

RICHEMONT

Placement of 52 200 'A' units, each consisting of
one 'A' bearer share with a par value of SFr 1 000 in

Compagnie Financière Richemont AG, Zug

and

one bearer participation certificate with no par value in

Richemont SA, Luxembourg

Placement price	SFr 5100.- net per unit
Placement period	September 23 to 29, 1988 midday
Settlement	October 14, 1988

Union Bank of Switzerland

Bank J. Vontobel & Co AG

Darier & Cie

Hentsch & Cie

Pictet & Cie

Anlage- und Kreditbank AKB

International financial advisers to the Issuers

S.G. Warburg Group

Hambros Bank Limited

Union Bank of Switzerland

RICHEMONT

Placing of 52 200 'A' Units

Subscription Form

I/we subscribe as per the placing offer in the September 21, 1988 prospectus for



'A' units, each consisting of:

One 'A' bearer share with a par value of SFr 1000 in

Companie Financière Richemont AG, Zug

and

One bearer participation certificate with no par value in **Richemont SA, Luxembourg**

at the net price of SFr 5 100.- per 'A' unit

on the condition that the securities allocated are paid in full by **October 14, 1988** at the latest.

Consideration

- ☐ charge to Account No. _____
- ☐ to _____ No. _____
- ☐ will be paid/transferred

Security

- ☐ to Custody Account No. _____
- ☐ hold
- ☐ deliver (check the appropriate answer)

Name (please print) _____

Address _____

Postal code _____

Date _____ 1988 Signature _____

Introduction

Compagnie Financière Richemont AG ("CFR") was incorporated in Zug, Switzerland, on August 16, 1988 with a share capital of SFr 110 000. On September 20, 1988, CFR increased its share capital to SFr 574 200 000 upon the contribution of the whole of the share capital of Richemont SA, Luxembourg, Business Control SA, Geneva and SFr 574 200 in cash.

Richemont SA was incorporated in Luxembourg, Grand Duchy of Luxembourg, on March 5, 1979. Prior to its acquisition by CFR, Richemont SA was a wholly-owned subsidiary of Rembrandt Group Limited ("Rembrandt"), an industrial and financial holding company based in Stellenbosch, South Africa. Business Control SA was incorporated on January 26, 1972 and is registered in Geneva, Switzerland, as an independent management service company.

CFR and Richemont SA (together with their subsidiary companies, the "Group") comprise most of the international assets formerly held by Rembrandt. These assets include major shareholdings in international companies operating primarily in Europe and North America in the fields of luxury consumer goods, tobacco products, financial services and natural resources.

Disposal of Richemont SA

The disposal of Richemont SA by Rembrandt was effected pursuant to a resolution of Rembrandt shareholders adopted on September 15, 1988. This resolution approved a fiduciary contract entered into between Rupert Group Holdings SA ("RGH"), a Luxembourg-based wholly-owned subsidiary of Rembrandt and the immediate parent company of Richemont SA, and Union de Banques Suisses (Luxembourg) SA ("UBS Luxembourg"). Following the discharge by UBS Luxembourg of its obligations under this fiduciary contract, as detailed below, the Group has been entirely separated from Rembrandt in both legal and operational terms.

In terms of the fiduciary contract, RGH transferred to UBS Luxembourg the beneficial ownership of the entire issued share capital of Richemont SA, subject to certain fiduciary obligations, including:

- (a) the reorganization of the capital and reserves of Richemont SA to the present structure as further detailed in this prospectus;
- (b) the contribution to CFR of the whole of the share capital of Richemont SA together with that of Business Control SA and SFr 574 200 in cash, in exchange for 'A' shares of par value SFr 1 000 and 'B' shares of par value SFr 100, each share carrying one vote, issued by CFR;
- (c) the creation of 'A' and 'B' units by twinning, in terms of the articles of incorporation of the respective companies, either one 'A' or ten 'B' shares in CFR with one participation certificate in Richemont SA;
- (d) the deposit of 522 000 'A' units, being all 'A' units in issue, with Richemont Securities AG, a wholly-owned subsidiary of CFR acting as depositary, with instructions to distribute letters of entitlement to depositary receipts in the ratio of one thousand depositary receipts for every 'A' unit to the ultimate shareholders of Rembrandt and of its respective holding companies;
- (e) the sale of 52 200 'B' units to Compagnie Financière Ehrbar, a privately held partnership limited by shares incorporated in Fribourg, Switzerland, controlled by the founders and controlling shareholders of Rembrandt including members of the Rupert family;
- (f) the assignment of the proceeds of the sale of the 'B' units, after deduction of fees and expenses, to RGH.

Upon the distribution of letters of entitlement to depositary receipts, Compagnie Financière Ehrbar has acquired rights to 52 200 'A' units from the founders and controlling shareholders of Rembrandt. These 52 200 'A' units, each consisting of one fully paid 'A' bearer share with a par value of SFr 1 000 each in CFR and one bearer participation certificate with no par value in Richemont SA, are the subject of this public placement.

Offer for sale

Union Bank of Switzerland, Zurich, as lead manager, has underwritten the sale of these units on behalf of a syndicate of banks consisting of Union Bank of Switzerland, Bank J. Vontobel & Co AG, Zurich, Darier & Cie, Hentsch & Cie and Pictet & Cie, all of Geneva and Anlage- und Kreditbank AKB, Zurich and undertaken to place such units with investors in the Swiss domestic market on the terms and conditions set out herein.

All 'A' and 'B' shares issued by CFR and related participation certificates issued by Richemont SA are entitled to a dividend with effect from April 1, 1988. This will be payable for the first time in respect of the full twelve month period ending March 31, 1989.

The 'A' units will be issued in the form of certificates representing one, five and ten units. Application will be made for the listing of all 522 000 'A' units in issue on the Vorbörse, the official pre-market regulated by the stock exchanges of Zurich, Geneva and Basle. Application will be made in due course for a full listing on these exchanges. Application has also been made for the listing of the depositary receipts on the Johannesburg Stock Exchange. It is not intended to seek a listing of the 'B' units.

Twinning of shares and participation certificates

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

- (a) Each 'A' bearer share in CFR with a par value of SFr 1 000 each 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 CFR with a par value of SFr 100 each are twinned with one registered participation certificate in Richemont SA with no par value to form one 'B' unit issued in registered form.

Each unit is indivisible and the share (or shares) and participation certificate which constitute the unit are represented by a single, indivisible document of title. The share (or shares) and participation certificate can accordingly not be traded separately, either on a stock exchange or otherwise. Furthermore, in terms of the respective articles of incorporation, no new issue of shares in CFR or participation certificates in Richemont SA shall be valid unless these are similarly twinned in the form of new indivisible units.

Depositary receipt arrangements

A depositary receipt is a claim against the Depositary in respect of a one thousandth undivided share of the rights, including voting rights, accruing to an 'A' unit and of the proceeds of any sale or other realisation of such an 'A' unit. Depositary receipt certificates are issued in registered form. All depositary receipts, in issue or to be issued in exchange for 'A' units, are to be listed on the Johannesburg Stock Exchange.

The Depositary is Richemont Securities AG, a wholly-owned subsidiary of CFR based in Zug, Switzerland. It has been established for the specific purpose of issuing and cancelling depositary receipts. It also provides the necessary facilities for the registration of the holders of depositary receipts and the exchange of depositary receipts for 'A' units and vice versa. All 'A' units underlying the depositary receipts in issue are held in safe custody by Union Bank of Switzerland, Zurich (the "Custodian").

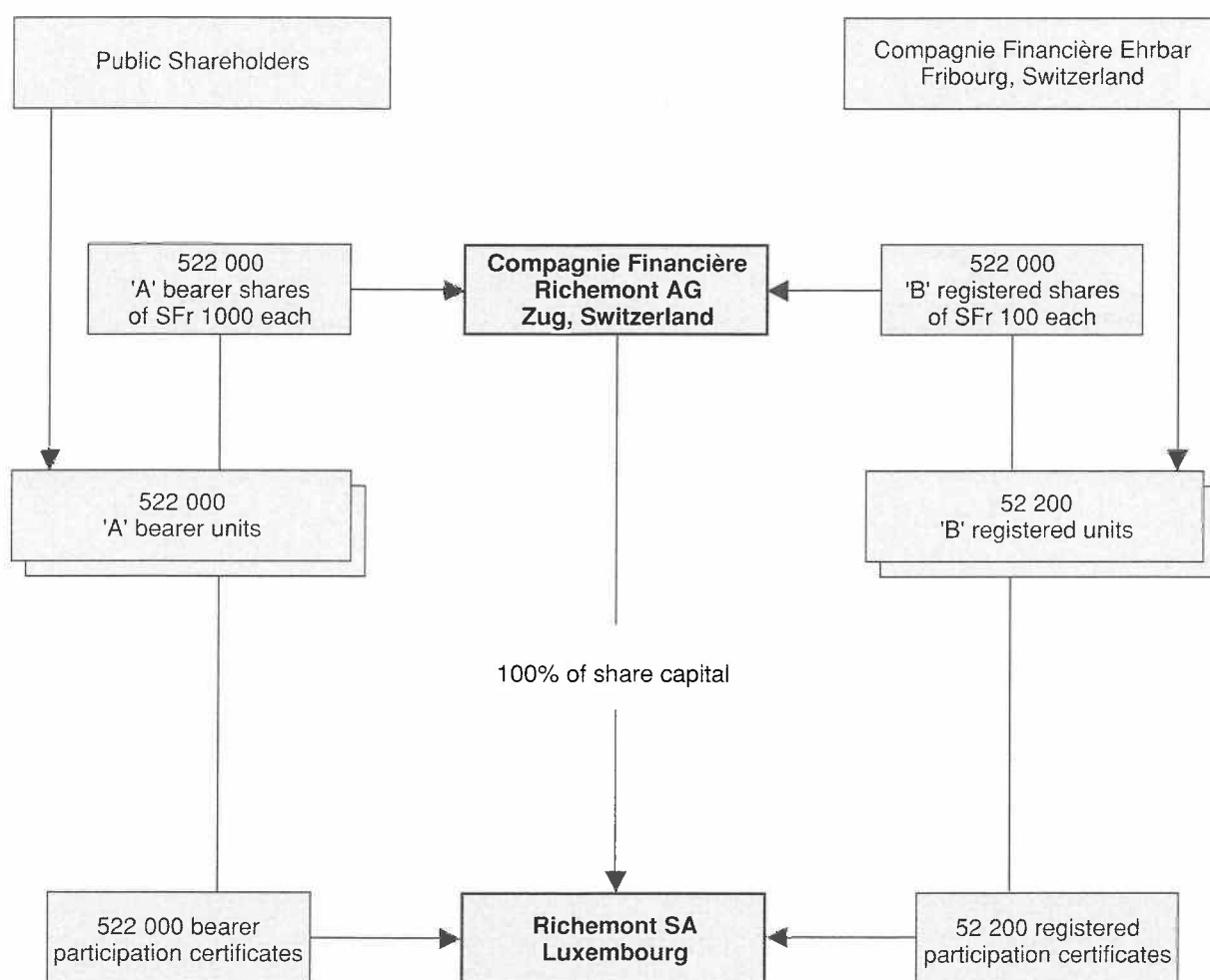
Any holder of 'A' units may, at any time, exchange such 'A' units for depositary receipts, subject to the payment of SFr 50 per 'A' unit exchanged. The exchange is effected by delivery of the relevant 'A' unit certificates to the Custodian for the account of the Depositary. Upon the delivery of 'A' units, the Depositary shall issue depositary receipts in the ratio of one thousand depositary receipts for every 'A' unit delivered. Rand Merchant Bank (the "Depositary Agent") acting as the agent of the Depositary in South Africa, shall issue to the depositor or his order one or more depositary receipt certificates evidencing the depositary receipts issued by the Depositary.

Any holder of one thousand depositary receipts, or multiples thereof, may, at any time, exchange such depositary receipts for 'A' units, subject to the transaction being in accordance with applicable exchange control regulations and to the payment of SFr 50 per one thousand depositary receipts exchanged. The exchange is effected by the surrender to the Depositary or the Depositary Agent of depositary receipt certificates. Upon the surrender of such certificates, the Depositary shall instruct the Custodian to release and transfer 'A' unit certificates in the ratio of one 'A' unit to one thousand depositary receipts surrendered.

The depositary agreements, setting out in detail the depositary receipt arrangements, are available for inspection at the registered office of Richemont Securities AG, 5 Weinbergstrasse, 6300 Zug, Switzerland.

Group structure

The Group structure can be schematically illustrated as follows:



Information about Compagnie Financière Richemont AG, Zug

Company, registered office and duration

Compagnie Financière Richemont AG, which is registered in Zug, was incorporated and entered in the commercial register on August 16, 1988. The company's duration is indefinite.

Objects

The objects of the company are to acquire and hold, directly or indirectly, investments in other companies in Switzerland or abroad and to finance affiliated companies.

The company is authorized to perform any act and execute any transaction directly or indirectly relating to its objects.

Share capital

Following an increase in its share capital on September 20, 1988, the issued and fully paid-up share capital of CFR is SFr 574 200 000 divided into:

- 522 000 'A' bearer shares with a par value of SFr 1 000 each, and
- 522 000 'B' registered shares with a par value of SFr 100 each.

The shares of both classes confer the right to exercise one vote per share at general meetings of shareholders and carry equal rights, in proportion to their respective nominal values, to dividends derived from net profits and the proceeds of liquidation.

Legal reserve

On September 20, 1988 the company had a non-distributable legal reserve amounting to SFr 108 759 200, after making a provision for formation expenses estimated at SFr 20 000 000.

Bonds

The company and its subsidiaries do not have any bonds in issue.

Announcements

Announcements will be published in the Swiss Official Gazette of Commerce as well as in daily newspapers in Zurich, Geneva and Basle. The Board of Directors may also designate further publications for such purposes.

Board of Directors

The Board of Directors comprises:

Dr. Nikolaus Senn	Herrliberg, Zurich	Chairman
Jean-Paul Aeschimann	Collonge-Bellerive, Geneva	Deputy Chairman
Johann Rupert	Somerset-West	
Jan du Plessis	Oberägeri, Zug	
Dr. Max Ehrbar	Zollikon, Zurich	
Joseph Kanoui	Geneva	
Matthys Roux	Stellenbosch	

Management

The Management comprises:

Johann Rupert	Managing Director
Jan du Plessis	Finance Director
Joseph Kanoui	
Eloy Michotte	
Howard Tanner	

Auditors

Price Waterhouse AG, Zurich have been appointed statutory auditors of the company and independent auditors for the purposes of Article 723 of the Swiss Code of Obligations.

Annual report and appropriation of net profit

The balance sheet and profit and loss account of the company shall be drawn up in accordance with the provisions of the Swiss Code of Obligations. The financial year of the company ends on March 31 of each year. The first accounting period commenced on August 16, 1988 and shall end on March 31, 1989.

Under Swiss law, the company is obliged to transfer to a legal reserve a minimum of 5 per cent of net profit each year until it equals one fifth of the paid-in share capital. This reserve is not available for distribution. The profit available for distribution shall be appropriated in the manner decided upon by the shareholders at the Annual General Meeting, based on the recommendation of the Board of Directors.

Dividend policy

CFR has not paid any dividend since its incorporation on August 16, 1988. The Board of Directors considers it to be important for CFR, as a newly incorporated company, to adhere to a dividend policy consistent with the need to accumulate adequate reserves, particularly in the initial years.

Details of the proposed dividend policy in respect of the participation certificates issued by Richemont SA, are given on page 9 of this prospectus.

Paying agents

Dividend payments by CFR will be made free of charge, but subject to the deduction of Swiss federal withholding tax, at all Swiss offices of Union Bank of Switzerland, Bank J. Vontobel & Co AG, Darier & Cie, Hentsch & Cie, Pictet & Cie, and Anlage- und Kreditbank AKB.

Financial statements of Compagnie Financière Richemont AG, Zug

Balance sheet at September 20, 1988

(expressed in Swiss francs)

	Notes	
Assets		
Investments	2	702 275 000
Cash		25 684 200
		<u>727 959 200</u>
Shareholders' equity		
Share capital	3	574 200 000
Legal reserve	4	108 759 200
		<u>682 959 200</u>
Liabilities		
Accrued expenses		20 000 000
Long-term loan from affiliated company		25 000 000
		<u>45 000 000</u>
		<u>727 959 200</u>

Notes to the balance sheet at September 20, 1988

Note 1 - Basis of preparation of the balance sheet

The balance sheet represents the financial position of the company at September 20, 1988, following the contribution to the company of the share capital of Richemont SA and of Business Control SA and of SFr 574 200 in cash in exchange for the issue of 521 900 'A' bearer shares and 521 900 'B' registered shares. As the company was formed on August 16, 1988 no profit and loss account has been prepared for the period ended September 20, 1988.

Note 2 - Investments

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

	SFr
Richemont SA, Luxembourg	700 000 000
Other investments	2 275 000
	<u>702 275 000</u>

The value of the investments contributed to the company has been estimated by Price Waterhouse AG, Zurich, to be no less than SFr 702 275 000.

Note 3 – Share capital

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

Note 4 – Legal reserve

	SFr
Premium arising on the increase in share capital on September 20, 1988	128 759 200
Less: provision for formation expenses	(20 000 000)
	<u>108 759 200</u>

This reserve is not available for distribution.

Auditors' report

To the Directors
Compagnie Financière Richemont AG, Zug

As independent auditors of Compagnie Financière Richemont AG we have examined the balance sheet at September 20, 1988 in accordance with the provisions of the Swiss Code of Obligations.

We report that

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

Zurich, September 21, 1988

Price Waterhouse AG

Urs Landolt

David Dean

Information about Richemont SA, Luxembourg

Company, registered office and duration

Richemont SA was incorporated as a société anonyme in Luxembourg on March 5, 1979 under the name of Intercontinental Mining & Resources SA and entered in the commercial register on April 11, 1979 under the reference B 16576. On March 31, 1987 it changed its name to IMR Group SA and on August 17, 1988 to Richemont SA. The registered office of the company is 123 Avenue du X Septembre, 2551 Luxembourg.

The company's duration is indefinite. The articles of incorporation have been published in the Mémorial, Recueil Spécial des Sociétés et Associations (the "Mémorial"), the official gazette of Luxembourg, on June 15, 1979, November 16, 1979, June 28, 1980 and July 15, 1987. The revised articles adopted pursuant to the restructuring effected on September 20, 1988 will also be published in the Mémorial in due course.

Objects

The objects of the company are to acquire and administer investments in Luxembourg and foreign companies. The company may undertake any operation within the limits stipulated by the Luxembourg law on holding companies of July 31, 1929 and by applicable regulations.

Share capital and participation reserve

The issued and fully paid-up share capital of Richemont SA is £ 143 550 000 divided into 191 400 registered shares with a par value of £ 750 each. Each share confers the right to exercise one vote at general meetings of shareholders.

In addition, the company has set aside a participation reserve amounting to £ 430 650 000 and issued, in respect of that reserve, 522 000 bearer non-voting participation certificates with no par value and 52 200 registered non-voting participation certificates with no par value. Bearer and registered participation certificates have identical rights.

The rights attaching to the shares and the participation certificates, in terms of income and capital, are as follows:

(a) Income

Out of the current earnings available for distribution, holders of participation certificates shall be entitled to receive an aggregate non-cumulative preference dividend equal to 1 per cent of the participation reserve. Distribution of any further dividends by Richemont SA shall be made equally in respect of each share and participation certificate outstanding.

(b) Capital

Upon a return of capital on liquidation or otherwise, holders of participation certificates shall be entitled to receive a payment in aggregate equal to the participation reserve in priority to any payments in respect of the shares. Subject to the foregoing, there shall be paid in respect of each share an amount equal to the par value thereof. The balance of the assets shall be distributed equally in respect of each share and participation certificate outstanding.

The rights of holders of shares and participation certificates shall be governed by the articles of incorporation and Luxembourg law. The place of jurisdiction shall be Luxembourg.

Reserves

In addition to the participation reserve referred to above, the reserves of the company on September 20, 1988 were as follows:

- (a) General reserve amounting to £ 285 307 641
- (b) Legal reserve amounting to £ 2 652 801
- (c) Accumulated profit amounting to £ 60 192 562

Announcements

Announcements will be published in daily newspapers in Zurich, Geneva and Basle and, to the extent required by law, in the Mémorial and in a Luxembourg newspaper. The Board of Directors may also designate further publications for such purposes.

Board of Directors and Management

Johann Rupert	Somerset-West	Executive Chairman
Jean-Paul Aeschimann	Collonge-Bellerive, Geneva	
Jan du Plessis	Oberägeri, Zug	Finance Director
René Gerber	Kilchberg, Zurich	
Joseph Kanoui	Geneva	Executive Director
Eloy Michotte	London	Executive Director
Alan Quasha	New York	
Howard Tanner	London	Executive Director

The Executive Chairman, Finance Director and Executive Directors form the Management of the company.

Auditors

Price Waterhouse, Luxembourg, have been appointed statutory auditors of the company for the purposes of Article 61 of the Luxembourg law of August 10, 1915 as amended.

Annual report and appropriation of net profit

The balance sheet and profit and loss account of the company shall be drawn up in accordance with the requirements of the Luxembourg law of August 10, 1915 as amended by the law of May 4, 1984. The financial year of the company ends on March 31 of each year.

Under Luxembourg law, the company is obliged to transfer to a legal reserve a minimum of 5 per cent of net profit each year until the reserve equals 10 per cent of the issued share capital. Subject to the relative rights of the shareholders and holders of participation certificates as set out above, the annual net profit of the company shall be appropriated in the manner decided upon by the shareholders at the Annual General Meeting.

Dividend policy

Richemont SA has reinvested profits and not paid dividends in respect of the last three years. It is, however, anticipated that a dividend will be paid in respect of the financial year ending March 31, 1989 such that CFR, the shareholder, will receive a dividend of not less than 3 per cent of the par value of the share capital and that holders of participation certificates will receive a dividend of not less than 4 per cent of the amount of the participation reserve — including the 1 per cent preference dividend as provided for in the articles of incorporation.

Dividends will be payable annually, within six months of the company's financial year-end. At present no withholding tax is levied on dividends paid by Luxembourg holding companies.

Paying agents

Dividend payments by Richemont SA will be made free of charge at all Swiss offices of Union Bank of Switzerland, Bank J. Vontobel & Co AG, Darier & Cie, Hentsch & Cie, Pictet & Cie, and Anlage- und Kreditbank AKB.

Financial statements of Richemont SA, Luxembourg

Balance sheet at September 20, 1988

(expressed in pounds sterling)

	Notes	
Assets		
Investments	2	912 563 668
Cash		9 762 500
Accrued income		57 572
		922 383 740
Capital and reserves		
Share capital	3	143 550 000
Participation reserve	4	430 650 000
General reserve	5	285 307 641
Legal reserve	6	2 652 801
Profit brought forward		50 403 226
Profit for the period		9 789 336
		922 353 004
Current liabilities		
Accrued expenses		30 736
		922 383 740

Profit and loss account for the period April 1, 1988 to September 20, 1988

(expressed in pounds sterling)

Dividend income	9 762 500
Other income, net of other expenses	26 836
Profit for the period	9 789 336

Notes to the financial statements at September 20, 1988

Note 1 – Basis of preparation of the financial statements

The financial statements have been prepared at September 20, 1988 to illustrate the effect of the restructuring of the company's share capital and reserves on that date.

Note 2 – Investments

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

	£
Investment in subsidiary companies	620 755 518
Loans to subsidiary companies	291 808 150
	912 563 668

Note 3 – Share capital

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

Note 4 – Participation reserve

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

Note 5 – General reserve

The general reserve amounting to £ 285 307 641 is available for distribution subject to the approval of the shareholders at the Annual General Meeting.

Note 6 – Legal reserve

The legal reserve is not available for distribution.

Auditors' report

To the Directors
Richemont SA, Luxembourg

We have examined the balance sheet at September 20, 1988 of Richemont SA and the related profit and loss account for the period April 1, 1988 to September 20, 1988. Our examination was made in accordance with generally accepted auditing standards.

In our opinion, the accompanying financial statements examined by us give a true and fair view of the financial position at September 20, 1988 and the related results of operations for the period April 1, 1988 to September 20, 1988 of Richemont SA and are prepared in conformity with Luxembourg accounting principles.

Luxembourg, September 21, 1988

Price Waterhouse

Principal group companies and activities

CFR is an investment holding company. Through its shareholding in Richemont SA, it holds interests in a number of subsidiary and associated companies that are incorporated mainly in Europe and North America.

The principal companies in the Group as at the date of issue of this prospectus, as well as in each case the effective interest in their equity which is attributable to CFR, is given below. For the sake of clarity, intermediate companies which have no operating role in the Group have been omitted from this summary.

Name of Company	Country of Incorporation	Class of share capital	Issued share capital (000's)	Attributable to CFR	Principal activity
Richemont SA	Luxembourg	Ordinary shares	£ 143 550	100.0%	Holding company
Business Control SA	Switzerland	Ordinary shares	SFr 500	100.0%	Management services
Luxco SA	Luxembourg	Ordinary shares	US\$ 500 000	90.3%	Luxury goods
North American Resources Ltd	British Virgin Islands	Common shares	US\$ 50 000	50.0%	Oil and gas, lumber
		Preferred shares	US\$ 50 000	100.0%	
R & R Holdings Ltd	Switzerland	Ordinary shares	SFr 9 980	100.0%	Holding company
Richemont Securities AG	Switzerland	Ordinary shares	SFr 100	100.0%	Depositary
Rothmans International PLC	United Kingdom	Ordinary shares	£ 2 282	99.9%	Tobacco products, luxury goods
		'B' Ordinary shares	£ 37 078	29.0%	
		Cumulative preference shares	£ 300	100.0%	
The Continental and Industrial Trust PLC	United Kingdom	Ordinary shares	£ 4 235	20.2%	Investment trust
		Cumulative preference shares	£ 1 000	—	
TransAtlantic Holdings PLC	United Kingdom	Ordinary shares	£ 55 659	10.7%	Financial services
		Preferred ordinary shares	£ 30 611	50.8%	
Twickenham Investments	United Kingdom	Ordinary shares	£ 70 000	100.0%	Holding company

It is anticipated that in the current financial year approximately a third of the Group's consolidated net profit will be derived from luxury consumer goods, a third from tobacco products and the balance from financial services, activities in North America, cash resources and portfolio investments.

Luxury consumer goods

The Group's interests in the field of luxury consumer goods are held through Rothmans International PLC and Luxco SA. They include interests in Dunhill Holdings PLC, Cartier Monde SA, Piaget Holding SA and Baume et Mercier SA.

Dunhill Holdings PLC is engaged in the marketing of luxury consumer products worldwide, including fashion clothing and accessories for men and women, watches, smokers' products, writing instruments and fragrances under the Dunhill, Montblanc and Chloé trademarks.

Cartier Monde SA designs and markets exclusive jewellery, luxury watches, lighters, writing instruments, leather goods and prestige perfumes. Cartier's products are sold worldwide under the names of Cartier and les Must de Cartier. In addition, Cartier designs and distributes, under licence, Yves Saint Laurent and Ferrari Formula accessories.

Piaget Holding SA and Baume et Mercier SA are Swiss manufacturers of traditional, luxury and jewellery watches.

Tobacco products

The Group's interests are held primarily through Rothmans International PLC ("RI"). Its 'B' ordinary shares are listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland (the "London Stock Exchange") as well as on the Amsterdam, Antwerp, Brussels and Frankfurt stock exchanges.

Companies in the RI group manufacture a wide range of well-known brands of cigarettes, cigars and smoking tobaccos for distribution through wholesale and retail outlets throughout the world. Whilst these companies operate primarily in Europe, North America and in the Asia Pacific region, exports from the United Kingdom and other European sources generate a significant proportion of the RI group's sales volume and operating profit.

Financial Services

The Group's investments in the field of financial services include interests in TransAtlantic Holdings PLC ("TransAtlantic") and The Continental and Industrial Trust PLC ("CIT").

TransAtlantic is a public company listed on the Luxembourg Stock Exchange. Its major subsidiary is Capital & Counties PLC ("CapCo"), a real estate investment and development company. CapCo's portfolio is largely concentrated on high quality commercial buildings, office parks and regional shopping centres. TransAtlantic also holds a 26% investment in Sun Life Assurance Society PLC ("Sun Life"), a leading life insurance company operating in the United Kingdom. Both CapCo and Sun Life are listed on the London Stock Exchange.

CIT is an approved investment trust listed on the London Stock Exchange. Its policy is to invest in international financial services businesses, including leading companies in life insurance, real estate, investment and banking activities, as well as in related fields.

North America

The Group's investments in North America are held through North American Resources Ltd ("NAR"), a private, unlisted company. NAR holds long-term interests and short-term portfolio investments in the oil and gas industry, principally in the production, wholesaling and distribution of petroleum products and in the lumber industry.

Arrangements with Philip Morris Companies Inc.

The Group's shareholding in RI represents approximately 33.1 per cent of the equity and 43.0 per cent of the voting rights of RI. The second biggest shareholder of RI is Philip Morris Companies Inc. ("PM"), whose shareholding represents approximately 29.4 per cent of the equity of and just less than 25 per cent of the voting rights in RI.

Prior to the disposal of Richemont SA by Rembrandt on September 20, 1988, certain agreements existed between Rembrandt and PM in terms of which:

- (a) Rembrandt and PM granted each other first refusal rights in the event that either party should wish to dispose of its interest in RI;
- (b) PM undertook not to increase its voting interest in RI beyond the 25 per cent level;
- (c) mechanisms were instituted to ensure compliance with these various undertakings resulting in the suspension of the voting rights attaching to the shares held by the party in breach of the agreement. Any suspension of voting rights would continue only for so long as the cause thereof continued and would not, in any event, prevent the party whose shareholding is so affected from selling such shareholding to a third party free from such suspension, subject only to the other party's right of first refusal.

Under these agreements, PM's consent to the disposal was required, since it involved a sale by Rembrandt to CFR of its interest in RI without first granting to PM a right of first refusal in respect thereof. PM agreed to the disposal subject to the conclusion of agreements with CFR similar to those which previously existed between Rembrandt and PM, provided that the Rupert family would maintain effective control of, and an economic interest of not less than 5.5 per cent in, CFR. Should the Rupert family fail to maintain such effective control and economic interest, the consequence of the arrangements entered into with PM would be such that the mechanisms referred to in (c) above would take effect, resulting in the suspension of the voting rights attaching to the Group's shareholding in RI.

The Board of Directors of CFR has carefully considered the agreements which existed between Rembrandt and PM as well as the extensions thereof required by PM. It concluded that, having regard to the benefits which it believed should flow to all shareholders as a result of the disposal of Richemont SA by Rembrandt, acceptance of their terms was fully compatible with the interests of CFR and its shareholders. As a result, new agreements to this effect were entered into, which agreements became unconditional simultaneously with the disposal of Richemont SA by Rembrandt on September 20, 1988.

Pro-forma consolidated financial statements of Compagnie Financière Richemont AG, Zug

Pro-forma consolidated balance sheet at March 31, 1988

(expressed in pound sterling millions)

	Notes	
Assets		
Investments		
Investments in associated companies	3	466.0
Other long-term investments	4	5.4
		<u>471.4</u>
Fixed assets		13.7
		<u>485.1</u>
Current assets		
Cash		194.4
Marketable securities	5	126.7
Debtors		13.7
		<u>334.8</u>
		<u>819.9</u>
Unitholders' funds		
Share capital	6	223.2
Participation reserve	7	430.7
Other reserves	8	76.1
		<u>730.0</u>
Minority interest	9	9.3
		<u>739.3</u>
Liabilities		
Long-term borrowings	10	42.9
Creditors and accrued liabilities		37.7
		<u>80.6</u>
		<u>819.9</u>

**Pro-forma consolidated profit and loss accounts
for the years ended March 31, 1988 and 1987**

(expressed in pound sterling millions)

	<u>Notes</u>	<u>1988</u>	<u>1987</u>
Income			
Income from associated companies		93.6	84.4
Income from other investments		24.0	29.2
Interest income		8.4	12.9
Other income		1.6	0.9
Total income		<u>127.6</u>	<u>127.4</u>
Expense			
Interest expense		4.7	18.3
Depreciation		1.2	0.5
Other expenses		3.6	3.8
Total expense		<u>9.5</u>	<u>22.6</u>
Profit before taxation		118.1	104.8
Taxation		41.1	37.9
Net profit	11	<u><u>77.0</u></u>	<u><u>66.9</u></u>

Notes to the pro-forma consolidated balance sheet at March 31, 1988 and profit and loss accounts for the years ended March 31, 1988 and 1987

Note 1 - Basis of preparation of the financial statements

Compagnie Financière Richemont AG was formed on August 16, 1988 and through a contribution effected on September 20, 1988 acquired the entire issued share capital of both Richemont SA, Luxembourg, and Business Control SA, Geneva.

The merger of the interests which make up the Richemont group of companies has been regarded, for accounting purposes, as having taken effect on April 1, 1988. Accordingly, the pro-forma consolidated balance sheet of the Group at March 31, 1988 has been prepared on that basis.

The financial statements represent the results of operations for the years ended March 31, 1988 and 1987 as if the principal companies constituting the Group had been owned by CFR throughout the period.

Note 2 - Summary of significant accounting policies

(a) Accounting convention

The financial statements are prepared under the historic cost convention. The financial statements are presented in pounds sterling as it is the reporting currency of the Group's principal investments.

(b) Basis of consolidation

The financial statements include the accounts of CFR and its subsidiaries. All companies in which CFR holds an interest of more than 50 per cent of the ordinary share capital and voting rights are accounted for as subsidiary companies. The financial statements of all subsidiary companies are drawn up at March 31 of each year. Certain minor, inactive subsidiary companies are not consolidated.

Companies in which CFR holds a long-term interest of between 20 per cent and 50 per cent are accounted for under the equity method as associated companies. Where associated companies' financial statements are not drawn up at March 31, the equity accounting adjustments are based on the latest available financial statements.

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

(c) Foreign currencies

Assets and liabilities denominated in foreign currencies, including those of CFR and investments in associated companies, are translated into sterling at exchange rates ruling at the balance sheet date. The profit and loss accounts of CFR and of those subsidiary companies which are denominated in foreign currencies are translated into pounds sterling at average rates prevailing during the year.

All foreign exchange gains and losses together with the Group's share of associated companies' exchange differences are credited or charged directly to reserves.

(d) Investments in associated companies

Investments in associated companies are carried in the pro-forma balance sheet 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 companies' net income before taxation and its share of the related taxation charge are accounted for in the consolidated profit and loss account.

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

(e) Other long-term investments

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

(f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the expected useful lives of the assets.

(g) Goodwill

Where subsidiary and associated companies are acquired at a cost in excess of the Group's share of their underlying net tangible assets, the excess is regarded as goodwill. Goodwill is amortised through the consolidated profit and loss account on a straight-line basis over 40 years or written off against consolidated reserves at the time of acquisition.

(h) Trademarks

Acquisition and other costs relating to trademarks are expensed in the year in which they are incurred.

(i) Marketable securities

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

(j) Taxation

Provision is made in each accounting period for all taxes payable in respect of profits earned in that period. No provision is made for withholding and other taxes payable in the event that undistributed earnings of subsidiary companies are distributed, on the basis that such earnings are retained for reinvestment in the companies concerned.

Note 3 – Investments in associated companies

	£ m
Listed	342.8
Unlisted	123.2
	<u>466.0</u>
Market value of listed associated companies at March 31, 1988	<u>582.0</u>

Note 4 – Other long-term investments

	£ m
Shares in listed companies, at cost less amounts written off	2.2
Shares in unlisted companies, at cost less amounts written off	3.2
	<u>5.4</u>

Note 5 – Marketable securities

	£ m
Investments in shares, at lower of cost and market value	11.6
Investments in bonds, at lower of cost and market value	115.1
	<u>126.7</u>
Market value at March 31, 1988	<u>128.6</u>

Note 6 – Share capital

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

Note 7 – Participation reserve

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

Note 8 – Other reserves

	£ m
Legal reserve	50.0
Less: provision for formation expenses	(7.7)
	<u>42.3</u>
Reserve arising on consolidation	33.8
	<u>76.1</u>

Note 9 – Minority interest

Minority interest represents the interest of third party shareholders in a subsidiary company arising from a merger effected during the last quarter of the financial year ended March 31, 1988. No material income was attributable to the minority interest in respect of the period concerned.

Note 10 - Long-term borrowings

These loans bear interest at market rates and are drawn down under facilities which may be terminated by the banks concerned with not less than thirteen months' notice.

Note 11 - Net profit

	1988 £ m	1987 £ m
Net profit of CFR and subsidiary companies	45.0	33.2
Group's share of net profits retained by associated companies	32.0	33.7
	<u>77.0</u>	<u>66.9</u>

Auditors' report

To the Directors

Compagnie Financière Richemont AG, Zug

We have examined the pro-forma consolidated balance sheet of Compagnie Financière Richemont AG, Zug and its subsidiary companies at March 31, 1988 and the pro-forma consolidated profit and loss accounts for the years ended March 31, 1988 and 1987 as set out on pages 15 to 19. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Based on our examinations we confirm that

- the pro-forma consolidated balance sheet and pro-forma consolidated profit and loss accounts are in conformity with acceptable accounting principles which are described in Note 2;
- these principles comply with the historical cost convention and, within this reporting framework, the pro-forma consolidated financial statements give a true and fair view of the financial position at March 31, 1988 and of the results of operations of Compagnie Financière Richemont AG and its subsidiary companies for the two years ended March 31, 1988 and 1987.

Zurich, September 21, 1988

Price Waterhouse AG

Urs Landolt

David Dean

Business development and outlook for the current year

The results of operations for the current year continue to reflect the positive trend shown by the results of the year ended March 31, 1988. All major operational areas forecast increased profits in the current year and the Board of Directors of CFR is confident that the net profit of the Group for the year ending March 31, 1989 will materially exceed that of the previous year.

Issued in Zug on September 21, 1988

Compagnie Financière Richemont AG

Jean-Paul Aeschimann Johann Rupert

Richemont SA

Johann Rupert Jean-Paul Aeschimann

Offer for sale

The undersigned banks have underwritten

52 200 'A' units, each consisting of
one 'A' bearer share with a par value of SFr 1 000 in

Compagnie Financière Richemont AG, Zug

and

one bearer participation certificate with no par value in

Richemont SA, Luxembourg

from previous holders for a secondary placement and offer them to the public for sale from

September 23 to 29 (midday), 1988

on the following conditions:

1. The **offer price** is SFr 5100.- net per 'A' unit. The stamp duty shall be borne by the companies.
2. Holders of the 'A' units will receive a full **dividend** in respect of the full financial year from April 1, 1988 to March 31, 1989. Dividends will be paid on coupons numbered 1 and sequentially thereafter.
3. **Subscriptions** are accepted free of charge at the Swiss offices of the undersigned banks.
4. The **allotment** of the 'A' units shall be made at the end of the subscription period. If the subscription exceeds the available number of 'A' units, the banks are entitled to allot the 'A' units on a reduced basis.
5. **Payment** of the allotted units must be made in full by **October 14, 1988**.
6. The 'A' units shall be delivered as quickly as possible. They will be issued in certificates of one, five and ten units.
7. Application will be made for the listing of all 522 000 'A' units on the stock exchanges of Zurich, Geneva and Basle.

September 21, 1988

Union Bank of Switzerland

Bank J. Vontobel & Co AG

Darier & Cie

Hentsch & Cie

Pictet & Cie

Anlage- und Kreditbank AKB

Securities Reg. No 160.970
