

RICHEMONT

ANNUAL REPORT 1994

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.

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FINANCIAL HIGHLIGHTS

	1994	1994 Restated*	1993
	£	£	£
Operating profit	606.5 m	606.5 m	575.1 m
Profit before taxation	476.0 m	660.3 m	633.2 m
Attributable profit	115.0 m	202.1 m	208.2 m
Earnings per unit	20.03	35.20	36.26
Dividend per unit	6.15	—	5.88¾
Unitholders' funds	1 220.9 m	—	1 137.9 m
Net assets per unit	212.63	—	198.17



*Restated 1994 figures exclude costs in respect of the Group restructuring and European rationalisation programme.

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 [*] MANAGING DIRECTOR	Group and Statutory Auditors
Jan du Plessis [*]	Coopers & Lybrand AG Zurich
René Gerber [*]	Company Secretary
Yves-André Istel	Alan Grieve
Joseph Kanoui [*]	
The Rt Hon Lord Swaythling	

RICHEMONT SA

Johann Rupert [*] CHAIRMAN	Registered Office 35 Boulevard Prince Henri L 1724 Luxembourg Telephone: 40 24 72 Telefax: 40 24 73
Joseph Kanoui [*] MANAGING DIRECTOR	
Jean-Paul Aeschimann	Statutory Auditors
Jan du Plessis [*]	Coopers & Lybrand SC Luxembourg
René Gerber [*]	Company Secretary
Robert Hersov [*]	Alan Grieve
Eloy Michotte [*]	
Alan Quasha	
Howard Tanner [*]	

^{*}Denotes member of the Executive Committee

LETTER TO UNITHOLDERS



DEAR UNITHOLDER,

During the year under review, Richemont initiated a major restructuring of its tobacco and luxury goods interests. Previously held in a complex and overlapping structure, the two areas of activity are now held in quite separate companies – Rothmans International and Vendôme Luxury Group. Both companies are listed on the London Stock Exchange; Rothmans International also being listed on the Amsterdam exchange and Vendôme

Luxury Group in Luxembourg. The principal objective of the reconstruction was to ensure the creation of two financially strong groups each focused on the development of their existing brands and the growth of their respective businesses in the long term.

The significant costs attaching to the reconstruction exercise have had a material adverse impact on the Group's results in the year under review. In addition, a significant provision has been made in this year's accounts for the costs of a rationalisation programme within Rothmans International designed to ensure that the Company remains competitive in its European markets. Excluding these exceptional charges, profit attributable to unitholders and earnings per unit fell by 2.9 per cent to £202.1 million and £35.20, respectively. Notwithstanding this reversal of the pattern of growth in recent years, your Board is confident of Richemont's continuing growth prospects and accordingly proposes an increase of 4.5 per cent in the dividend payable, bringing it to £6.15 per unit for the year.

It is with great regret that we have to inform you of the death, in April this year, of our colleague Dr Max Ehrbar. Dr Ehrbar served as a director of Richemont since its formation in 1988 and had been associated with its predecessor companies for over thirty years. His knowledge of the Group, his wit and his contribution to our discussions will be sadly missed.

Employees throughout the Group have shown great flexibility in responding to the changing market conditions and to the demands that the reorganisation of the Group has placed upon them. We thank them most sincerely for their cooperation during a challenging year.

A handwritten signature in blue ink, appearing to read 'N. Senn'.

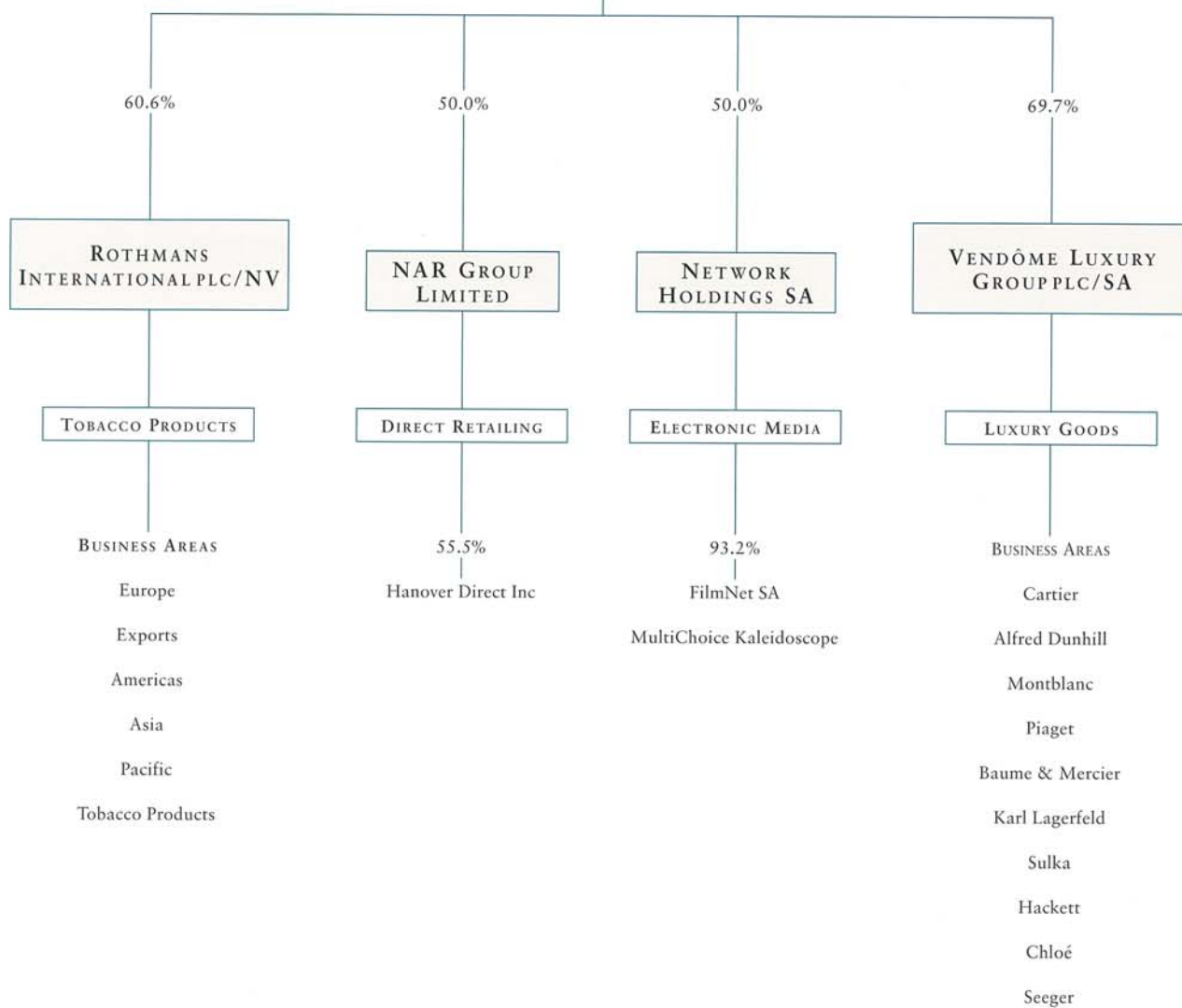
Nikolaus Senn
CHAIRMAN
Compagnie Financière Richemont AG

Zug, 1 July 1994

GROUP STRUCTURE

COMPAGNIE FINANCIÈRE RICHEMONT AG

RICHEMONT SA



REVIEW OF THE YEAR



Johann Rupert
MANAGING DIRECTOR

THE RECONSTRUCTION of Richemont's tobacco and luxury goods interests, which was completed in the autumn of 1993, has led to a much simplified corporate structure. The cross holdings between the tobacco and luxury goods business areas – notably the interests in Dunhill Holdings and Cartier Monde held by Rothmans International – have been eliminated. Vendôme Luxury Group, in which Richemont has a 69.7 per cent interest, is now the vehicle for all our luxury goods interests.

Richemont's tobacco interests are held through Rothmans International in which Richemont holds a 60.6 per cent interest. Rothmans International management are now in a position to focus on the challenges facing the tobacco industry with the objective of maximising growth opportunities within that business.

Within Vendôme, the logistical benefits of a co-ordinated strategy in terms of production and distribution are self evident. Whilst it will be some time before that strategy can be fully translated into operating efficiencies, a high degree of co-operation has already been achieved. The key to this strategy is, however, the continued independence of the various brands within the Vendôme Group.

GROUP RESULTS The results for the year under review were achieved against a background of continued economic uncertainty, with the United States and the United Kingdom showing the most obvious signs of the end of recession. Against this, many European countries' economies, along with that of Japan, continued to languish. The 5.5 per cent increase in operating profit to £606.5 million, before the costs of the Group restructuring and the provision for rationalisation, can therefore be regarded as satisfactory.

Net sales revenue of tobacco products generated by Rothmans International increased by 3.0 per cent to £2 485.1 million, generating operating profits of £424.2 million – an increase of 3.3 per cent over the prior year. Vendôme Luxury Group reported sales of £1180.0 million, an increase of 14.5 per cent for the year, and operating profits 17.5 per cent higher at £193.8 million. The Group's share of the results of associated undertakings showed a small deficit as the improved performance of NAR Group Limited was offset by higher costs in the development of the Group's pay-tv interests.

REVIEW OF THE YEAR

TOBACCO PRODUCTS Richemont's interests in the tobacco industry are held through Rothmans International, whose operating companies produce, distribute and sell a balanced portfolio of international and local brands of cigarettes and other tobacco products in markets throughout the world. Principal trade marks owned or controlled by the Group include Rothmans, Dunhill, Peter Stuyvesant, Craven 'A', Golden American, Lord, Winfield and Belga.

Within the context of declining total demand for tobacco products in the more developed markets there was significant volume loss in the United Kingdom, France, Germany, and The Netherlands. Volume loss in the former Yugoslavia continued because of the civil war. Sales to Russia were disrupted mainly by deteriorating economic conditions and a confused situation over tobacco taxes. In the buoyant Asia region, there were volume gains in Malaysia, Singapore Duty Free, Japan and Vietnam. There were also significant gains in Yemen and Greece. Overall, the worldwide volume of cigarette sales by Rothmans International Group companies was some 8 per cent lower than that achieved in the previous year.

Rothmans International's operating profit has been stated after allowing for ongoing rationalisation costs of £22.5 million in 1993/94, compared with £22.2 million for the previous year; these costs were mainly incurred in the United Kingdom, Germany, The Netherlands and on the disposal of the Group's business in the Philippines. In addition, there has been a major review of the Group's requirements for production facilities across Europe; as a result, it has been decided to reduce the number of factory locations. The exceptional charge to operating profit relating to this move is £123.8 million. Benefits in the form of reduced operating costs and enhanced competitiveness are expected to flow immediately.

As part of its global strategy, Rothmans International has instituted a management mix of central direction and regional autonomy. The business is organised into five geographical regions – Europe, Exports, Americas, Asia and Pacific. In addition, there is the separately managed Tobacco Products Division, comprising the Group's European-based fine cut, pipe tobacco, and cigar business; for the purpose of this report, that division is reviewed together with Europe.

Europe Rothmans International is one of the largest tobacco groups in Western Europe; its principal markets are the United Kingdom, The Netherlands, France, Italy, Belgium, Germany, Ireland and Greece.

Markets across Western Europe showed for the most part a further contraction of total demand during 1993/94; against a fall of 3 per cent in total market deliveries, Group sales declined by some



REVIEW OF THE YEAR



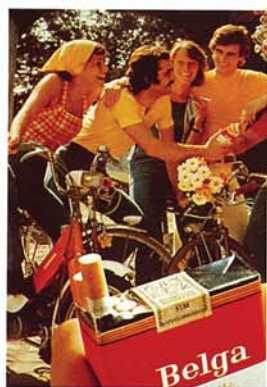
THIS PAGE: *Rothmans* has a long involvement with motorsport.

OPPOSITE PAGE: Making history at Le Mans in 1982 with Rothmans Porsche being placed first, second and third.

REVIEW OF THE YEAR

13 per cent. Total turnover at £1 037.4 million was some 3.7 per cent down on the previous year. Operating profit of £99.6 million was 22.8 per cent lower, despite marketing cost savings and favourable foreign exchange movements.

In the United Kingdom, trade deliveries were distorted by the change in timing of the national budget. Although Group market share fell, the total market contraction in terms of trade deliveries of 15 per cent was not matched by the fall in consumer demand for cigarettes, which was down by a more modest 4 per cent. The French market fell by 2.6 per cent on the previous year and continued to be affected by the price war that started early in 1993. Competitors' pricing moves impacted on the Group's main brands resulting in an adverse brand mix. Profitability was affected in both these markets by lower volumes; price increases and product cost savings were insufficient to prevent a reduction in operating profit.



The Netherlands and Belgium experienced further market volume decline and Group brands suffered some loss of market share. In The Netherlands this was partly abated by price increases and a more favourable brand mix. In Belgium, savings in marketing cost and overheads together with price increases were sufficient to offset the effect of volume reduction.

Higher overheads outweighed marketing cost reductions in Germany, where there was some loss of share in a market which marginally increased over the previous year. The market for manufactured cigarettes benefited from the lessened tax advantage of tobacco rolls and stricter control of cross-border sales. In Greece the Group continued to out-perform the market.

The Tobacco Products Division experienced some reduction in sales volume and profit, principally by reason of the fall in demand for tobacco rolls in Germany. The market for tobacco rolls had seen rapid growth in recent years but progressive changes in the basis of taxation have eroded their price advantage over manufactured cigarettes. Fine cut sales and profits, however, increased in Belgium and a number of other markets and other product groups also improved their contribution.

Exports The Exports region encompasses export business from the Group's factories in Western Europe to the Middle East, Africa and Eastern Europe together with local manufacturing and licensing operations in certain of these territories and in the Indian subcontinent. Europe Duty Free is also part of this region's responsibility.

Volume sales within the region were some 8.5 per cent lower than in the previous year – very largely because of reduced business in the former Yugoslavia and in Russia. Turnover declined by 2.6 per cent to £427.4 million. Operating profit, however, increased by 6.3 per cent to £80.8 million, largely due to the benefits of exchange gains.



REVIEW OF THE YEAR



THIS PAGE: Over 30 years of advertising have secured a place for *Peter Stuyvesant* as a leading international brand.
OPPOSITE PAGE: Examples of *Belga* and *Winfield* advertisements dating from the 1970's.

REVIEW OF THE YEAR

The setback in Central and Eastern Europe was exacerbated by a volume shortfall in Poland, together with adverse price movements, resulting in reduced profitability.

The principal duty free market, Western Europe Duty Free, advanced once again following the recovery of the previous year.

Americas The Americas region covers activities in Canada, the United States, the Caribbean and South America. In Canada, the Group has a 71 per cent interest in Rothmans Inc., its listed subsidiary, which in turn owns 60 per cent of Rothmans, Benson & Hedges Inc., Canada's second largest tobacco company.

For the region as a whole, Group sales volume was down 7 per cent, but turnover in sterling terms was some 2.2 per cent higher at £284.3 million, mainly by reason of favourable currency movements. Operating profit improved by 5.7 per cent to £90.4 million.

In Canada, the domestic cigarette market has been distorted over the past two years by the major disparity between Canadian and US cigarette taxes, which led to an increasing number of Canadian consumers buying their cigarettes from the United States. Since the beginning of 1994, however, cigarette taxes have been reduced in most parts of Canada and some greater stability has returned to market conditions. Despite a 3 per cent decline in sales revenues, Rothmans Inc.'s operating profit improved by some 6 per cent, principally due to cost reductions.

Business in the United States suffered from lower duty free volumes and the loss of trademark rights on certain brands. However, in the market for tobacco products the Group's market share was increased.

Asia The Group's operations in the Asia region are conducted through listed companies in Malaysia and Singapore and through wholly-owned subsidiaries of Rothmans International serving the markets of North East Asia.

For the region as a whole, 1993/94 was a buoyant year with volume sales up 5 per cent; turnover increased by 28.3 per cent to £408.5 million, reflecting in part favourable currency movements. Operating profit improved by 36.8 per cent to £100.7 million, despite continued expenditure on market development in Japan and elsewhere.

In Malaysia, the domestic market resumed its growth trend, with a rise of 4 per cent; Group volume increased by more than 5 per cent, with Dunhill King Size extending its market leadership position. Profitability was improved by some 21 per cent, gaining not only from the higher volumes, but also drawing the benefit of price increases and cost reductions.



REVIEW OF THE YEAR



THIS PAGE: One of the latest products to join the Group's family of brands. Group companies have always ensured that only the finest tobacco is used and this is the hallmark of their products. OPPOSITE PAGE: Tobacco harvesting in the 1930's.

REVIEW OF THE YEAR

Despite Singapore being a highly restricted market, price increases and improved efficiencies had a positive impact on profitability. The Group company in Singapore also has responsibility for certain other regional markets: a local manufacturing operation in Vietnam, for Dunhill King Size, has been successfully expanded; in Myanmar, a joint venture has been formed with local partners to build a factory planned to commence production in 1995.

Volume in Japan increased by 18 per cent, with positive contributions from the recently launched Dunhill Ultimate Lights and the licensed brands of the American Tobacco Company. Margin benefited from the higher sales volume and from product cost savings. At this stage of development of the Group's business in this market, however, a high level of marketing investment continues to be necessary.

Pacific The Group is represented in this region through its 50 per cent shareholding in Rothmans Holdings Limited, a listed Australian company. Rothmans Holdings Limited serves the markets of Australia, New Zealand, Indonesia, Papua New Guinea, Fiji and other Pacific countries. Subsequent to the year under review, the decision has been made to dispose of the loss-making Philippines operation, Sterling Tobacco, at a cost of £5.7 million which has been charged against operating profit. It had become apparent that there would be no relief from the adverse market conditions whereby a discriminatory tobacco tax regime was imposed on foreign brands.

Group sales volume in the region was down by some 7 per cent; regional turnover at £327.5 million showed an increase of 9.0 per cent, mainly reflecting favourable currency movements. Operating profit was 13.6 per cent better at £52.7 million, the previous year's results having been affected by restructuring charges in Australia and other parts of the region.

In Australia, a volume decline in an overall market down by 5 per cent resulted in a marginal reduction in market share. However, price increases and product savings contributed to improved product margin. This gain was more than offset by increased marketing expenditure. Regulatory pressures continued unabated.

The New Zealand total market volume was about 1 per cent down on the previous year – a more moderate movement than in some recent years. Favourable price and cost developments contributed to an enhanced operating profit.

The potential for the business in the Indonesian white cigarette market remains considerable and marketing support was stepped up as part of the ultimate strategy of market penetration with higher margin products. Operating losses will continue for the time being.



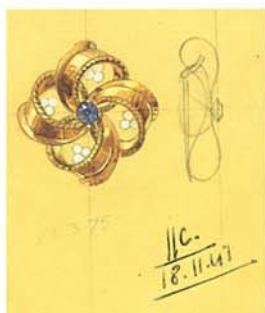
REVIEW OF THE YEAR



THIS PAGE: *Craven 'A'* packaging has been developed over the years but has always maintained a recognisable branded pack image. OPPOSITE PAGE: An example of the packaging used in the 1930's for *Rothmans King Size*.

REVIEW OF THE YEAR

LUXURY GOODS Richemont has a controlling interest in Vendôme Luxury Group which, in turn, owns a unique portfolio of some of the world's best known luxury brands. Companies in the Vendôme group design, manufacture, market and distribute a range of luxury products including jewellery, watches, writing instruments, leather goods, menswear and accessories, fragrances, lighters and ladies' fashions and accessories. Vendôme is managed with a view to generating long-term growth whilst ensuring that the reputation and integrity of its brands are maintained and enhanced.



CARTIER During the year under review Cartier has taken advantage of a sustained level of sales to invest in new product development and to reinforce the highest standards of quality in its distribution network. This constant progress ensures that Cartier remains in a leading position in the luxury goods market.

The best performing product areas during the year were those that form the very cornerstone of Cartier's reputation and image: high jewellery, jewellery and watches. The international jewellery collection enjoyed a successful year, with a new best seller: the Ellipse ring.

In Haute Horlogerie, a concept of high class watchmaking developed by Cartier, the principal theme in the year has been the Tank, inspired by the original model created in 1917. The major event of the year was the launch of a new range of American Tank watches which offers a comprehensive collection of styles based on the traditional design.

The Pasha range of watches continued to show growth in sales at the high end of the range. This model, also inspired by an original version created in 1933, was launched in 1986 and the range was further enhanced this year by jewellery and gold and steel versions.

The use of the company's substantial collection of archive materials acts as an inspiration in the development of new products and provides a constant reminder of the richness of Cartier's heritage and tradition. This archive material is a valuable resource for the brand's design department.

Cartier maintains its reputation as a trendsetter in the luxury watch market. The launch of the Mini Diabolo this year completed an exciting range of miniature watches for discerning ladies under the concept of Montres Bijoux.

REVIEW OF THE YEAR



THIS PAGE: *Cartier's* Route des Indes range draws on archive material for its inspiration emphasising the traditional skills of the craftsmen. OPPOSITE PAGE: An original sketch from 1947 with Jean-Jacques Cartier's own signature of approval.

REVIEW OF THE YEAR

Cartier remains the organiser and major contributor to the Salon International de la Haute Horlogerie which is held every year in Geneva. This is a rare occasion for the manufacturers of luxury watches to exhibit their collections in an environment befitting the luxury goods business.

Other products launched during the year included a new line of black leather goods called Gold on Black, the new Must II line of fragrances and new products in the collection of Les Must de Cartier eyeglasses, writing instruments and scarves.



The network of Cartier stores and boutiques, at 153, has an excellent coverage of all major markets. During the year a Singapore boutique opened in the impressive Ngee Ann City complex and new boutiques were franchised in Freeport, Bahamas and Saipan in the Pacific region.

Cartier's wholesale activity has been strengthened by a policy of reinforcement carried out over the last two years, which concentrates solely on points of sale in the best locations around the world.

During the last twelve months Cartier has established footholds in the developing markets of the future: the CIS, the People's Republic of China and Latin America. An outlet was opened in Shanghai in October 1993 and local distribution agreements have been signed to ensure a structured development in each of these markets.

An important project undertaken in the last twelve months has been the relocation of Cartier's headquarters for its French operations to the boulevard Raspail in Paris, where it is now housed under one roof on the famous and historic site of the American Centre of Culture. This major project also involved the transfer of the Cartier Foundation for Contemporary Art from its former location in Jouy-en-Josas to a new 1500 square metre exhibition space in the new building. The building, designed by the leading French architect Jean Nouvel, will become a focal point for the management and the image of the Cartier brand.

REVIEW OF THE YEAR



THIS PAGE: Traditional design is used in the styling of this new American Tank watch.
OPPOSITE PAGE: A Tank watch from 1920.

REVIEW OF THE YEAR

ALFRID DUNHILL The Centenary of the Alfred Dunhill business was the focus for a range of publicity events during the year under review. A Centenary Show toured the world in 1993 to share the history of Alfred Dunhill with consumers around the globe.

The show presented Alfred Dunhill from its beginnings as a quality saddle-making business in 1893 through the major eras of the twentieth century. Spanning the advent of the motor car, the "Roaring Twenties", Hollywood glamour in the 1930's, the War years and the later "boom" time of the 1980's, the business has constantly adapted its product range to the needs of the time.

This development in products is the essence of the Alfred Dunhill brand. The broadly based menswear range, in two seasonal offerings each year, has been the subject of much care and attention in recent years and each new presentation has been received well by customers.

The collection for the Spring of 1994 had as its theme The Grand Tour of the 1930's and portrayed elements of the days of steamship travel and café society, highlighting the heritage of the brand and the links between merchandise of earlier times and the present day.

The other key development has come in the area of watches. Alfred Dunhill has been successful in the luxury watch market for many years and the recently introduced ranges of Centenary and Londinium watches are designed to maintain and improve Dunhill's position in this market.

The Centenary models each feature a high quality mechanical movement housed in a hand finished case and take their inspiration in design from watches originally produced in the 1930's. The Londinium has been designed to offer more accessible price points and popular styles and features a sleek, sporting and modern look.

The current financial year was the first full year of operation of two major European stores, in Geneva and Madrid. Their opening brings the total number of Dunhill outlets to 96. In North America, the store in Chicago, which has been operating for many years, was remodelled in line with the latest design concept of the brand. The store at Costa Mesa in California was extended to carry a wider range of merchandise. In the Far East, a new outlet was opened in the Ngee Ann City development in Singapore and two more opened in Shanghai, China.

Steps are being taken to reinforce the brand's wholesale network in Europe and North America. These traditional luxury markets provide a significant opportunity for Alfred Dunhill in the coming years.



REVIEW OF THE YEAR



THIS PAGE: The classic *Dunhill* blazer embodies over 100 years of gentlemen's tailoring.
 OPPOSITE PAGE: *Dunhill Motorities* advertisement from *Tatler* c.1910.

REVIEW OF THE YEAR

P IAGET Constant innovation in both the Piaget watch and jewellery ranges led to growth during the year despite a depressed economic environment. The development of new products is one of the key factors in Piaget's marketplace which demands exclusivity and uniqueness. Piaget remains the only major watchmaker for whom "time is measured only in gold". Accordingly Piaget must continue to represent the ultimate in luxury watches; limited volume, very high product creativity, a broad choice of designs, perfect quality of materials and creation by craftsmen.



The positioning of the brand is enhanced by the quality of its distribution. Piaget distribution is organised through three major channels: Piaget stores, of which there are six, all operated by the Group; Piaget corners within existing retailers and traditional distribution through the most exclusive jewellers in the world. Stores and corners are essential in presenting Piaget in a privileged environment.

China is seen as a market with significant potential; marketing resources are being allocated to develop Piaget's business there. Although Asia remains the largest market for Piaget, the highest growth in the past year was achieved in North America. In Europe, sales remained buoyant despite the difficult economic climate.



The Piaget brand is looking forward to another year of continued growth in its 120th anniversary year. Various events have been organised throughout the year to celebrate this landmark, including new product launches and a special exhibition of the Piaget "collections privées" which has already opened at the Museum of Watchmaking in Geneva.

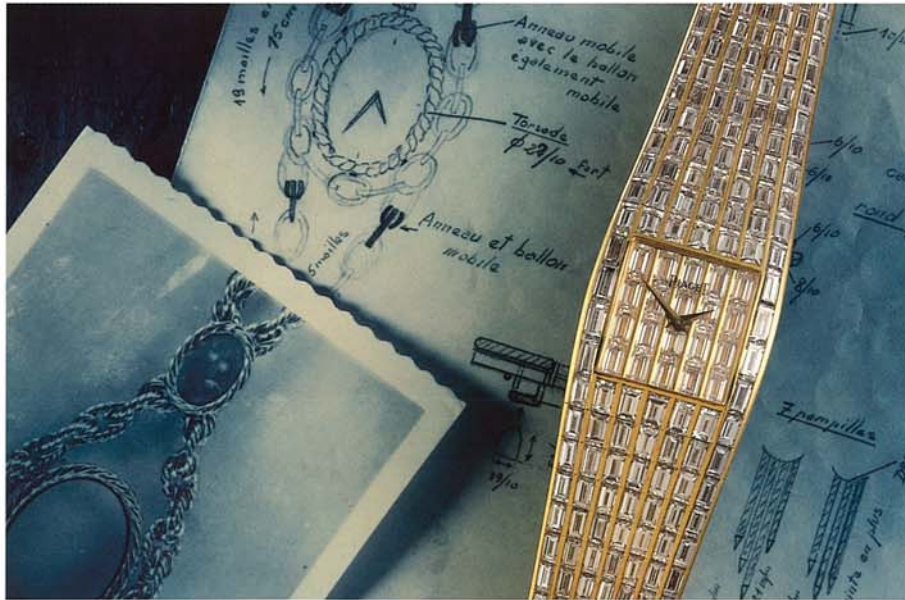
B AUME & MERCIER During the year under review, Baume & Mercier has consolidated its position as a traditional Swiss watchmaker of great prestige, offering a complete range of luxury, classical and sports watches.

In the area of product development, Baume & Mercier continued its strategy of combining traditional watch-making expertise and state-of-the-art manufacturing techniques in order to offer timepieces of classical, elegant design for the more price conscious customer.

In 1993, Baume & Mercier commemorated the 20th anniversary of the Riviera collection, its flagship line of elegant sports watches, with jubilee products in limited editions including the first Riviera chronograph model, featuring the thinnest available chronograph movement with perpetual calendar. 1993 also saw the successful introduction of elegant new sports watches in the steel and steel and gold market sectors. The Malibu range is the most prominent of these products. In addition, the classical collection was enhanced by new versions, also featuring mechanical movements.

Faced with difficult economic conditions in many of its traditional markets, Baume & Mercier has actively sought to enter new markets, particularly in Asia, as well as in Central and Eastern Europe. The year under review saw the first displays of Baume & Mercier watches in mainland China and in Russia.

REVIEW OF THE YEAR



THIS PAGE: (Top) The Galaxy watch exemplifies *Piaget's* commitment to exquisite time-pieces. (Bottom) The Montbrillant watch bears witness to the marvellous precision work of *Baume & Mercier*. OPPOSITE PAGE: (Top left) A *Piaget* yellow gold and turquoise Slave bangle. (Bottom left) A *Baume & Mercier* fob watch dating from the 1890's.

REVIEW OF THE YEAR

MONTBLANC The year under review has seen significant progress in establishing the Montblanc product as the epitome of luxury and writing culture.

Vintage Montblanc writing instruments have inspired the development of further Limited Editions in the year. The Octavian pen, a worldwide limited edition of 4 810 pieces, has been used to promote the concept of the Montblanc de la Culture awards. These awards, donated by the Montblanc de la Culture Foundation, are now in their third year. Three events were held this year in Rome, New York and Tokyo rewarding patrons for their achievements in promoting the arts.



Following very substantial demand during the year for limited editions, Montblanc launched a second limited edition worldwide, the Agatha Christie, and a third, the Imperial Dragon, which was distributed only in Asia. Montblanc also successfully introduced a Meisterstück document marker and a new range of bigger Meisterstück models this year.

Montblanc's position has been reinforced in the year mainly through action in three areas: continued diversification into writing accessories, the establishment of a network of retail outlets and further integration of the distribution network.



The diversification into accessories began last year, including the launch of a series of leather products adapted to the writing environment. The commitment to this strategy was demonstrated by the acquisition of Seeger, a small, traditional manufacturer of high quality leather goods in Germany. Seeger now manufactures for Montblanc, as well as continuing to manufacture leather goods, including luggage, under the Seeger brand name.

The wider product range has been displayed to full advantage in the new retail locations in department stores. Known as "Islands of Excellence", these displays allow the presentation of the Montblanc collection in a consistent, prestigious manner.

This concept has been taken a step further in the year with the establishment of Montblanc boutiques in Paris, London, Berlin, Hong Kong, Singapore and Kuala Lumpur.

Montblanc, which now controls more than 75 per cent of its distribution, has been transformed in the last two years from being mainly a manufacturing company into a truly international luxury goods group.

The introduction of the owned and franchised boutiques will enable the brand to enhance its high quality image and, with the degree of control already achieved in its wholesale distribution, Montblanc is very well positioned for the future.

REVIEW OF THE YEAR



THIS PAGE: The Meisterstück pen and inkwell from *Montblanc* continue the tradition of unparalleled workmanship since 1924. OPPOSITE PAGE: (Top left) A poster dating from the 1920's. (Bottom left) A selection of handmade *Seeger* leather luggage from 1932.

REVIEW OF THE YEAR

KARL LAGERFELD In its first full year of ownership, the brand has increased sales, particularly in the USA and Japan. New Karl Lagerfeld boutiques have been opened in the year in Taiwan, Hong Kong and Beirut. A new line of accessories was introduced during the year, which was well received by customers. The Karl Lagerfeld brand is an important presence in the French fashion industry. Vendôme management is confident that the development of the brand can be continued satisfactorily in the years to come.



SULKA Last year proved to be very significant in terms of developing interest in this international menswear business. The implementation of the Sulka “look” has now been completed in all locations with the renovation and significant expansion of the company’s Old Bond Street site, which began in January 1994. In addition, Saks Fifth Avenue will be opening five Sulka shop in shop locations in the Autumn of 1994 in New York, Atlanta, Houston, Washington DC and Palm Beach.

Part of the plan for the development of Sulka is contingent upon the vertical integration of the product lines. Last year saw the completion of this strategy from the standpoint of design, sourcing, product development, fabric making and end product. This structure will allow Sulka to create and further develop its specific focus on quality and international style.



HACKETT Hackett Limited, which was acquired by the Group in 1991, is a London-based retail company specialising in traditional English clothing for men. There are seven Hackett stores in London, one in Madrid, and three stores operating under licence in Japan.

The product emphasis in the year has been on developing the already extensive product range, including a new style of suit in a high-twist performance fabric, which sells particularly well to international travellers, knitwear in traditional hand-knitted styles, nightwear and Hackett toiletries. The traditional style of English clothing is the very essence of Hackett’s product range – the “Essential British Kit”.

CHLOÉ Successful showings in Paris of its ready to wear fashions in October and March have resulted in increased sales and a higher level of editorial coverage for Chloé. In part, this has been attributed to the return of Karl Lagerfeld as designer for the house. Ready to wear and accessory sales increased significantly and a new luggage range was successfully introduced. It is expected that the new interest being shown in the brand will lead to a growth in sales in the next few years.

REVIEW OF THE YEAR



THIS PAGE: (Top) *Sulka* reflects a commitment to standards, all but lost today, combined with a unique international heritage.
(Bottom) The philosophy of *Hackett* is English yet the style is cosmopolitan.

OPPOSITE PAGE: (Top left) One of *Karl Lagerfeld's* earlier designs from the Autumn/Winter 1988-89 collection.
(Bottom left) A working sketch, by Karl Lagerfeld, for *Chloé* dating back to 1979.

REVIEW OF THE YEAR

NAR GROUP LIMITED During the year under review the company changed its name to NAR Group Limited from North American Resources Limited. This change reflects the shift of emphasis for NAR from what was initially a vehicle for investment in the North American natural resources sector into a business focused principally on specialty direct retailing. Richemont has a 50 per cent interest in NAR.

At 31 March 1994 NAR held a controlling interest of 55.5 per cent in Hanover Direct, Inc., a company quoted on the American Stock Exchange. NAR's interest has been reduced from the 60 per cent level at 31 March 1993 as a consequence of the merger of Hanover Direct with its former parent company, Horn & Hardart, and the conversion of other classes of shares and debt instruments into common stock. In April 1994, NAR's interest was further reduced to 50.7 per cent as a consequence of a public offering of common stock by Hanover Direct. Hanover Direct's market capitalisation is currently in the order of US\$420 million. In addition to its investment in Hanover Direct, NAR holds a portfolio of listed and unlisted securities and had net liquid funds amounting to some US\$50 million at 31 March 1994.

Hanover Direct was formed in 1934 and was acquired by Horn & Hardart in 1972. In 1991, NAR acquired Horn & Hardart and, having disposed of its non direct marketing assets, restructured the group. Hanover Direct is today a leading specialty retailer, publishing a portfolio of 14 branded catalogues offering home furnishings, specialty household and family oriented equipment and male and female fashions. The company's goal is for each of its catalogues to be a leader in its particular market niche.

The company's specialty catalogues include "Domestications", the United States' leading specialty catalogue featuring items for the home; "Gump's", the well-known San Francisco retailer; "The Company Store", an up-market direct marketer of down-filled quilts and related products, and "Tweeds", featuring European-inspired women's fashions. In its 1993 financial year Hanover Direct reported sales revenues of US\$642.5 million, a 9.5 per cent increase over the prior year, and an operating profit of US\$19.1 million, an increase of 32.5 per cent over the 1992 result. Shareholders' equity at 1 January 1994 amounted to US\$45.9 million, compared to a deficit of US\$19.8 million at the end of the previous year.

Management expect Hanover Direct to grow significantly during 1994 whilst recognising that certain investments, most notably those in new catalogue development, international expansion and electronic retailing, may have a negative impact on results in the short term. The process of refining existing catalogues and acquiring strategic interests in other catalogues will continue. In addition, Hanover Direct has entered into a joint venture to produce specialty catalogues for customers of Sears, Roebuck & Co., the renowned US retailer which has discontinued its own general purpose catalogue operations.



REVIEW OF THE YEAR



THIS PAGE: *Domestications* is the leading name amongst *Hanover Direct's* range of 14 direct mail catalogues.

OPPOSITE PAGE: A Lana Lobell catalogue, one of the predecessors of the current *Hanover Direct* portfolio, dating from the 1960's.

REVIEW OF THE YEAR

MEDIA INTERESTS Richemont's interests in the electronic media industry are today held through a 50 per cent interest in Network Holdings SA, a Luxembourg based holding company which in turn owns 93 per cent of FilmNet SA. In addition to its interest in FilmNet SA, Network Holdings owns subsidiary companies involved in the acquisition of programming rights and in the development of digital transmission and encryption technology for use in the pay-tv industry internationally. Richemont's partner in Network Holdings is MultiChoice Limited, a South African based company with extensive pay-tv interests throughout the African continent.



Initially conceived as a movie only channel, FilmNet began broadcasting on cable networks in The Netherlands in 1985. Since its acquisition by Network Holdings in 1991, FilmNet has been developed into a multi-programme service. Three channels, each aimed at providing a more locally oriented programme choice to subscribers, were introduced under the "FilmNet Plus" brand in December 1992 to cover Scandinavia, The Netherlands and the Flemish speaking area of Belgium. The FilmNet Plus channels offer a combination of movies, children's programming, sports and special events. At the same time the original movie channel was repackaged and relaunched as "FilmNet – The Complete Movie Channel". Although there was some delay before the two channel concept could be implemented on all of the cable networks served by FilmNet, resulting in some resistance on the part of subscribers, the new channels are now well recognised and the two channel concept has been a significant factor in building subscriber loyalty. FilmNet has extended its sports coverage and has also concluded exclusive agreements during the year with five of the seven major Hollywood studios, thereby securing the rights to the biggest box office attractions for its subscribers.

In the year under review digital compression technology was introduced to distribute the FilmNet channels by satellite to cable operators in the Benelux countries, thereby reducing the costs of satellite transponders and making FilmNet the first company in Europe to use digital technology to deliver broadcast quality television signals in this way. Within the FilmNet organisation, the programming and subscriber management services were separated and a new division – MultiChoice Kaleidoscope – was created to handle subscriber management services not only for FilmNet but also for a bouquet of other pay-tv channels. MultiChoice Kaleidoscope operates not only in FilmNet's existing territories but is expanding its subscriber management services into Eastern and Southern Europe, where there is a significant demand for new television services. Further opportunities for the development of MultiChoice Kaleidoscope's business are being actively explored.

In a high-technology industry such as electronic media, there is a continuing need for investment in order to remain abreast of technological developments and to secure the company from competitive threats. Richemont remains committed to developing its position in the electronic media industry and acknowledges that it may be some time before its investments in this area are in a position to contribute positively to the Group's results.

REVIEW OF THE YEAR



THIS PAGE: *FilmNet* is a major European pay-TV operator, broadcasting the premium channels, *FilmNet Plus* and *FilmNet - The Complete Movie Channel*, in six markets. OPPOSITE PAGE: "The Pink Panther Strikes Again" introduced subscribers to the Channel in 1985.

REVIEW OF THE YEAR

RECENT DEVELOPMENTS As part of its strategy of developing its media interests, Richemont has recently announced the acquisition of a 25 per cent interest in Telepiù S.r.l., the Italian pay-television operator. Telepiù broadcasts two encrypted channels and one unencrypted channel throughout Italy and currently has over 550 000 subscribers. The investment in Telepiù is complementary to Richemont's existing interests in the pay-television industry and markedly strengthens Richemont's position in pay-television distribution in Europe.

PROSPECTS A common factor in all of Richemont's business areas is the importance of the brands. These have become established through years of careful marketing and management as leading names in their respective fields. Many of Richemont's brands were first established over a century ago and management today seek to maintain the worth of those brands over the long term through sophisticated marketing, quality control and attention to detail.

The importance of developing brands is also recognised in the younger companies within the Richemont group. NAR Group Limited's principal subsidiary, Hanover Direct Inc, is investing in developing the brand equity in each of its direct mail shopping catalogues, most notably perhaps the 'Domestications' and 'Gumps' ranges. At Network Holdings SA, recognition of the FilmNet name linked to the two leading pay-tv channels on offer is being further developed as the service is expanded.

Richemont's philosophy is to support the long term development of its brands, even where this may have an adverse effect on profitability in the short term. The restructuring of the Group's tobacco and luxury goods businesses which has been effected in the last year and the costs associated with that exercise are an investment in the future of the Group. This, together with our new areas of activity, lays a foundation to ensure the continued prosperity of Richemont in years to come.



Johann Rupert
MANAGING DIRECTOR
Compagnie Financière Richemont AG

Zug, 1 July 1994

FINANCIAL REVIEW

GROUP RESULTS The Group's profit and loss account for the year ended 31 March 1994 includes the costs and taxation incurred in the year in respect of the restructuring of Richemont's tobacco and luxury goods interests. The total of these costs, including taxes of £14.6 million, was £75.1 million; Richemont's share of these costs at the attributable profit level being £50.4 million. In addition, as explained further below, the results reflect a significant charge in respect of European rationalisation costs charged by Rothmans International. These costs amounted to £123.8 million at the pre-tax profit level; Richemont's share at the attributable profit level being £36.7 million. In total, these exceptional items amounted to £87.1 million at the attributable profit level.

To facilitate the comparison of the Group's results against last year, the summary profit and loss account set out below is also shown on a restated basis, which excludes the exceptional items in respect of the Group restructuring and European rationalisation. The commentary that follows focuses on the comparison of these restated results against last year's results.

Summary profit & loss account			
	1994	1994	1993
	£m	£m	£m
	Actual	Restated*	Actual
Operating profit	606.5	606.5	575.1
Group restructuring costs	(60.5)	—	—
European rationalisation costs	(123.8)	—	—
Profit before net investment income and taxation	422.2	606.5	575.1
Net investment income	53.8	53.8	58.1
Profit before taxation	476.0	660.3	633.2
Taxation	(173.6)	(222.4)	(220.3)
Profit after taxation	302.4	437.9	412.9
Minority interests	(187.4)	(235.8)	(204.7)
Profit attributable to unitholders	115.0	202.1	208.2
Earnings per unit	£ 20.03	£ 35.20	£ 36.26

* Excluding exceptional items.

FINANCIAL REVIEW

The Group's operating profit for the year ended 31 March 1994 increased by 5.5 per cent to £606.5 million. The increase reflected higher profits from each of the Group's two principal businesses, tobacco and luxury goods. These improvements were partially offset by losses incurred in the year by associated undertakings, largely as a result of the continuing costs of developing the Group's media interests.

Net investment income decreased by 7.4 per cent to £53.8 million, principally reflecting the loss of income on surplus funds returned to minority shareholders as a result of the Group restructuring together with the effect of investment provisions. These were partially offset by gains on disposals of securities along with income on cash generated by the Group's businesses in the year. The effective tax rate was 33.7 per cent against 34.8 per cent in the previous year, the decrease being mainly due to lower rates reported by both the Group's tobacco and luxury goods interests. These factors meant that profit after taxation increased by £25.0 million (6.1 per cent) to £437.9 million. The share of profit attributable to minority interests increased to 53.8 per cent, largely due to higher profits in Rothmans International's partly owned public subsidiary undertakings.

Profit attributable to unitholders on a restated basis decreased by 2.9 per cent from £208.2 million to £202.1 million. Earnings per unit on the same basis also decreased by 2.9 per cent from £36.26 to £35.20.

Average exchange rates year on year had a favourable effect on the translation of the results of overseas companies, increasing profit before taxation by some £42 million and profit attributable to unitholders by £14 million.

FINANCIAL REVIEW

DIVIDEND The Board of Directors of Richemont SA has recommended the payment of a dividend to holders of participation certificates equal to 8.20 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 £35.3 million or £6.15 per participation certificate – an increase of 4.5 per cent over the previous year.

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

The total dividend payable to unitholders in respect of the year ended 31 March 1994 will therefore be £6.15 per unit.

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

	Net sales revenue		Operating profit	
	1994	1993	1994	1993
	£ m	£ m	£ m	£ m
Tobacco	2 485.1	2 412.6	424.2	410.5
Luxury goods	1 180.0	1 030.5	193.8	164.9
Other	—	—	(9.1)	(8.1)
The Company and its subsidiary undertakings	<u>3 665.1</u>	<u>3 443.1</u>	<u>608.9</u>	<u>567.3</u>
Share of associated undertakings			(0.2)	9.7
Tobacco			14.5	8.5
NAR Group			11.0	6.5
Media interests			(25.7)	(7.3)
Luxury goods			—	2.0
Goodwill amortisation			(2.2)	(1.9)
Operating profit			<u>606.5</u>	<u>575.1</u>
Note: Amounts shown in respect of other activities include operating costs incurred centrally and not allocated to the tobacco or luxury goods segments.				

FINANCIAL REVIEW

Tobacco The total worldwide volume of cigarette sales by Rothmans International companies in the year ended 31 March 1994 was some 8 per cent below that recorded in the previous year. The decrease was principally due to reduced sales in Europe where France and the United Kingdom showed the largest declines. Net sales revenue from the Group's tobacco interests increased by £72.5 million (3.0 per cent) to £2485.1 million, mainly due to exchange rate movements on translation of the revenues of subsidiary undertakings which report in currencies other than sterling. Operating profit from tobacco subsidiary undertakings increased by £13.7 million (3.3 per cent) to £424.2 million. Operating profits from the partly owned public companies in the Americas, Asia and Pacific regions all improved with the largest gain being achieved in Asia by Rothmans of Pall Mall (Malaysia) Berhad. Operating profit in Malaysia benefited from continued growth in sales volumes, price increases and cost reduction. In Europe trading results suffered from reduced cigarette volumes in most markets and a fall in sales of fine cut products in Germany following changes in tobacco taxation which reduced the tax differential between tobacco rolls and manufactured cigarettes.

In addition to the exceptional rationalisation costs in respect of Europe referred to below, rationalisation costs of £22.5 million were charged against operating profit, compared with £22.2 million last year. These costs include a loss of £5.7 million on the disposal of the Pacific region's remaining operations in the Philippines as well as costs incurred by the Europe and Exports regions as part of the ongoing process to improve efficiency.

Following a review of the Group's manufacturing locations in Europe, the Board of Rothmans International have approved proposals to reduce the number of production facilities. These measures are considered essential if Rothmans International is to remain competitive in Europe. As part of these proposals, the factories in Berlin and in The Hague are scheduled for closure. Production is to be transferred to the factory in Zevenaar in The Netherlands and to the two factories in the United Kingdom.

Rothmans International's operation in Belgium has also been reviewed and the Board of Rothmans International have agreed proposals for rationalisation measures to improve its efficiency. The costs of these measures will be in addition to those incurred during the year in respect of the closures announced earlier. The proposals relate to improving the effectiveness of all of the operations in Belgium, including manufacturing, sales and marketing, distribution and administration.

FINANCIAL REVIEW

The total costs of the European rationalisation, including the closures previously announced, charged in this year's results are £60.4 million after taxation and £36.7 million at the attributable profit level. On an annualised basis, the reduction in costs resulting from these measures is estimated to be in excess of £30 million on an after tax basis. The integration of the production of the Berlin and The Hague factories into Zevenaar and the United Kingdom factories, as well as the Belgian rationalisation, are expected to commence immediately and be completed over a period of no more than twelve months.

Luxury goods The economic background for luxury goods in Europe has been mixed in the last year, with the United Kingdom showing limited signs of an upturn whilst much of the continent, particularly central Europe, showed declines. Vendôme's major European markets of France, Germany and Italy struggled through the year with little or no growth. On the other hand, sales in the Far East benefited from a real volume increase in the second half year as the strength in the yen encouraged a return of Japanese tourism in the region. An increase in volume has also been noticeable in the United States retail sector where the improvement in confidence following the presidential elections led to an improvement in the group's boutique sales.

In terms of the Swiss franc, Vendôme's reporting currency, turnover from luxury goods increased by 5.4 per cent to SFr 2 596.0 million in the year ended 31 March 1994. The effect of acquisitions and reclassifications was to increase sales revenues for the year by SFr 102.7 million. Sales of jewellery improved by SFr 49.9 million (15.0 per cent) in the year largely due to increased retail activity, while sales of watches were relatively unchanged from the previous year. Sales of writing instruments were SFr 35.7 million (11.2 per cent) higher largely reflecting the increased integration of the distribution network. Leather goods also showed an increase, being SFr 16.4 million (7.1 per cent) higher, partly due to the introduction of new models. Other product ranges showed a decrease in sales of SFr 39.1 million (7.1 per cent) in the year. Favourable exchange rate effects meant that the increase in turnover in sterling terms was £149.5 million (14.5 per cent) to £1 180.0 million.

Vendôme's operating profit from subsidiary undertakings increased against the previous year by SFr 32.3 million (8.2 per cent) to SFr 426.4 million. As a percentage of sales revenues, operating profit improved slightly from 16.0 per cent to 16.4 per cent. In sterling terms, operating profit from the Group's luxury goods subsidiary undertakings increased by 17.5 per cent to £193.8 million.

FINANCIAL REVIEW

NAR Group Limited Operating profit at NAR Group increased by \$10.7 million (47.6 per cent) to \$33.2 million. NAR's principal subsidiary undertaking, Hanover Direct, is one of the leading specialty direct retailers in the United States with sales of \$642.5 million in its 1993 financial year, a 9.5 per cent increase over the \$586.6 million reported in the previous year. The growth reflected expansion in both existing catalogue businesses together with the impact of a number of acquisitions made during the year. On translation into sterling, the Group's share of NAR Group's operating profits increased by 69.2 per cent to £11.0 million.

Media interests During the year, further losses were incurred in developing the business of Network Holdings SA, largely through the pay-tv business of its principal subsidiary, FilmNet SA. Operating losses at Network Holdings increased by NLG 102.2 million to NLG 145.6 million, largely reflecting the level of investment made in improving the range of the FilmNet service in a move away from the concept of a one channel service which covered a number of territories to a two channel service more closely tailored to local viewers' tastes in each market. In sterling terms, Richemont's share of these losses increased from £7.3 million to £25.7 million in the current year.

FINANCIAL REVIEW

BALANCE SHEET The Group's summary balance sheet is set out below.

Summary balance sheet		
	1994	1993
	£m	£m
Fixed assets		
Tangible	614.9	646.3
Investments in associated undertakings	130.7	114.9
Other long-term investments	215.9	123.0
	<u>961.5</u>	<u>884.2</u>
Net working capital	722.7	846.7
Net operating assets	1 684.2	1 730.9
Goodwill	23.9	25.5
Cash and cash equivalents	1 692.0	1 745.2
Short-term portion of long-term loans	(623.1)	(43.1)
	<u>2 777.0</u>	<u>3 458.5</u>
Capital employed		
Unitholders' funds	1 220.9	1 137.9
Minority interests	853.3	1 050.2
Long-term liabilities	702.8	1 270.4
	<u>2 777.0</u>	<u>3 458.5</u>

Investments in associated undertakings increased to £130.7 million at 31 March 1994, mainly due to further investment in the Group's media associate, Network Holdings SA, during the year. Other long-term investments increased by £92.9 million, largely reflecting the transfer to this category of certain securities held by Rothmans International. These securities were previously included in cash and cash equivalents.

The increase of £580.0 million in the short-term portion of long-term loans was principally due to the transfer to this category of the Rothmans Tobacco (Holdings) Limited, Jersey 10.25 per cent Loan Notes, which are due for repayment in October 1994. These borrowings were previously shown under long-term liabilities, which have fallen by £567.6 million to £702.8 million at 31 March 1994.

FINANCIAL REVIEW

Goodwill The restructuring of the Group's tobacco and luxury goods interests in the current year resulted in the elimination of the complex cross shareholdings which existed between Rothmans International and the luxury goods companies. Consequently any allocation between tobacco and luxury goods of the goodwill carried in respect of the acquisition, in 1989, of the further significant interest in Rothmans International could only be made on an arbitrary basis. The Board of Richemont therefore decided, in order to improve the comparability of the Group's results with those of the tobacco and luxury goods companies, to eliminate from the consolidated balance sheet the goodwill in respect of the Group's tobacco and luxury goods interests. Goodwill in respect of Richemont's other interests will continue to be capitalised and, in accordance with the revised International Accounting Standard covering this topic, amortised through the consolidated profit and loss account over 20 years.

CASH FLOW STATEMENT Of the Group's cash and cash equivalents of £1692.0 million at 31 March 1994, £1158.1 million was held by Rothmans International and Vendôme, while £533.9 million was held by Richemont and its wholly-owned subsidiaries. As noted above, borrowings of £612.7 million in respect of Richemont and its wholly-owned subsidiaries, representing the Rothmans Tobacco (Holdings) Limited, Jersey 10.25 per cent Loan Notes, are due for repayment in October 1994.

FINANCIAL REVIEW

Summary cash flow statement		
	1994	1993
	£ m	£ m
Net cash inflow from operating activities	910.9	690.7
Net investment income	73.1	57.8
Net dividends paid	(231.2)	(115.1)
Taxation paid	(222.4)	(236.6)
Net acquisition of tangible fixed assets	(71.9)	(108.4)
Net acquisition of subsidiary and associated undertakings and investments	(76.5)	(113.2)
Net cash inflow before financing activities	382.0	175.2
Financing activities	(60.3)	(60.7)
Net cash inflow after financing activities	321.7	114.5
Reclassification of securities to other long-term investments	(92.7)	–
Effects of the Group restructuring:		
– Liquidation distributions to minority shareholders	(222.0)	–
– Fees and expenses incurred	(66.9)	–
European rationalisation costs	(13.5)	–
Exchange rate effects	20.2	163.5
Increase/(decrease) in cash and cash equivalents	(53.2)	278.0
Cash and cash equivalents – opening	1 745.2	1 467.2
Cash and cash equivalents – closing	1 692.0	1 745.2

In the summary cash flow statement above, the net cash inflow after financing activities is shown before the reclassification of securities to other long-term investments and the principal outflows arising from the Group restructuring as well as the outflow during the year in respect of Rothmans International's European rationalisation programme. On this basis, the net cash inflow after financing activities increased by £207.2 million in the year to £321.7 million, reflecting a higher cash inflow from operating activities and a reduction in investing activities partly offset by an increase in net dividends paid.

FINANCIAL REVIEW

The net cash inflow from operating activities increased by £220.2 million as a result of higher operating profit from the Company and its subsidiary undertakings together with a decrease of £164.9 million in net working capital requirements. The reduction in working capital was largely attributable to a decrease in working capital in Rothmans International.

Dividends paid in the year represented £33.8 million on the Richemont SA participation reserve and £199.8 million to minority shareholders, partially offset by dividends of £2.4 million received from associated undertakings. Dividends paid to minorities increased by £114.8 million in the year, largely due to special dividends paid to minority shareholders in a number of Rothmans International's publicly quoted subsidiary undertakings.

RICHEMONT

CONSOLIDATED FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Board of Directors of Compagnie Financière Richemont AG is pleased to submit its report on the activities of the Group for the year ended 31 March 1994. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 1994 and the results of its operations for the year then ended. The financial statements of the Company are presented on pages 63 to 68.

The agenda for the Annual General Meeting, which is to be held in Zug on 15 September 1994, is set out on page 76.

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 32 and the Financial Review on pages 33 to 42. Details of the Company's underlying investments are given in the schedule of Principal Group Companies on pages 74 and 75. These investments are principally held through the Company's wholly-owned subsidiary Richemont SA, Luxembourg.

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. An undertaking 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. An undertaking 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.

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

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

(c) Foreign currencies

Assets and liabilities denominated in foreign currencies, including investments in associated undertakings, are translated into pounds sterling at exchange rates prevailing at the balance sheet date. For consolidation purposes, the share capital of the Company is translated from Swiss francs into pounds sterling at the historical rate. The earnings of those undertakings in the Group, including associated undertakings, whose accounts are denominated in foreign currencies are translated into pounds sterling at average exchange rates prevailing during the year. Exchange adjustments arising from the translation of assets and liabilities of subsidiary undertakings and investments in associated undertakings denominated in foreign currencies are credited or charged directly to consolidated reserves. Where foreign currency borrowing is used to hedge against investments denominated in foreign currency the resultant exchange differences have also been recorded as movements in reserves. Other exchange differences, including those arising from currency conversions in the normal course of business, are credited or charged to 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 using the liability method in respect of all material timing differences. Certain Group companies account for deferred taxation only in respect of timing differences that are expected to reverse in the foreseeable future – the difference between this and the above policy of full provision is not material.

(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.

STATEMENT OF ACCOUNTING POLICIES

The costs of fixed assets are depreciated over the expected economic life 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 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 assets acquired, the excess is regarded as goodwill. Goodwill is amortised through the consolidated profit and loss account on the straight-line basis over 20 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, except advertising and promotional costs relating to specific future events.

(h) 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 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. 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, an appropriate proportion of overheads and, where applicable, duties and taxes.

(k) Marketable securities

Marketable securities, which comprise investments in 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 obligations 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

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1994

	Notes	1994 £ m	1993 £ m
Gross sales revenue		7 954.9	7 682.3
Duty, excise and other taxes		<u>(4 289.8)</u>	<u>(4 239.2)</u>
Net sales revenue		<u>3 665.1</u>	<u>3 443.1</u>
Operating profit of the Company and its subsidiary undertakings	2	608.9	567.3
Share of operating results of associated undertakings	3	(0.2)	9.7
Amortisation of goodwill		<u>(2.2)</u>	<u>(1.9)</u>
Operating profit		606.5	575.1
Fees and expenses in respect of the Group restructuring	5	(60.5)	—
European rationalisation costs	6	<u>(123.8)</u>	<u>—</u>
Profit before net investment income and taxation		422.2	575.1
Net investment income	7	<u>53.8</u>	<u>58.1</u>
Profit before taxation		476.0	633.2
Taxation	8	<u>(173.6)</u>	<u>(220.3)</u>
Profit after taxation		302.4	412.9
Minority interests		<u>(187.4)</u>	<u>(204.7)</u>
Profit attributable to unitholders	9	<u>115.0</u>	<u>208.2</u>
Analysis of profit attributable to unitholders			
Before Group restructuring costs and European rationalisation programme		202.1	208.2
Costs and taxation in respect of the Group restructuring		(50.4)	—
European rationalisation programme		<u>(36.7)</u>	<u>—</u>
Net profit attributable to unitholders		<u>115.0</u>	<u>208.2</u>
		£	£
Earnings per unit	10		
Excluding Group restructuring costs and European rationalisation programme		35.20	36.26
Costs and taxation in respect of the Group restructuring		(8.78)	—
European rationalisation programme		<u>(6.39)</u>	<u>—</u>
Including Group restructuring costs and European rationalisation programme		<u>20.03</u>	<u>36.26</u>

CONSOLIDATED BALANCE SHEET
AT 31 MARCH 1994

	Notes	1994 £ m	1993 £ m
Assets			
Fixed assets			
Tangible	11	614.9	646.3
Intangible	12	23.9	25.5
		<u>638.8</u>	<u>671.8</u>
Investments			
Associated undertakings	13	130.7	114.9
Other long-term investments	14	215.9	123.0
		<u>346.6</u>	<u>237.9</u>
Net current assets			
Inventories	15	1 146.6	1 244.4
Debtors	16	954.7	1 021.3
Marketable securities	17	754.2	1 011.4
Cash		<u>1 329.2</u>	<u>1 256.5</u>
Current assets		4 184.7	4 533.6
Current liabilities	19	(2 393.1)	(1 984.8)
		<u>1 791.6</u>	<u>2 548.8</u>
		<u>2 777.0</u>	<u>3 458.5</u>
Unitholders' funds			
Share capital	20	223.2	223.2
Participation reserve	21	430.7	430.7
Unitholders' capital	22	<u>653.9</u>	<u>653.9</u>
Retained earnings and other reserves	23	567.0	484.0
		<u>1 220.9</u>	<u>1 137.9</u>
Minority interests		<u>853.3</u>	<u>1 050.2</u>
Long-term liabilities			
Borrowings	24	136.0	789.3
Other	25	566.8	481.1
		<u>702.8</u>	<u>1 270.4</u>
		<u>2 777.0</u>	<u>3 458.5</u>

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 1994

	Notes	1994 £ m	1993 £ m
Cash flow from operating activities	4	910.9	690.7
Returns on investments and servicing of finance			
Interest income and similar items		185.3	175.7
Interest paid and similar items		(119.7)	(120.8)
Income from long-term investments		7.5	2.9
Dividends from associated undertakings		2.4	2.2
Dividends paid on participation reserve		(33.8)	(32.3)
Dividends paid to minority shareholders		(421.8)	(85.0)
Cash flow applied to returns on investments and servicing of finance		(380.1)	(57.3)
Taxation paid		(222.4)	(236.6)
Investing activities			
Acquisition of tangible fixed assets, net of disposals		(71.9)	(108.4)
Acquisition of subsidiary undertakings, net of cash acquired		(10.8)	(51.5)
Acquisition of minority interests		(18.1)	(5.9)
Acquisition of investments, net of disposals		(4.1)	(21.6)
Acquisition of associated undertakings		(43.5)	(34.2)
Cash flow applied to investing activities		(148.4)	(221.6)
Net cash inflow before financing		160.0	175.2
Financing activities			
New long-term borrowings		2.7	19.1
Repayments of long-term borrowings		(92.0)	(75.1)
Capital element of finance lease payments		(12.8)	(7.6)
Increase in minority interests		41.8	2.9
Cash flow applied to financing activities		(60.3)	(60.7)
Net cash inflow after financing		99.7	114.5
Net cash outflow in respect of the Group restructuring		(66.9)	—
Net cash outflow in respect of European rationalisation programme		(13.5)	—
Reclassification of securities to other long-term investments		(92.7)	—
Effect of exchange rate movements		20.2	163.5
Net increase/(decrease) in cash and cash equivalents		(53.2)	278.0
Cash and cash equivalents at beginning of year		1 745.2	1 467.2
Cash and cash equivalents at end of year	18	1 692.0	1 745.2

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
AT 31 MARCH 1994

Note 1 – Basis of preparation

In order to ensure the comparability of financial information between that reported by Richemont and that of its two principal operating groups, Rothmans International ("Rothmans") and Vendôme Luxury Group ("Vendôme"), Richemont's results for the year ended 31 March 1993 have been restated to reflect the adjusted comparative figures reported by Rothmans and the comparative figures reported by Vendôme.

The specific adjustments to the figures are as follows:

Change of reporting period in respect of former Luxco SA companies

The results of Luxco SA and its subsidiary companies included in the Richemont 1993 annual report were based on Luxco SA's financial statements drawn up to 31 December 1992, being the previous financial year end of that company. As a consequence of the formation of Vendôme, all former Luxco companies have now adopted 31 March as their financial year end, in line with both Richemont and Rothmans. Vendôme's comparative figures therefore reflect the results of the Vendôme group for the year to 31 March 1993. Richemont's comparative figures for the financial year ended 31 March 1993 reflect Vendôme's results on this revised basis.

Dunhill foreign currency hedging activities

In the listing particulars in respect of Vendôme issued on 12 August 1993, it was reported that the results of the Vendôme group for the years ending 31 March 1994 and 1995 would be impaired by £19 million and £13 million respectively as a result of foreign currency hedging transactions. The policy of matching hedging gains and losses with revenues and expenses had been consistently applied by Dunhill group companies over a number of years. Vendôme management have decided to discontinue the hedging strategy previously applied by Dunhill and to adopt the policy of providing in full for unrealised losses on foreign exchange hedging transactions. Accordingly Vendôme have provided in full for unrealised exchange losses as at 31 March 1992 and the results for the year ended 31 March 1993 reflect the movement on those accruals and further provisions during the period. Richemont's results now reflect the Vendôme results on the revised basis.

Changes of accounting treatment of goodwill

Richemont's accounting policy in respect of goodwill had been to capitalise goodwill arising on acquisitions and to amortise it through the consolidated profit and loss account over a period of 40 years. In this respect, Richemont's accounting policy has been different from that applied by Rothmans and Vendôme. In both cases, goodwill arising on acquisitions has been charged directly to reserves, with no subsequent amortisation charge being expensed through the profit and loss accounts of the two groups. Richemont's policy has resulted in goodwill written off by its subsidiaries being capitalised in the Richemont balance sheet and subsequently amortised. Richemont's total goodwill amortisation charge in the year ended 31 March 1993 amounted to £14.8 million.

Under the group structure prior to the reorganisation of Richemont's tobacco and luxury goods interests, there were complex cross holdings between Rothmans and the luxury goods companies. In view of this, any allocation between tobacco and luxury goods of the goodwill carried in Richemont's balance sheet in respect of the acquisition, in 1989, of the further significant interest in Rothmans could only be made on an arbitrary basis. The Board of Richemont has therefore decided, in order to improve the comparability of the Group's results with those of the tobacco and luxury goods companies, to eliminate from the consolidated balance sheet the goodwill in respect of the Group's tobacco and luxury goods interests. This results in a one-off charge of £444.0 million to unitholders' funds. Goodwill in respect of Richemont's other interests will continue to be carried in the consolidated balance sheet and amortised through the profit and loss account. In accordance with the recently adopted, revised International Accounting Standard covering this topic, Richemont has changed its accounting policy in respect of the current period and the previous year's comparative figures to amortise the remaining goodwill over a 20 year period.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

AT 31 MARCH 1994

Note 1 – Basis of preparation (continued)

Comparative information

The effect of the changes outlined above on the comparative information included in the annual report are set out below:

	Year ended 31 March 1993	
	Profit before taxation £ m	Attributable profit £ m
Results as previously reported	651.9	206.6
Impact of:		
Change of reporting period	(6.0)	(3.6)
Dunhill foreign currency hedging activities	(25.6)	(6.2)
Goodwill amortisation	12.9	11.4
Restated results	<u>633.2</u>	<u>208.2</u>

The effect of the changes on unitholders' funds is shown in note 23 to the consolidated financial statements.

Note 2 – Operating profit

Operating profit of the Company and its subsidiary undertakings is arrived at as follows:

	1994 £ m	1993 £ m
Net sales revenue	3 665.1	3 443.1
Cost of sales	<u>(2 221.6)</u>	<u>(2 134.3)</u>
Gross profit	1 443.5	1 308.8
Administrative expenses	(558.0)	(472.6)
Selling and distribution costs	(229.7)	(216.8)
Other operating expenses	<u>(46.9)</u>	<u>(52.1)</u>
Operating profit of the Company and its subsidiary undertakings	<u>608.9</u>	<u>567.3</u>

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

	1994 £ m	1993 £ m
Depreciation of tangible fixed assets	118.1	102.9
Personnel expenses	692.4	635.4
Operating lease rentals	71.3	65.6

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
AT 31 MARCH 1994

Note 3 – 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 profit, goodwill amortisation, net interest income and taxation has been included under the respective headings in the consolidated profit and loss account.

	1994	1993
	£ m	£ m
Operating profit/(loss) before goodwill amortisation	(0.2)	9.7
Goodwill amortisation	(0.9)	(0.4)
Net interest income/(expense)	2.3	(1.1)
Profit before taxation	1.2	8.2
Taxation	(7.4)	(5.4)
Profit/(loss) after taxation	(6.2)	2.8
Other shareholders' interests	0.4	(0.2)
Dividends	(2.4)	(2.2)
Profit/(loss) retained for the year	(8.2)	0.4

Note 4 – Reconciliation of operating profit to cash flow from operating activities

	1994	1993
	£ m	£ m
Operating profit	606.5	575.1
Adjusted for:		
Share of operating results of associated undertakings	0.2	(9.7)
Amortisation of goodwill	2.2	1.9
Depreciation of tangible fixed assets	118.1	102.9
Increase in long-term provisions	25.4	11.9
Profit on disposal of tangible fixed assets	(6.4)	(3.0)
Profit on sale of investments	—	(0.1)
(Increase)/decrease in inventories	124.1	(1.9)
(Increase)/decrease in debtors	117.9	(73.5)
Increase/(decrease) in creditors	(77.1)	87.1
Cash flow from operating activities	910.9	690.7

Note 5 – Restructuring costs

The restructuring costs incurred in the year to 31 March 1994 relate to the professional fees, stamp and capital duties and other costs payable in respect of the restructuring of the Group's tobacco and luxury goods interests. Taxation costs in respect of the restructuring amounted to £14.6 million and are shown as part of the taxation charge for the year (see note 8).

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

AT 31 MARCH 1994

Note 6 – European rationalisation programme

The charge for costs in respect of Rothmans International's European rationalisation programme is estimated to be £123.8 million. These costs relate to the planned closure of Rothmans International's factories in Berlin and in The Hague and measures to improve efficiency in the Belgium operation. The charge also includes the closures in Belgium previously announced. The tax charge for the year has been reduced by tax relief of £63.4 million in respect of these costs (see note 8). In addition, the share of the after tax costs attributable to minority shareholders is £23.7 million.

Note 7 – Net investment income

	1994	1993
	£ m	£ m
Interest income and similar items	165.9	176.3
Interest expense and similar charges	(117.3)	(119.5)
	<u>48.6</u>	<u>56.8</u>
Share of net interest income/(expense) of associated undertakings	2.3	(1.1)
	<u>50.9</u>	<u>55.7</u>
Income from long-term investments	2.9	2.4
	<u>53.8</u>	<u>58.1</u>

Note 8 – Taxation

	1994	1993
	£ m	£ m
Current taxation	229.0	222.5
Deferred taxation	(14.0)	(7.6)
	<u>215.0</u>	<u>214.9</u>
Share of taxation on profit of associated undertakings	7.4	5.4
	<u>222.4</u>	<u>220.3</u>
Corporate taxes payable in connection with the Group restructuring (see note 5)	14.6	—
Taxation relief in respect of European rationalisation programme (see note 6)	(63.4)	—
	<u>173.6</u>	<u>220.3</u>

Note 9 – Attributable profit

	1994	1993
	£ m	£ m
Attributable profit of the Company and its subsidiary undertakings	123.2	207.8
Group's share of profit/(loss) retained by associated undertakings	(8.2)	0.4
	<u>115.0</u>	<u>208.2</u>

Note 10 – Earnings per unit

Earnings per unit are calculated by reference to the profit attributable to unitholders of £115.0 million (1993: £208.2 million) and 5 742 000 units in issue (1993: 5 742 000).

Earnings per unit for the year ended 31 March 1994 are also shown on an adjusted basis excluding the costs and taxation incurred as a result of the Group restructuring and the costs of the European rationalisation programme charged in the year. The profit attributable to unitholders used for this calculation was £202.1 million.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
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Note 11 – 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 1993	372.2	664.1	373.5	23.8	1 433.6
Exchange adjustments	0.7	(6.9)	7.9	(0.2)	1.5
Additions	10.1	22.2	54.6	27.1	114.0
Transfers and reclassifications	(41.7)	11.5	33.8	(38.3)	(34.7)
Disposals and provisions	(9.2)	(46.5)	(46.2)	(0.7)	(102.6)
31 March 1994	<u>332.1</u>	<u>644.4</u>	<u>423.6</u>	<u>11.7</u>	<u>1 411.8</u>
Depreciation					
1 April 1993	123.8	448.5	215.0		787.3
Exchange adjustments	(1.1)	(4.0)	3.8		(1.3)
Charge for the year	10.7	50.9	56.5		118.1
Transfers and reclassifications	(32.1)	(5.5)	9.5		(28.1)
Disposals and provisions	(2.6)	(43.0)	(33.5)		(79.1)
31 March 1994	<u>98.7</u>	<u>446.9</u>	<u>251.3</u>		<u>796.9</u>
Net book value					
1 April 1993	<u>248.4</u>	<u>215.6</u>	<u>158.5</u>	<u>23.8</u>	<u>646.3</u>
31 March 1994	<u>233.4</u>	<u>197.5</u>	<u>172.3</u>	<u>11.7</u>	<u>614.9</u>

Included above are fixed assets with a net book value of £34.2 million (1993: £35.2 million) held under finance leases.

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

	1994 £ m	1993 £ m
Freehold land	36.3	35.9
Freehold buildings	147.0	166.8
Long leaseholds	32.8	31.5
Short leaseholds	17.3	14.2
	<u>233.4</u>	<u>248.4</u>

The fire insurance value of fixed assets at 31 March 1994 was £2 213.0 million (1993: £2 380.5 million).

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

	1994 £ m	1993 £ m
Contracts placed	26.8	24.7
Authorised but not yet contracted	76.6	61.4
	<u>103.4</u>	<u>86.1</u>

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

AT 31 MARCH 1994

Note 12 – Intangible fixed assets

	1994	1993
	£ m	£ m
Goodwill at cost	27.3	27.7
Accumulated amortisation	(3.4)	(2.2)
	<u>23.9</u>	<u>25.5</u>

Goodwill arising during the year written off to reserves (see note 23) was principally in respect of acquisitions of the remaining minority interest in subsidiary undertakings by Vendôme Luxury Group.

Note 13 – Investments in associated undertakings

	1994	1993
	£ m	£ m
Unlisted	<u>130.7</u>	<u>114.9</u>

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

	1994	1993
	£ m	£ m
Carrying value at 1 April	114.9	81.1
Foreign exchange adjustments	(13.2)	13.5
Acquisitions	43.5	28.2
Disposals and reclassifications	(10.7)	—
Decrease in post-acquisition retained earnings and other reserves	(3.8)	(7.9)
Carrying value at 31 March	<u>130.7</u>	<u>114.9</u>

Note 14 – Other long-term investments

	1994	1993
	£ m	£ m
Shares in listed companies, at cost less amounts written off	172.4	72.3
Shares in unlisted companies, at cost less amounts written off	5.4	8.6
Other	38.1	42.1
	<u>215.9</u>	<u>123.0</u>
Market value of shares in listed companies at 31 March	<u>178.4</u>	<u>78.2</u>

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
AT 31 MARCH 1994

Note 15 – Inventories

	1994	1993
	£ m	£ m
Raw materials	509.6	633.5
Finished goods	637.0	610.9
	<u>1 146.6</u>	<u>1 244.4</u>

Note 16 – Debtors

	1994	1993
	£ m	£ m
Trade debtors	605.1	700.0
Other debtors	161.3	168.3
Deferred taxation	79.5	27.5
Prepayments and accrued income	108.8	125.5
	<u>954.7</u>	<u>1 021.3</u>

Of the deferred taxation included above, £52.9 million (1993: £20.9 million) is recoverable after more than one year.

Note 17 – Marketable securities

	1994	1993
	£ m	£ m
Listed securities	210.3	439.4
Unlisted securities	543.9	572.0
	<u>754.2</u>	<u>1 011.4</u>
Market value of listed securities at 31 March	<u>213.2</u>	<u>459.9</u>

Note 18 – Cash and cash equivalents per cash flow statement

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

	1994	1993
	£ m	£ m
Marketable securities	754.2	1 011.4
Cash	1 329.2	1 256.5
Bank loans and overdrafts	(391.4)	(522.7)
	<u>1 692.0</u>	<u>1 745.2</u>

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

AT 31 MARCH 1994

Note 19 – Current liabilities

	1994	1993
	£ m	£ m
Bank loans and overdrafts	391.4	522.7
Short-term portion of long-term loans	623.1	43.1
Trade creditors	156.4	151.6
Liabilities under finance leases	11.4	8.2
Taxation	240.1	230.3
Deferred taxation	4.1	—
Duty and excise taxes	558.9	633.9
Other creditors	170.9	180.6
Accrued expenses and deferred income	236.8	214.4
	<u>2 393.1</u>	<u>1 984.8</u>

Bank loans and overdrafts amounting to £7.0 million (1993: £5.8 million) and duty and excise creditors of £23.8 million (1993: £12.0 million) are secured by assets of Group undertakings.

The short-term portion of long-term loans at 31 March 1994 includes the Rothmans Tobacco (Holdings) Limited, Jersey 10.25 per cent Loan Notes, which are due for repayment in October 1994 (see note 24).

Note 20 – Share capital

	1994	1993
	£ m	£ 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
	<u>223.2</u>	<u>223.2</u>

Note 21 – Participation reserve

	1994	1993
	£ m	£ m
Reserve in respect of 5 742 000 participation certificates with no par value issued by Richemont SA	<u>430.7</u>	<u>430.7</u>

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:

	1994	1993
(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	<u>522 000</u>	<u>522 000</u>
	<u>5 742 000</u>	<u>5 742 000</u>

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
AT 31 MARCH 1994

Note 22 – Unitholders' capital (continued)

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

	1994 £ m	1993 £ m
Balance brought forward as previously reported	484.0	643.0
Prior year adjustments	—	(429.1)
Restated balance	484.0	213.9
Appropriation of prior year retained earnings:		
7.85 per cent (1993: 7.5 per cent) dividend paid on participation reserve	(33.8)	(32.3)
Profit attributable to unitholders	115.0	208.2
Exchange differences	17.7	119.9
Effects of the Group restructuring	(13.6)	—
Goodwill written off in the year	(2.2)	(25.5)
Other movements	(0.1)	(0.2)
	<u>567.0</u>	<u>484.0</u>
Prior year adjustments are analysed as follows:		
Goodwill written off	—	(444.0)
Provision for Dunhill foreign exchange losses	—	(0.3)
Luxco companies' profits for the three months to 31 March 1992	—	15.2
	<u>—</u>	<u>(429.1)</u>
The effects of the Group restructuring are as follows:		
Change in minority interest in subsidiary undertakings	(9.7)	—
Goodwill written off	(3.9)	—
	<u>(13.6)</u>	<u>—</u>
Closing retained earnings and other reserves are analysed as follows:		
The Company and its subsidiary undertakings	581.8	479.4
Associated undertakings	(14.8)	4.6
	<u>567.0</u>	<u>484.0</u>

Legal reserves amounting to £59.8 million (1993: £57.4 million) are included above but are not available for distribution.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

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Note 24 – Long-term borrowings

	1994	1993
	£ m	£ m
Rothmans Tobacco (Holdings) Limited, Jersey 10.25 per cent Loan Notes 1994	612.7	612.7
Bank loans	98.7	163.2
Other loans	6.8	12.6
	<u>718.2</u>	<u>788.5</u>
Short-term portion of long-term loans (note 19)	(623.1)	(43.1)
Long-term loans	95.1	745.4
Liabilities under finance leases	24.6	24.6
Other creditors	16.3	19.3
	<u>136.0</u>	<u>789.3</u>

In consideration for acceptances of its offer, in December 1989, to acquire the whole of the "B" ordinary share capital of Rothmans International p.l.c. which it did not already own, Rothmans Tobacco (Holdings) Limited, Jersey ("RTH"), issued £612.7 million in aggregate nominal amount of Rothmans Tobacco (Holdings) Limited Guaranteed Unsecured 10.25 per cent Loan Notes 1994 ("the Loan Notes"). RTH is a wholly-owned subsidiary undertaking of the Company. The Loan Notes bear interest at a fixed rate of 10.25 per cent per annum and, unless previously redeemed or repaid or repurchased by RTH, will mature on 15 October 1994. The Loan 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 Loan Notes to be listed, or dealt in, on any stock exchange.

On 12 November 1993, pursuant to the restructuring of the Group's tobacco and luxury goods interests, Union Bank of Switzerland provided to holders of the Loan Notes an irrevocable and unconditional guarantee as to the repayment of the Loan Notes and interest accruing thereon. The guarantee provided by Union Bank of Switzerland as substitute guarantor replaces the joint and several guarantees previously provided to holders of the Loan Notes by the Company and Richemont SA. Wholly-owned subsidiary undertakings of the Company have pledged certain cash, marketable securities and units in Rothmans International and Vendôme as security for the guarantee provided by Union Bank of Switzerland.

Bank and other loans are subject to market rates of interest. Bank loans amounting to £54.4 million (1993: £40.1 million) are secured by tangible assets of Group undertakings.

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

	1994	1993
	£ m	£ m
Amounts repayable in the financial years ending 31 March: 1995	—	634.7
1996	48.1	62.9
1997	12.3	28.4
1998	7.8	6.1
thereafter	26.9	13.3
	<u>95.1</u>	<u>745.4</u>

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
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Note 24 – Long-term borrowings (continued)

Obligations under finance leases fall due for payment as follows:

	1994	1993
	£ m	£ m
Amounts payable after five years	0.7	0.9
Amounts payable between two and five years	14.4	15.9
Amounts payable between one and two years	11.6	10.2
Amounts payable within one year	13.4	10.2
	<u>40.1</u>	<u>37.2</u>
Less: future finance charges included above	(4.1)	(4.4)
	<u>36.0</u>	<u>32.8</u>
Included in current liabilities (note 19)	(11.4)	(8.2)
Included in long-term borrowings	<u>24.6</u>	<u>24.6</u>

Note 25 – Other long-term liabilities

	1994	1993
	£ m	£ m
Pension obligations	334.4	328.1
Deferred taxation	70.7	103.5
Other provisions	161.7	49.5
	<u>566.8</u>	<u>481.1</u>

Note 26 – Pensions

The total pension cost for the Group is as follows:

	1994	1993
	£ m	£ m
Regular cost	51.8	47.7
Spreading of surpluses and deficiencies	(21.5)	(4.1)
Notional interest on balance sheet provisions	18.3	17.4
Other pension costs	4.9	—
	<u>53.5</u>	<u>61.0</u>

Other pension costs of £4.9 million represented a harmonisation adjustment in Vendôme in respect of certain of the Group's German subsidiary undertakings, in order to bring the provision for pension benefits into line with Group accounting policies.

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 Rothmans International'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

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
AT 31 MARCH 1994

Note 26 – Pensions (continued)

liabilities were performed by Rüss, Dr Zimmermann and Partner, Actuaries, Hamburg, as at 31 March 1994 using the entry age method and assuming average future salary and pension increases of 5.25 per cent and 3.75 per cent per annum respectively. At the exchange rate then ruling, the present value of the companies' future pension liabilities so calculated at an annual interest rate of 7.25 per cent amounted to £250.6 million, which was covered by balance sheet provisions then existing.

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

	1994	1993
	£ m	£ m
Debtors	<u>3.4</u>	<u>6.2</u>
Creditors	<u>20.0</u>	<u>20.2</u>
Other long-term liabilities	<u>334.4</u>	<u>328.1</u>

Note 27 – Segmental analysis by product group

	Net sales revenue		Operating profit		Net operating assets	
	1994	1993	1994	1993	1994	1993
	£ m	£ m	£ m	£ m	£ m	£ m
Tobacco	2 485.1	2 412.6	424.2	410.5	905.4	983.0
Luxury goods	1 180.0	1 030.5	193.8	164.9	620.3	592.6
Other	—	—	(9.1)	(8.1)	27.8	40.4
The Company and its subsidiary undertakings	<u>3 665.1</u>	<u>3 443.1</u>	608.9	567.3	1 553.5	1 616.0
Share of associated undertakings			(0.2)	9.7	130.7	114.9
Goodwill amortisation			(2.2)	(1.9)	—	—
			<u>606.5</u>	<u>575.1</u>	<u>1 684.2</u>	<u>1 730.9</u>

Note 28 – Segmental analysis by geographical area

	Net sales revenue	
	1994	1993
	£ m	£ m
Europe	1 724.2	1 742.2
Asia Pacific	1 140.2	972.1
Middle East, Africa and India	274.6	249.5
Americas	526.1	479.3
The Company and its subsidiary undertakings	<u>3 665.1</u>	<u>3 443.1</u>

The segmental analysis of profitability and net assets 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.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
AT 31 MARCH 1994

Note 29 – Financial commitments and contingent liabilities

Subsidiary undertakings of Rothmans International have a contingent liability relating to previous accounting periods. This is in respect of certain ex-works factory supplies of cigarettes to third parties for sale by them outside the European Community. The subsidiary undertakings which manufactured the product were required, in the normal course of business, to provide guarantees to Customs Authorities in respect of compliance with European Community transit procedures. The authorities have alleged that customs documents, which were supplied by third parties to substantiate that goods had been exported, were incomplete or incorrect. Customs Authorities have raised assessments for duties and taxes amounting to £23 million and they have also given notice of their intention to impose fines of a further £21 million. It is not possible to quantify the extent of further potential liability, if any. The subsidiary undertakings are contesting the assessments and strongly refute liability. The directors do not believe it is necessary to make a specific provision for this matter in the accounts.

In addition, at 31 March 1994 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 1994 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
	1994	1994	1994
	£ m	£ m	£ m
Within one year	53.5	6.8	60.3
Between two and five years	139.1	3.3	142.4
Thereafter	116.1	0.2	116.3
	<u>308.7</u>	<u>10.3</u>	<u>319.0</u>

Note 30 – Post balance sheet event

At the end of June 1994 Richemont acquired an effective interest of 25 per cent in the Italian pay-television operator, Telepiù S.r.l. for an amount of US\$ 180 million.

REPORT OF THE GROUP AUDITORS

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

We have audited the consolidated financial statements of Compagnie Financière Richemont AG presented by the Board of Directors, consisting of the consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement and the notes to the consolidated financial statements on pages 44 to 61 for the year ended 31 March 1994 in accordance with the provisions of the law. Our audit was conducted in accordance with the International Standards on Auditing as issued by the International Federation of Accountants. We confirm that we meet the legal requirements concerning professional qualification and independence.

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

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

COOPERS & LYBRAND AG

Kurt Hausheer

Swiss Certified Public Accountant

Lead Auditor

Clive Bellingham

Chartered Accountant

Lead Auditor

Zurich, 27 June 1994

COMPAGNIE FINANCIÈRE RICHEMONT AG

FINANCIAL STATEMENTS
OF THE COMPANY

COMPAGNIE FINANCIÈRE RICHEMONT AG

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1994

	Notes	1994 SFr 000	1993 SFr 000
Income			
Dividends		21 120	20 454
Other income		<u>5 426</u>	<u>5 403</u>
		<u>26 546</u>	<u>25 857</u>
Expenses			
Interest paid		57	1 052
General expenses	7	<u>10 382</u>	<u>13 469</u>
		<u>10 439</u>	<u>14 521</u>
Profit before taxation		16 107	11 336
Taxation		<u>1 083</u>	<u>1 055</u>
Net profit for the year		<u>15 024</u>	<u>10 281</u>

COMPAGNIE FINANCIÈRE RICHEMONT A G

BALANCE SHEET
AT 31 MARCH 1994

	Notes	1994 SFr 000	1993 SFr 000
Non-current Assets			
Investments	2	702 843	702 875
Fixed assets	3	<u>24 183</u>	<u>24 643</u>
		<u>727 026</u>	<u>727 518</u>
Current Assets			
Loans to affiliated companies		19 808	1 945
Debtors		322	220
Cash		<u>2 025</u>	<u>1 725</u>
		<u>22 155</u>	<u>3 890</u>
		<u>749 181</u>	<u>731 408</u>
Shareholders' Equity			
Share capital	4	574 200	574 200
Legal reserve	5	110 301	109 701
Retained earnings	6	<u>55 204</u>	<u>40 780</u>
		<u>739 705</u>	<u>724 681</u>
Liabilities			
Current liabilities			
Accrued expenses		289	307
Taxation		809	618
Loans from affiliated companies		<u>7 382</u>	<u>4 525</u>
		<u>8 480</u>	<u>5 450</u>
Long-term liabilities			
		<u>996</u>	<u>1 277</u>
		<u>9 476</u>	<u>6 727</u>
		<u>749 181</u>	<u>731 408</u>

COMPAGNIE FINANCIÈRE RICHEMONT AG

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 1994

Note 1 – Basis of preparation of the financial statements

The financial statements represent the financial position of the Company at 31 March 1994 and the results of its operations for the year then ended, prepared in accordance with Swiss law.

Note 2 – Investments

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

	1994 SFr 000	1993 SFr 000
Richemont SA, Luxembourg	700 000	700 000
Other investments	2 843	2 875
	<u>702 843</u>	<u>702 875</u>

Note 3 – Fixed assets

Excluding land, the net book value of tangible fixed assets is SFr16.5 million (1993: SFr17.0 million). The fire insurance value of the aforementioned tangible fixed assets amounts to SFr19.1 million (1993: SFr18.1 million).

Note 4 – Share capital

	1994 SFr 000	1993 SFr 000
5 220 000 "A" bearer shares with a par value of SFr 100 each, fully paid	522 000	522 000
5 220 000 "B" registered shares with a par value of SFr 10 each, fully paid	52 200	52 200
	<u>574 200</u>	<u>574 200</u>

Note 5 – Legal reserve

	1994 SFr 000	1993 SFr 000
Balance at 1 April	109 701	109 101
Transfer from retained earnings	600	600
	<u>110 301</u>	<u>109 701</u>

The legal reserve is not available for distribution.

Note 6 – Retained earnings

	1994 SFr 000	1993 SFr 000
1 April, before appropriation of prior year retained earnings	40 780	31 099
Transfer to legal reserve	(600)	(600)
1 April, after appropriation	40 180	30 499
Net profit for the year	15 024	10 281
	<u>55 204</u>	<u>40 780</u>

The retained earnings are stated before the proposed appropriation as set out on page 68.

COMPAGNIE FINANCIÈRE RICHEMONT AG

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 1994

Note 7 – General expenses

	1994 SFr 000	1993 SFr 000
General expenses are comprised as follows:		
Personnel costs	4 442	5 301
Depreciation	599	622
Other	5 341	7 546
	<u>10 382</u>	<u>13 469</u>

Note 8 – Contingent liabilities

In December 1989, Rothmans Tobacco (Holdings) Limited, Jersey ("RTH"), a wholly-owned subsidiary, issued £612.7 million Guaranteed Unsecured 10.25 per cent Loan Notes 1994 (the "Loan Notes"), denominated in pounds sterling, at par in consideration for acceptances 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 was originally guaranteed jointly and severally by the Company and Richemont SA, Luxembourg.

On 12 November 1993, pursuant to the restructuring of the Group's tobacco and luxury goods interests, Union Bank of Switzerland (the "Bank") provided to holders of the Loan Notes an irrevocable and unconditional guarantee as to the repayment of the Loan Notes and interest accruing thereon. The guarantee provided by the Bank as substitute guarantor replaces the joint and several guarantees previously provided by the Company and Richemont SA to the holders of the Loan Notes. The Company and Richemont SA have jointly and severally agreed to indemnify the Bank in full in respect of any claims made against the Bank under the terms of its guarantee.

At 31 March 1994, the Company had, in addition, guaranteed obligations of certain subsidiaries amounting to SFr 734.8 million, of which SFr 239.6 million was utilised. The Company does not foresee any liability arising under these guarantees and, therefore, no provision has been made.

Note 9 – Significant shareholders

At the Annual General Meeting of shareholders which was held on 9 September 1993, the following significant shareholdings were notified to the Company:

- 5 220 000 "B" registered shares held by Compagnie Financière Ehrbar, representing 50.0 per cent of the voting rights in the Company.
- 2 186 832 "A" bearer shares held by Richemont Securities AG, representing 20.9 per cent of the voting rights in the Company. Richemont Securities AG acts as Depositary for depositary receipt holders and votes on their behalf 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.

COMPAGNIE FINANCIÈRE RICHEMONT AG

PROPOSAL OF THE BOARD OF DIRECTORS FOR
THE APPROPRIATION OF RETAINED EARNINGS
AT 31 MARCH 1994

	SFr 000
Available retained earnings	
1 April, after appropriation	40 180
Net profit for the year	<u>15 024</u>
	<u>55 204</u>
Proposed appropriation	
Transfer to legal reserve	800
Balance to be carried forward	<u>54 404</u>
	<u>55 204</u>

Details of the dividend proposed in respect of the participation certificates of Richemont SA, Luxembourg are given on page 73.

The Board of Directors

Zug, 27 June 1994

REPORT OF THE AUDITORS

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

As auditors of your company we have examined the books of account and the financial statements consisting of the profit and loss account, balance sheet and notes to the financial statements presented by the Board of Directors for the year ended 31 March 1994 in accordance with the provisions of the law. Our audit was conducted in accordance with auditing standards promulgated by the profession. We confirm that we comply with the legal requirements concerning professional qualification and independence.

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

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

COOPERS & LYBRAND AG

Kurt Hausheer	Clive Bellingham
Swiss Certified Public Accountant	Chartered Accountant
Lead Auditor	Lead Auditor

Zurich, 27 June 1994

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 1994. 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.

RICHEMONT S A

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1994

	1994 £ 000	1993 £ 000
Income		
Dividend	44 000	42 000
Other income	96	18
	<u>44 096</u>	<u>42 018</u>
Expenses		
General expenses	<u>1 994</u>	<u>3 280</u>
Profit before taxation	42 102	38 738
Taxation	<u>114</u>	<u>137</u>
Net profit for the year	<u>41 988</u>	<u>38 601</u>

BALANCE SHEET AT 31 MARCH 1994

	Notes	1994 £ 000	1993 £ 000
Assets			
Investments	2	1 852 514	909 408
Cash		6 000	7 201
Dividend receivable		44 000	42 000
Debtors		8	21
		<u>1 902 522</u>	<u>958 630</u>
Capital and reserves			
Share capital	3	143 550	143 550
Participation reserve	4	430 650	430 650
Legal reserve	5	11 703	9 703
General reserve	6	285 307	285 307
Retained earnings	7	85 120	88 771
		<u>956 330</u>	<u>957 981</u>
Liabilities			
Loans from subsidiary companies	8	946 158	—
Accrued expenses		34	649
		<u>1 902 522</u>	<u>958 630</u>

RICHEMONT SA

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 1994

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 1994 and the results of its operations for the year then ended.

Note 2 – Investments

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

	1994 £ 000	1993 £ 000
Investment in subsidiary companies	1 852 514	620 836
Loans to subsidiary companies	—	288 572
	<u>1 852 514</u>	<u>909 408</u>

The Company holds 486 506 453 units in Vendôme Luxury Group (each comprising one share in Vendôme Luxury Group PLC and one share in Vendôme Luxury Group SA) of which 45 000 000 units with a book value of £92 506 428 have been pledged as security for a guarantee provided by Union Bank of Switzerland to Rothmans Tobacco (Holdings) Limited, Jersey. The underlying liability covered by this guarantee is due for repayment in October 1994 (see note 9). The market value of the Company's total investment in Vendôme Luxury Group PLC/SA at 31 March 1994 was £2 145 million (book value: £1 000 million).

Note 3 – Share capital

	1994 £ 000	1993 £ 000
Authorised		
Shares with a par value of £75 each	<u>200 000</u>	<u>200 000</u>
Issued and fully paid		
1 914 000 shares with a par value of £75 each	<u>143 550</u>	<u>143 550</u>

Note 4 – Participation reserve

	1994 £ 000	1993 £ 000
Reserve established in respect of 5 742 000 participation certificates with no par value	<u>430 650</u>	<u>430 650</u>

The Company has set aside a participation reserve amounting to £430 650 000 and issued, in respect of this reserve, 5 220 000 (1993: 5 220 000) bearer non-voting participation certificates with no par value and 522 000 (1993: 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 £11 703 000 (1993: £9 703 000) is not available for distribution.

RICHEMONT SA

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 1994

Note 6 – General reserve

The general reserve amounting to £285 307 000 (1993: £285 307 000) is available for distribution subject to the approval of the shareholders.

Note 7 – Retained earnings

	1994 £ 000	1993 £ 000
1 April, before appropriation of prior year retained earnings	88 771	93 725
Transfer to legal reserve	(2 000)	(1 925)
6.85 per cent dividend paid on share capital (1993: 6.5 per cent)	(9 833)	(9 331)
7.85 per cent dividend paid on participation reserve (1993: 7.5 per cent)	(33 806)	(32 299)
1 April, after appropriation	43 132	50 170
Net profit for the current year	41 988	38 601
	<u>85 120</u>	<u>88 771</u>

The retained earnings at 31 March are stated before the proposed appropriation thereof as outlined on page 73.

Note 8 – Loans from subsidiary companies

The loans from subsidiary companies bear no interest and are repayable on demand.

Note 9 – Contingent liability

In December 1989, Rothmans Tobacco (Holdings) Limited, Jersey ("RTH"), a wholly-owned subsidiary, issued £612.7 million Guaranteed Unsecured 10.25 per cent Loan Notes 1994 (the "Loan Notes"), denominated in pounds sterling, at par in consideration for acceptances 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 was originally guaranteed jointly and severally by the Company and Compagnie Financière Richemont AG, Zug.

On 12 November 1993, pursuant to the restructuring of the Group's tobacco and luxury goods interests, Union Bank of Switzerland (the "Bank") provided to holders of the Loan Notes an irrevocable and unconditional guarantee as to the repayment of the Loan Notes and interest accruing thereon. The guarantee provided by the Bank replaces the joint and several guarantees previously provided by the Company and Compagnie Financière Richemont AG to the holders of the Loan Notes. The Company and Compagnie Financière Richemont AG have jointly and severally agreed to indemnify the Bank in full in respect of any claims made against the Bank under the terms of its guarantee.

RICHEMONT S A

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF RETAINED EARNINGS AT 31 MARCH 1994

	£ 000
Available retained earnings	
1 April, after appropriation	43 132
Net profit for the year	41 988
	<u>85 120</u>
Proposed appropriation	
Transfer to legal reserve	2 100
7.20 per cent dividend payable on share capital	10 336
8.20 per cent dividend payable on participation reserve	35 313
Balance to be carried forward	37 371
	<u>85 120</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 £6.15 per participation certificate. It will be payable to unitholders of Richemont on 4 October 1994 in respect of coupon number 38, free of charges, at the banks designated as paying agents.

The Board of Directors

Luxembourg, 14 June 1994

REPORT OF THE AUDITORS

To the Shareholders
Richemont SA, Luxembourg

We have examined the balance sheet at 31 March 1994 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 1994 and of the profit for the year then ended in accordance with the principles of valuation described in the statement of accounting policies. We also confirm that the proposal of the Board of Directors for the appropriation of the retained earnings is in agreement with the law and the Company's statutes.

COOPERS & LYBRAND

Luxembourg, 14 June 1994

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 1994, 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 44.

Country of incorporation	Name of company	Effective interest
Subsidiary undertakings – tobacco products		
Australia	Rothmans Holdings Limited	30.3%
	Rothmans of Pall Mall (Australia) Limited	30.3%
Belgium	Tabacofina-Vander Elst NV	60.3%
Canada	Rothmans, Benson & Hedges Inc.	25.9%
	Rothmans Inc.	43.2%
Germany	Rothmans Cigaretten GmbH	60.6%
	Rothmans Produktions GmbH	60.6%
Japan	Rothmans Marubeni Tobacco Corporation	60.6%
Malaysia	Rothmans of Pall Mall (Malaysia) Berhad	30.3%
Netherlands	Rothmans Exports (The Netherlands) BV	60.6%
	Rothmans Holdings BV	60.6%
	Rothmans International (Europe) BV	60.6%
	Rothmans International NV	60.6%
	Rothmans Manufacturing (The Netherlands) BV	60.6%
	Rothmans Nederland BV	60.6%
	Rothmans Tobacco Company BV	60.6%
	Schimmelpenninck Sigarenfabrieken BV	60.6%
	Theodorus Niemeyer BV	60.6%
New Zealand	Rothmans of Pall Mall (New Zealand) Limited	30.3%
Republic of Ireland	PJ Carroll & Company Limited	60.6%
Singapore	Rothmans Industries Limited	30.3%
Switzerland	Rothmans of Pall Mall Limited	60.6%
	Sullana AG	60.6%
United Kingdom	Dunhill Tobacco of London Limited	60.6%
	Murray, Sons & Company Limited	60.6%
	Rothmans International plc	60.6%
	Rothmans International Enterprises Limited	60.6%
	Rothmans International Services Limited	60.6%
	Rothmans International Tobacco (UK) Limited	60.6%
	Rothmans (Far East) Limited	60.6%
	Rothmans of Pall Mall (International) Limited	60.6%
	Rothmans (UK) Limited	39.4%
	Tobacco Exporters International Limited	60.6%
United States of America	Tobacco Exporters International (USA) Limited	60.6%
	Lane Limited	60.6%

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

Country of incorporation	Name of company	Effective interest
Subsidiary undertakings – luxury goods		
France	Cartier SA	69.7 %
	Chloé International SA	69.7 %
	Karl Lagerfeld SA	69.7 %
Germany	Cartier GmbH	69.7 %
	Montblanc – Simplo GmbH	69.7 %
	Karl Seeger Lederwarenfabrik GmbH	69.7 %
Hong Kong	Les Must de Cartier Far East Limited	69.7 %
Italy	LMC International Spa	69.7 %
Japan	Cartier Japan Limited	69.7 %
	Dunhill Group Japan Limited	23.7 %
Luxembourg	Cartier Monde SA	69.7 %
	Vendôme Luxury Group SA	69.7 %
Netherlands	Cartier International BV	69.7 %
	Dunhill Investments (Holland) BV	69.7 %
Switzerland	Baume & Mercier SA	69.7 %
	Cartier International SA	69.7 %
	Cartier SA	69.7 %
	Interdica SA	69.7 %
	Piaget (International) SA	69.7 %
United Kingdom	Alfred Dunhill Limited	69.7 %
	Cartier Limited	69.7 %
	Hackett Limited	69.7 %
	Vendôme Luxury Group PLC	69.7 %
United States of America	A. Sulka & Company Limited	69.7 %
	Cartier, Incorporated	69.7 %
	Montblanc USA	55.8 %
Subsidiary undertakings – other		
Jersey	Rothmans Tobacco (Holdings) Limited (Holding company)	100.0 %
Switzerland	Business Control SA (Management services)	100.0 %
	Richemont Securities AG (Transfer secretaries)	100.0 %
United Kingdom	Richemont International Limited (Advisory services)	100.0 %
Associated undertakings		
British Virgin Islands	NAR Group Limited (Holding company)	50.0 % ⁽¹⁾
Jamaica	Carreras Group Limited (Tobacco products)	28.6 %
Luxembourg	Network Holdings SA (Electronic Media)	50.0 %
	FilmNet SA (Electronic Media)	46.6 %
United States of America	Hanover Direct, Inc (Direct retailing)	27.8 %

⁽¹⁾Richemont, in addition, holds 100 per cent of the convertible preference shares of NAR Group Limited.

NOTICE OF MEETING

The Annual General Meeting of shareholders of Compagnie Financière Richemont AG will be held at 3.00 pm in the "Grosser Saal", Artherstrasse 2-4, 6300 Zug on Thursday, 15 September 1994.

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 1994.

2. APPROPRIATION OF PROFITS

The Board of Directors proposes that the available retained earnings of the Company at 31 March 1994 of SFr 55 204 000 be appropriated as follows:

Transfer to legal reserve	SFr 800 000
Balance to be carried forward	SFr 54 404 000
	<u>SFr 55 204 000</u>

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 1994.

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, René Gerber, Yves-André Istel, Joseph Kanoui, Lord Swaythling.

5. ELECTION OF THE AUDITORS

The Board of Directors proposes that Coopers & Lybrand AG be appointed for a 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 1994 will be available for inspection at the registered office of the Company from 25 August 1994 onwards. A copy of these documents, which are contained in the Richemont Annual Report 1994, 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 8 September 1994:

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

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

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

Depository 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 depository agents.

For the Board of Directors

Nikolaus Senn
Chairman

Johann Rupert
Managing Director

Zug, 1 July 1994