RICHEMONT

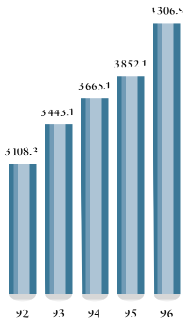
Compagnie Financière Richemont AG
is a Swiss-based holding company which exercises
financial and operational control
over companies operating primarily in the fields
of tobacco and luxury goods.
In addition, Richemont holds investments in
the electronic media and direct marketing
industries. It is the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

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

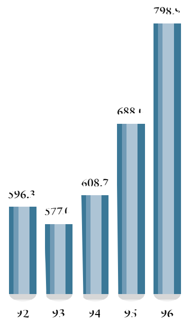
Contents

Financial Highlights

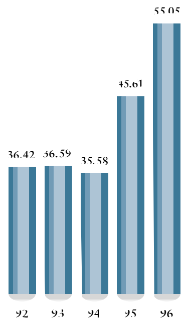
	1996 £	1995 £	Increase
Net sales revenue	4 306.9 m	3 852.1 m	**11.8%**
Operating profit	798.9 m	688.0 m	**16.1%**
Attributable profit			
– excluding exceptional items and goodwill amortisation	316.1 m	261.9 m	**20.7%**
– including exceptional items and goodwill amortisation	416.4 m	279.6 m	48.9%
Earnings per unit			
– excluding exceptional items and goodwill amortisation	55.05	45.61	**20.7%**
– including exceptional items and goodwill amortisation	72.52	48.69	48.9%
Dividend per unit	8.00	7.00	**14.3%**



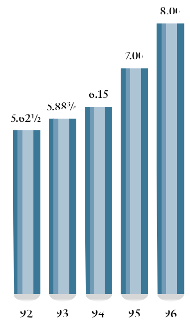
Net sales revenue (£ m)



Operating profit (£ m)



Earnings per unit* (£)



Dividend per unit (£)

*Earnings per unit have been presented on an adjusted basis, excluding the effects of exceptional items and goodwill amortisation.

Directors and Company Information

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Jean-Paul Aeschimann
Deputy Chairman

Johann Rupert*
Managing Director

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*****_Denotes Executive Director_

Nikolaus Senn
CHAIRMAN

DEAR UNITHOLDER,

We are pleased to be able to report another year of satisfactory progress. On an adjusted basis, profit attributable to unitholders increased by 20.7 per cent to £ 316.1 million and earnings per unit, reflecting the same percentage increase, rose to £ 55.05. Your Board is therefore pleased to propose an increase of 14.3 per cent in the dividend payable per unit bringing it to £ 8.00.

Two significant events have had a positive impact on the structure of Richemont's interest in the tobacco industry during the year under review. In June 1995, shareholders in Rothmans International voted to accept a proposal that the company buy back those shares held by investors other than Richemont. This resulted in Rothmans International becoming a wholly-owned subsidiary of Richemont. In November, agreement was reached with the Board of Rembrandt Group Limited to merge the tobacco businesses of both companies. Following the implementation of this transaction, Richemont now owns 66.7 per cent of the equity of the enlarged Rothmans International. The new group has strengthened its position as the fourth largest international tobacco company and there will be obvious economic benefits from working together. Most importantly, the merger has brought together two groups which share a common heritage and common tobacco trade marks.

Two new directors were appointed to the Board at last year's general meeting – Sir Robin Renwick and Mr William Ryan. Sir Robin has had a distinguished career in the British Diplomatic Service, having served as British Ambassador to South Africa and ultimately to the United States, and brings to the Board a fresh insight into the global political and economic situation. Mr Ryan, as Chief Executive of Rothmans International, has an unrivalled knowledge of the Group's tobacco operations and a wealth of experience in the tobacco industry worldwide.

Finally, your Board would like to express its gratitude to the employees around the world who have strived so hard to achieve the continued growth and enhanced profitability of the Group during the year under review.

Nikolaus Senn
CHAIRMAN
Compagnie Financière Richemont AG **Zug, 27 June**
1996

Group Structure

Compagnie Financière Richemont AG

Richemont SA

Tobacco Products	Electronic Media	Direct Retailing	Luxury Goods
66.7%	50.0%	50.0%	69.9%
Rothmans International	**NetHold**	**NAR Group**	**Vendôme Luxury Group**
Europe	Italy	Home Fashion and Gift Catalogues	Cartier
Africa and Middle East	Africa	Apparel Catalogues	Alfred Dunhill
Americas	Benelux	Sears Joint Venture	Montblanc
Asia	Nordic		Piaget
Pacific	Central Europe		Baume & Mercier
Tobacco Products	Mediterranean		Hackett
	Middle East		James Purdey & Sons
	Irdeto		Sulka
			Karl Lagerfeld
			Chloé
			Seeger

Johann Rupert
MANAGING DIRECTOR

IN LAST YEAR'S annual report, I spoke of a challenging year ahead for Richemont. At that time the buy-out of the minority shareholders in Rothmans International had only just been completed. The decision to begin negotiations with Rembrandt Group Limited to merge the two groups' tobacco operations was taken shortly afterwards and only after exhaustive negotiations were terms agreed between the two parties. I am pleased to report that the integration of the Southern Africa region as one of the operating regions within the enlarged Rothmans International has proceeded most satisfactorily.

Equally, the merger of Richemont's interests in FilmNet and Telepiù with those of our partners in M-Net, MultiChoice Africa and FilmNet to form NetHold was implemented at the beginning of the year under review. The new group, with some 2.7 million subscribers in Europe and Africa, is uniquely placed to participate in the development of the market for the delivery of digital information – be it in the form of sports events, near-video-on-demand movies, Internet access, electronic games or other services.

GROUP RESULTS Overall, the Group's net sales revenue during the year under review has increased by 12 per cent to £ 4 307 million. Operating profit also increased from £ 688 million to £ 799 million, or some 16 per cent. This increase is made up principally of improved results from Vendôme and Rothmans International, the results of the tobacco business having benefited in particular from the contribution made by the Southern Africa region for the final three months of the year. Increased losses from the Group's media interests, stemming largely from the introduction of digital technology and expansion into new market areas, offset to a degree the improvements shown in both tobacco and luxury goods.

Rothmans International reported an increase of 11 per cent in terms of sales, which increased to £ 2 840 million and generated operating profits of £ 606 million, an increase of 21 per cent over the prior year. On a comparable basis, including a full 12 months of the Southern Africa region in both periods, operating profit in the tobacco division increased by 13 per cent. In Vendôme, sales of luxury goods increased by 13 per cent to £ 1 467 million and operating profits, at £ 250 million, were 12 per cent higher. In total, the Group's share of operating losses of associates increased by £ 16 million to £ 31 million. This was principally due to increased losses at NetHold, although NAR Group also reported a small loss in the year under review.

Tobacco products Richemont's interests in the tobacco industry are held through Rothmans International. During the year under review, the development of the Group's tobacco business was dominated by two major events, namely the buy-out of the public minority shareholders in Rothmans International and the merger of the tobacco interests of Rembrandt Group Limited with Rothmans International.

In June 1995, the shareholders of Rothmans International plc and Rothmans International NV voted to accept the proposal for the company to buy back the outstanding 39 per cent of Rothmans International held by the public for £ 6.25 per unit. The total cost of acquiring the units, including related costs, amounted to £ 1 654 million, which was financed from £ 574 million of available cash reserves in Rothmans International together with £ 1 080 million in unsecured loan facilities provided to Rothmans International without recourse to Richemont. Full ownership by Richemont of Rothmans International was seen as the optimal means to provide access to the tobacco group's significant cash flow and to return surplus cash to shareholders.

In January 1996, Richemont and Rembrandt Group Limited merged their tobacco interests under Rothmans International, with Richemont owning two thirds and Rembrandt Group Limited one third of the enlarged Rothmans International group. Relative values of approximately £ 3 000 million and £ 1 500 million were placed on the tobacco interests of Richemont and Rembrandt Group Limited, respectively. The two groups have a common heritage and common tobacco trade marks. The Rembrandt tobacco interests, which now form the Southern Africa region of Rothmans International, include R&R Tobacco, the market leader in South Africa, as well as significant interests in neighbouring markets. South Africa is a potential source of lower cost manufacture for the Group.

The business of Rothmans International is focused on the manufacture and marketing of cigarettes, fine cut tobacco, cigars and pipe tobaccos. The Group owns 33 cigarette factories and other facilities for the production of other tobacco products and also licenses production to partner companies around the world. The Group has approximately 19 000 employees and its brands are sold in over 160 countries and territories worldwide.

Rothmans International's objective is to grow its business as a major international player in the world tobacco industry. Following the addition of the Southern Africa region, the Group's operating profit on a fully annualised basis now exceeds £ 750 million, while sales volumes exceed 200 billion cigarettes (including other tobacco product equivalents), thus consolidating the Group's position as the fourth largest international tobacco company in the world.

The Group has a balanced portfolio of well-known international cigarette trade marks and local brands with a strong heritage. Rothmans, Dunhill and Peter Stuyvesant are among the world's top

15 international trade marks. Other well-known international trade marks of the Group include Craven "A", Pall Mall and Golden American. The Group also has strong local trade marks such as Winfield, the leading brand in Australia, Holiday, the leading brand in New Zealand and Belga, Caballero, Carrolls, Major, and Lord Extra which are major brands in Belgium, The Netherlands, Ireland and Germany, respectively. The Group competes in all major and growing market sectors, with full price brands accounting for a majority of sales and the remainder being tactically placed value brands. The Group also has a wide portfolio of fine cut, pipe tobacco and cigar trade marks, such as Samson fine cut, Clan, Captain Black and Erinmore pipe tobaccos and Dunhill, Schimmelpenninck and Corps Diplomatique cigars.

The Group has historically invested heavily in support of its trade marks and this continued in 1995/96 with a further increase in marketing expenditure, despite the high level of restrictions which exist in some markets. Sponsorship is an important tool in promoting the corporate image, and the Group's sponsorship of Formula One motor racing continues with Rothmans having been the key sponsor of the Rothmans–Williams–Renault team since the 1994 season.

During the year ended 31 March 1996, the Group's sales volume increased by 2 per cent, if historic results are adjusted to include the Southern Africa region. The principal gains were achieved in the former Soviet Union, Poland and other Central and Eastern European markets, Equatorial Africa, the Middle East, Vietnam, Malaysia, Canada, Myanmar, Greece and South Korea. These gains outweighed lower volumes in South Africa, Australia, Indonesia and the mature markets of Western Europe.

Including the Southern Africa region's results on a full year basis, net sales revenue increased by 6 per cent to £ 3 165 million, while operating profit grew by 13 per cent to £ 759 million, which was in part a result of cost containment. South Africa, Malaysia, Germany, Belgium, the former Soviet Union and Equatorial Africa were among the major contributors to increased profits. Associated undertakings accounted for £ 19 million, with Carreras Group Limited of Jamaica being the main contributor.

The following sections review the performance of Rothmans International in its five major geographic areas of operation in greater detail.

Europe Rothmans International's principal European markets are the United Kingdom, Germany, France and the Benelux countries, with a growing presence in Eastern Europe, in particular in the former Soviet Union and Poland. During the year under review, the region achieved an operating profit of £ 219 million, representing an increase of 21 per cent over the previous year.

In a number of markets, lower volumes, partially reflecting total market trends, were more than offset by price increases and a reduction in product costs resulting from the now completed European production rationalisation programme. Profits improved in all major markets. In Greece, the Group continued its strong growth record with Peter Stuyvesant, the number two trade mark. Some progress was also made in Portugal and Spain. A number of marketing initiatives have been undertaken in an attempt to reverse share decline in key mature markets, including the introduction of Rothmans 1, a major initiative in the ultra low 'tar' sector, in The Netherlands; the introduction of a more modern version of Belga, Belga Fire, in Belgium and the launch of a new generation Lord ultra low 'tar' brand in Germany. In France, the Rothmans trade mark has made good progress since it was extended into 25s packaging and price repositioned to offer additional value to the consumer. In the United Kingdom, Rothmans Royals packs of 24 are being strongly promoted as offering value in a market characterised by high annual excise increases.

In the former Soviet Union, volumes more than doubled with the Group's brands Dallas and Pall Mall being particularly successful, and the market achieved profitability. In Russia, the first phase of local manufacture began in the Group's joint venture factory, Rothmans Nevo in St. Petersburg, with the launch of the brand Hermitage. Considerable progress was also made in Poland, the Czech Republic and other Eastern European markets. In Poland, the Group continues to work closely with ZTL in Lublin and sales of Golden American continue to increase.

In non-cigarette tobacco products, the Group achieved increased operating profit. Notwithstanding lower consumption in most markets, volumes remained constant. Strong profit growth was achieved in the fine cut tobacco business, in particular in Germany and The Netherlands and in the pipe tobacco business. Continued improvement in levels of manufacturing efficiency have resulted in lower production costs. A number of development initiatives were undertaken in 1995/96. In Germany, Westpoint Gold Rolls, an innovative cigarillo, was launched towards the end of the financial year. The Tobacco Products Division is in the process of setting up a joint venture in China for the manufacture and sale of cigars. The Division now also markets the Dunhill range of premium cigars in international and duty-free markets.

Africa and the Middle East This geographic area comprises the whole of continental Africa, the Middle East and South Asia, and operating profit in this area on a full year basis improved by 25 per cent to £264 million.

Despite lower volumes in South Africa due to a fall in consumption, in part reflecting the level of excise increases, overall regional volume increased by 3 per cent. Rothmans International is now the largest tobacco group on the African continent. The Group is market leader in South Africa, which is one of the world's top 25 cigarette markets. Peter Stuyvesant is the leading brand in the market and is experiencing consistent growth, with Rothmans King Size a strong number two brand. Both volume and profits improved significantly in Equatorial Africa after being adversely affected in the previous year by economic difficulties and price competition. Market share increased due to the strong performance of Rothmans King Size, Dunhill and Craven "A", with significant advances in the francophone markets where the Group co-operates closely with Coralma, a joint venture between SEITA and Bolloré Technologies.

In the Middle East, volumes in the Levant nearly tripled and strong growth was achieved in the Arabian Peninsula, although profits declined as a result of price competition and marketing expenditure. The first year of local licensed manufacture of Rothmans King Size significantly increased the brand's volume in Jordan.

Americas The Group's operating profit in the Americas region declined by 7 per cent to £84 million. Higher volumes and price increases were offset by increased product costs and additional marketing expenditure.

In Canada, Rothmans International operates through a 71 per cent shareholding in its listed company, Rothmans Inc., which holds 60 per cent of Rothmans, Benson & Hedges Inc., an equity partnership with Philip Morris. The Group is the second largest manufacturer in Canada. Market share decline has been arrested through brand initiatives, including the launch in 1995/96 of the national brands Canadian Classics and Sportsman. In the year under review, the Canadian Supreme Court overturned on constitutional grounds the Tobacco Products Control Act, which banned most forms of tobacco advertising. The Canadian Tobacco Manufacturers' Council has developed a Voluntary Packaging and Advertising Code which will allow tobacco companies to reasonably market their products while meeting the criteria suggested by the Supreme Court.

In the United States, sales of Dunhill Dominican cigars grew strongly, taking advantage of the renewed interest in premium cigars by US consumers. The Group remains a major player in the US pipe tobacco and little cigar market segments and is market leader in the imported cigarette sector with Dunhill. In Jamaica, the Group is market leader through its associate, Carreras Group Limited.

Asia The Asia region increased its operating profit by 13 per cent to £138 million which resulted from volume growth of 6 per cent, higher net sales revenues and lower product costs, being partially offset by increased marketing and overhead expenditure.

Rothmans of Pall Mall (Malaysia) Berhad, a listed company, continued to achieve strong volume and profit growth whilst increasing domestic market share to 57 per cent. In Singapore, Rothmans Industries Limited, a listed company, maintained market share and increased both volume and trading profit, despite the adverse effects of changes in import and excise duties. Following the re-zoning of the area in which the Group's factory is located, primary production was relocated to a new, modern facility during the year under review. Secondary production will follow during the year ending 31 March 1997. The Singapore company is also responsible for other markets in Southeast Asia, including Vietnam and Myanmar, both of which achieved significant growth in volume and market share. The Group's joint venture with The Union of Myanmar Economic Holdings Ltd. began local manufacture of London King Size, which captured market leadership in less than three months.

In China, volumes were down overall, although Shandong Rothmans Tobacco Company, the Group's local joint venture, achieved sales growth of 30 per cent over the previous twelve months. The Group continues to invest in developing its business in the world's largest tobacco market.

Over the past year, the Group has nearly doubled its volume in South Korea as Dunhill Lights has rapidly grown to the fifth largest imported brand. In Japan, the Group's progress was somewhat disappointing with flat demand as a result of intense competition.

Pacific 1995/96 was a difficult year for the Pacific region, primarily due to a brief but severe price war in Australia, as a result of which operating profit fell by 36 per cent from £54 million to £35 million. Rothmans Holdings Limited, the Group's listed company, strongly defended its number two position and maintained market share for the year. A number of marketing initiatives were undertaken in Australia, including the launch of Rothmans 1 and the new trade mark, Freedom, while Winfield remains the leading trade mark in the market. Two new fine cut brands, Winfield and Bison, were also launched.

In New Zealand, the industry showed growth overall but the Group's sales volumes were flat with market share declining to slightly below 70 per cent. In Indonesia, 1995/96 was a year of consolidation and investment in infrastructure and marketing with focus on the Dunhill and Kansas brands. Progress was slowed as a result of an excise increase which had a disproportionate impact on the Group's brand White Horse. In March 1996, a strategic alliance was established with a leading Indonesian businessman, Mr Sudwikatmono, through his company PT Dwi Investindo, which will assist the Group's objective to become a major player in this highly competitive market.

The external environment In another year of continuing external pressure both from tobacco control activists and product liability plaintiffs, the industry has nonetheless experienced some positive results in terms of government and public policy. The overturning of the restrictive Tobacco Products Control Act by the Supreme Court of Canada demonstrated that the industry's rights to commercial free speech can be upheld in the courts. The denial in the United States of the certification of the Castano class action lawsuit, the largest ever developed, indicated that there are still those who are prepared to place common sense and logic before emotion and rhetoric. While the Group is not directly involved in the US proceedings, all tobacco product liability actions against Group companies anywhere in the world will be defended vigorously. The courts continue to reflect the Group's position that Rothmans International bears no liability in such cases. Although many countries continue to increase the excise burden placed on consumers, the Group will continue to oppose arbitrary and unjustified increases in levels of taxation. Rothmans International will defend strongly the rights and freedoms of those adults who choose to smoke its products and will oppose any proposals which seek to further reduce commercial freedoms or to restrict the use of Group trade marks.

Despite external pressures on the tobacco industry, world cigarette consumption continues to grow at around 1 per cent per annum and currently stands at around 5 400 billion cigarettes. The Group is confident that the tobacco industry will enjoy a long and profitable future and that Rothmans International has strengthened its position and will remain a major player in the industry in the long-term.

LUXURY GOODS Richemont's interests in the luxury goods industry are held through its majority shareholding in Vendôme Luxury Group. Vendôme, in turn, is the owner of a portfolio of some of the world's leading luxury goods brands. Vendôme maintains a policy of continued investment to ensure the long-term development of its premium brands.

CARTIER Cartier continued during the year to build upon a marketing strategy which has been successfully applied over many years. The strategy calls for the constant review of design standards to align Cartier's traditional craftsmanship with the latest style trends, while reinforcing its presence in new markets, expanding its worldwide distribution network and at the same time ensuring the high quality of its luxury products.

Once again this strategy produced satisfactory results in Cartier's traditional core businesses of jewellery and prestige watchmaking. Cartier's sales confirmed its leadership in transforming precious metals and rare stones into works of art, which continue to appeal to a discerning clientele.

Cartier's continued success during the year with its high jewellery pieces, combined with the outstanding performance of its engagement ring creations and growing demand for the exquisite collection of Cartier "Golden Charms", assured overall growth of the group's sales. Such performance in times of hesitant economic conditions was in part due to the successful promotional campaign that accompanied the renewal of Cartier's traditional "Three Golds" theme for bracelets, rings and earrings.

In watchmaking, Cartier's high jewellery watches were well received at the Geneva Salon International de la Haute Horlogerie. Additionally, the broadening of its "Pasha" collection with the new "Pasha C" model, designed for a younger clientele, was among the highlights of the year.

The launching of additional product lines further increased sales. The new perfume "So Pretty de Cartier" proved an immediate success. The introduction of a new line of Bordeaux leather products led to increased interest in the full range of luxury leather goods. A new "Louis Cartier" fountain pen was also successfully launched.

Cartier's retail network continued to expand with a total of 164 boutiques open to the public around the world by the year end. Of the twelve new shops, seven were opened in Asia, three in America and two in Europe. The increased number of outlets, as well as the enhanced Cartier product line for which they are the exclusive distributors, contributed to the retail network's strong showing, which surpassed all expectations.

The greatest increase in sales was in the Asian markets. A more measured growth was recorded in the American market, while in Europe, hampered by a comparatively sluggish economy, the growth in sales was modest. Nevertheless, reflecting its European history and tradition, Cartier will continue its commitment to retain a strong customer base in Europe.

During the year, Cartier again mounted an active programme of exhibitions highlighting the history of the company. These included the "Art of Cartier" exhibition at Tokyo's Metropolitan Teien Museum which received extremely positive reviews in this most important market. From April to June 1995, thousands of visitors saw more than 300 jewellery pieces and designs covering 100 years of Cartier creativity from 1860 to 1960. Similarly, the "Cartier, Splendours of Jewellery" exhibition at Lausanne's Hermitage Museum, which opened in March 1996, attracted widespread public interest. Both exhibitions helped promote Cartier's image of quality and prestige to a broader public.

Building on the Cartier tradition for innovative, high-quality craftsmanship a new book, "Platinum by Cartier, Triumphs of the Jewellers' Art", was published illustrating Cartier's dominance in the creation of platinum jewellery. The Cartier Foundation for Contemporary Art also organised a number of exhibitions during the year and staged its first thematic show, "By Night", which opened at the Foundation's new Paris headquarters in early 1996. All of these projects helped enhance the worldwide image of Cartier.

The year's advertising campaigns were designed to reflect a unified marketing concept for all Cartier's major product lines. Alongside the advertising campaigns, the film "The Present" was used for promotional purposes for the second year running in some markets. In conjunction with the launching of the "So Pretty de Cartier" perfume, a new media campaign was created, based on the emotive attributes of the product.

1997 is the 150th anniversary of the founding of Cartier. In line with Cartier's long-term strategy, a new range of exquisite creations and a campaign of major promotions are planned for the forthcoming year.

Alfred Dunhill Alfred Dunhill sales for the year showed encouraging growth, particularly in the North American and Asia-Pacific markets. Quality leather goods and luxury menswear were the best performers compared to the previous year.

In the competitive menswear sector, Alfred Dunhill's success was largely due to the creativity of its design team, a continuing emphasis on quality control and a strong presence internationally.

Leather goods continued to make the largest contribution to annual turnover. Alfred Dunhill is particularly well established in this field, where few competitors of comparable stature can match the range and depth of its product line. The "Chelsea" leather collection, featuring grainy calf's leather with overstitching, has been extended with a new "Navy" collection designed to appeal to younger customers. The "Norfolk" range, launched last year, continues to sell well and is designed for the discerning business executive.

The Alfred Dunhill line of men's fragrances benefited during the year from an expansion of the number of outlets in Germany and the United States. Watch sales increased in the United Kingdom and Germany, notably because of the ongoing success of the distinctive "Londinium" model, first introduced in 1994.

In terms of geographic regions, the Asia-Pacific market continued to progress. This was most apparent in the traditional consumer markets of Hong Kong and Singapore where sales continued to out-perform expectations. A significant sales increase was also recorded in China, where Alfred Dunhill is among the best positioned of luxury goods suppliers to capitalise on this fast developing and potentially enormous market. Also in the Far East, a strong yen at the start of the year encouraged the Japanese to travel abroad. When translated into foreign currencies the favourable yen exchange rate stimulated the Japanese appetite for luxury purchases at tax-free shops and other foreign outlets, with the traditional tourist destinations such as Guam and Hawaii benefiting the most.

In general, European sales also expanded satisfactorily. Despite disruptive strikes and a drop in tourism to France, sales in that country improved in provincial centres. Sales also increased moderately in the United Kingdom compared to the previous year. The performance of the newly opened outlets in Russia was significantly higher than projected.

As a result of the expansion of the company, Alfred Dunhill will move into new and larger administrative headquarters in Knightsbridge, London in July 1996.

Montblanc Montblanc introduced several new products during the year, taking advantage of an improved international distribution network.

Montblanc's writing instruments – fountain pens, ball-points, roller balls, propelling pencils and document markers – enjoy exceptional prestige around the world. Montblanc products are easily distinguishable by their snow-cap trade mark and are justly renowned for reliability and ease of use. Since its founding in 1908, the company has earned a reputation for innovation and quality, consistently producing new models to give additional depth and versatility to its product range.

Several new models were added to the Meisterstück family of writing instruments, including a collection of pens in lapis lazuli, named "Ramses II" after the long-reigning and powerful Egyptian pharaoh, which were well received by customers. In addition, a new roller ball was designed to complete the Meisterstück "Le Grand" line. Its large-capacity ink cartridge ensures a much longer writing life and its flow mechanism leads to a uniform transmission of ink.

The "Traveller" was added to the Meisterstück range. Equipped with a newly designed flow control mechanism, this leak-proof fountain pen is not affected by sudden changes in temperature or atmospheric pressure and is therefore ideal for businessmen who travel regularly. Another innovation this year was the dedication by Montblanc of its latest collection of fine writing instruments to Wolfgang Amadeus Mozart. Available as a pen, ball-point and pencil set, the "Mozart" is marketed as a miniature Meisterstück classic.

Each year Montblanc creates a small number of limited edition sets that are particularly attractive for collectors. Only 888 of the "Semiramis" fountain pen, the latest of Montblanc's limited editions, were produced, and these were sold out within months. These limited edition collector's pens are decorated in solid gold and feature a flawless diamond inset in their cap.

Sales increased in almost all markets during the year. Europe remains by far the largest market for Montblanc but sales in France were adversely affected by a series of country-wide strikes towards the end of 1995. All other European markets registered good progress in turnover compared to the previous year.

Sales activity in Asia grew strongly and in the United States, after a major two-year strengthening of the distribution network, sales resumed their upward momentum.

Through its constant search for perfection, Montblanc is dedicated to remaining at the summit of the art of writing. Quality control experts continually test Montblanc's full range of writing instruments for the most minute defect. Montblanc ensures that customers will continue to be offered the ultimate in writing instruments.

Piaget Piaget increased its share of the top end of the luxury market during the year with growth in sales of both precision watches and gold jewellery.

Demand remained strong in the Asia-Pacific market and sales improved in Europe, with satisfactory turnover in the United Kingdom, France and Germany. Though less buoyant, sales in North America also remained satisfactory.

Few watchmakers can match Piaget's wide selection of timepieces. One example is the "Dancer" range, sales of which increased during the year with the successful launching of the "Mini Dancer". This new creation brings an added touch of youth to one of Piaget's best-selling lines. Piaget also introduced a measure of nostalgia by reviving its popular 1970's line of ladies' wrist watches. Jewellery watches account for a growing proportion of sales.

The first reports for the current year confirm a continuation of growth. Major product launches in the coming year will contribute to the increased awareness of one of Europe's great watchmakers.

Baume & Mercier Baume & Mercier enjoyed a year of balanced growth, increasing sales throughout its key markets by highlighting the quality of its exclusive watches, which are advantageously priced in their market range. All major markets in Europe, the most important region, experienced an increase in sales over the previous year.

Initiatives taken during the past few years to develop new markets, especially in Asia, are beginning to be rewarded. This expansion policy has resulted in encouraging breakthroughs, increasing Baume & Mercier's share of the market. Presently, Baume & Mercier is represented in 75 countries. Management remains convinced that all markets will continue to offer substantial growth potential and the existing development programme will be strengthened over the next few years.

Baume & Mercier's complete range of classic, jewellery and sports watches combine contemporary design and Swiss precision with the latest watchmaking technology. They are made to suit all lifestyles and have elegance, quality and original design. An unmatched balance between quality and price has been an important factor in Baume & Mercier's excellent performance, contributing to the satisfactory results during the year of the popular "Hampton" and "Linea" lines.

Baume & Mercier is continuing its development programme which has been built on the foundation of quality, the soundness of its production systems and control of its distribution network. This strategy will continue to be implemented in the years to come.

Hackett Hackett experienced strong growth in sales during the year, notably in its home market, the United Kingdom, where another shop was opened. Important progress was also made in developing Hackett internationally.

With the label "Essential British Kit" – a complete showcase of the best in British clothing – Hackett has created a new market by offering a singularly British "look" of the highest quality which, in addition, is most attractively priced.

The further development of the Hackett shop in Paris during the year has been of major importance and represents a firm foundation for the expansion of the brand throughout the rest of Europe. Shortly after the Paris opening, a Hackett franchise was inaugurated in Berlin. Hackett's acceptance by Berliners, traditional admirers of English-cut clothing, was encouraging.

The past year was one of the most important in the company's development. The initiatives carried out in Europe have contributed to making the Hackett name truly international.

James Purdey & Sons Limited James Purdey & Sons Limited experienced another year of exceptionally strong demand. Its gunsmiths worked to capacity with full order books for its three primary lines of side-by-side shotguns, over-and-under shotguns and double express rifles.

Purdey's main shop has been situated at Audley House in South Audley Street, Mayfair for more than 100 years. Audley House also accommodates the famous "Long Room". In addition to game guns and rifles, the South Audley Street shop also sells shooting accessories and clothing products that are quintessentially British in style and which add to the worldwide renown of the Purdey name.

Sulka Sulka celebrated its 100th anniversary in 1995 with great success. This jubilee not only commemorated a century in which Sulka expanded from a single New York clothing outlet to a supplier of men's fashion in the international marketplace but also reaffirmed the Sulka commitment to excellence in the years ahead by continuing to offer a range of clothing of the highest quality. The centennial year culminated with a travelling exhibit, displayed in every Sulka store, on the development of men's fashion during the century. The exhibit highlighted the influence of Sulka fashions in shaping the tastes of its customers, ranging from presidents to world-famous athletes.

Management projects that the current year will be another during which Sulka will further expand its core business while introducing a new range of products designed to broaden the company's customer base.

Karl Lagerfeld Globally, Karl Lagerfeld sales were resilient, showing measured growth in the accessory business over the previous year. The United States and France remain its largest markets, while Japan and Southeast Asia continue to show the greatest potential for future growth. In the accessory field, Karl Lagerfeld handbags have become an important product, appreciated for their style and quality. Their sales registered a significant increase in the United States, due in part to the increased number of outlets in major department stores.

The reputation of the Karl Lagerfeld name and the success of the new Karl Lagerfeld accessory lines will enhance the awareness of this prestige brand in the international marketplace.

Chloé Established in 1952 this eternally young fashion house presents two collections a year on the Paris catwalks, combining the quality of *haute couture* with the requirements of the ready-to-wear market.

More recently Chloé has concentrated on developing new lines of accessories, including leather goods and scarves as well as watches and jewellery. To satisfy an increasing demand for the new lines of accessories, Chloé has created a specialised distribution network over the last few years. Chloé ties, distinctively styled to stand out through their originality, have enjoyed a high level of customer acceptance since their launch.

In the medium term, Chloé intends to bring to the market another ready-to-wear line designed for a younger clientele. Chloé will nonetheless remain true to its *haute couture* image – the ultimate in femininity and romanticism.

Seeger Seeger's sales during the year increased significantly in all its markets, benefiting from the completion of the first phase of a new distribution network which included the opening of boutiques in Frankfurt, Hong Kong, Singapore and New York. Agreements for exclusive sales areas in top-of-the-market Japanese department stores were also finalised in the year. In Southeast Asia, the company entered into a joint venture with a Chinese partner with a view to opening new boutiques.

A new line of "Classic" cases in velvet-soft leather and with a new amber colour has been selected for the 1996 collection. Designed to appeal to men and women alike, the "Classic" line exudes a casual elegance, its amber satin finish and clasp design are exclusive to the Seeger collection.

Based upon the originality of its product design and its carefully developed distribution network, Seeger's continued expansion will remain faithful to the vision of the founder.

MEDIA The year under review saw a significant progression in the Group's media interests. A new holding structure was established under NetHold, a Dutch company. The new company encompasses the European operations of FilmNet and MultiChoice, formerly held within Network Holdings; Richemont's 25 per cent interest in Telepiù, the Italian pay-television operator; and the assets of MultiChoice Africa. The latter owns all African subscriber management operations previously held by MIH Holdings Limited, and 20 per cent of M-Net, the pay-television channel operator.

The new NetHold group now operates in over 50 countries in Europe, Africa and the Middle East and serves some 2.7 million subscribers in total. It comprises NetHold Benelux (The Netherlands and Belgium), NetHold Nordic (Sweden, Denmark, Norway and Finland), NetHold Central Europe (Slovenia, Slovakia, Poland, Hungary and the Czech Republic), NetHold Mediterranean (Greece and Cyprus), NetHold Africa (operating across 36 countries on the African continent), NetHold Middle East (several countries) and NetHold Italy (interests in Telepiù and Mediaset).

In addition, NetHold owns ProNet (which acquires programme rights), Irdeto (technology developments) and NetHold Electronic Media (responsible for implementing digital packages in Northern Europe). Irdeto's technology is also used by other pay-television operators in Australia, North America, Thailand and Europe. During the year, the NetHold group's subscriber base grew by 335 000 to over 2.7 million households. Richemont's share of NetHold's operating losses for the year amounted to some £ 46 million.

Italy During the year under review an equity stake of 7.7 per cent was acquired in Mediaset, which operates three leading Italian commercial channels. In an associated transaction, an additional interest of 7.5 per cent in Telepiù was purchased, which increased the NetHold shareholding in Telepiù to 32.5 per cent. An Italian soccer agreement and various other key sports rights, such as Wimbledon, Bundesliga soccer and Grand Slam tennis were secured, while access to top films improved. A pilot digital service was launched in late 1995, with a full service due for launch in the autumn of 1996. During the year, the Telepiù subscriber base expanded to 800 000 homes.

NetHold Africa The number of subscribing households in Africa passed the one million mark. New services were launched in Kenya, Zambia and Uganda. Major long-term sports deals for rugby and cricket were concluded during the year. A 20 channel digital satellite service was launched for which some 30 000 digital decoders have been purchased by consumers. While the cost of a digital installation in a subscriber home is still high, the variety of channels on the digital bouquet represents an attractive viewing proposition.

NetHold Benelux Due to the launch of a large number of new open commercial channels in October 1995, the television market in the Benelux was saturated, which also affected the pay-television market. Distribution of the newly launched SuperSport channel is already almost universal.

Subsequent to the year end NetHold Benelux merged with Teleselect, the subscription-television venture of Philips and KPN in Holland. Philips and KPN took a stake in NetHold Benelux. A contract was concluded with Holland Media Group, SBS and Sport 7 for satellite distribution of their channels on NetHold's digital bouquet. Further agreements were signed in Belgium and with Casema, the largest cable operator in The Netherlands, for the cable distribution of a common digital package of channels. These transactions have enhanced NetHold's position in the Benelux markets significantly.

NetHold Nordic Fierce competition between TV1000 and FilmNet and the proliferation of satellite platforms meant that the subscription-television market did not grow significantly during the year. A deal with TeleDenmark resulted in NetHold securing digital capacity in the TeleDenmark cable networks. NetHold's Stockholm studio was relocated and SuperSport Nordic was launched in December 1995. It can now be received in some 1.6 million homes in the Nordic region.

NetHold Central Europe The quality of the programme product in this region improved during the year under review. However, it is still inferior to those available in other regions. A number of agreements with cable operators were signed in the latter part of the year, resulting in a better growth pattern from December 1995 to March 1996.

NetHold Mediterranean The Mediterranean region enjoyed exceptionally strong growth and has passed the 100 000 subscriber mark within 18 months of launch. A comprehensive Greek soccer agreement was signed for a period of five years. A terrestrial broadcasting licence and frequencies have been obtained for a second channel, which will be devoted to sport.

NetHold Middle East An agreement was concluded with ART to set up a joint venture subscriber management service – MultiChoice Middle East – in Dubai. It will manage the digital satellite service in the Gulf, which will include a variety of high quality, Arabic channels.

Irdeto Irdeto developed a digital integrated receiver decoder system for the launch of digital services. This technology was used to launch digital services by external clients in Australia and Thailand, as well as by NetHold associates in Italy, Africa, the Middle East and the Benelux. In addition, Irdeto business systems were installed in Central and Latin America. Irdeto's digital technology was also chosen by Viacom and by the Vebacom and Metro joint venture in Germany. By financial year end it had become the leading system of its kind worldwide.

NAR Group Limited Through its principal subsidiary Hanover Direct Inc., in which it holds a 50.2 per cent interest, NAR is primarily focused on the specialty catalogue marketing industry in the United States. In addition, NAR holds a portfolio of listed and unlisted investments and at 31 March 1996 held net liquid funds of some US$ 41 million.

Hanover Direct publishes a portfolio of branded catalogues. As a leading direct marketing company, it is the company's goal for each of its catalogues to have a distinct brand identity and to be a leader in its market niche.

Calendar 1995 was a difficult year for Hanover Direct as sales revenues decreased by 2.5 per cent to US$ 750 million and operating profit, excluding losses from discontinued catalogues, other one-time charges and depreciation and amortisation, fell from US$ 25 million to US$ 7 million primarily due to the cumulative impact of the significant increase in US paper and postage prices and weak consumer demand.

During the year under review the company's new state-of-the-art 50 000 square metre home textiles distribution facility at Roanoke, Virginia, became fully operational although Hanover experienced teething problems in the facility which adversely affected calendar 1995 and have continued into 1996. Additionally, in 1995, Hanover began the conversion from its old, management information system resident on the mainframe computer to its newly developed proprietary on-line minicomputer-based system. The conversion will not be complete until 1997 and running on several systems does create increased costs and inefficiencies. In the long run, however, these moves should permit significant cost reductions, enhance productivity and provide a strong foundation for accelerated growth.

Despite industry difficulties, the business in luxury goods, men's apparel, home improvements and the Sears venture all had excellent years. "The Company Store", "Improvements" and the Sears venture all had record sales and profits. Led by mail order, "Gump's" had record sales, and the newly designed and relocated San Francisco Gump's retail store opened with great success. The men's business had a very profitable year, substantially above the prior year's level.

The company is committed to a growth strategy; joint ventures and the development of new market opportunities will play a pivotal part in this strategy. In terms of geographic expansion, Hanover announced the initiation of a licensing agreement with one of Japan's largest direct marketers, which will allow it to test certain of its products in Japan. Hanover Direct's expertise in direct marketing is directly applicable to retailing via electronic interactive media and its "International Male" catalogue has become a frequently visited web site on the Internet. The company is continuing to explore television home shopping.

Prospects We look forward to a year of consolidation within the Group's tobacco division following the major changes of the previous year. The benefits to Richemont of the buy-out of the public shareholders in terms of freeing up operational cash flows are now being realised and the merger of the tobacco interests of Rembrandt Group into Rothmans International has proceeded according to plan. The full benefits of the merger will, however, only be realised in future years. In our luxury goods businesses, the slow pick-up of consumer confidence continues to place limits on the levels of growth that can be achieved in developed markets and new strategies are being developed to open avenues for further expansion.

In the electronic media industry, we are witnessing a fundamental change in terms of the convergence of television as an entertainment medium with the data delivery and interactivity which will be introduced through the medium of digital broadcasting technology. The cost of the introduction of such technology will be high and no one is yet sure as to the likely level of acceptance by consumers or the time span over which such acceptance will take place. We are also seeing the launch of alliances both between participants in the media industry and with other parties, most notably cable television operators and national post and telecoms agencies. NetHold itself has already announced joint ventures in certain of its territories – most recently with Electrabel in Belgium and with Philips and KPN, the leading Dutch telecoms company, in The Netherlands.

Richemont remains committed to the development of its interests in the electronic media industry. At the same time we acknowledge that there is a need to achieve the necessary critical mass in the markets in which we operate and will seek, wherever appropriate, to establish alliances at various levels with partners who share the same business philosophy and long-term objectives as ourselves.

Both the Group's tobacco and luxury goods businesses, with their experienced management teams, established businesses and financial strengths, are well placed for further development. We believe that the combination of these established businesses with our electronic media interests, which are still in a developmental phase, offers Richemont a very sound basis for the future.

Johann P. Rupert.

Johann Rupert
Managing Director
Compagnie Financière Richemont AG

Zug, 27 June 1996

GROUP RESULTS The comparison of the Group's results on a reported basis against last year is distorted by the impact of exceptional items and goodwill amortisation in both periods.

- The Group's profit and loss account for the year ended 31 March 1996 includes the exceptional gain of £ 160.3 million arising on the merger of Richemont's tobacco interests with those of Rembrandt Group Limited in January 1996. For accounting purposes, the merger has been treated as an acquisition of the Rembrandt tobacco interests by Rothmans International, which has resulted in the Group's effective interest in Rothmans International being diluted from 100.0 per cent to 66.7 per cent. The value of £ 3 000 million placed on Rothmans International as part of the terms of the merger gives rise to a gain to Richemont which has been shown as an exceptional item in the Group's results on a reported basis. The amount of £ 160.3 million represents the net gain, after charging against it a substantial proportion of the goodwill which resulted from the buy-out of the minority shareholders in Rothmans International in July 1995.
- The results for the year ended 31 March 1995 included the exceptional profit reported by Rothmans International on the disposal of properties in Singapore and Germany. The total gain arising was £ 72.7 million, Richemont's share of the profit at the attributable profit level being £ 23.2 million.
- The Group's results on a reported basis were also impacted by a significant additional goodwill amortisation charge in the year under review. The amortisation charge at the attributable profit level for the year ended 31 March 1996 was £ 60.0 million (1995: £ 5.5 million). The higher charge primarily reflected the amortisation of the goodwill arising from the buy-out of the minority shareholders in Rothmans International and the goodwill arising from the merger of the Group's tobacco interests with those of Rembrandt.

A summary of the effects of each of the exceptional items and goodwill amortisation on profit before taxation and profit attributable to unitholders is set out below.

	Profit before taxation		Profit attributable to unitholders	
	1996	1995	**1996**	1995
	£ m	£ m	**£ m**	£ m
Results as reported	**889.4**	807.9	**416.4**	279.6
Goodwill amortisation	**66.6**	5.6	**60.0**	5.5
Gain on merger of tobacco interests	**(160.3)**	–	**(160.3)**	–
Profit on sale of properties	–	(72.7)	–	(23.2)
Results on an adjusted basis	**795.7**	740.8	**316.1**	261.9

To facilitate the comparison of the Group's results against last year, the profit and loss account set out below is presented on both a reported and an adjusted basis. The latter excludes the effects of exceptional items and goodwill amortisation from results for both years. The commentary that follows focuses on the comparison of these adjusted results against last year's results presented on the same basis.

Profit and loss account

	Year ended 31 March 1996			Year ended 31 March 1995		
	Reported results £m	Exceptional items and goodwill amortisation £m	Adjusted results £m	Reported results £m	Exceptional items and goodwill amortisation £m	Adjusted results £m
Operating profit	798.9	–	798.9	688.0	–	688.0
Goodwill amortisation	(66.6)	66.6	–	(5.6)	5.6	–
Gain on merger of tobacco interests	160.3	(160.3)	–	–	–	–
Profit on sale of properties	–	–	–	72.7	(72.7)	–
Profit before net investment income and taxation	892.6	(93.7)	798.9	755.1	(67.1)	688.0
Net investment income/(expense)	(3.2)	–	(3.2)	52.8	–	52.8
Profit before taxation	889.4	(93.7)	795.7	807.9	(67.1)	740.8
Taxation	(268.4)	–	(268.4)	(232.1)	–	(232.1)
Profit after taxation	621.0	(93.7)	527.3	575.8	(67.1)	508.7
Minority interests	(204.6)	(6.6)	(211.2)	(296.2)	49.4	(246.8)
Profit attributable to unitholders	416.4	(100.3)	316.1	279.6	(17.7)	261.9
Earnings per unit	£72.52	£(17.47)	£55.05	£48.69	£(3.08)	£45.61

The Group's operating profit was 16.1 per cent above the previous year at £798.9 million, reflecting increased profits from Richemont's tobacco and luxury goods interests. The former benefited in particular from the merger of Rothmans International with the tobacco businesses of Rembrandt in January 1996, although the impact of the transaction at the operating profit level was largely compensated for by an additional charge in respect of minority interests. These improved operating results were partly offset, however, by the continuing costs of developing the Group's media interests together with losses in the year under review at NAR Group.

Net investment expense was £ 3.2 million against income of £ 52.8 million in the year to 31 March 1995. The movement was largely due to the financing costs of the buy-out of the Rothmans International public shareholders in July 1995 (being income lost on cash resources used to finance the acquisition and interest expense on borrowings incurred). The impact of these costs was partly offset by increased interest income on cash generated from operations during the year. The effective taxation rate, after adjusting pre-tax profits to exclude goodwill amortisation and exceptional items from results for both years, increased by 2.4 per cent to 33.7 per cent.

The results on an adjusted basis benefited from a reduction of £ 35.6 million in the share of profit attributable to minority interests. The decrease primarily reflected the changes in the Group's effective interest in Rothmans International during the year. Following the buy-out of the public minorities in July 1995, Rothmans International was accounted for as a wholly-owned subsidiary of Richemont; this increase was partly offset, however, by the effect of the subsequent merger of the Group's tobacco interests with those of Rembrandt in January 1996, which diluted the Group's effective interest in Rothmans International to 66.7 per cent during the last three months of the financial year.

DIVIDEND The Board of Directors of Richemont SA has recommended the payment of a dividend to holders of participation certificates equal to 10.67 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 £ 45.9 million or £ 8.00 per participation certificate, which represents an increase of 14.3 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 1996 will therefore be £ 8.00 per unit.

Analysis of Operating Results by Business Segment

The following table analyses the Group's operating results between the two principal business segments, tobacco and luxury goods, as well as other activities.

	Net sales revenue 1996 £m	Net sales revenue 1995 £m	Operating profit 1996 £m	Operating profit 1995 £m
Tobacco	**2 840.1**	2 551.7	**587.0**	487.0
Luxury goods	**1 466.8**	1 300.4	**249.7**	222.4
Other	**–**	–	**(7.0)**	(6.9)
The Company and its subsidiary undertakings	**4 306.9**	3 852.1	**829.7**	702.5
Share of associated undertakings			**(30.8)**	(14.5)
Tobacco			**18.7**	12.4
Media interests			**(46.3)**	(38.1)
NAR Group			**(3.2)**	11.2
Operating profit			**798.9**	688.0

Note: Amounts shown in respect of other activities include operating costs which are incurred centrally and not allocated to a specific business segment.

Tobacco In January 1996 Richemont merged its tobacco interests with those of Rembrandt. The tobacco interests of Rembrandt now form the Southern Africa region of Rothmans International. For accounting purposes, the merger has been treated as an acquisition of the Southern Africa region by Rothmans International and therefore the results of the new region are only included in the Group's results for the period after the merger.

In order to more readily permit the comparison of operating results against last year, the analysis of tobacco net sales revenue and operating results that follows initially includes the results of the Southern Africa region for the full years to 31 March 1995 and 1996. Adjustments are then reflected to eliminate the pre-acquisition element of these results and thus arrive at the reported operating results. The commentary that follows discusses Rothmans International's operating results including Southern Africa on a full year basis.

The worldwide volume of cigarette sales by Rothmans International group companies in the year ended 31 March 1996 was 2 per cent higher than in the previous year. The principal gains were achieved in the former Soviet Union, Equatorial Africa, the Middle East, Vietnam, Malaysia, Canada and Myanmar. These gains outweighed lower volumes in South Africa, the mature markets of

Western Europe, Indonesia and Australia. Net sales revenue increased by £ 185.7 million (6.2 per cent) to £ 3 165.0 million, benefiting from the volume gain, price increases and exchange rate movements on translation of the sales of subsidiary undertakings reporting in currencies other than sterling.

	Net sales revenue		Operating profit	
	1996	1995	**1996**	1995
	£ m	£ m	**£ m**	£ m
Europe	**1 377.0**	1 286.8	**218.8**	181.2
Africa and the Middle East	**682.7**	627.6	**264.2**	212.2
Americas	**283.6**	266.6	**84.4**	91.0
Asia	**493.7**	466.2	**138.4**	122.1
Pacific	**328.0**	332.1	**34.9**	54.4
Rothmans International and its subsidiary undertakings	**3 165.0**	2 979.3	**740.7**	660.9
Share of associated undertakings			**18.7**	12.4
Operating profit			**759.4**	673.3
Pre-acquisition results of the Southern Africa region			**(153.7)**	(173.9)
Operating profit as reported			**605.7**	499.4

Operating profit increased by £ 86.1 million (12.8 per cent) to £ 759.4 million with both the Europe and Africa/Middle East regions reporting significantly improved profits, although in the Pacific region profits were down on last year as a result of the price war in Australia. The key factors behind the change in operating profit in each geographical region are summarised below:

- The higher operating profit in Europe was largely due to price increases and production cost savings reflecting the full benefits of the European production rationalisation programme.
- In Africa and the Middle East the increase in profits was due to the recovery of volumes in Equatorial Africa and price increases in South Africa.
- The reduction in operating profit in the Americas was due to higher product costs and additional investment in marketing in Canada partly offset by price increases.
- Higher sales volumes and price increases in Malaysia improved profits in the Asia region.
- The reduction in operating profit in the Pacific region of £ 19.5 million (35.8 per cent) was primarily due to the unprecedented level of price discounting in Australia during the year, where operating profit fell by £ 19.9 million (59.4 per cent) from £ 33.5 million to £ 13.6 million.

Luxury goods Net sales revenue from luxury goods in Swiss franc terms, Vendôme's reporting currency, increased by 1.2 per cent to SFr 2 684.2 million. The results of the Group's luxury goods interests in Swiss franc terms have been significantly affected, however, by unfavourable movements in exchange rates, in particular the continued strengthening of the Swiss franc and the weakening of the United States dollar and related currencies. In terms of underlying currencies, after adjusting for the effects of exchange rate movements, Vendôme's net sales revenue was some 10.6 per cent above the year to 31 March 1995. On translation into sterling, net sales revenue from luxury goods was 12.8 per cent higher than the previous year at £ 1 466.8 million.

Sales of jewellery increased by 7.4 per cent to SFr 470.0 million. Sales of gold and jewellery watches were broadly in line with the previous year at SFr 565.6 million and sales of other watches increased by 8.1 per cent to SFr 435.8 million. Writing instrument sales were 1.4 per cent higher than the year to 31 March 1995 at SFr 314.7 million and sales of leather goods improved by 1.3 per cent to SFr 292.5 million.

In terms of sales by geographic area, the growth in Vendôme's sales revenues in the year was primarily generated in the Far Eastern markets. Net sales revenue in these markets increased by SFr 81.3 million (8.3 per cent) to SFr 1 063.0 million. Sales in Europe decreased by 4.8 per cent to SFr 1 045.9 million and sales in the Americas were 2.4 per cent lower than the previous year at SFr 487.3 million.

Operating profit from luxury goods, before reflecting goodwill amortisation charged by Vendôme, increased by SFr 3.3 million (0.7 per cent) to SFr 456.9 million in the year ended 31 March 1996. This profit represented 17.0 per cent of sales against 17.1 per cent in the prior year. Despite the adverse impact of exchange rate movements, Vendôme's margins in Swiss franc terms were maintained at a reasonably stable level. This primarily reflected the action taken by management at the beginning of the year under review, including price increases in those markets most affected by the currency situation. On translation into sterling, operating profit from the Group's luxury goods interests was £ 27.3 million (12.3 per cent) above the prior year at £ 249.7 million.

Media interests The Group's media interests are held through NetHold, in which Richemont has a 50 per cent interest. Richemont's share of operating losses from media activities increased by £ 8.2 million to £ 46.3 million. The development costs of the Group's media interests have continued to generate losses in the year under review; these losses are anticipated to increase in the coming year.

During the past year, the NetHold subscriber base increased by 335 000 to some 2.7 million subscribers in more than 50 countries. In October 1995, NetHold acquired a further 7.5 per cent investment in Telepiù, bringing its interest in the company to 32.5 per cent.

Improvements in the operating results in several countries and the inclusion of MultiChoice Africa's earnings were more than offset, however, by the costs of expanding NetHold's interests in the year under review. Major projects included the introduction of digital pay-television services in Italy and Africa, which significantly broadened the choice of subscription programming offered. Subsequent to the year end digital services were also launched in the Benelux and Middle East.

The results for the year to 31 March 1996 also reflected the costs of the launch of new SuperSport channels in NetHold's Benelux and Nordic markets, as well as investment in the expansion of operations into new markets. Pay-television services were introduced in Greece and Central Europe late in the previous financial year and the current year's operating results included a full year's start up costs for these new businesses.

NAR Group Limited Richemont's share of NAR Group's operating loss was £ 3.2 million against an operating profit of £ 11.2 million in the prior year. The movement primarily reflected operating losses incurred in the year under review by NAR's principal subsidiary, Hanover Direct, together with the impact of non-recurring gains included in NAR's results in the previous year. Hanover Direct's sales revenues in its financial year to December 1995 decreased by 2.5 per cent to US$ 749.8 million, reflecting both weak consumer demand and the discontinuance of a number of marginal catalogues. Operating results were adversely affected by substantial increases in paper and postage prices in the United States, costs relating to the consolidation of distribution facilities and provisions for the closure of catalogues.

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

Summary balance sheet

	1996 £m	1995 £m
Fixed assets		
Tangible	680.7	591.8
Investments in associated undertakings	402.9	460.0
Other long-term investments	125.4	222.6
	1 209.0	1 274.4
Net working capital	938.2	607.6
Net operating assets	2 147.2	1 882.0
Goodwill	1 646.8	50.9
Net liquid funds/(borrowings)	(240.1)	1 220.3
Cash and cash equivalents	829.9	1 323.9
Long-term borrowings	(1 070.0)	(103.6)
Other long-term liabilities	(636.1)	(613.4)
	2 917.8	2 539.8
Capital employed		
Unitholders' funds	1 924.6	1 525.8
Minority interests	993.2	1 014.0
	2 917.8	2 539.8

The Group balance sheet at 31 March 1996 reflected the impact of both the acquisition of the Rothmans International public minorities and the merger of the tobacco interests of Richemont and Rembrandt during the year. The transactions resulted in a significant change in the structure of the consolidated balance sheet, principally impacting net liquid funds, goodwill and minority interests.

Net borrowings at 31 March 1996 were £ 240.1 million compared to net liquid funds of £ 1 220.3 million at the end of the previous financial year. The movement mainly reflected the purchase of the Rothmans International public minorities, the capital cost of which, including related costs of £ 21.6 million, was £ 1 653.7 million. The acquisition was financed by existing cash resources within Rothmans International along with long-term borrowings. In addition, pursuant to the previous year's media restructuring, additional contributions were made to NetHold in the year (totalling £ 188.3 million). The impact of these investments on net liquid funds was partly offset by cash generated by the Group's businesses.

Goodwill in the consolidated balance sheet increased by £ 1 595.9 million to £ 1 646.8 million at 31 March 1996. The overall increase was primarily attributable to the goodwill from the Rothmans International public buy-out along with the goodwill arising on Rothmans International's acquisition of the former Rembrandt tobacco business. The purchase of the Rothmans International public minorities resulted in goodwill of £ 1 236.0 million, a substantial proportion of which was released as part of the subsequent merger of tobacco interests. The resultant net balance of goodwill from the purchase of the public minorities was £ 182.0 million at 31 March 1996. As part of the merger of the Group's tobacco interests with those of Rembrandt, the former Rembrandt tobacco business was ascribed a value of £ 1 500 million, giving rise to goodwill of £ 1 425.8 million.

Goodwill Richemont's accounting policy, in accordance with International Accounting Standards, is to capitalise and subsequently amortise goodwill through the consolidated profit and loss account over its estimated useful life, up to a maximum period of 20 years. The Group's goodwill amortisation charge at the attributable profit level for the year ended 31 March 1996 was £ 60.0 million (1995: £ 5.5 million). Part of this charge, however, related to goodwill arising on acquisitions made by the Group's associated undertakings. Such goodwill is capitalised within the balance sheet of the associate concerned and therefore, following the principles of equity accounting, appears in the Richemont consolidated balance sheet as part of investments in associated undertakings. At 31 March 1996, investments in associates included goodwill of £ 227.5 million (1995: £ 212.8 million) which had been capitalised by the Group's associated undertakings. Of the goodwill amortisation charge referred to above, £ 11.6 million (1995: £ 3.7 million) related to goodwill which has been capitalised by associated undertakings.

In view of the difficulty of accurately separating the value of acquired brands and trade marks from the other intangible assets of acquired businesses, Richemont has elected to categorise all acquired intangibles as goodwill. In accordance with International Accounting Standards, this goodwill is capitalised and is required to be amortised through the Group's profit and loss account. Richemont believes that the substantial investment made in marketing expenditure each year by Group companies should increase rather than decrease the value of its intangible assets; the requirements of International Accounting Standards in this area are therefore accepted with significant reluctance.

CASH FLOW STATEMENT The Group's summary cash flow statement is set out below.

Summary cash flow statement

	1996 £m	1995 £m
Net cash inflow from operating activities	901.4	722.8
Returns on investments and servicing of finance	(21.2)	48.9
Taxation paid	(235.4)	(216.1)
Net acquisition of tangible fixed assets	(116.6)	(79.5)
Acquisition of Rothmans International public minorities	(1 651.6)	–
Other acquisitions of subsidiary and associated undertakings, minority interests and investments	(84.8)	(187.6)
Net cash inflow/(outflow) before financing activities	(1 208.2)	288.5
Financing activities	956.0	(25.6)
Dividends paid	(209.8)	(185.3)
Net cash inflow/(outflow) after financing activities	(462.0)	77.6
Restructuring and European rationalisation costs	(52.0)	(24.1)
Proceeds from property disposals	–	88.7
Repayment of Rothmans Tobacco (Holdings) Limited, Jersey 10.25 per cent Loan Notes	–	(612.7)
Exchange rate effects	20.0	102.4
Decrease in cash and cash equivalents	(494.0)	(368.1)
Cash and cash equivalents – opening	1 323.9	1 692.0
Cash and cash equivalents – closing	829.9	1 323.9
Long-term borrowings	(1 070.0)	(103.6)
Net liquid funds/(borrowings)	(240.1)	1 220.3

In the summary cash flow statement, the impact of exceptional and non-recurring items in both years has been presented below the net cash flow after financing activities in order to facilitate comparison against last year. On this basis, the net cash outflow after financing activities was £462.0 million in the year under review, against a net inflow of £77.6 million in the previous year.

The net cash inflow from operating activities increased by £178.6 million to £901.4 million, reflecting in particular higher operating profits from the Group's subsidiary undertakings (which increased by £127.2 million over the year to 31 March 1995).

RICHEMONT

CONSOLIDATED FINANCIAL STATEMENTS

Directors' Report

The Board of Directors of Compagnie Financière Richemont AG ('Richemont' or 'the Company') is pleased to submit its report on the activities of the Company and its subsidiary and associated undertakings (together, 'the Group') for the year ended 31 March 1996. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 1996 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 73 to 78.

The agenda for the Annual General Meeting, which is to be held in Zug on 12 September 1996, is set out on page 88.

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 40 and the Financial Review on pages 41 to 50. Details of the Company's underlying investments are given in the schedule of Principal Group Companies on pages 86 and 87. These investments are principally held through the Company's wholly-owned subsidiary Richemont SA, Luxembourg.

Statement of Accounting Policies

General

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

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Basis of consolidation

The 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 amounts 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 results of subsidiary and associated undertakings are included in the financial statements from their date of acquisition.

(c) Foreign currencies

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

(d) Gross sales revenue

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

(e) Taxation

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

Deferred taxation arises from timing differences between the recognition of certain items of income and expenditure for accounting and taxation purposes. Deferred taxation is accounted 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.

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

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

Freehold land and assets under construction are not depreciated.

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

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

(g) Goodwill

Where the consideration paid in respect of the Group's investment in subsidiary and associated undertakings is in excess of the fair value to the Group of the separable net assets acquired, the excess is regarded as goodwill. Goodwill is amortised through the consolidated profit and loss account on the straight-line basis over its estimated useful life, up to a maximum of 20 years.

(h) Advertising, promotion, research, development, patents and trade mark expenses

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

(i) Investments in associated undertakings

Investments in associated undertakings are stated at the Group's share of their net assets, adjusted where necessary to reflect the Group's accounting policies. The Group's share of associated undertakings' operating results, goodwill amortisation, net interest and taxation charge is accounted for in the consolidated profit and loss account. The Group's share of reserve movements in associated undertakings is accounted for as movements in the consolidated reserves.

(j) Other long-term investments

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

(k) Inventories

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

(l) Debtors

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

(m) Marketable securities

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

(n) Provisions for employees' post retirement benefits

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

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

(o) Product warranties

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

Consolidated Profit and Loss Account
for the year ended 31 March 1996

	Notes	1996 £m	1995 £m
Gross sales revenue		9 275.8	8 394.1
Duty, excise and sales taxes		(4 968.9)	(4 542.0)
Net sales revenue	2	4 306.9	3 852.1
Cost of sales		(2 517.1)	(2 289.1)
Gross profit		1 789.8	1 563.0
Net operating expenses	3	(960.1)	(860.5)
Operating profit of the Company and its subsidiary undertakings	3	829.7	702.5
Share of operating losses of associated undertakings	4	(30.8)	(14.5)
Operating profit		798.9	688.0
Goodwill amortisation		(66.6)	(5.6)
Gain on merger of tobacco interests	5	160.3	–
Profit on sale of properties	6	–	72.7
Profit before net investment income and taxation		892.6	755.1
Net investment income/(expense)	7	(3.2)	52.8
Profit before taxation		889.4	807.9
Taxation	8	(268.4)	(232.1)
Profit after taxation		621.0	575.8
Minority interests		(204.6)	(296.2)
Profit attributable to unitholders	9	416.4	279.6

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

	Notes	1996 £m	1995 £m
Analysis of profit attributable to unitholders			
Profit attributable to unitholders as reported		416.4	279.6
Goodwill amortisation		60.0	5.5
Gain on merger of tobacco interests		(160.3)	–
Profit on sale of properties		–	(23.2)
Profit attributable to unitholders on an adjusted basis		316.1	261.9
		£	£
Earnings per unit	10		
Earnings per unit on a reported basis		72.52	48.69
Earnings per unit on an adjusted basis		55.05	45.61

Consolidated Balance Sheet
at 31 March 1996

	Notes	1996 £m	1995 £m
Assets			
Fixed assets			
Tangible	11	680.7	591.8
Goodwill	12	1 646.8	50.9
		2 327.5	642.7
Investments			
Associated undertakings	13	402.9	460.0
Other long-term investments	14	125.4	222.6
		528.3	682.6
Net current assets			
Inventories	15	1 509.3	1 291.8
Debtors	16	1 067.8	914.7
Marketable securities	17	536.5	482.3
Cash		801.7	1 263.6
Current assets		3 915.3	3 952.4
Current liabilities	18	(2 158.1)	(2 072.4)
		1 757.2	1 880.0
		4 613.0	3 205.3
Unitholders' funds			
Share capital	20	223.2	223.2
Participation reserve	21	430.7	430.7
Unitholders' capital	22	653.9	653.9
Retained earnings and other reserves	23	1 270.7	871.9
		1 924.6	1 525.8
Minority interests		993.2	1 014.0
Long-term liabilities			
Borrowings	24	1 109.4	103.3
Other	25	585.8	562.2
		1 695.2	665.5
		4 613.0	3 205.3

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 1996

	Notes	1996 £m	1995 £m
Cash inflow from operating activities	28	849.4	698.7
Returns on investments and servicing of finance			
Interest income and similar items		106.0	159.5
Interest paid and similar items		(141.9)	(122.4)
Income from other long-term investments		11.5	8.7
Dividends from associated undertakings		3.2	3.1
Cash flow generated from/(applied to) returns on investments and servicing of finance		(21.2)	48.9
Taxation paid		(235.4)	(216.1)
Investing activities			
Acquisitions of tangible fixed assets		(141.8)	(129.6)
Proceeds from disposals of tangible fixed assets		25.2	50.1
Proceeds from property disposals		–	88.7
Acquisitions of subsidiary undertakings, net of cash acquired	29	(0.1)	(11.9)
Proceeds from disposals of subsidiary undertakings, net of cash sold		3.2	3.0
Acquisition of Rothmans International public minorities	29	(1 651.6)	–
Acquisitions of other minority interests	29	(10.7)	(25.5)
Acquisitions of associated undertakings		(189.0)	(170.1)
Acquisitions of other long-term investments		(21.8)	(10.1)
Proceeds from disposals of other long-term investments		133.6	27.0
Cash flow applied to investing activities		(1 853.0)	(178.4)
Net cash inflow/(outflow) before financing activities		(1 260.2)	353.1
Financing activities			
New long-term borrowings		1 032.2	10.4
Repayments of long-term borrowings		(64.4)	(635.9)
Capital element of finance lease payments		(11.8)	(13.1)
Increase in minority interests		–	0.3
Dividend paid on Richemont SA participation reserve		(40.2)	(35.3)
Dividends paid to minority interests		(169.6)	(150.0)
Cash flow generated from/(applied to) financing activities		746.2	(823.6)
Net cash outflow after financing		(514.0)	(470.5)
Effect of exchange rate movements		20.0	102.4
Net decrease in cash and cash equivalents		(494.0)	(368.1)
Cash and cash equivalents at beginning of year		1 323.9	1 692.0
Cash and cash equivalents at end of year	30	829.9	1 323.9

Note 1 – Principal changes in group structure

At 31 March 1995, the Group held an effective interest of 60.6 per cent in Rothmans International. In April 1995, the Boards of Richemont and Rothmans International announced recommended proposals to the holders of Rothmans International units with a view to Rothmans International becoming indirectly wholly-owned by Richemont. Following the necessary court and shareholder approvals, and receipt of sufficient acceptances under the cash offers for the Rothmans International N.V. shares, the proposals became wholly unconditional on 18 July 1995, from which date Rothmans International was accounted for as a wholly-owned subsidiary undertaking of Richemont.

In November 1995, the Boards of Richemont and Rembrandt Group Limited ('Rembrandt') reached agreement on the terms of the merger of their respective tobacco interests. Richemont's tobacco interests were held through Rothmans International which, following the earlier buy-out of public shareholders referred to above, was an indirect wholly-owned subsidiary of the Group. Rembrandt's tobacco interests comprised its South African businesses, held by a newly established company, R&R Tobacco Holdings (Proprietary) Limited, and its other tobacco investments in the Southern Africa region (together, 'R&R Tobacco'). The terms of the transaction resulted in Richemont and Rembrandt merging their respective tobacco businesses under Rothmans International. As a consequence of the merger, Richemont's effective interest in the enlarged Rothmans International was diluted from 100.0 per cent to 66.7 per cent with Rembrandt owning the remainder of the equity. The merger was approved by the public shareholders of Rembrandt and the shareholders of the listed holding companies of Rembrandt at general meetings held on 12 January 1996 and has been accounted for with effect from that date. For accounting purposes, the merger has been treated as an acquisition of R&R Tobacco by Rothmans International; the former's results are therefore only included in the Group profit and loss account for the period following the merger.

Note 2 – Net sales revenue

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

	1996	1995
	£m	£m
Tobacco	**2 840.1**	2 551.7
Luxury goods	**1 466.8**	1 300.4
	4 306.9	3 852.1

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

	1996	1995
	£m	£m
Europe	**1 948.6**	1 825.3
Asia Pacific	**1 402.6**	1 279.6
Middle East, Africa and India	**405.8**	235.8
Americas	**549.9**	511.4
	4 306.9	3 852.1

Note 3 – Operating profit

The analysis of net operating expenses was as follows:

	1996 £m	1995 £m
Selling and distribution costs	279.5	239.8
Administration expenses	656.5	586.4
Other operating expenses	24.1	34.3
	960.1	860.5

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

	1996 £m	1995 £m
Tobacco	587.0	487.0
Luxury goods	249.7	222.4
Other	(7.0)	(6.9)
Operating profit of the Company and its subsidiary undertakings	829.7	702.5

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

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

	1996 £m	1995 £m
Depreciation of tangible fixed assets	118.1	124.5
Personnel expenses	773.7	702.9
Operating lease rentals	93.5	88.3

Note 4 – Share of results of associated undertakings

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

	1996 £m	1995 £m
Operating loss	(30.8)	(14.5)
Goodwill amortisation	(11.6)	(3.7)
Net interest expense	(9.0)	(1.0)
Loss before taxation	(51.4)	(19.2)
Taxation	(7.6)	(5.5)
Loss after taxation	(59.0)	(24.7)
Other shareholders' interests	4.9	(0.7)
Dividends	(3.2)	(3.1)
Loss retained for the year	(57.3)	(28.5)

Note 5 – Gain on merger of tobacco interests

The exceptional gain of £160.3 million in the year to 31 March 1996 represented the gain on the dilution of Richemont's effective interest in Rothmans International on the merger of the Group's tobacco interests with those of Rembrandt as discussed in note 1. The amount of £160.3 million represented the net gain, after charging against it an appropriate proportion of the goodwill arising from the earlier buy-out of the public minority shareholders in Rothmans International (see note 12).

	£m
Gain on dilution of the Group's effective interest in Rothmans International	**1 181.1**
Release of goodwill from buy-out of public minorities in Rothmans International	**(1 020.8)**
Gain on merger of tobacco interests	**160.3**

Note 6 – Profit on sale of properties

The profit of £72.7 million on the sale of properties in the year to 31 March 1995 was in respect of disposals by Rothmans International's subsidiary undertakings in Singapore and Germany. No taxation liability arose in respect of these disposals. After taking into account minority interests, Richemont's share of the profit on the sale of properties amounted to £23.2 million.

Note 7 – Net investment income/(expense)

	1996 £m	1995 £m
Interest income and similar items	**89.2**	120.2
Interest expense and similar charges	**(92.2)**	(81.6)
	(3.0)	38.6
Share of net interest expense of associated undertakings	**(9.0)**	(1.0)
	(12.0)	37.6
Income from other long-term investments	**8.8**	15.2
	(3.2)	52.8

Interest income and similar items includes £4.5 million (1995: £0.3 million) in respect of income from the Group's associated undertakings.

Note 8 – Taxation

	1996 £m	1995 £m
Current taxation	**291.6**	198.1
Deferred taxation	**(30.8)**	28.5
	260.8	226.6
Share of taxation of associated undertakings	**7.6**	5.5
	268.4	232.1

Note 9 – Profit attributable to unitholders

	1996 £m	1995 £m
Attributable profit of the Company and its subsidiary undertakings	473.7	308.1
Group's share of loss retained by associated undertakings	(57.3)	(28.5)
	416.4	279.6

Note 10 – Earnings per unit

Earnings per unit on a reported basis are calculated by reference to the profit attributable to unitholders of £416.4 million (1995: £279.6 million) and 5 742 000 units in issue (1995: 5 742 000).

Earnings per unit are also shown on an adjusted basis, excluding the effects of goodwill amortisation and exceptional items. The exceptional items were the gain on the merger of the Group's tobacco interests with those of Rembrandt in the year to 31 March 1996 and the profit on the sale of properties in the previous year. The profit attributable to unitholders used for this calculation was £316.1 million (1995: £261.9 million).

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 1995	325.6	654.6	463.4	31.8	1 475.4
Exchange adjustments	1.3	11.6	1.8	1.8	16.5
Additions	17.7	35.8	63.5	36.0	153.0
Acquisitions of subsidiaries	40.4	26.9	8.9	0.5	76.7
Transfers and reclassifications	6.1	21.7	11.8	(45.7)	(6.1)
Disposals and provisions	(13.5)	(57.2)	(42.4)	(0.3)	(113.4)
31 March 1996	377.6	693.4	507.0	24.1	1 602.1
Depreciation					
1 April 1995	105.7	488.4	289.5		883.6
Exchange adjustments	1.5	9.5	1.9		12.9
Charge for the year	10.7	43.2	64.2		118.1
Disposals and provisions	(8.8)	(47.5)	(36.9)		(93.2)
31 March 1996	109.1	493.6	318.7		921.4
Net book value					
1 April 1995	219.9	166.2	173.9	31.8	591.8
31 March 1996	268.5	199.8	188.3	24.1	680.7

Included above are fixed assets with a net book value of £25.6 million (1995: £32.2 million) held under finance leases.

Note 11 – Tangible fixed assets (continued)

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

	1996 £m	1995 £m
Freehold land	**35.1**	30.1
Freehold buildings	**183.3**	141.7
Long leaseholds	**26.1**	32.8
Short leaseholds	**24.0**	15.3
	268.5	219.9

The fire insurance value of fixed assets at 31 March 1996 was £2 559.0 million (1995: £2 225.6 million).

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

	1996 £m	1995 £m
Contracts placed	**62.8**	44.1
Authorised but not yet contracted	**93.8**	74.1
	156.6	118.2

Note 12 – Goodwill

	1996 £m	1995 £m
Cost		
Balance at 1 April	**56.2**	27.3
Goodwill arising in the year	**2 671.6**	26.6
Disposals	**(1 047.0)**	–
Other movements	**0.2**	2.3
Balance at 31 March	**1 681.0**	56.2
Amortisation		
Balance at 1 April	**5.3**	3.4
Charge for the year	**55.0**	1.9
Disposals	**(26.2)**	–
Other movements	**0.1**	–
Balance at 31 March	**34.2**	5.3
Net book value	**1 646.8**	50.9

Goodwill arising during the year principally related to the acquisition of the Rothmans International public minorities in July 1995 and the acquisition of an effective 66.7 per cent interest in R&R Tobacco on the merger of Richemont's tobacco interests with those of Rembrandt in January 1996. The disposals of goodwill in the table above related to the release of an appropriate proportion of the goodwill arising on the buy-out of the public minorities in Rothmans International on the subsequent dilution of the Group's interest in Rothmans International as a result of the merger of tobacco interests with those of Rembrandt.

Note 12 – Goodwill (continued)

Goodwill arising in the year is analysed in the following table:

	Consideration £m	Net assets acquired £m	Goodwill arising £m
Acquisition of Rothmans International public minorities	1 653.7	417.7	1 236.0
Acquisition of R&R Tobacco	1 501.6	75.8	1 425.8
Others	17.8	8.0	9.8
Total	3 173.1	501.5	2 671.6

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

A proportion of the total goodwill amortisation charge of £66.6 million (1995: £5.6 million) shown at the pre-tax profit level in the consolidated profit and loss account related to goodwill arising on acquisitions made by the Group's associated undertakings. Such goodwill is capitalised in the balance sheet of the associate concerned and consequently appears in the Group balance sheet within investments in associated undertakings (see note 13 below). Of the total goodwill amortisation charge, £11.6 million (1995: £3.7 million) related to goodwill which has been capitalised by Richemont's associated undertakings.

Note 13 – Investments in associated undertakings

	1996 £m	1995 £m
Unlisted	402.9	460.0

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

	1996 £m	1995 £m
Carrying value at 1 April	460.0	130.7
Exchange adjustments	(2.5)	(4.8)
Acquisitions	2.7	359.6
Decrease in post-acquisition retained earnings and other reserves	(57.3)	(25.5)
Carrying value at 31 March	402.9	460.0

Investments in associated undertakings at 31 March 1996 include goodwill of £227.5 million (1995: £212.8 million) which has been capitalised by the Group's associated undertakings.

Note 14 – Other long-term investments

	1996 £m	1995 £m
Shares in listed companies, at cost less amounts written off	51.4	167.4
Shares in unlisted companies, at cost less amounts written off	19.5	8.6
Other	54.5	46.6
	125.4	222.6
Market value of shares in listed companies at 31 March	51.9	161.5

Note 15 – Inventories

	1996 £m	1995 £m
Raw materials and consumables	482.9	359.4
Work in progress	203.9	216.5
Finished goods and goods for resale	822.5	715.9
	1 509.3	1 291.8

Note 16 – Debtors

	1996 £m	1995 £m
Trade debtors	676.6	617.3
Amounts owed by associated undertakings	18.5	9.8
Deferred taxation	85.7	45.7
Other debtors	198.3	151.3
Prepayments and accrued income	88.7	90.6
	1 067.8	914.7

Of the deferred taxation included above, £ 9.0 million (1995: £ 4.3 million) is recoverable after more than one year.

Note 17 – Marketable securities

	1996 £m	1995 £m
Listed securities	84.7	188.5
Unlisted securities	451.8	293.8
	536.5	482.3
Market value of listed securities at 31 March	85.3	189.0

Note 18 – Current liabilities

	1996 £m	1995 £m
Bank loans and overdrafts	**508.3**	422.0
Short-term portion of long-term loans	**10.9**	51.5
Trade creditors	**209.6**	186.0
Obligations under finance leases	**10.9**	12.7
Amounts owed to associated undertakings	**1.2**	189.7
Taxation	**345.5**	241.0
Deferred taxation	**15.2**	20.5
Duty and excise taxes	**581.3**	572.4
Other creditors	**234.3**	177.5
Accruals and deferred income	**240.9**	199.1
	2 158.1	2 072.4

Bank loans and overdrafts amounting to £ 19.2 million (1995: £ 14.4 million) and duty and excise taxes payable of £ 13.1 million (1995: £ 25.2 million) are secured on tangible assets of Group undertakings.

Note 19 – Net operating assets

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

	1996 £m	1995 £m
Tobacco	**899.5**	875.1
Luxury goods	**825.0**	714.9
Other	**19.8**	(168.0)
The Company and its subsidiary undertakings	**1 744.3**	1 422.0
Share of associated undertakings	**402.9**	460.0
Net operating assets	**2 147.2**	1 882.0

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

	1996 £m	1995 £m
Net operating assets	**2 147.2**	1 882.0
Goodwill	**1 646.8**	50.9
Marketable securities	**536.5**	482.3
Cash	**801.7**	1 263.6
Bank loans and overdrafts	**(508.3)**	(422.0)
Short-term portion of long-term loans	**(10.9)**	(51.5)
Total assets less current liabilities	**4 613.0**	3 205.3

Note 20 – Share capital

	1996	1995
	£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
	223.2	223.2

Note 21 – Participation reserve

	1996	1995
	£m	£m
Reserve in respect of 5 742 000 participation certificates with no par value issued by Richemont SA	**430.7**	430.7

Note 22 – Unitholders' capital

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

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

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

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

	1996	1995
(a) "A" bearer units, each comprising one "A" bearer share in the Company and one bearer participation certificate in Richemont SA	**5 220 000**	5 220 000
(b) "B" registered units, each comprising ten "B" registered shares in the Company and one registered participation certificate in Richemont SA	**522 000**	522 000
	5 742 000	5 742 000

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

Note 23 – Retained earnings and other reserves

	1996 £m	1995 £m
Balance at 1 April	871.9	567.0
Appropriation of prior year retained earnings:		
Dividend paid on Richemont SA participation reserve	(40.2)	(35.3)
Profit attributable to unitholders	416.4	279.6
Exchange adjustments	22.6	60.6
Balance at 31 March	1 270.7	871.9
Closing retained earnings and other reserves are analysed as follows:		
The Company and its subsidiary undertakings	1 385.3	914.6
Associated undertakings	(114.6)	(42.7)
	1 270.7	871.9

Legal reserves amounting to £61.1 million (1995: £62.4 million) are included above but are not available for distribution.

Note 24 – Long-term borrowings

	1996 £m	1995 £m
Bank loans	1 063.2	96.7
Other loans	6.8	6.9
	1 070.0	103.6
Short-term portion of long-term loans (note 18)	(10.9)	(51.5)
Long-term loans	1 059.1	52.1
Obligations under finance leases	16.4	21.8
Other creditors	33.9	29.4
	1 109.4	103.3

Bank and other loans are subject to market rates of interest. Bank loans amounting to £18.6 million (1995: £40.8 million) are secured on tangible assets of Group undertakings.

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

		1996 £m	1995 £m
Amounts repayable in the financial years ending 31 March:	1997	–	13.8
	1998	6.5	9.6
	1999	9.7	6.0
	2000	2.3	4.5
	thereafter	1 040.6	18.2
		1 059.1	52.1

Note 24 – Long-term borrowings (continued)

Obligations under finance leases fall due for payment as follows:

	1996	1995
	£m	£m
Amounts payable after five years	–	0.5
Amounts payable between two and five years	9.2	12.4
Amounts payable between one and two years	8.2	11.4
Amounts payable within one year	12.1	15.2
	29.5	39.5
Less: future finance charges included above	(2.2)	(5.0)
	27.3	34.5
Included in current liabilities (note 18)	(10.9)	(12.7)
Included in long-term borrowings	16.4	21.8

Note 25 – Other long-term liabilities

	1996	1995
	£m	£m
Obligations for post retirement benefits	379.8	367.9
Deferred taxation	66.5	51.6
Other provisions	139.5	142.7
	585.8	562.2

Note 26 – Post retirement benefits

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

	1996	1995
	£m	£m
Regular cost	49.5	43.2
Spreading of surpluses and deficiencies	(13.3)	(12.1)
Notional interest on balance sheet provisions	22.4	20.3
	58.6	51.4

The liabilities of Group companies to pay future pension benefits, and liabilities in respect of the provision of medical benefits to pensioners, are in general exceeded by either the actuarial value of assets separately administered to provide for such future payments or by provisions made within the accounts of each company. All material liabilities have been calculated by, and costs have been provided in accordance with, the recommendations of independent qualified actuaries. All material pension plans have been valued by independent qualified actuaries within the last 3 years. Where the valuation methods used locally do not comply with the Group's accounting policy, liabilities have been reassessed such that the cost of providing post retirement benefits is charged against profits on a systematic basis over the relevant employees' service lives.

Note 26 – Post retirement benefits (continued)

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

	1996	1995
	£m	£m
Debtors	0.1	3.4
Current liabilities	24.8	24.1
Other long-term liabilities	379.8	367.9

The principal component of the other long-term liabilities of £379.8 million shown above at 31 March 1996 related to the obligations of Rothmans International's main German companies to pay future pension benefits, which are provided by way of balance sheet provisions. Actuarial valuations of the companies' estimated long-term liabilities were performed by Rüss, Dr Zimmermann and Partner, Actuaries, Hamburg, as at 31 March 1996 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 amounted to £258.3 million, which was covered by balance sheet provisions then existing.

Note 27 – Financial commitments and contingent liabilities

At 31 March 1996 certain Group companies had contingent liabilities and commitments. These principally related to commitments under forward exchange contracts together with commodity contracts which are appropriate to the companies' respective businesses. Such contracts are entered into exclusively to hedge current and forecast future foreign currency exposures and trading commitments arising in the ordinary course of business. No material losses are expected to arise in respect of these contingent liabilities and commitments.

At 31 March 1996 the Company and its subsidiary undertakings had signed non-cancellable operating leases in respect of which the following minimum rentals are payable:

	Land and buildings	Other assets	Total
	£m	£m	£m
Within one year	66.3	4.8	71.1
Between two and five years	157.4	4.3	161.7
Thereafter	131.7	0.2	131.9
	355.4	9.3	364.7

Note 28 – Cash inflow from operating activities

	1996 £m	1995 £m
Operating profit	**798.9**	688.0
Share of operating losses of associated undertakings	**30.8**	14.5
Depreciation of tangible fixed assets	**118.1**	124.5
Profit on disposal of tangible fixed assets	**(1.0)**	(1.8)
Increase in long-term liabilities	**54.0**	16.1
Increase in inventories	**(41.0)**	(89.5)
Increase in debtors	**(28.4)**	(16.9)
Decrease in current liabilities	**(30.0)**	(12.1)
	901.4	722.8
Net cash outflow in respect of the Group restructuring	**–**	(1.0)
Net cash outflow in respect of European rationalisation programme	**(52.0)**	(23.1)
Cash inflow from operating activities	**849.4**	698.7

Note 29 – Acquisitions of subsidiary undertakings and minority interests

	1996 £m	1995 £m
Total consideration payable (note 12)	**3 173.1**	44.3
Non cash consideration	**(1 500.0)**	–
Consideration deferred to future years	**(2.5)**	(7.3)
Consideration deferred from prior years	**1.0**	–
Consideration paid during the year	**1 671.6**	37.0
Cash and cash equivalents of subsidiary undertakings acquired	**(9.2)**	0.4
Acquisitions of subsidiary undertakings and minority interests – cash outflow	**1 662.4**	37.4
Analysed as:		
Acquisitions of subsidiary undertakings, net of cash acquired	**0.1**	11.9
Acquisition of Rothmans International public minorities	**1 651.6**	–
Acquisitions of other minority interests	**10.7**	25.5
	1 662.4	37.4

Note 30 – Cash and cash equivalents

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

	1996 £m	1995 £m
Marketable securities	**536.5**	482.3
Cash	**801.7**	1 263.6
Bank loans and overdrafts	**(508.3)**	(422.0)
	829.9	1 323.9

Note 31 – Principal group companies

Details of Richemont's underlying investments are given in the schedule of Principal Group Companies on pages 86 and 87.

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 statement of accounting policies, consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement and the notes to the consolidated financial statements on pages 53 to 71 for the year ended 31 March 1996 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, the results of operations and cash flows, in accordance with the Accounting and Reporting Recommendations as issued by the Foundation for Accounting and Reporting Recommendations in Switzerland.

Based on our examination we conclude that the consolidated financial statements are in accordance with the provisions of the law and the principles of consolidation and valuation described in the statement of accounting policies.

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

COOPERS & LYBRAND AG

Kurt Hausheer	Clive Bellingham	Zurich, 27 June 1996
Swiss Certified Public Accountant	Chartered Accountant	
Lead Auditor	Lead Auditor	

Compagnie Financière Richemont AG

Financial Statements of the Company

COMPAGNIE FINANCIÈRE RICHEMONT AG

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1996

	Notes	1996 SFr m	1995 SFr m
Income			
Dividends		**22.1**	21.2
Other income		**5.6**	6.3
		27.7	27.5
Expenses			
Interest paid		**0.3**	0.1
General expenses	2	**10.0**	9.8
		10.3	9.9
Profit before taxation		**17.4**	17.6
Taxation		**1.0**	1.1
Net profit for the year		**16.4**	16.5

Balance Sheet
at 31 March 1996

	Notes	1996 SFr m	1995 SFr m
Non-current assets			
Investments	3	702.8	702.8
Fixed assets	4	23.1	23.7
		725.9	726.5
Current assets			
Loans to affiliated companies		90.8	38.2
Debtors		0.3	0.3
Cash		1.7	1.3
		92.8	39.8
		818.7	766.3
Shareholders' equity			
Share capital	5	574.2	574.2
Legal reserve	6	111.9	111.1
Retained earnings	7	86.5	70.9
		772.6	756.2
Liabilities			
Current liabilities			
Accrued expenses		0.3	0.3
Taxation		0.4	1.4
Loans from affiliated companies		44.9	7.6
		45.6	9.3
Long-term liabilities		0.5	0.8
		46.1	10.1
		818.7	766.3

NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 1996

Note 1 – Basis of preparation of the financial statements

The financial statements represent the financial position of the Company at 31 March 1996 and the results of its operations for the year then ended, prepared in accordance with Swiss law.

Note 2 – General expenses

	1996	1995
	SFr m	SFr m
General expenses are comprised as follows:		
Personnel costs	3.0	3.8
Depreciation	0.6	0.6
Other	6.4	5.4
	10.0	9.8

Note 3 – Investments

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

	1996	1995
	SFr m	SFr m
Richemont SA, Luxembourg	700.0	700.0
Other investments	2.8	2.8
	702.8	702.8

Note 4 – Fixed assets

Excluding land, the net book value of tangible fixed assets is SFr 15.4 million (1995: SFr 16.0 million). The fire insurance value of the aforementioned tangible fixed assets amounts to SFr 19.2 million (1995: SFr 19.2 million).

Note 5 – Share capital

	1996	1995
	SFr m	SFr m
5 220 000 "A" bearer shares with a par value of SFr 100 each, fully paid	522.0	522.0
5 220 000 "B" registered shares with a par value of SFr 10 each, fully paid	52.2	52.2
	574.2	574.2

Note 6 – Legal reserve

	1996	1995
	SFr m	SFr m
Balance at 1 April	111.1	110.3
Transfer from retained earnings	0.8	0.8
	111.9	111.1

The legal reserve is not available for distribution.

Notes to the Financial Statements
at 31 March 1996

Note 7 – Retained earnings

	1996 SFr m	1995 SFr m
1 April, before appropriation of prior year retained earnings	**70.9**	55.2
Transfer to legal reserve	**(0.8)**	(0.8)
1 April, after appropriation	**70.1**	54.4
Net profit for the year	**16.4**	16.5
	86.5	70.9

The retained earnings are stated before the proposed appropriation as set out on page 78.

Note 8 – Contingent liabilities

At 31 March 1996 the Company had given guarantees totalling SFr 833.6 million in respect of which it had received indemnities from subsidiaries in the same amount to cover obligations of various group companies amounting to SFr 681.6 million. 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 5 September 1995, the following significant shareholdings were notified to the Company:

– 5 220 000 "B" registered shares held by Compagnie Financière Rupert, representing 50.0 per cent of the voting rights in the Company.

– 2 278 661 "A" bearer shares held by Richemont Securities AG, representing 21.8 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 1996

	SFr m
Available retained earnings	
1 April, after appropriation	70.1
Net profit for the year	16.4
	86.5
Proposed appropriation	
Transfer to legal reserve	0.8
Balance to be carried forward	85.7
	86.5

Details of the dividend proposed in respect of the participation certificates of Richemont SA, Luxembourg are given on page 85.

The Board of Directors — Zug, 27 June 1996

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 1996 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	Zurich, 27 June 1996
Swiss Certified Public Accountant	Chartered Accountant	
Lead Auditor	Lead Auditor	

Richemont SA

Financial Statements of the Company

RICHEMONT SA

DIRECTORS' REPORT

The Board of Directors of Richemont SA is pleased to submit its report on the activities of the Company for the year ended 31 March 1996. The following financial statements set out the financial position of the Company and the results of its operations for the year then ended.

STATEMENT OF ACCOUNTING POLICIES

(a) Accounting convention

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

(b) Foreign currency translation

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

(c) Investments in subsidiary undertakings

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

RICHEMONT SA

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1996

	1996 £m	1995 £m
Income		
Dividend	60.4	61.2
Other income	5.2	–
	65.6	61.2
Expenses		
General expenses	5.1	1.9
Profit before taxation	60.5	59.3
Taxation	0.1	0.1
Net profit for the year	60.4	59.2

RICHEMONT SA

BALANCE SHEET
AT 31 MARCH 1996

	Notes	1996 £m	1995 £m
Assets			
Investments	2	**2 565.0**	1 852.5
Cash		**1.3**	1.0
		2 566.3	1 853.5
Capital and reserves			
Share capital	3	**143.5**	143.5
Participation reserve	4	**430.7**	430.7
Legal reserve	5	**14.3**	13.8
General reserve	6	**285.3**	285.3
Retained earnings	7	**104.3**	96.6
		978.1	969.9
Liabilities			
Loans from group companies	8	**1 582.9**	883.5
Accrued expenses		5.3	0.1
		2 566.3	1 853.5

NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 1996

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 1996 and the results of its operations for the year then ended.

Note 2 – Investments

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

Note 3 – Share capital

	1996 £ m	1995 £ m
Authorised		
Shares with a par value of £ 75 each	**200.0**	200.0
Issued and fully paid		
1 914 000 shares with a par value of £ 75 each	**143.5**	143.5

Note 4 – Participation reserve

	1996 £ m	1995 £ m
Reserve established in respect of 5 742 000 participation certificates with no par value	**430.7**	430.7

The Company has set aside a participation reserve amounting to £ 430.7 million and issued, in respect of this reserve, 5 220 000 (1995: 5 220 000) bearer non-voting participation certificates with no par value and 522 000 (1995: 522 000) registered non-voting participation certificates with no par value. Bearer and registered participation certificates have identical rights.

Note 5 – Legal reserve

The legal reserve amounting to £ 14.3 million (1995: £ 13.8 million) is not available for distribution.

Note 6 – General reserve

The general reserve amounting to £ 285.3 million (1995: £ 285.3 million) is available for distribution subject to the approval of the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 1996

Note 7 – Retained earnings

	1996 £m	1995 £m
1 April, before appropriation of prior year retained earnings	**96.6**	85.1
Transfer to legal reserve	**(0.5)**	(2.1)
8.33 per cent dividend paid on share capital (1995: 7.20 per cent)	**(12.0)**	(10.3)
9.33 per cent dividend paid on participation reserve (1995: 8.20 per cent)	**(40.2)**	(35.3)
1 April, after appropriation	**43.9**	37.4
Net profit for the current year	**60.4**	59.2
	104.3	96.6

The retained earnings at 31 March are stated before the proposed appropriation thereof as set out on page 85.

Note 8 – Loans from group companies

The loans from group companies are principally interest free and are repayable on demand.

Note 9 – Contingent liabilities

At 31 March 1996 the Company had given guarantees totalling £689.4 million to cover obligations of various group companies amounting to £596.5 million. The Company does not foresee any liability arising under these guarantees and, therefore, no provision has been made.

Richemont SA

Proposal of the Board of Directors for the Appropriation of Retained Earnings
at 31 March 1996

	£ m
Available retained earnings	
1 April, after appropriation	43.9
Net profit for the year	60.4
	104.3
Proposed appropriation	
9.67 per cent dividend payable on share capital	13.9
10.67 per cent dividend payable on participation reserve	45.9
Balance to be carried forward	44.5
	104.3

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 £ 8.00 per participation certificate. It will be payable to unitholders of Richemont on 1 October 1996 in respect of coupon number 40, free of charges, at the banks designated as paying agents.

The Board of Directors — Luxembourg, 24 June 1996

Report of the Statutory Auditors

To the Shareholders
Richemont SA, Luxembourg

We have audited the accompanying annual accounts of Richemont SA for the year ended 31 March 1996. These annual accounts are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these annual accounts based on our audit.

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

In our opinion, the accompanying annual accounts give, in conformity with the legal requirements, a true and fair view of the financial position of Richemont SA as of 31 March 1996 and of the results of its operations for the year then ended. 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 SC — Luxembourg, 24 June 1996
Statutory auditors
represented by Dominique Robyns
Réviseur d'Entreprises

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 1996, 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 53.

Country of incorporation	Name of company	Effective interest
Subsidiary undertakings – tobacco products		
Australia	Rothmans Holdings Limited	33.3%
	Rothmans of Pall Mall (Australia) Limited	33.3%
Belgium	Tabacofina-Vander Elst NV	66.4%
Canada	Rothmans, Benson & Hedges Inc.	28.5%
	Rothmans Inc.	47.5%
Germany	Brinkmann Niemeyer GmbH	66.7%
	Rothmans Cigaretten GmbH	66.7%
Japan	Rothmans Marubeni Tobacco Corporation	66.7%
Luxembourg	Rothmans International Holdings SA	66.7%
	RTH Luxembourg SA	66.7%
Malaysia	Rothmans of Pall Mall (Malaysia) Berhad	33.3%
Netherlands	Rothmans Europe (Nederland) BV	66.7%
	Rothmans International BV	66.7%
	Rothmans Manufacturing (The Netherlands) BV	66.7%
	Rothmans Nederland Holdings BV	66.7%
	Theodorus Niemeyer BV	66.7%
New Zealand	Rothmans of Pall Mall (New Zealand) Limited	33.3%
Republic of Ireland	PJ Carroll and Company Limited	66.7%
Singapore	Rothmans Industries Limited	33.3%
South Africa	R&R Tobacco Holdings (Pty) Limited	66.7%
	R&R Tobacco (Pty) Limited	66.7%
Switzerland	Rothmans of Pall Mall Limited	66.7%
	Sullana AG	66.7%
United Kingdom	Dunhill Tobacco of London Limited	66.7%
	The London Tobacco Company Limited	66.7%
	Rothmans (Far East) Limited	66.7%
	Rothmans International Limited	66.7%
	Rothmans International Services Limited	66.7%
	Rothmans International Tobacco (UK) Limited	66.7%
	Rothmans of Pall Mall (International) Limited	66.7%
	Rothmans (UK) Limited	43.3%
United States of America	Lane Limited	66.7%
	Tobacco Exporters International (USA) Limited	66.7%
Zimbabwe	Rothmans of Pall Mall (Zimbabwe) Limited	33.3%

PRINCIPAL GROUP COMPANIES

Country of incorporation	Name of company	Effective interest
Subsidiary undertakings – luxury goods		
France	Cartier SA	69.9%
	Chloé International SA	69.9%
	Karl Lagerfeld SA	69.9%
Germany	Cartier GmbH	69.9%
	Karl Seeger Lederwarenfabrik GmbH	69.9%
	Montblanc – Simplo GmbH	69.9%
Hong Kong	Les Must de Cartier Far East Limited	69.9%
Italy	LMC International Spa	69.9%
Japan	Cartier Japan Limited	69.9%
	Dunhill Group Japan Limited	46.2%
Luxembourg	Cartier Monde SA	69.9%
	Vendôme Luxury Group SA	69.9%
Netherlands	Cartier International BV	69.9%
	Montblanc International BV	69.9%
	Vendôme Luxury Group BV	69.9%
Switzerland	Baume & Mercier SA	69.9%
	Cartier International SA	69.9%
	Cartier SA	69.9%
	Interdica SA	69.9%
	Piaget (International) SA	69.9%
United Kingdom	Alfred Dunhill Limited	69.9%
	Cartier Limited	69.9%
	Hackett Limited	69.9%
	James Purdey & Sons Limited	69.9%
	Vendôme Luxury Group PLC	69.9%
United States of America	A Sulka & Company Limited	69.9%
	Cartier, Incorporated	69.9%
	Montblanc Inc.	69.9%
Subsidiary undertakings – other		
Luxembourg	Richemont Finance SA (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)	31.6%
Luxembourg	Network Holdings SA (Holding company)	50.0%
Netherlands	Nethold BV (Electronic media)	50.0%[(2)]
United States of America	Hanover Direct, Inc. (Direct retailing)	25.1%

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