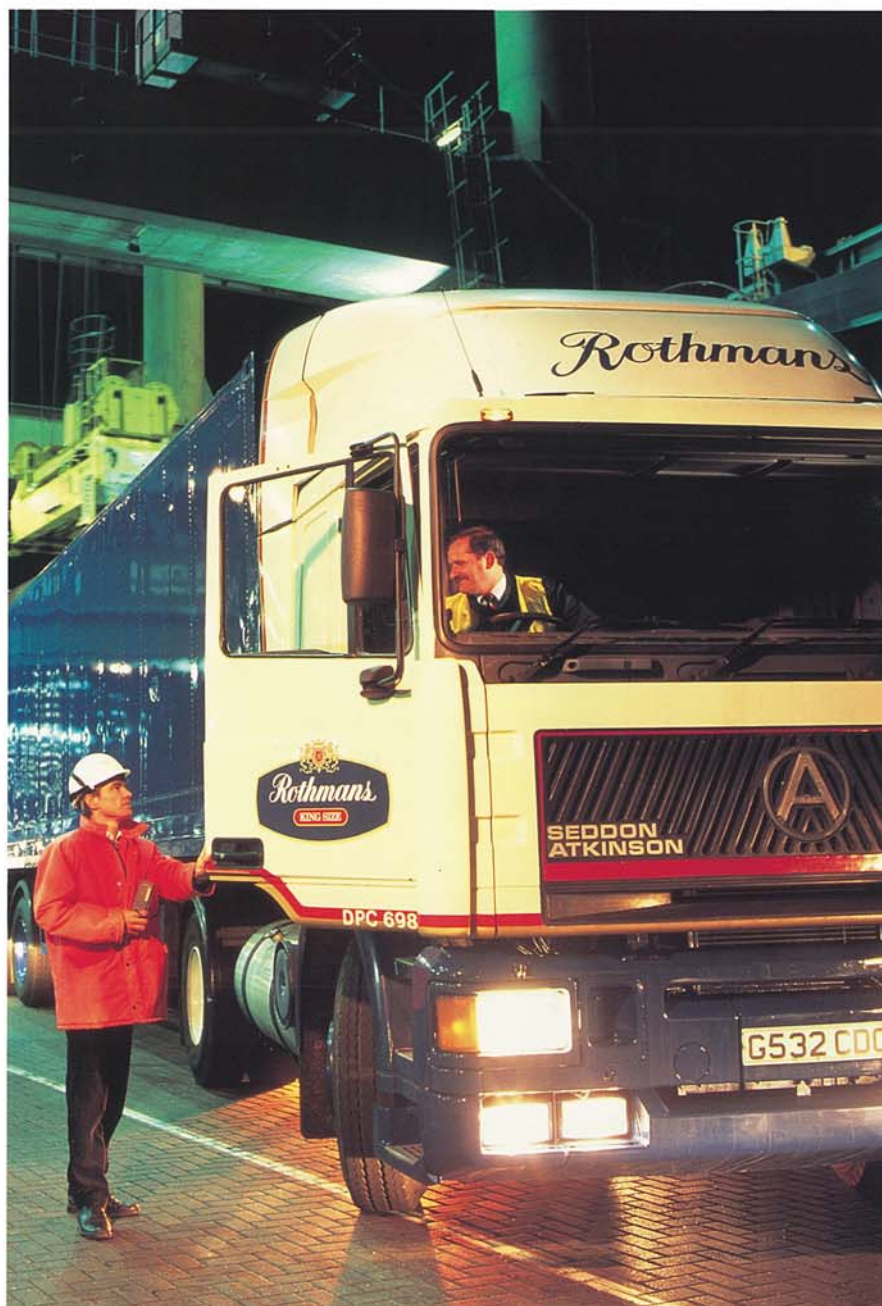
The German market was lower following the previous year's increase which resulted from reunification, but cost savings helped to enhance Group profitability. With effect from April 1992, the Group's activities have been regrouped and streamlined to form Rothmans Cigaretten GmbH.

The Group's major European successes were in Greece and Italy where sales volume increases were 35 per cent and 20 per cent respectively. In Greece the Peter Stuyvesant brand performed particularly well, while in Italy the Rothmans Leggera products made impressive progress.

**Exports and Duty Free** Rothmans International services the Eastern European, Middle East and African markets primarily by exports from the United Kingdom, although in certain instances supply to these markets is supplemented by local manufacture.



REVIEW OF THE YEAR



## REVIEW OF THE YEAR

Imports of Western cigarette brands into Eastern Europe continued to increase, although in cases such as Yugoslavia and the former USSR the political and economic turmoil resulted in lower volumes. Overall the Group's sales made a useful advance in these markets. We remain positive about the medium to long-term potential of the Eastern European markets.

The market for duty free cigarettes in Western Europe was adversely affected by the downturn in international travel following the Gulf War in the early part of 1991. Total market volume fell by some 14 per cent, although Group sales volume fell by a smaller factor. The encouraging news for this important channel of distribution was that the EC agreed to extend the availability of duty free sales within the Community until 1 July 1999.

The Middle East showed some recovery from the adverse effects of the Gulf War, with improvements in Group volumes in Saudi Arabia, Yemen and the Gulf States. The African markets, served both by exports and local manufacture, showed 9 per cent volume growth.

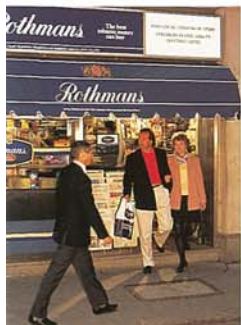
**Asia Pacific** Group sales to North East Asia (Japan, China, Hong Kong, South Korea and Taiwan) were down in volume after a particularly strong surge in the previous year. The exception was Japan where the policy of strengthening the Group's presence produced further strong sales growth.

Rothmans Holdings Limited, the Group's quoted company in Australia, reported sharply lower profits. The Australian market was dominated by intense price competition between the three major manufacturers. In addition the company reported abnormal charges due to the adoption of a more conservative accounting policy for tobacco licence fees and provision for rationalisation of the tobacco operations in Australia and New Zealand.

Rothmans of Pall Mall (Malaysia) Berhad reported higher operating profit helped by further progress on the part of Dunhill King Size.

Despite the restrictive conditions affecting the domestic cigarette market in Singapore, total market volume increased and Rothmans Industries Limited reported higher profits enhanced by cost savings and pricing benefits.

**North America** In difficult North American markets the Group operations performed well, increasing profits in both Canada and the United States. In Canada, Rothmans, Benson & Hedges Inc gained ground in the fine cut market and achieved substantially higher profits. In the United States, Tobacco Exporters International (USA) Limited achieved higher volumes and profits. Lane Limited increased its share of the smoking tobacco market.



REVIEW OF THE YEAR



REVIEW OF THE YEAR



## REVIEW OF THE YEAR

**LUXURY GOODS** Richemont's interests in luxury products are held through Luxco SA and through Rothmans International. Luxco has a controlling interest of 53.2 per cent in Cartier Monde SA; the balance is held by Rothmans International. Luxco, directly and through Cartier Monde, has control of Piaget and Baume & Mercier. In addition, Luxco owns A Sulka & Company Limited, the exclusive men's apparel business, and has a 6.0 per cent interest in Yves Saint Laurent Groupe SCA. Rothmans International, in addition to its investment in Cartier Monde, also owns a 57.7 per cent interest in Dunhill Holdings PLC.

Both Cartier Monde and Dunhill Holdings enjoyed remarkable success through the 1980s, a time when world demand for luxury goods was growing rapidly, particularly in the Far East. Both groups have consistently sought to preserve the integrity of their brand names by concentrating on products of only the very highest quality and by strenuously combating all traceable forms of counterfeiting.

In the last two years the combination of the Gulf War and a deepening world recession have had an adverse effect on worldwide demand for luxury goods. The management of the Group's luxury product companies were able to take timely action, in particular by tight control of operating costs, to produce higher profits in each of the two years, albeit at a much lower rate of increase than in previous years.

Richemont's strategy in the luxury goods industry is to encourage and support the individual development of each of its operating subsidiaries over the long term. Recent acquisitions such as Sulka, Hackett and Karl Lagerfeld offer very attractive opportunities for future development.

**CARTIER MONDE SA** During the year under review, the consolidated net sales revenue of Cartier Monde SA, which includes Cartier, Piaget and Baume & Mercier, increased by 0.4 per cent to £693.4 million and operating profit increased by 7.6 per cent to £163.6 million.

**Cartier** The strategy of the Cartier Group has always been to give greater emphasis to the traditional European markets. This policy appears to have been justified in a difficult year in which certain other markets proved less buoyant than previously.

The Cartier group of companies designs, manufactures and distributes jewellery and watches and, through the "les must de Cartier" range, a wide range of other luxury products. During 1991 Cartier opened 14 new boutiques, expanding its worldwide network of owned and franchised boutiques and stores to 151 by the end of the year.



## REVIEW OF THE YEAR

The Cartier Group, including Piaget and Baume & Mercier, employs over 4200 people, of whom some 1500 are located in Switzerland where the Group has a substantial manufacturing activity. The Group continues to increase its investment in the Swiss watchmaking industry through both significant capital projects and the recruitment and training of expert watchmakers at its factories throughout the country.

Despite tight control of operating expenses, management continues to follow an aggressive marketing strategy. In 1991 this was centred around the first Salon International de la Haute Horlogerie in Geneva. The Geneva fair, sponsored by Cartier, Piaget and Baume & Mercier, with certain other Swiss luxury watchmakers, produced record levels of orders and will become a major factor in the Group's marketing strategy in future years.

The most important of several new products was the Pasha steel watch, based on the original gold waterproof watch created in the 1930s for the Pasha of Marrakesh. This was introduced at the Geneva fair and generated sales substantially in excess of budget. In February 1992 the Pasha line of men's fragrances was introduced.

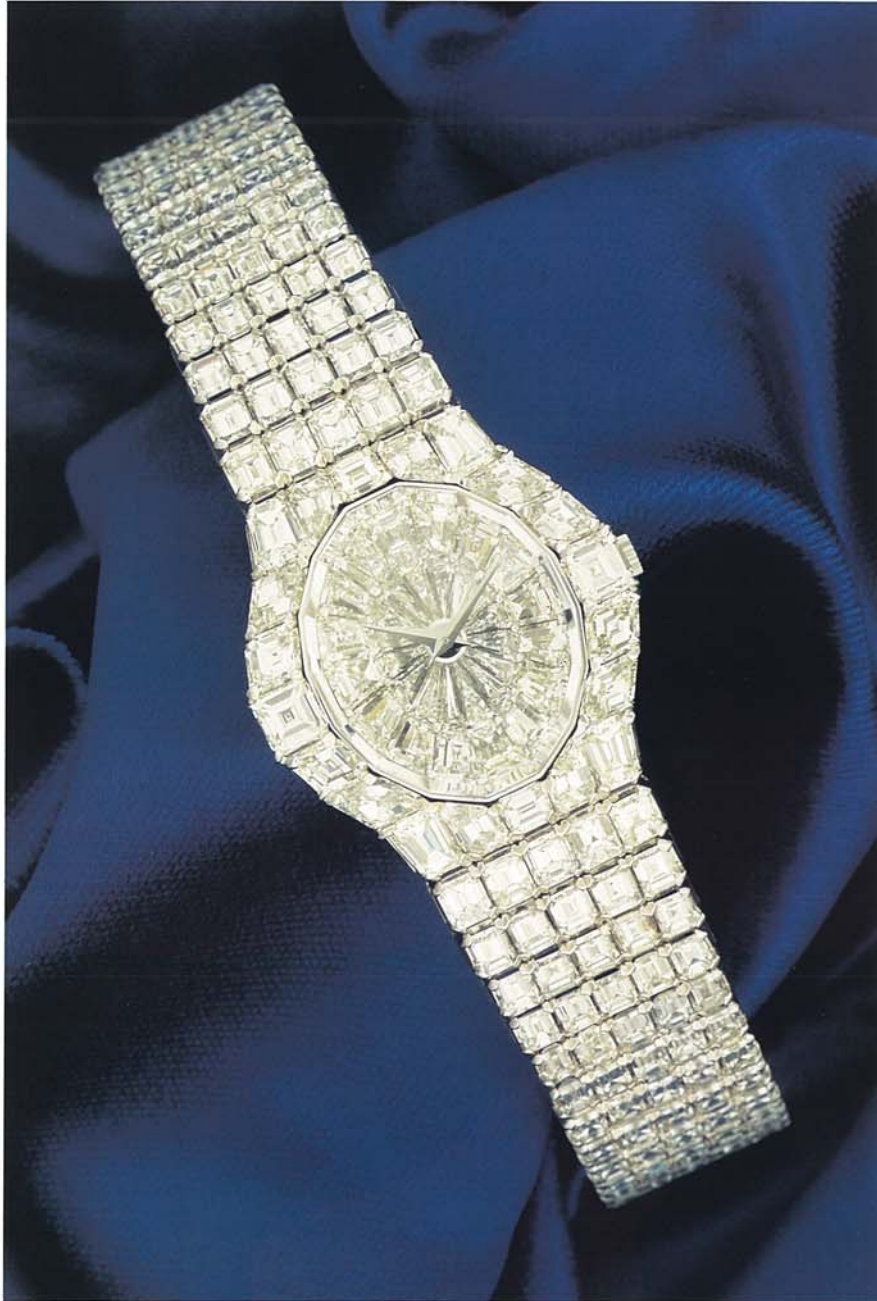
**Piaget** Since 1874 Piaget has been producing some of the world's most sought-after watches, always in 18 carat gold and in many cases uniquely bejewelled. Since its acquisition by the Group in 1988, the Piaget name has been given enhanced impetus through a clearer marketing strategy and Piaget's position amongst Geneva's leading watchmakers has been reinforced.

During the course of 1991 Piaget introduced the already famous Tanagra watches followed by the more classic Gouverneur watch. In April 1992, the Georges Piaget watch and the new Polo watch were presented at the Geneva fair. The new Polo is an elegant 18 carat gold sports watch designed to complement the existing range of jewellery and dress watches.

**Baume & Mercier** Since 1830 Baume & Mercier has been dedicated to the manufacture of outstanding, rugged precision watches. The company markets a line of classic watches together with a wide range of technical and sports watches, the latest of which is an extremely small and elegant ladies' chronograph watch, the first of its type in the world.



REVIEW OF THE YEAR



REVIEW OF THE YEAR



## REVIEW OF THE YEAR

**Sulka** This exclusive menswear business, which was acquired by Luxco in 1989, is expanding according to plan. Sulka is a long established men's haberdasher with a reputation for quality and service. Since the acquisition the product range has been improved to include a full line concept with the long-term objective of becoming one of the world's most prestigious suppliers of fine menswear.

Sulka has shops in New York, Paris, London, Chicago, Beverly Hills and San Francisco.

**DUNHILL HOLDINGS** Richemont controls Dunhill Holdings through the 57.7 per cent interest held by Rothmans International. Dunhill Holdings has three major subsidiaries, Alfred Dunhill, Montblanc and Chloé.

Like all other luxury goods companies, Dunhill Holdings had a difficult year in 1991 but was able to report a small increase in operating profit to £55.7 million. The company's strong balance sheet enabled it to continue to invest in its existing businesses. In 1991 a controlling interest was acquired in the London-based Hackett menswear business. Since the year end the acquisition of the Karl Lagerfeld fashion business has been announced.

**Alfred Dunhill** This company markets a wide range of products bearing the Alfred Dunhill name. These include watches, textiles, leather goods, jewellery and fragrances. Every Alfred Dunhill product is designed to meet the requirement of quality and style demanded by the discerning male.

In November 1991 the company entered into a joint venture with its Japanese distributor, C Itoh. This helped the division to achieve a useful increase in turnover during the year. The economic growth emerging in South East China has provided a major stimulus to confidence in Hong Kong and the Alfred Dunhill range also enjoyed increased market penetration in Taiwan, Korea and Singapore.

In Europe, new retail outlets are being opened this year in Madrid and Geneva, increasing the number of company-owned retail outlets in continental Europe to six. Europe remains a priority market for further development for Alfred Dunhill.

The recession has had an adverse effect on retail businesses in the United States, particularly at the top end of the market where many businesses have become casualties of the recession. This trend and the reduction in international travel affected Alfred Dunhill's retail operations on the West Coast and in Hawaii, but the new flagship store at 450 Park Avenue, New York had an excellent year. During the second half of 1991 new stores were opened in Boston, Seattle and San Diego, increasing Alfred Dunhill's US retail presence to 15 stores.



## REVIEW OF THE YEAR

**Montblanc** Montblanc is the world's leading name in luxury writing instruments. Montblanc's best known products are the black Meisterstück range and the Solitaire range of solid sterling silver and gold writing instruments. These products have established a very special reputation in the business, financial and artistic worlds.

The investment two years ago in the new production facilities in Hamburg has resulted in increased production and much improved productivity. Montblanc is now establishing its own specialist retail stores in key markets. The first boutique in the United States was opened in Marshall Field in Chicago in May. The shop in Pacific Place, Hong Kong, produced a profit in its first year.

New products are being developed continuously. An expanded range of products was launched in Berlin in June.

In March a limited edition of solid sterling fountain pens, the Lorenzo de Medici, was introduced to coincide with Montblanc's new annual award for Patrons of the Arts. This new international award was staged for the first time at the New York Public Library in April 1992.

**Chloé** Chloé was acquired in 1985 as a luxury female brand. The Chloé perfume is among the top 20 best selling brands in the world; Narcisse, a new and exciting perfume, was launched in March of this year.

A full range of fashion accessories was launched in 1991 while a new shop was acquired in Paris to be developed as a new flagship store. Further retail outlets are planned for London, Madrid, Hong Kong and Düsseldorf.

Since the year end the Group has purchased the Karl Lagerfeld business. Karl Lagerfeld was formerly the designer at Chloé but left to set up his own studio prior to the acquisition of Chloé by the Group. We look forward to the benefits of such an exciting talent returning to his old studio. The two brands will continue to be run as separate businesses but it is anticipated that this acquisition will provide a stimulus to Chloé's prêt à porter business.

**Hackett** In 1991 Dunhill acquired control of Hackett, a small British menswear business with a distinctly English style. Hackett has eight shops in London but the objective is to expand the product concept internationally.



REVIEW OF THE YEAR



## REVIEW OF THE YEAR

### OTHER INTERESTS

**North American Resources Limited** Richemont holds 50 per cent of North American Resources, which produced a much improved performance over the previous year.

During the year, North American Resources sold its oil refining company, Frontier. It also acquired control of Horn & Hardart, one of the largest mail order companies in the United States, with annual sales in excess of \$600 million.

The acquisition of Horn & Hardart represented an important shift in North American Resources' focus, away from its traditional energy related activities to those of a marketing company. North American Resources is still in the process of restructuring Horn & Hardart. Its target is to help Horn & Hardart become the number one direct retailer in the United States.

**FilmNet SA** In November 1991, Richemont purchased an initial 75 per cent interest in the FilmNet group. This interest is now held in equal partnership with Electronic Media Network Limited, a highly successful company operating pay-TV channels in Southern Africa. The balance of the shares is still held by the vendor, Esselte AB of Sweden, and will be acquired by Richemont and its partner prior to the first anniversary of the transaction.

FilmNet is a 24-hour pay-TV channel distributed via satellite direct to home or to cable networks. It began operating in the Netherlands in 1985 and subsequently expanded its service into the Flemish-speaking region of Belgium, Sweden, Norway, Denmark and Finland. Currently, FilmNet has approximately 550 000 subscribers.

As a programme provider, FilmNet schedules feature films as well as major sporting and other events of interest. The signal produced by FilmNet is scrambled at source and distributed in the Scandinavian countries via the Astra 1A satellite and via the Eutelsat II satellite to the cable networks in Belgium and the Netherlands.

Since its acquisition, FilmNet's strategy has been reformulated. To establish a successful new pay-TV business requires substantial investments over many years. Richemont's investment in FilmNet will prove no different.

## REVIEW OF THE YEAR

**P**ROSPECTS Despite the adverse economic circumstances prevailing during the year, Richemont achieved satisfactory results. In recent annual reports I have expressed caution about the outlook for the world economy. There is, in my view, no reason to become more optimistic as yet.

Despite the collapse of communism and admirable attempts at reducing<sup>g</sup> the potential for conflict between the old superpowers, regional conflict will make the 1990s a more dangerous decade than the recent past.

Ethnic conflicts will cause further destabilisation. Furthermore, we have not yet paid for all of the excesses of the 1980s. Room for monetary and fiscal policy adjustments has narrowed. The Western world's economic recovery is, at best, fragile.

We cannot manage the Richemont group of companies as if an economic disaster *will* occur. We do, however, manage it as if one *might* occur. The Group is in a financially strong position and we therefore face the future with confidence.



Johann Rupert  
MANAGING DIRECTOR  
Compagnie Financière Richemont AG

Zug, 25 June 1992

## FINANCIAL REVIEW

**GROUP RESULTS** The results for the year ended 31 March 1992 showed a satisfactory level of growth despite a significant reduction in tobacco profits from Australia, further charges for rationalisation of the Group's tobacco business and a difficult year for the luxury products companies.

Operating profit increased by 5.0 per cent to £584.2 million. Included in operating profit is a charge for the amortisation of goodwill of £13.3 million which is £2.0 million more than the previous year. Net interest income decreased by 9.6 per cent to £35.9 million, reflecting lower average interest rates – in particular in respect of sterling, the US dollar and certain US dollar-related currencies – partly offset by higher liquidity. Profit before taxation accordingly increased by 4.0 per cent to £620.1 million.

Profit after taxation, however, increased by 7.0 per cent to £399.5 million, reflecting a reduction in the effective tax rate of the Group from 37.4 per cent to 35.6 per cent. The decrease in the effective tax rate arose largely within the tobacco division which enjoyed lower rates in Canada, Malaysia and the United Kingdom. Profit attributable to minority interests increased by only 3.2 per cent, largely due to a significantly lower level of profits from Rothmans Holdings Limited, the Group's quoted subsidiary undertaking in Australia. Richemont's attributable profit accordingly increased by 11.3 per cent, from £177.3 million to £197.3 million. Earnings per unit, which is based on attributable profit before extraordinary item, increased by 11.3 per cent to £343.60 per unit.

The extraordinary item of £33.7 million represents the gain realised on the disposal of the Group's 24.9 per cent interest in TransAtlantic Holdings PLC in May 1991, for a consideration of £150.6 million.

Average exchange rates year on year had a favourable effect of approximately £13.3 million on the translation of the pre-tax profit of subsidiary and associated undertakings which have reporting currencies other than sterling, mainly due to a beneficial movement in US dollar-related currencies against sterling, with other EMS currencies showing little change. The effect on attributable profit was £3.2 million.

**DIVIDEND** The Board of Directors of Richemont SA has recommended the payment of a dividend to holders of participation certificates equal to 7.5 per cent of the amount of the participation reserve, inclusive of the 1.0 per cent preference dividend. This will amount to a total dividend of £32.3 million or £56.25 per participation certificate – an increase of 11.1 per cent over the previous year.

## FINANCIAL REVIEW

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

The total dividend payable to unitholders in respect of the year ended 31 March 1992 will therefore be £56.25 per unit.

**G**OODWILL AMORTISATION In line with International Accounting Standards, Richemont currently follows a practice whereby all goodwill is capitalised and subsequently amortised through the profit and loss account over 40 years.

The Group's two core businesses, tobacco and luxury products, are largely driven by the quality of its international trademarks. Whilst certain trademarks are naturally developed internally, the majority of the Group's acquisitions in recent years have involved companies with trademarks that offer significant potential for further long-term growth – the recently announced acquisition by Dunhill Holdings of the Karl Lagerfeld business being a case in point.

However, in view of the difficulty of accurately separating the value of acquired trademarks from the other intangible assets of acquired businesses, as well as the unsatisfactory international accounting treatment relating to capitalised trademarks, Richemont has elected to categorise all acquired intangible assets as goodwill – thereby accepting a significant goodwill amortisation charge against earnings. Richemont believes that the significant amount of marketing expenditure which is annually invested by Group companies should increase rather than decrease the value of its intangible assets. The dictate of international accounting treatment, in this regard, is thus accepted with significant reluctance.

Operating profit for the year under review includes goodwill amortisation of £13.3 million, which at the attributable profit level has a negative effect of £12.2 million. Since 1989, Richemont has capitalised goodwill of £553.9 million of which £30.5 million has been amortised through the profit and loss account.

## FINANCIAL REVIEW

**ANALYSIS BY BUSINESS SEGMENT** The table below analyses the Group's results between its two principal business segments, tobacco and luxury products, as well as other activities. It also indicates the net operating assets invested in each business segment.

	Net sales revenue		Operating profit		Net operating assets	
	1992	1991	1992	1991	1992	1991
	£ m	£ m	£ m	£ m	£ m	£ m
Tobacco	2 180.3	2 050.4	367.0	351.6	828.7	664.3
Luxury products	928.0	904.0	214.6	206.1	491.0	520.7
Other activities	—	33.9	(11.6)	(10.9)	27.0	0.4
The Company and its subsidiary undertakings	<u>3 108.3</u>	<u>2 988.3</u>	<u>570.0</u>	<u>546.8</u>	<u>1 346.7</u>	<u>1 185.4</u>
Share of associated undertakings			27.5	20.9	83.0	174.9
Goodwill amortisation			(13.3)	(11.3)	—	—
The Group			<u>584.2</u>	<u>556.4</u>	<u>1 429.7</u>	<u>1 360.3</u>
Notes						
a) Amounts shown in respect of other activities include operating costs and assets carried centrally and not allocated to the tobacco or luxury products segments.						
b) Net operating assets comprise total operating assets less current liabilities, cash and cash equivalents.						

**Tobacco** Tobacco operating profit from subsidiary undertakings increased by £15.4 million (4.4 per cent) to £367.0 million. This increase was largely due to improved profitability in Canada and Germany and was achieved despite a significant charge for rationalisation costs, a reduced level of profits from Australia and an increased level of expenditure in support of development markets.

The improvement in Canada arose mainly from higher selling prices, which more than compensated for lower volumes. In Germany, the increase in operating profit was largely due to cost reductions. Operating profit also benefited from the inclusion of a full year's results from the Group's acquisitions in the year ended 31 March 1991, Theodorus Niemeyer BV and the remaining share capital of PJ Carroll Holdings PLC (previously an associated undertaking).

Rationalisation costs of £28.7 million were charged against operating profit from tobacco, compared with £9.0 million last year. These costs arose from an ongoing process of reorganisation to improve efficiency, principally in Europe and Australia.

## FINANCIAL REVIEW

Operating profit from tobacco included in respect of the Group's Australian subsidiary undertaking, Rothmans Holding Limited, declined by £28.6 million. Of this reduction, £11.6 million was a one-off effect arising from the change made by that company in respect of its accounting policy for tobacco licence fees. The balance was principally due to a marked deterioration in trading conditions in Australia, where sales volumes were adversely affected by the recession and tax increases. The lower volumes, together with reduced margins due to intense price competition, resulted in a significant decline in operating profit.

**Luxury products** During the year under review, net sales revenue from the Group's luxury products companies – mainly comprising Cartier Monde SA and Dunhill Holdings PLC – increased by 2.7 per cent to £928.0 million. Operating profit increased by £8.5 million (4.1 per cent) to £214.6 million.

Cartier Monde achieved net sales revenue of £693.4 million, which is virtually unchanged from the previous year, despite consumer confidence being at its lowest level for many years. Operating profit increased by 7.6 per cent to £163.6 million due to cost savings achieved. During the year under review, Cartier Monde changed its reporting currency from US dollars to Swiss francs. This change had an insignificant effect on the Group's results. Given the predominantly European base of the Cartier group of companies, in particular Piaget and Baume & Mercier's significant watch-manufacturing facilities in Switzerland, it was felt that the Swiss franc more accurately reflects the economic reality of Cartier's business than the US dollar. In view of the historically strong link of the Swiss franc with the EMS currencies and thus sterling – Richemont's own reporting currency – it is also anticipated that this change will eliminate the discrepancies seen in recent years between the US dollar reported results of Cartier Monde and its impact on the Group's results when translated into sterling.

Dunhill Holdings increased net sales revenue by 10.6 per cent to £230.4 million, largely due to the purchase of a substantial interest in Alfred Dunhill's Japanese distributor. Operating profit showed a marginal improvement to £55.7 million. The Alfred Dunhill division, in particular, experienced difficulties in the period after the Gulf War but showed improvement towards the end of the year. Montblanc had another excellent year.

**Other activities** The results of other activities of subsidiary undertakings include operating costs incurred centrally and not charged to either of the Group's core operating divisions. In the previous year this item also included a loss of £7.6 million relating to the cost of withdrawing from confectionery distribution in Australia.

## FINANCIAL REVIEW

The Group's share of operating profit of associated undertakings increased by £6.6 million, principally due to an increased contribution from North American Resources Limited, but partially offset by the substantially reduced contribution from TransAtlantic Holdings, following the disposal of the Group's interest in that company in May 1991.

**A** **NALYSIS BY GEOGRAPHICAL SEGMENT** On a worldwide basis, net sales revenue increased during the year under review by 4.0 per cent to £3 108.3 million.

	Net sales revenue		Operating profit		Net operating assets	
	1992	1991	1992	1991	1992	1991
	£ m	£ m	£ m	£ m	£ m	£ m
Europe	1 579.0	1 446.9	284.8	241.9	817.3	700.2
Asia Pacific	867.2	896.6	154.5	177.0	284.1	247.9
Middle East, Africa & India	226.9	229.0	47.0	49.7	79.1	59.1
Americas	435.2	415.8	83.7	78.2	166.2	178.2
The Company and its subsidiary undertakings	3 108.3	2 988.3	570.0	546.8	1 346.7	1 185.4
Share of associated undertakings			27.5	20.9	83.0	174.9
Goodwill amortisation			(13.3)	(11.3)	—	—
The Group			584.2	556.4	1 429.7	1 360.3

Sales in Europe increased by 9.1 per cent to £1 579.0 million, mainly due to price increases and improved sales volume of tobacco products in Eastern Europe as well as an improved sales performance for luxury products in Italy and Germany.

Sales in the Asia Pacific region, which was 3.3 per cent below the previous year's levels, were adversely affected by reduced sales revenue in Australia, due to the withdrawal from confectionery distribution in 1991 as well as lower cigarette sales volumes. This effect was compensated for by improved tobacco sales in Malaysia and increased net sales revenues from luxury products following Dunhill's purchase of a substantial interest in its Japanese distributor and the favourable foreign exchange effects referred to above.

Net sales revenue in the Middle East, Africa and India was roughly at the same level as the previous year. The sales of luxury products suffered severely in the Middle East due to the effects of the Gulf War, but this was compensated for by a strong recovery of tobacco sales.

In the Americas region, net sales revenue from tobacco increased by 8.0 per cent, benefiting from improved tobacco revenues in Canada and the United States as well as favourable exchange rate effects on translation. Sales of luxury products suffered, however, being 3.5 per cent below prior year levels.

## FINANCIAL REVIEW

**BALANCE SHEET** Tangible fixed assets increased by £56.4 million during the year, reflecting additions of £126.4 million, a depreciation charge of £87.9 million, fixed assets of subsidiary undertakings acquired and exchange rate movements.

Investments in associated undertakings decreased by £91.9 million, mainly as a result of the disposal of the Group's investment in TransAtlantic Holdings PLC and the acquisition of an interest in the European pay-television group, FilmNet International Holding BV.

Other long-term investments increased by £39.5 million, principally due to the acquisition of a 3.9 per cent interest in Tabacalera SA, the Spanish state-controlled tobacco monopoly. Other items included under long-term investments are the Cartier and Piaget jewellery collections and the Group's 6.0 per cent interest in Yves Saint Laurent Groupe SCA.

Net working capital increased by £65.4 million, reflecting the underlying growth in the scale of the Group's activities.

At 31 March 1992 goodwill amounted to £523.4 million, of which £343.5 million related to the acquisition of control of Rothmans International p.l.c. in 1989. The increase in goodwill of £23.3 million during the year under review relates principally to the investment in FilmNet (£29.3 million) and the acquisition of further shares in Cartier Monde, PBM International Holding and Dunhill Holdings (£8.3 million) reduced by goodwill amortisation of £13.3 million.

<b>Summary balance sheet</b>		
	<b>1992</b>	<b>1991</b>
	<b>£ m</b>	<b>£ m</b>
<b>Assets</b>		
Tangible fixed assets	553.4	497.0
Investment in associated undertakings	83.0	174.9
Other long-term investments	90.9	51.4
	<u>727.3</u>	<u>723.3</u>
Net working capital	702.4	637.0
Net operating assets	<u>1 429.7</u>	<u>1 360.3</u>
Goodwill	523.4	500.1
Cash and cash equivalents	<u>1 425.4</u>	<u>1 263.1</u>
	<u>3 378.5</u>	<u>3 123.5</u>
<b>Capital employed</b>		
Unitholders' funds	1 296.9	1 141.0
Minority interests	897.4	810.5
Long-term liabilities	<u>1 184.2</u>	<u>1 172.0</u>
	<u>3 378.5</u>	<u>3 123.5</u>

## FINANCIAL REVIEW

**CASH FLOW** The presentation of the cash flow statement in the financial statements is slightly different from the previous year's presentation in order to reflect current trends in international accounting practice. Whereas the previous year's cash flow statement was reconciled to cash and marketable securities only, the current year statement is reconciled to cash and cash equivalents which comprise cash, marketable securities, short-term bank loans and overdrafts.

<b>Summary cash flow statement</b>		
	1992	1991
	£ m	£ m
Net cash inflow from operating activities	617.4	495.3
Net interest received	36.9	43.7
Net dividends paid	(116.2)	(92.8)
Taxation paid	(213.6)	(195.5)
Net acquisition of tangible fixed assets	(126.4)	(125.9)
Net acquisition of investments	(42.4)	(4.0)
Net disposal/(acquisition) of subsidiary and associated undertakings	74.3	(122.3)
Net cash inflow/(outflow) before financing	230.0	(1.5)
Cash flow (applied to)/from financing	(69.3)	43.2
Effect of exchange rate movements	1.6	(2.6)
Increase in cash and cash equivalents	162.3	39.1
Cash and cash equivalents – opening	1 263.1	1 224.0
Cash and cash equivalents – closing	1 425.4	1 263.1

The cash and cash equivalents of the Group increased during the year by £162.3 million to £1 425.4 million, while long-term borrowings increased by £14.5 million to £777.8 million. Net cash inflow from operating activities increased by £122.1 million to £617.4 million, reflecting improved working capital management and increased operating profit. Net cash inflow before financing of £230.0 million represents a substantial improvement over the previous year as a result of the improved cash flow from operating activities and the proceeds from the sale of the investment in TransAtlantic Holdings, which amounted to £150.6 million.

RICHEMONT

CONSOLIDATED FINANCIAL STATEMENTS

## STATEMENT OF ACCOUNTING POLICIES

### (a) Accounting convention

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

### (b) Basis of consolidation

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

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

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

### (c) Foreign currencies

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

### (d) Gross sales revenue

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

### (e) Taxation

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

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

### (f) Tangible fixed assets

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

## STATEMENT OF ACCOUNTING POLICIES

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

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

### **(g) Intangible assets**

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

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

### **(h) Investments in associated undertakings**

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

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

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

### **(i) Other long-term investments**

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

### **(j) Inventories**

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

### **(k) Marketable securities**

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

### **(l) Provision for employees' pensions**

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

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

### **(m) Product warranties**

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1992

	Notes	1992 £ m	1991 £ m
Gross sales revenue		7 006.6	6 448.5
Duty, excise and other taxes		<u>(3 898.3)</u>	<u>(3 460.2)</u>
Net sales revenue		<u>3 108.3</u>	<u>2 988.3</u>
Operating profit of the Company and its subsidiary undertakings	1	570.0	546.8
Share of operating profit of associated undertakings	2	27.5	20.9
Amortisation of goodwill		<u>(13.3)</u>	<u>(11.3)</u>
Operating profit	3	584.2	556.4
Net interest income and similar items	4	<u>35.9</u>	<u>39.7</u>
Profit before taxation		620.1	596.1
Taxation	5	<u>(220.6)</u>	<u>(222.9)</u>
Profit after taxation		399.5	373.2
Minority interests		<u>(202.2)</u>	<u>(195.9)</u>
Attributable profit before extraordinary item	6	197.3	177.3
Extraordinary item	7	<u>33.7</u>	<u>-</u>
Profit attributable to unitholders		<u>231.0</u>	<u>177.3</u>
Earnings per unit (based on attributable profit before extraordinary item)	8	<u>£ 343.60</u>	<u>£ 308.70</u>

CONSOLIDATED BALANCE SHEET  
AT 31 MARCH 1992

	Notes	1992 £ m	1991 £ m
<b>Assets</b>			
<b>Fixed assets</b>			
Tangible	9	553.4	497.0
Intangible	10	<u>523.4</u>	<u>500.1</u>
		<u>1 076.8</u>	<u>997.1</u>
<b>Investments</b>			
Associated undertakings	11	83.0	174.9
Other long-term investments	12	<u>90.9</u>	<u>51.4</u>
		<u>173.9</u>	<u>226.3</u>
<b>Net current assets</b>			
Inventories	13	1 071.5	1 030.0
Debtors	14	888.2	841.6
Marketable securities	15	893.6	597.8
Cash		<u>940.6</u>	<u>861.7</u>
Current assets		<u>3 793.9</u>	<u>3 331.1</u>
Current liabilities	17	<u>(1 666.1)</u>	<u>(1 431.0)</u>
		<u>2 127.8</u>	<u>1 900.1</u>
		<u>3 378.5</u>	<u>3 123.5</u>
<b>Unitholders' funds</b>			
Share capital	18	223.2	223.2
Participation reserve	19	<u>430.7</u>	<u>430.7</u>
Unitholders' capital	20	<u>653.9</u>	<u>653.9</u>
Retained earnings and other reserves	21	<u>643.0</u>	<u>487.1</u>
		<u>1 296.9</u>	<u>1 141.0</u>
<b>Minority interests</b>		<u>897.4</u>	<u>810.5</u>
<b>Long-term liabilities</b>			
Borrowings	22	777.8	763.3
Other	23	<u>406.4</u>	<u>408.7</u>
		<u>1 184.2</u>	<u>1 172.0</u>
		<u>3 378.5</u>	<u>3 123.5</u>

CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 1992

	Notes	1992 £ m	1991 £ m
Cash flow from operating activities	3	<u>617.4</u>	<u>495.3</u>
Returns on investments and servicing of finance			
Interest income and similar items		160.4	161.4
Interest paid and similar items		(123.5)	(117.7)
Dividends from associated undertakings		2.0	6.7
Dividends paid on participation reserve		(29.1)	(23.7)
Dividends paid to minority shareholders		<u>(89.1)</u>	<u>(75.8)</u>
Cash flow applied to returns on investments and servicing of finance		<u>(79.3)</u>	<u>(49.1)</u>
Taxation paid		<u>(213.6)</u>	<u>(195.5)</u>
Investing activities			
Acquisition of tangible fixed assets, net of disposals		(126.4)	(125.9)
Acquisition of subsidiary undertakings, net of cash acquired		(15.1)	(121.7)
Acquisition of minority interests		(10.8)	(34.3)
Acquisition of investments, net of disposals		(42.4)	(4.0)
Acquisition of associated undertakings		(53.2)	(10.3)
Disposal of associated undertakings		<u>153.4</u>	<u>44.0</u>
Cash flow applied to investing activities		<u>(94.5)</u>	<u>(252.2)</u>
Net cash inflow/(outflow) before financing		230.0	(1.5)
Financing activities			
New long-term borrowings		28.2	55.0
Repayments of long-term borrowings		(69.5)	(20.5)
(Decrease)/increase of minority interests		(3.0)	6.7
Others		<u>(25.0)</u>	<u>2.0</u>
Cash flow (applied to)/from financing activities		<u>(69.3)</u>	<u>43.2</u>
Effect of exchange rate movements		<u>1.6</u>	<u>(2.6)</u>
Net increase in cash and cash equivalents		162.3	39.1
Cash and cash equivalents at beginning of year		<u>1 263.1</u>	<u>1 224.0</u>
Cash and cash equivalents at end of year	16	<u>1 425.4</u>	<u>1 263.1</u>

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS  
AT 31 MARCH 1992

**Note 1 – Operating profit**

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

	1992	1991
	£ m	£ m
Depreciation of tangible fixed assets	87.9	74.9
Operating lease rentals	113.7	91.1
Income from long-term investments	2.1	2.3

**Note 2 – Share of profit of associated undertakings**

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

	1992	1991
	£ m	£ m
Operating profit	27.5	20.9
Net interest (expense)/income and similar items	(1.7)	3.5
Profit before taxation	25.8	24.4
Taxation	(7.5)	(7.3)
Profit after taxation	18.3	17.1
Other shareholders' interests	(1.4)	(3.1)
Dividends	(2.0)	(6.7)
Profit retained for the year	14.9	7.3

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

	1992	1991
	£ m	£ m
Operating profit	584.2	556.4
Adjusted for:		
Share of operating profit of associated undertakings	(27.5)	(20.9)
Amortisation of goodwill	13.3	11.3
Depreciation of tangible fixed assets	87.9	74.9
Increase in long-term provisions	22.3	22.8
Profit on disposal of tangible fixed assets	(8.7)	(1.7)
Loss/(profit) on sale of investments	0.4	(4.6)
Increase in inventories	(72.1)	(98.5)
Increase in debtors	(30.5)	(91.8)
Increase in creditors	48.1	47.4
Cash flow from operating activities	617.4	495.3

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS  
AT 31 MARCH 1992

**Note 4 – Net interest income and similar items**

	1992	1991
	£ m	£ m
Interest income and similar items	158.7	162.0
Interest expense and similar charges	<u>(121.1)</u>	<u>(125.8)</u>
	37.6	36.2
Share of net interest (expense)/income of associated undertakings	<u>(1.7)</u>	<u>3.5</u>
	<u>35.9</u>	<u>39.7</u>

**Note 5 – Taxation**

	1992	1991
	£ m	£ m
Current taxation	219.2	188.0
Deferred taxation	<u>(6.1)</u>	<u>27.6</u>
	213.1	215.6
Share of taxation on profit of associated undertakings	<u>7.5</u>	<u>7.3</u>
	<u>220.6</u>	<u>222.9</u>

**Note 6 – Attributable profit before extraordinary item**

	1992	1991
	£ m	£ m
Attributable profit of the Company and its subsidiary undertakings	182.4	170.0
Group's share of profit retained by associated undertakings	<u>14.9</u>	<u>7.3</u>
	<u>197.3</u>	<u>177.3</u>

**Note 7 – Extraordinary item**

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

**Note 8 – Earnings per unit**

Earnings per unit are calculated by reference to the net profit before extraordinary item of £197.3 million (1991: £177.3 million) and 574 200 units in issue (1991: 574 200 units).

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS  
AT 31 MARCH 1992

Note 9 – Tangible fixed assets

	1992	1992	1992	1991
	Cost	Accumulated depreciation	Net book value	Net book value
	£ m	£ m	£ m	£ m
Land and buildings	315.6	101.2	214.4	182.6
Plant and machinery	560.6	372.4	188.2	181.5
Fixtures, fittings, tools and equipment	286.3	159.6	126.7	110.6
Assets under construction	24.1	–	24.1	22.3
	<u>1 186.6</u>	<u>633.2</u>	<u>553.4</u>	<u>497.0</u>

Included above are fixed assets with a net book value of £19.7 million (1991: £16.5 million) held under finance leases.

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

	1992	1991
	£ m	£ m
Contracts placed	37.4	54.6
Authorised but not yet contracted	50.8	52.9
	<u>88.2</u>	<u>107.5</u>

Note 10 – Intangible fixed assets

	1992	1991
	£ m	£ m
Goodwill at cost	553.9	516.3
Accumulated amortisation	(30.5)	(16.2)
	<u>523.4</u>	<u>500.1</u>

The goodwill arising during the year is calculated as follows:

	1992	1992	1992
	Consideration	Net assets acquired	Goodwill arising
	£ m	£ m	£ m
FilmNet International Holding BV	44.8	15.5	29.3
Other	15.5	7.2	8.3
	<u>60.3</u>	<u>22.7</u>	<u>37.6</u>

Other goodwill arising during the year relates principally to the purchase of further shares in Cartier Monde SA, PBM International Holding SA and Dunhill Holdings PLC.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

AT 31 MARCH 1992

**Note 11 – Investments in associated undertakings**

	1992	1991
	£ m	£ m
Listed	–	114.2
Unlisted	83.0	60.7
	<u>83.0</u>	<u>174.9</u>
Market value of listed associated undertakings at 31 March	<u>–</u>	<u>139.9</u>

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

	1992	1991
	£ m	£ m
Carrying value at 1 April	174.9	181.8
Foreign exchange adjustments	(9.4)	(8.1)
Acquisitions	24.3	5.1
Disposals	(119.6)	(3.6)
Reclassified as subsidiary undertaking	–	(11.4)
Increase in post-acquisition retained earnings and other reserves	12.8	11.1
	<u>83.0</u>	<u>174.9</u>

**Note 12 – Other long-term investments**

	1992	1991
	£ m	£ m
Shares in listed companies, at cost less amounts written off	56.4	21.0
Shares in unlisted companies, at cost less amounts written off	5.4	3.9
Other	29.1	26.5
	<u>90.9</u>	<u>51.4</u>
Market value of shares in listed companies at 31 March	<u>74.5</u>	<u>22.0</u>

**Note 13 – Inventories**

	1992	1991
	£ m	£ m
Raw materials	504.4	474.2
Finished goods	567.1	555.8
	<u>1 071.5</u>	<u>1 030.0</u>

**Note 14 – Debtors**

	1992	1991
	£ m	£ m
Trade debtors	636.2	604.1
Other debtors	143.2	138.8
Prepayments and accrued income	108.8	98.7
	<u>888.2</u>	<u>841.6</u>

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS  
AT 31 MARCH 1992

Note 15 – Marketable securities

	1992	1991
	£ m	£ m
Shares, at lower of cost and market value	4.9	0.9
Bonds, at lower of cost and market value	888.7	596.9
	<u>893.6</u>	<u>597.8</u>
Market value at 31 March	<u>905.9</u>	<u>615.5</u>

Note 16 – Cash and cash equivalents per cash flow statement

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

	1992	1991
	£ m	£ m
Marketable securities	893.6	597.8
Cash	940.6	861.7
Bank loans and overdrafts	(408.8)	(196.4)
	<u>1 425.4</u>	<u>1 263.1</u>

Note 17 – Current liabilities

	1992	1991
	£ m	£ m
Bank loans and overdrafts	408.8	196.4
Short-term portion of long-term loans	59.6	100.6
Trade creditors	138.3	143.5
Taxation	198.5	201.9
Duty and excise taxes	497.5	450.2
Other creditors	178.1	172.4
Accrued expenses and deferred income	185.3	166.0
	<u>1 666.1</u>	<u>1 431.0</u>

Bank loans and overdrafts amounting to £66.5 million (1991: £61.6 million) and duty and excise creditors of £44.8 million (1991: £39.8 million) are secured by tangible assets of Group undertakings.

Note 18 – Share capital

	1992	1991
	£ m	£ m
522 000 "A" bearer shares with a par value of SFr 1 000 each, fully paid	202.9	202.9
522 000 "B" registered shares with a par value of SFr 100 each, fully paid	20.3	20.3
	<u>223.2</u>	<u>223.2</u>

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

AT 31 MARCH 1992

**Note 19 – Participation reserve**

	1992	1991
	£ m	£ m
Reserve in respect of 574 200 participation certificates with no par value issued by Richemont SA	<u>430.7</u>	<u>430.7</u>

**Note 20 – Unitholders' capital**

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

- (a) Each "A" bearer share in the Company with a par value of SFr 1000 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 100 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:

	1992	1991
(a) "A" bearer units, each comprising one "A" bearer share in the Company and one bearer participation certificate in Richemont SA	522 000	522 000
(b) "B" registered units, each comprising ten "B" registered shares in the Company and one registered participation certificate in Richemont SA	<u>52 200</u>	<u>52 200</u>
	<u>574 200</u>	<u>574 200</u>

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

**Note 21 – Retained earnings and other reserves**

	1992	1991
	£ m	£ m
Balance brought forward at 1 April	487.1	323.1
Appropriation of prior year retained earnings:		
6.75% (1991: 5.5%) dividend paid on participation reserve	(29.1)	(23.7)
Profit attributable to unitholders	231.0	177.3
Exchange differences	(45.9)	(7.7)
Other movements	<u>(0.1)</u>	<u>18.1</u>
	<u>643.0</u>	<u>487.1</u>
Analysed as follows:		
The Company and its subsidiary undertakings	639.0	469.2
Associated undertakings	<u>4.0</u>	<u>17.9</u>
	<u>643.0</u>	<u>487.1</u>

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

Legal reserves amounting to £44.3 million (1991: £44.1 million) are included above but are not available for distribution.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS  
AT 31 MARCH 1992

Note 22 – Long-term borrowings

	1992	1991
	£ m	£ m
Rothmans Tobacco (Holdings) Limited, Jersey 10.25% Loan Notes 1994	612.7	612.7
Bank loans	192.1	222.5
Other loans	2.4	2.2
	<u>807.2</u>	<u>837.4</u>
Short-term portion of long-term loans	(59.6)	(100.6)
Long-term loans	<u>747.6</u>	<u>736.8</u>
Other creditors	30.2	26.5
	<u>777.8</u>	<u>763.3</u>

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

Bank and other loans are subject to market rates of interest. Bank loans amounting to £74.2 million (1991: £67.5 million) and other loans amounting to £0.2 million (1991: £0.9 million) are secured by tangible assets of Group undertakings.

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

	1992	1991
	£ m	£ m
Amounts repayable in the financial years ending at 31 March: 1993	–	6.8
1994	27.3	28.1
1995	622.4	634.1
1996	52.5	53.0
thereafter	45.4	14.8
	<u>747.6</u>	<u>736.8</u>

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

AT 31 MARCH 1992

Note 23 – Other long-term liabilities

	1992	1991
	£ m	£ m
Pension obligations	270.2	243.6
Deferred taxation	107.2	92.4
Other provisions	29.0	72.7
	<u>406.4</u>	<u>408.7</u>

Note 24 – Pensions

The total pension cost for the Group is as follows:

	1992	1991
	£ m	£ m
Regular cost	39.5	30.8
Spreading of surpluses and deficiencies	(5.8)	1.6
Notional interest on balance sheet provisions	15.0	13.8
	<u>48.7</u>	<u>46.2</u>

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

However, the obligations of Martin Brinkmann AG and Rothmans Cigaretten GmbH, the Group's main German subsidiary undertakings, to pay future pension benefits are provided by way of balance sheet provisions. Actuarial valuations of the companies' estimated long-term liabilities were performed by Rüss, Dr Zimmermann and Partner, Actuaries, Hamburg as at 31 March 1992 using the entry age method and assuming average future salary and pension increases of 5.25% and 3.75% per annum respectively. At the exchange rate then ruling, the present value of the companies' future pension liabilities so calculated at an annual interest rate of 7.25% amounted to £198.0 million, or £3.0 million in excess of the balance sheet provisions then existing.

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

	1992	1991
	£ m	£ m
Debtors	3.1	3.0
Creditors	12.6	11.8
Other long-term liabilities	<u>270.2</u>	<u>243.6</u>

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS  
AT 31 MARCH 1992

Note 25 – Financial commitments and contingent liabilities

At 31 March 1992 certain Group companies had contingent liabilities and trading commitments in the ordinary course of business in respect of which no material losses are expected to arise.

At 31 March 1992 the Group in total had signed non-cancellable operating leases in respect of which the following minimum rentals are payable:

	Land and buildings	Other assets	Total
	1992	1992	1992
	£ m	£ m	£ m
Within one year	37.7	5.4	43.1
Between two and five years	102.3	9.7	112.0
Thereafter	135.7	8.7	144.4
	<u>275.7</u>	<u>23.8</u>	<u>299.5</u>

## REPORT OF THE AUDITORS

To the Directors

Compagnie Financière Richemont AG, Zug

We have examined the consolidated balance sheet of Compagnie Financière Richemont AG, Zug and its subsidiary undertakings at 31 March 1992 and the consolidated profit and loss account and the consolidated cash flow statement for the year then ended, as set out on pages 32 to 45. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Based on our examination we confirm that:

- the consolidated balance sheet, profit and loss account and cash flow statement are in conformity with generally accepted accounting principles and the policies described in the statement of accounting policies.
- these principles comply with the historical cost convention and, within this reporting framework, the consolidated financial statements give a true and fair view of the financial position at 31 March 1992 and of the results of operations and the cash flow of Compagnie Financière Richemont AG and its subsidiary undertakings for the year ended 31 March 1992.

PRICE WATERHOUSE AG

Urs Landolt

Mark Stevenson

Zurich, 25 June 1992

COMPAGNIE FINANCIÈRE RICHEMONT AG

STATUTORY FINANCIAL STATEMENTS

# COMPAGNIE FINANCIÈRE RICHEMONT AG

## DIRECTORS' REPORT

The Board of Directors of Compagnie Financière Richemont AG is pleased to submit its report on the activities of the Company for the year ended 31 March 1992. The following financial statements set out the financial position of the Company at 31 March 1992 and the results of its operations for the year then ended.

The agenda for the Annual General Meeting, which is to be held in Zug on 15 September 1992, is set out on page 60.

The results of the Group are presented in the Consolidated Financial Statements on pages 31 to 46. Further information on the Group's activities during the year under review and a commentary on the Consolidated Financial Statements are contained in the Review of the Year on pages 7 to 23 and the Financial Review on pages 24 to 30.

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1992

	1992 SFr 000	1991 SFr 000
Income		
Dividend	21 316	16 923
Other income	5 052	4 803
	<u>26 368</u>	<u>21 726</u>
Expenses		
Interest paid	1 145	672
General expenses	11 099	9 060
	<u>12 244</u>	<u>9 732</u>
Profit before taxation	14 124	11 994
Taxation	2 322	1 190
Net profit for the year	<u>11 802</u>	<u>10 804</u>

# COMPAGNIE FINANCIÈRE RICHEMONT AG

## BALANCE SHEET AT 31 MARCH 1992

	Notes	1992 SFr 000	1991 SFr 000
<b>Assets</b>			
Investments	2	702 935	702 931
Fixed assets		18 649	11 823
Debtors		292	188
Cash		<u>1 205</u>	<u>1 241</u>
		<u>723 081</u>	<u>716 183</u>
<b>Capital and reserves</b>			
Share capital	3	574 200	574 200
Legal reserve	4	109 101	108 501
Retained earnings	5	<u>31 099</u>	<u>19 897</u>
		<u>714 400</u>	<u>702 598</u>
<b>Liabilities</b>			
Accrued expenses		3 449	4 369
Loans from affiliated companies		<u>5 232</u>	<u>9 216</u>
		<u>8 681</u>	<u>13 585</u>
		<u>723 081</u>	<u>716 183</u>

## NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 1992

### Note 1 – Basis of preparation of the financial statements

The financial statements represent the financial position of the Company at 31 March 1992 and the results of its operations for the year then ended.

### Note 2 – Investments

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

	1992 SFr 000	1991 SFr 000
Richemont SA, Luxembourg	700 000	700 000
Other investments	<u>2 935</u>	<u>2 931</u>
	<u>702 935</u>	<u>702 931</u>

COMPAGNIE FINANCIÈRE RICHEMONT AG

NOTES TO THE FINANCIAL STATEMENTS  
AT 31 MARCH 1992

Note 3 – Share capital

	1992	1991
	SFr 000	SFr 000
522 000 "A" bearer shares with a par value of SFr 1 000 each, fully paid	522 000	522 000
522 000 "B" registered shares with a par value of SFr 100 each, fully paid	52 200	52 200
	<u>574 200</u>	<u>574 200</u>

Note 4 – Legal reserve

	1992	1991
	SFr 000	SFr 000
Balance at 1 April	108 501	108 001
Transfer from retained earnings	600	500
	<u>109 101</u>	<u>108 501</u>

The legal reserve is not available for distribution.

Note 5 – Retained earnings

	1992	1991
	SFr 000	SFr 000
1 April, before appropriation of prior year retained earnings	19 897	9 593
Transfer to legal reserve	(600)	(500)
1 April, after appropriation	19 297	9 093
Net profit for the year	11 802	10 804
	<u>31 099</u>	<u>19 897</u>

The retained earnings are stated before the proposed appropriation as set out on page 51.

Note 6 – Contingent liabilities

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

At 31 March 1992 the Company had, in addition, guaranteed obligations of certain subsidiaries. The Company does not foresee any liability arising under these guarantees and, therefore, no provision has been made.

COMPAGNIE FINANCIÈRE RICHEMONT AG

PROPOSAL OF THE BOARD OF DIRECTORS FOR  
THE APPROPRIATION OF RETAINED EARNINGS  
AT 31 MARCH 1992

	SFr 000
Available retained earnings	
1 April, after appropriation	19 297
Net profit for the year	11 802
	<u>31 099</u>
Proposed appropriation	
Transfer to legal reserve	600
Balance to be carried forward	30 499
	<u>31 099</u>

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

The Board of Directors

Zug, 23 June 1992

COMPAGNIE FINANCIÈRE RICHEMONT AG

REPORT OF THE STATUTORY AUDITORS

To the Shareholders

Compagnie Financière Richemont AG, Zug

As statutory auditors of Compagnie Financière Richemont AG, we have audited the accompanying financial statements at 31 March 1992 as set out on pages 48 to 51, in accordance with the provisions of the Swiss Code of Obligations.

We report that

- the profit and loss account and the balance sheet are in agreement with the books,
- the books have been properly kept,
- the financial position is presented in accordance with the principles of evaluation prescribed by the law and the requirements of the Company's statutes.

Based on the results of our audit we recommend that the financial statements be approved.

We also confirm that the proposal of the Board of Directors for the appropriation of the retained earnings is in agreement with the law and the statutes.

PRICE WATERHOUSE AG

Urs Landolt

Mark Stevenson

Zurich, 25 June 1992

RICHEMONT SA

STATUTORY FINANCIAL STATEMENTS

# RICHEMONT SA

## 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 1992. The following financial statements set out the financial position of the Company and the results of its operations for the year then ended.

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1992

	1992 £ 000	1991 £ 000
<b>Income</b>		
Dividend	40 000	38 000
Other income	<u>39</u>	<u>196</u>
	<u>40 039</u>	<u>38 196</u>
<b>Expenses</b>		
General expenses	<u>1 728</u>	<u>1 744</u>
<b>Profit before taxation</b>	38 311	36 452
Taxation	<u>75</u>	<u>97</u>
<b>Net profit for the year</b>	<u>38 236</u>	<u>36 355</u>

# RICHEMONT S A

## BALANCE SHEET AT 31 MARCH 1992

	Notes	1992 £ 000	1991 £ 000
<b>Assets</b>			
Investments	2	913 978	912 940
Cash		7 013	8 997
Dividend receivable		40 000	38 000
Debtors		25	188
		<u>961 016</u>	<u>960 125</u>
<b>Capital and reserves</b>			
Share capital	3	143 550	143 550
Participation reserve	4	430 650	430 650
Legal reserve	5	7 778	5 953
General reserve	6	285 307	285 307
Retained earnings	7	93 725	94 637
		<u>961 010</u>	<u>960 097</u>
<b>Liabilities</b>			
Accrued expenses		6	28
		<u>961 016</u>	<u>960 125</u>

## NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 1992

### 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 1992 and the results of its operations for the year then ended.

### Note 2 – Investments

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

	1992 £ 000	1991 £ 000
Investments in subsidiary companies	620 824	620 819
Loans to subsidiary companies	293 154	292 121
	<u>913 978</u>	<u>912 940</u>

# RICHEMONT S A

## NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 1992

### Note 3 – Share capital

	1992	1991
	£ 000	£ 000
191 400 registered shares with a par value of £ 750 each, fully paid	<u>143 550</u>	<u>143 550</u>

### Note 4 – Participation reserve

	1992	1991
	£ 000	£ 000
Reserve established in respect of 574 200 participation certificates with no par value	<u>430 650</u>	<u>430 650</u>

### Note 5 – Legal reserve

The legal reserve amounting to £ 7 778 000 (1991: £ 5 953 000) is not available for distribution.

### Note 6 – General reserve

The general reserve amounting to £ 285 307 000 (1991: £ 285 307 000) is available for distribution subject to the approval of the shareholders.

### Note 7 – Retained earnings

	1992	1991
	£ 000	£ 000
1 April, before appropriation of prior year retained earnings	94 637	90 178
Transfer to legal reserve	(1 825)	(1 750)
5.75% dividend paid on share capital (1991: 4.5%)	(8 254)	(6 460)
6.75% dividend paid on participation reserve (1991: 5.5%)	(29 069)	(23 686)
1 April, after appropriation	<u>55 489</u>	<u>58 282</u>
Net profit for the current year	<u>38 236</u>	<u>36 355</u>
	<u>93 725</u>	<u>94 637</u>

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

### Note 8 – Contingent liability

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

# RICHEMONT SA

## PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF RETAINED EARNINGS AT 31 MARCH 1992

	£ 000
Available retained earnings	
1 April, after appropriation	55 489
Net profit for the year	38 236
	<u>93 725</u>
Proposed appropriation	
Transfer to legal reserve	1 925
6.5% dividend payable on share capital	9 331
7.5% dividend payable on participation reserve	32 299
Balance to be carried forward	50 170
	<u>93 725</u>

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 £56.25 per participation certificate. It will be payable to unitholders of Richemont on 6 October 1992 in respect of coupon number 4, free of charges, at the banks designated as paying agents.

The Board of Directors

Luxembourg, 9 June 1992

## REPORT OF THE AUDITORS

To the Shareholders  
Richemont SA, Luxembourg

We have examined the balance sheet at 31 March 1992 of Richemont SA and the related profit and loss account. Our examination was made in accordance with generally accepted auditing standards.

In our opinion, the accompanying financial statements examined by us give a true and fair view of the financial position of Richemont SA at 31 March 1992 and of the profit for the year then ended and are prepared in conformity with Luxembourg accounting principles. We also confirm that the proposal of the Board of Directors for the appropriation of the retained earnings is in agreement with the law and the Company's statutes.

PRICE WATERHOUSE

Luxembourg, 10 June 1992

## P R I N C I P A L   G R O U P   C O M P A N I E S

The principal companies in the Group, as well as in each case the effective interest in their ordinary share capital attributable to Richemont as at 31 March 1992, are set out below. The list of companies distinguishes between subsidiary undertakings and associated undertakings in accordance with the Group's accounting policy as set out in note (b) on page 32.

Country of incorporation	Name of company	Principal activity	Effective interest
<b>Subsidiary undertakings</b>			
Switzerland	Baume & Mercier SA	Luxury goods	65.0%
	Business Control SA	Management services	100.0%
	Cartier International SA	Management services	77.3%
	Cartier SA	Luxury goods	77.3%
	PBM International Holding SA	Holding company	65.0%
	Richemont Securities AG	Transfer secretaries	100.0%
	Rothmans of Pall Mall Limited	Tobacco products	62.5%
	SA Ancienne Fabrique	Luxury goods	65.0%
	G. Piaget et Cie.		
Australia	Sullana AG	Tobacco products	62.5%
Australia	Rothmans Holdings Limited	Holding company	31.2%
	Rothmans of Pall Mall (Australia) Limited	Tobacco products	31.2%
Belgium	Jubilé SA	Tobacco products	62.0%
	Tabacofina-Vander Elst NV	Tobacco products	62.0%
Canada	Rothmans, Benson & Hedges Inc.	Tobacco products	26.7%
	Rothmans Inc.	Holding company	44.5%
France	A. Sulka SA	Luxury goods	90.3%
	Cartier SA	Luxury goods	77.3%
	Chloé SA	Luxury goods	36.0%
Germany	Cartier GmbH	Luxury goods	77.3%
	Martin Brinkmann AG	Tobacco products	62.5%
	Montblanc-Simplo GmbH	Luxury goods	36.0%
	Rothmans Cigaretten GmbH	Tobacco products	62.5%
Hong Kong	Les Must de Cartier	Luxury goods	77.3%
	Far East Limited		
Italy	L.M.C. International Spa	Luxury goods	77.3%
Japan	Cartier Japan Limited	Luxury goods	39.4%
Jersey	Rothmans Tobacco (Holdings) Limited	Holding company	100.0%
Luxembourg	Cartier Monde SA	Holding company	77.3%
	Luxco SA	Holding company	90.3%

## PRINCIPAL GROUP COMPANIES

Country of incorporation	Name of company	Principal activity	Effective interest
Malaysia	Rothmans of Pall Mall (Malaysia) Berhad	Tobacco products	31.2%
Netherlands	Cartier International BV	Luxury goods	77.3%
	Rothmans International (Europe) BV	Holding company	62.5%
	Rothmans Tobacco Company BV	Tobacco products	62.5%
	Schimmelpenninck Sigarenfabrieken BV	Tobacco products	62.5%
	Theodorus Niemeyer BV	Tobacco products	62.5%
New Zealand	Rothmans of Pall Mall (New Zealand) Limited	Tobacco products	31.2%
Republic of Ireland	PJ Carroll and Company Limited	Tobacco products	62.5%
	PJ Carroll Holdings PLC	Holding company	62.5%
Singapore	Rothmans Industries Limited	Tobacco products	31.2%
United Kingdom	Alfred Dunhill Limited	Luxury goods	36.0%
	A. Sulka and Company Limited	Luxury goods	90.3%
	Cartier Limited	Luxury goods	77.3%
	Dunhill Holdings PLC	Holding company	36.0%
	Richemont International Limited	Advisory services	100.0%
	Rothmans Exports Limited	Tobacco products	62.5%
	Rothmans (Far East) Limited	Tobacco products	62.5%
	Rothmans International Investments Limited	Holding company	62.5%
	Rothmans International p.l.c.	Holding company	62.5% <sup>(1)</sup>
	Rothmans International Tobacco Limited	Management services	62.5%
	Rothmans International Tobacco (UK) Limited	Tobacco products	62.5%
	Rothmans (UK) Limited	Tobacco products	40.6%
United States of America	A. Sulka & Company Limited	Luxury goods	90.3%
	Cartier Incorporated	Luxury goods	77.3%
	Lane Limited	Tobacco products	62.5%
	Tobacco Exporters International (USA) Limited	Tobacco products	62.5%
<b>Associated undertakings</b>			
British Virgin Islands	North American Resources Limited	Holding company	50.0% <sup>(2)</sup>
Jamaica	Carreras Group Limited	Tobacco products	29.5%
Luxembourg	FilmNet SA	Holding company	50.0%

(1) Richemont holds 99.9% of the Ordinary shares, 60.2% of the "B" Ordinary shares and 100.0% of the preference share capital of Rothmans International p.l.c. In total, Richemont has an effective interest of 62.5% in the Ordinary and "B" Ordinary share capital of the company and controls 68.0% of the voting rights.

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

## NOTICE OF MEETING

The Annual General Meeting of shareholders of Compagnie Financière Richemont AG will be held at 3:00 pm in the "Grosser Saal", Artherstrasse 2-4, 6300 Zug, on Tuesday 15 September 1992.

### Agenda

1. Review and approval of the financial statements, the report of the Board of Directors and the report of the Statutory Auditors for the year ended 31 March 1992.
2. Discharge of the Board of Directors and of the management.
3. Decision on the appropriation of retained earnings.
4. Approval of the proposals for the split of the "A" and the "B" shares in the ratio of 10 for 1, the consequent adjustment to the nominal value per share in each class of shares and amendment of the relevant statutes.
5. Adoption of amended statutes in accordance with the revised Swiss Company Law.
6. Election of the Board of Directors.
7. Election of the Statutory Auditors.

The financial statements and the related report of the Statutory Auditors, together with the report of the Board of Directors and the proposed amendments to the statutes of the Company will be available for inspection at the registered office of the Company from 24 August 1992 onwards.

Tickets for admission to the Annual General Meeting together with voting cards may be obtained, upon deposit of the share certificates, from any branch of the following banks up to 7 September 1992:

Union Bank of Switzerland  
Bank J Vontobel & Co AG  
Darier, Hentsch & Cie  
Pictet & Cie  
Anlage- und Kreditbank AKB

No admission tickets will be issued on the day of the meeting itself.

For the Board of Directors

Nikolaus Senn  
Chairman

Johann Rupert  
Managing Director

Zug, 25 June 1992