RICHEMONT

ANNUAL REPORT AND ACCOUNTS 2004

Cartier

Van Cleef & Arpels

Piaget

A. Lange & Söhne

Vacheron Constantin

Jaeger-LeCoultre

Officine Panerai

IWC

Baume & Mercier

Montblanc

Montegrappa

dunhill

Lancel

Chloé

Hackett

Old England

Purdey

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Cautionary statement regarding forward-looking statements

This document contains forward-looking statements as that term is defined in the United States Private Securities Litigation Reform Act of 1995. Such forward-looking statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside the Group's control. Richemont does not undertake to update, nor does it have any obligation to provide updates or to revise, any forward-looking statements.

RICHEMONT

Richemont is one of the world's leading luxury goods groups.

The Group encompasses several of the most prestigious names in the industry including Cartier, Van Cleef & Arpels, Piaget, Vacheron Constantin, Jaeger-LeCoultre, IWC, Alfred Dunhill and Montblanc.

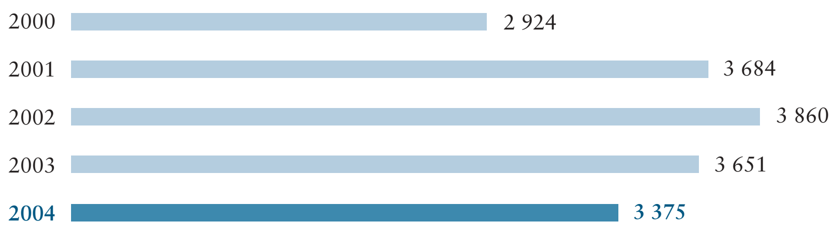
Each of the Group's brands represents a proud tradition of style, quality and craftsmanship which Richemont is committed to preserving.

The individual heritage and identity of each Maison is rigorously guarded, the designers and craftsmen being constantly challenged to keep the heritage alive through a continuous process of reinvention and innovation.

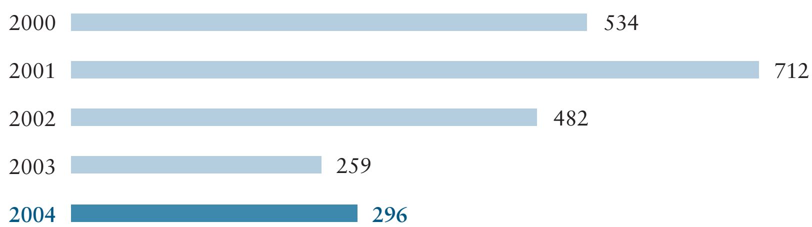
FINANCIAL HIGHLIGHTS

All amounts in euros	2004	2003	
Sales	**3 375 m**	3 651 m	– 8%
Operating profit	**296 m**	259 m	+ 14%
Earnings per unit	**1.193**	1.153	+ 3%
Dividend per unit	**0.40**	0.32	+ 25%

SALES (€ m)

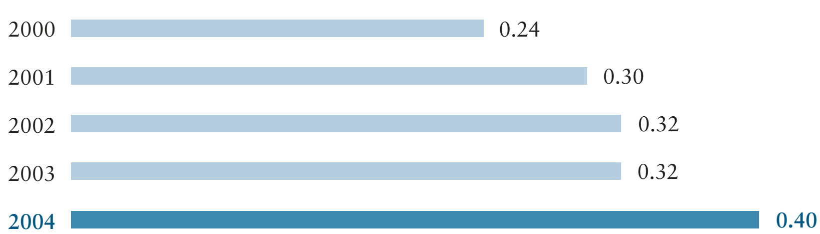


OPERATING PROFIT (€ m)



EARNINGS PER UNIT (€)

DIVIDEND PER UNIT (€)



These results are presented on an adjusted basis, excluding the effects of goodwill amortisation and exceptional items.

EXECUTIVE CHAIRMAN'S REVIEW

Johann Rupert executive chairman

This has been a testing year for Richemont, albeit one that has seen the Group rise to the challenges that it has faced.

Across the Group, there has been an enhanced sense of urgency and a re-awakening of the understanding of the need to attract customers with unique products of beauty, of the highest quality and featuring innovative design and technology. This is evidenced by the new products that have been launched during the year.

The Group's results for the year have suffered significantly from the impact of the SARS crisis during the period from April to June last year. We have, however, witnessed a gradual improvement in demand since that time, with a more marked pick-up in the period from December 2003 onwards.

RESULTS FOR THE YEAR

The Group's sales, at € 3 375 million, were some 8 per cent below those of the prior year. Business in the Asia-Pacific market was particularly hit by the SARS epidemic and the Group's core market in Europe suffered from the depressed economic environment. However, we have seen an improvement in the latter part of the year, with sales in constant currency terms in the final quarter of the financial year having grown by 10 per cent. This strong performance reflected particularly good results in the United States and in the Asia-Pacific region and some signs of recovery in Europe.

Operating profit for the year, at € 296 million, is 14 per cent above the prior year's level, notwithstanding lower sales and gross margin. It should be noted, however, that provisions for restructuring costs impacted heavily on the prior year's results. Excluding the effect of restructuring and impairment charges in the prior year, operating profit declined by 15 per cent.

I am pleased to report that, across the Group, great attention has been paid this year to controlling costs and optimising our structures. As announced last year, we have closed one manufacturing facility in Switzerland and have taken action to eliminate loss-making boutique operations, most importantly at Alfred Dunhill and Lancel. In addition, management have critically evaluated the way in which the Group does business, placing emphasis on increasing efficiency. Our drive to control costs continues and I expect to see further benefits in the current year and in the future. Our job now is to grow the business whilst keeping costs strictly under control.

The Group's equity-accounted share of the profits of British American Tobacco amounted to € 422 million for the year under review. This is 13 per cent below the previous year, largely as a consequence of the change in accounting treatment of Richemont's interest in its holding of British American Tobacco preference shares together with the adverse effect of the strengthening of the euro against sterling.

The investment in British American Tobacco represents a strong foundation for Richemont. It contributes significantly to Group profits and, in cash terms, Richemont received dividends of € 252 million over the past year.

CASH FLOW

During the year ended 31 March 2004, Richemont's operations – excluding the contribution from British American Tobacco – generated € 349 million in free cash flow. In difficult times, this is testimony to the strength of the underlying business and the effectiveness of management in monitoring working capital. Equally, following recent years when capital expenditure on manufacturing facilities has been running at relatively high levels, we are now seeing a return to more normalised levels of capex.

The strong cash generation from the luxury goods businesses, combined with the dividend flow from British American Tobacco, has resulted in the Group's net debt at 31 March 2004 being reduced to € 794 million. On 4 June 2004, Richemont received the proceeds of the disposal of its interest in the preference shares issued by British American Tobacco as part of the consideration for the merger of Rothmans International in 1999. These proceeds amounted to £ 544 million or some € 828 million.

As a consequence of the cash inflow from the preference shares, Richemont is now in a net cash position. In today's business climate, I find that an attractive position for the Group.

BRITISH AMERICAN TOBACCO

Investors will recall that Richemont's holding of preference shares represented part of the consideration received in 1999 at the time of the merger of Rothmans International and British American Tobacco. Richemont was obliged under the terms of the merger agreement to either sell those shares in the market or otherwise see them redeemed by British American Tobacco on the fifth anniversary of the transaction in June this year. In anticipation of this deadline, the Group had issued convertible call warrants over the preference shares in January 2003. The warrant holders have now exercised their rights to take delivery of new ordinary shares issued by British American Tobacco, thereby diluting Richemont's effective interest from 19.6 per cent at 31 March 2004 to 18.6 per cent today.

Assuming that British American Tobacco will continue its own buy-back programme, I expect that Richemont's effective interest in the ordinary capital will once again gradually increase. Given prevailing stock exchange regulations and our undertakings to British American Tobacco, however, Richemont's effective interest cannot increase above 20 per cent of the ordinary capital.

DIVIDEND

Given the Group's healthy cash position and the improvement that we have seen in recent months in trading conditions, the Board feels it appropriate to recommend an increase of 25 per cent in the dividend payable in the current year. The dividend per unit will therefore be € 0.40.

RICHEMONT'S BUSINESSES

I mentioned earlier that Richemont's Maisons have responded excellently to the challenges that have been presented to them, bringing new products to market and attracting customers to their stores. Everyone in the organisation has focused on the need to enhance the levels of creativity, excellence and service that are the cornerstone on which the businesses have been built. I would like to thank all our managers and employees for the manner in which they have contributed to the improvements that we have seen this year.

New products have been brought to market with shorter lead times in terms of design, prototyping and production cycles. These products are some of the most exciting that the Maisons have launched in recent years. In this respect, Cartier is to be complimented for its award-winning *Déclaration* range of ladies' watches and the new *Santos* collection of men's and ladies' watches launched earlier this year. The new *Santos* models celebrate 100 years of the design, which was originally created to celebrate the pioneering Brazilian aviator, Alberto Santos-Dumont.

Whilst all of the Group's watchmaking Maisons offer products of the highest calibre, I would single out Jaeger-LeCoultre for a special mention this year. At the Salon International de la Haute Horlogerie held in Geneva in April 2004, Jaeger-LeCoultre presented the world's first spherical tourbillon movement, a masterpiece of engineering and miniaturisation and a tribute to the skill of the watchmakers involved in its conception, design and production. A limited edition of 75 *Gyrotourbillon I* watches will be produced, all of which had been sold by the end of the Salon.

Montblanc, our principal writing instrument manufacturer, continues to broaden its appeal in new market areas with new product ranges and with enhanced distribution, for example through its flagship boutique on Madison Avenue in New York, which opened during the year.

The year has seen significant progress being made at both Alfred Dunhill and Lancel. The very high losses in the year to 31 March 2003, which included substantial restructuring charges, will not be repeated and I believe that both companies are on track for recovery. Alfred Dunhill has enhanced its wholesale distribution activity, particularly in the United States and Europe, and is successfully growing its business in mainland China. Lancel is focusing on the domestic French market, whilst developing a wholesale business in selected territories overseas.

Opening celebrations for Cartier's new boutique on the Champs Elysées, Paris

Left: Artist's impression of Alfred Dunhill's Beijing boutique

CORPORATE GOVERNANCE

The year under review has seen some changes to the Board of Directors of Compagnie Financière Richemont SA. Two new, non-executive directors – Mr Simon Murray and Prof. Jürgen Schrempp – together with Mr Alain Dominique Perrin, the former Chief Executive Officer of the Group's luxury goods businesses, joined the Board at last year's Annual General Meeting.

I welcome Mr Murray, former Chief Executive of Hutchison Whampoa based in Hong Kong, and Professor Schrempp, Chairman of the management board of DaimlerChrysler, to the Group. Both gentlemen, with their experience in running global businesses, provide the Board with an important added dimension. Having been with Cartier since 1969, Mr Perrin needs no introduction. He now focuses his efforts on supporting brands in their marketing programmes and in new product development. I value his continuing contribution greatly.

Mr Joe Kanoui, former Chairman of Vendôme Luxury Group, decided to stand down at last year's Annual General Meeting, having been a member of the Board since 1988. Joe has been a valued colleague over the years and was instrumental in establishing Cartier's global business structures in the 1970s and early 1980s. He has been a loyal supporter of the Group since those days and was one of the principal architects of the Richemont organisation that we see today.

Earlier this year, Mr Jan du Plessis relinquished his position as Group Finance Director and resigned from the Board of Compagnie Financière Richemont SA in order to be able to take up the position of Chairman of British American Tobacco. Jan has great experience in the tobacco business and this is a wonderful opportunity and an honour for him. He will make an excellent non-executive Chairman and I am confident that Richemont's most important investment will be in very safe and capable hands in the years to come.

The Board has appointed Mr Richard Lepeu, formerly Chief Executive of Cartier and most recently Chief Operating Officer of the Group, to succeed Jan du Plessis as Group Finance Director and it is proposed that he be appointed to the Board of Compagnie Financière Richemont SA at this year's Annual General Meeting. Richard has been with the Group for over 20 years and has a detailed knowledge of its underlying businesses. In his new role, he has already made an important contribution and I look forward to working closely with him in the future.

Montblanc's continuing diversification was exemplified during the year with the launch of the new TimeWalker range (left) and the opening of the Madison Avenue boutique in New York (above)

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is an important topic and one which we recognise is crucial to the Group.

We believe that Group companies have always acted in a responsible manner vis-à-vis customers, employees, business partners and the communities in which they operate. Our manufacturing facilities are located in Switzerland and the European Union, where environmental controls are tight. Equally, the Group's businesses are not large users of energy or natural resources.

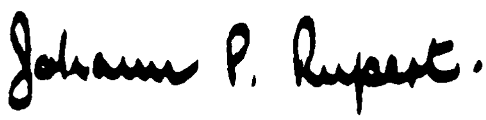
In today's business environment, however, it is not enough to take matters for granted and assume that we are somehow protected from any eventuality. Accordingly, the Board has asked that steps be taken to formalise corporate social responsibility guidelines to be applied throughout the Group. The guidelines will include a code which suppliers will be obliged to conform to if they are to remain our business partners, recognising that standards applied in other parts of the world, for example in terms of the sourcing of raw materials, may not be as stringent as we would expect to see in Europe. Our internal audit department will also play a key role in monitoring compliance with these guidelines and the supplier code.

CURRENT TRADING AND OUTLOOK FOR THE YEAR

Although the year under review started with a combination of extremely adverse conditions, there has been a steady improvement in global sentiment since last summer. This has translated into a recovery in terms of Richemont's businesses. The improvement in sales picked up markedly from December 2003 and continued into the final quarter, with very strong performances being seen in the United States and Asia.

We have also seen strong demand in April and May 2004, with increases in sales at actual exchange rates of 23 and 21 per cent respectively. Although coming off a low base last year, as a consequence of the SARS crisis and the war in Iraq, the Group's results in the first half of this year will inevitably benefit from the improved performance that we are currently seeing.

Nevertheless, we prefer to take a cautious stance as to the outlook for the remainder of the financial year. There are, however, some grounds for optimism and I am confident that the Group is now well positioned to benefit from any improvement in consumer demand that we may see in the months ahead. Given the potential of the underlying businesses and the strength of Richemont's balance sheet, my colleagues and I look to the future with confidence.



Johann Rupert
EXECUTIVE CHAIRMAN

Compagnie Financière Richemont SA
10 June 2004

Right: Alfred Dunhill blue and orange lacquer sterling silver headlamp cufflinks

LAUREUS SPORT FOR GOOD

Laureus World Sports Academy members, Edwin Moses, Hugo Porta and Sir Bobby Charlton surrounded by children from the Sport in Underdeveloped Areas programme in Montevideo, Uruguay in February 2003

"Sport has the power to change the world, the power to unite people in a way that little else does. Sport can awaken hope where there was previously only despair."

Nelson Mandela, LAUREUS WORLD SPORTS AWARDS 2000

Laureus was established jointly by Richemont and DaimlerChrysler in 2000 to honour champions in the world of sports.

This is achieved not only through the annual Laureus World Sports Awards for leading sportsmen, sportswomen and teams but also through the creation of the Laureus World Sports Academy. The Academy's members represent the pinnacle of sporting achievement and it is they who select each year's award winners, based on the shortlists drawn up by sports journalists from around the world.

Complementing the Laureus World Sports Awards and the Academy, the founding patrons also established the Laureus Sport for Good Foundation. The Foundation's aim is to promote the use of sport as a tool for social change.

Chaired by track legend Edwin Moses, the Laureus World Sports Academy is a dedicated team of over 40 of the world's greatest sportsmen and women, all of whom volunteer their time in support of the Laureus Sport for Good Foundation and to draw public attention to the plight of disadvantaged young people around the world. Taking Nelson Mandela's message to heart, the Academy members have launched initiatives across the globe, doing excellent work with children in poor and disadvantaged communities. The various projects use sport to motivate participants in order to help them overcome their surroundings and personal circumstances.

The Laureus Sport for Good Foundation currently supports 25 projects worldwide, with at least one on every continent; a number which is growing each year. These projects are dedicated to overcoming the greatest social challenges faced by young people today – poverty, homelessness, war, violence, drugs, discrimination against minorities, racism and HIV/AIDS. Over 100 000 people are benefiting from projects supported by Laureus.

Right: Former Olympic gymnast and Academy member, Nadia Comaneci, helps a young gymnast on the beam at the launch of the Special Olympics Unified Sports Programme in China, which provides integrated sports opportunities for mentally handicapped children

In Brazil, the Fight for Peace project, supported by the Foundation, uses the training, discipline and self-respect inherent in boxing to encourage children away from a life of street crime and drug abuse. The inspirational young coach and social anthropologist who created the project, Luke Dowdney, has received worldwide recognition for his work.

In Mathare, Kenya, the work of the Mathare Youth Sports Association was recognized earlier this year as a Nobel Peace Prize nominee. The remarkable programme, one of the first to be supported by Laureus, uses soccer as a means of improving opportunities for the youngsters who take part and encouraging slum clearance in the Nairobi area.

Sir Bobby Charlton, seen here on a visit to the Mathare Youth Sports Association in Kenya, is a tireless worker for the Foundation

In Northern Ireland, Youth Sport Foyle aids peace and reconciliation by encouraging children of different religions to play sport together. This theme is echoed in the Middle East, where Training for Peace brings Israeli and Palestinian youngsters together. The Midnight Basketball League in the USA is run between 10pm and 2am to help fight drugs and crime among young people, whilst children at the Sport in Underdeveloped Areas programme in Uruguay are involved in sports and physical education programmes targeted at reducing deliquency and drug abuse.

With local foundations developing around the world and with the active involvement of the Academy members, the work of the Laureus Sport for Good Foundation is set to continue and grow, realising its mission in small and large doses and proving that sport does have the power to change the world.

Further information on the Laureus Sport for Good Foundation can be found at **www.laureus.com/foundation**.

Cartier

Since 1847, the house of Cartier has been synonymous with quality, creativity and prestige.

The year under review saw the launch of two jewellery collections: *Délices de Goa*, using amethyst, turquoise, coral and diamond; and another in diamond, emerald, sapphire, platinum and gold, dedicated to the *Panthère*, the Cartier icon which first appeared in 1914.

New interpretations have been added to existing product lines, bringing them into the 21st century, such as the *Menotte* bracelet and the *Hilove* ring, inspired by the *Love* bracelet created in 1969.

Cartier's creativity in watchmaking was rewarded in autumn 2003, when the *Déclaration* was voted 'Watch of the Year' by the Swiss magazine *Montres Passion* and by the success of the *Cartier Libre* line of extravagantly styled watches.

This year also saw the *Roadster* firmly positioned as a Cartier leading light, with the launch of the *Roadster Chrono* and the smaller model for ladies.

A ladies' Déclaration watch set with 10 pink gold rings and diamonds

A Cartier high-jewellery necklace combining rubies, diamonds and pearls

The *Cabochon* leather goods collection, which is adorned with a garnet cabochon, was also launched during the year.

In July, Cartier launched *Le Baiser du Dragon* perfume, a feminine, woody, vetiver fragrance in a bottle inspired by a Cartier creation from 1924.

Cartier has opened a total of 13 new stores worldwide over the twelve month period. In July, the brand opened its third stand-alone boutique in Tokyo's Ginza and, in October, the new Cartier boutique at 154 Champs Elysées was inaugurated.

Following its presentation in both Berlin and Milan, the exhibition 'Cartier Design viewed by Ettore Sottsass' was opened in Kyoto in March 2004. On show were items from the Cartier collection, including pieces which were previously part of the Duchess of Windsor's personal collection.

Van Cleef & Arpels

This year has been one of creativity, craftsmanship and excellence for Van Cleef & Arpels. Inspired by Shakespeare's famous play, the *Midsummer Night's Dream* collection has brought to life a world of fairies and magic with breathtaking pieces such as the *Envol* necklace and the *Caresse d'Eole* brooch.

The *Frivole* collection has further enhanced the Van Cleef & Arpels' range. This naturalistic, Fifties-inspired interpretation of the clover motif combines refinement and modernity and offers a creative contrast of materials using gold, diamonds and leather.

In line with the success of its new collections, Van Cleef & Arpels has seen stronger sales, enjoying good growth in the United States, Japan and Hong Kong.

The year was also marked by openings of new boutiques and the expansion of the brand's network in the key markets of Japan, North America and Russia. New flagship boutiques will also be opened in London, Hong Kong and Dubai during 2004.

2004 will also see the renewal of Van Cleef & Arpels' product range for men with a highly promising collection of men's watches, the *Monsieur Arpels* collection.

Van Cleef & Arpels' unique mystery setting technique is featured in this Envol necklace with rubies and diamonds

PIAGET

In 2004 Piaget celebrates its 130-year anniversary as a member of the watchmaking elite. The brand has continuously launched models that have become regarded as icons of luxury jewellery and jewellery timepieces.

Piaget believes in bold creativity and product integrity and this has been demonstrated with its new jewellery line *Magic Reflections*, inspired by nature.

By developing the slimmest shaped tourbillon movement in the world, with a thickness of only 3.5mm, Piaget has again demonstrated its expertise in the field of ultra-thin movements.

During the year, despite the negative impact caused by the SARS epidemic in the first quarter, Piaget has benefited from a strong recovery in Asia. This region, as well as the United States, has seen an impressive increase in sales.

Piaget's flagship store in New York reopened in August after complete renovation. This new concept, already implemented in Geneva, Monaco, Paris and Berlin, plays on the concept of transparency, using purity, light and warmth to show products to their fullest advantage.

The brand's retail network will increase to a total of 40 stores worldwide over the next year.

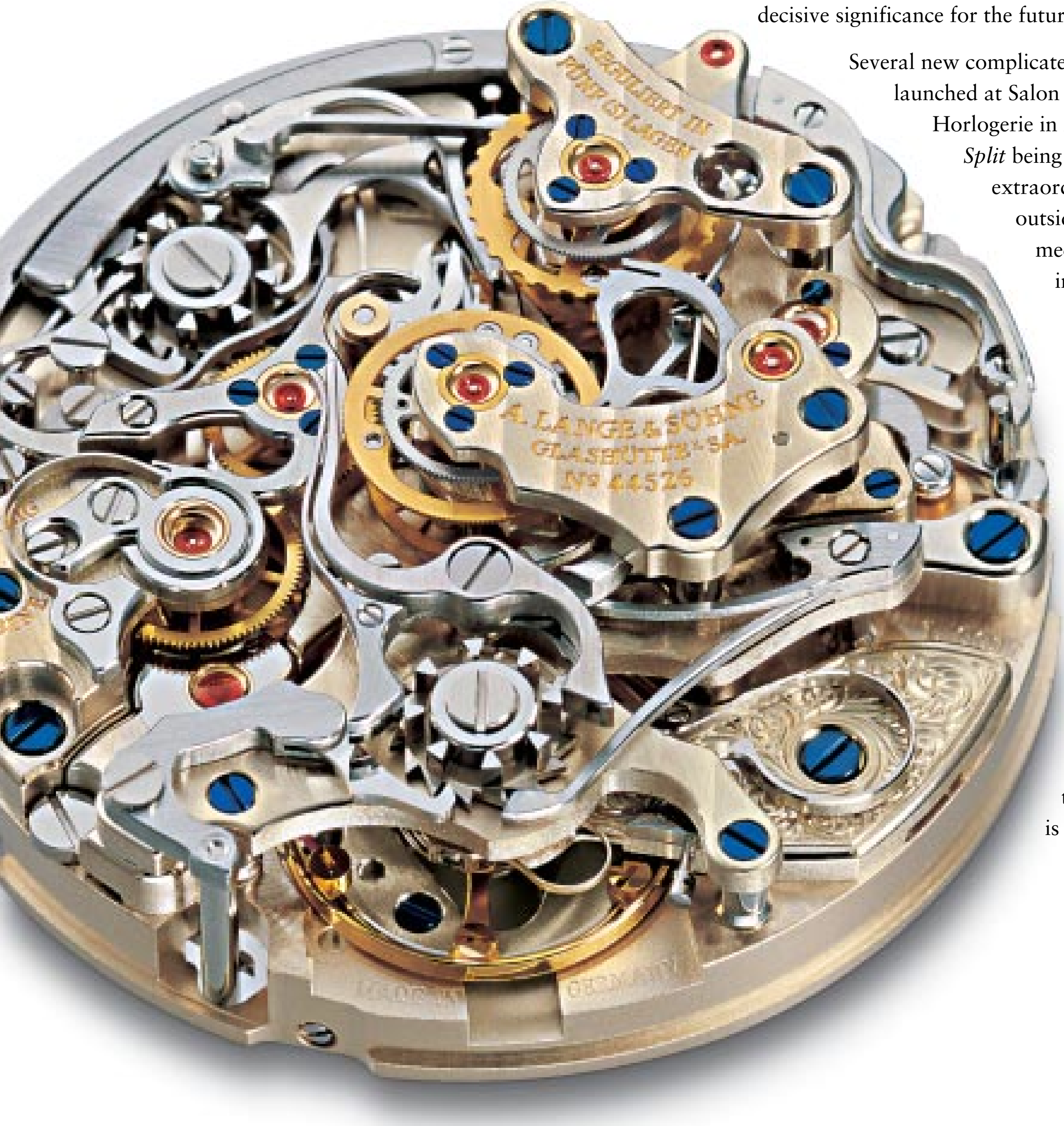
Ladies' watches in 18k white gold set with diamonds, with white crocodile-skin and snake-skin straps, from the Limelight collection

A. LANGE & SÖHNE
GLASHÜTTE I/SA

Since its inception in 1845, save for a respite of fifty years during the 20th century, A. Lange & Söhne has constantly demonstrated original ideas in watchmaking, ambitious inventions of movements and innovation in production methods, together with technical ingenuity. These elements now continue to be of decisive significance for the future growth of the company.

Several new complicated technological innovations were launched at Salon International de la Haute Horlogerie in 2004, with the *Lange Double Split* being the most outstanding. This extraordinary model sees Lange stepping outside the known boundaries of mechanical time calibration with the introduction of two 'rattrapante' hands for both second and minute measurement. Other new models of note were the *1815 Chronograph*, with its unique L951.0 chronograph movement and the *Cabaret Moonphase,* a rectangular watch with a classic moonphase display.

In October 2003, A. Lange & Söhne celebrated the official opening of its Technology and Development Centre in Glashütte, which will help assure the continued innovation and technical virtuosity for which it is renowned.



The movement of the Lange Double Split Calibre L001.1 extends the boundaries of mechanical time measurement

VACHERON CONSTANTIN

Vacheron Constantin, recognised as the world's oldest watch manufacturer in continuous production, has long been a purveyor of the world's most refined timepieces. It is currently preparing for its 250th jubilee that will take place in 2005.

This year was a momentous one for Vacheron Constantin for several reasons. The Maison launched new iconic ranges: *Egérie*, a collection inspired by art nouveau; and the elaborately handcrafted *Tourbillon Squelette*. Originally made in 1952, the re-designed *Toledo* was also released.

Vacheron Constantin has also progressed with a number of projects, ranging from the construction of its new manufacturing facility at Plan-Les-Ouates in Geneva to the full renovation of the brand's historical headquarters in the centre of the city. The building on the rue de Moulins houses the flagship boutique and the Vacheron Constantin museum with its collection of vintage watches, archives and tools.

As highlighted during the vintage watch auctions held by Antiquorum, Vacheron Constantin watches are today some of the most valuable and sought after items for collectors and aficionados worldwide.

The Toledo watch in white gold

The world's first spherical tourbillion, the Gyrotourbillon 1, launched in 2004

Founded in 1833, Jaeger-LeCoultre has created an endless array of extraordinary timepieces. The year under review has been no exception.

To mark the 200th anniversary of the birth of its founder, Jaeger-LeCoultre has created a unique timepiece bearing Antoine LeCoultre's signature in a limited edition of just 200 pieces, for which the brand was awarded the 'Special Jury Prize' at the Geneva 'Grand Prix d'Horlogerie' in November 2003.

The year also saw the *Grande Reverso* presented in yellow gold and steel with an 8-day mechanical movement, the *Reverso Grande Date*. The *Master Compressor Geographic* was also introduced. Jaeger-LeCoultre's master gem setters and watchmakers demonstrated their inimitable skill in the creation of the *Joaillerie Rivière 101* watch, featuring the world's smallest mechanical movement.

In December the first ever auction comprising solely of Jaeger-LeCoultre pieces was held in Paris with 370 exquisite and legendary pieces being sold.

This year has also seen Jaeger-LeCoultre successfully enter the Indian market, whilst increasing its market share in Asia generally.

OFFICINE PANERAI
FIRENZE 1860

Since it was founded in Florence, Officine Panerai has been renowned for the exceptional quality of its precision mechanical engineering. Originally a manufacturer of watches for the Italian navy, Panerai is now recognised as the creator of some of the world's most exclusive sports watches.

After the opening of its first two boutiques – one in Florence and another in Hong Kong – Panerai opened another boutique in Portofino, on the Mediterranean coast of Italy, at the beginning of the year.

Following the considerable development of the brand in Europe, this year the focus has been shifted to new markets with strong potential, for example the United States, Japan and the Far East. The American market has grown significantly this year and should expand to encompass 85 specialist watch retailers by 2005.

New product launches during the year included the *Luminor Chrono 44mm*, the *Luminor Marina Tantalium* and the *Radiomir Chrono 44mm*, all of which build on Panerai's core strengths.

The Luminor Chrono 44mm from the Contemporary collection

The Perpetual Calendar, the latest addition to the highly successful Portuguese collection

IWC

INTERNATIONAL WATCH CO. SCHAFFHAUSEN
SWITZERLAND, SINCE 1868

A genuine IWC watch is both classical and timeless, features that have been consistent in all models since the brand's inception in Schaffhausen in 1868.

Geographic expansion during the year saw good sales growth in Asia and in the United States. IWC has also significantly enhanced its marketing activities.

The partnership between IWC and The Cousteau Society has now successfully completed its first expedition for the conservation of the Red Sea coral reefs. The Cousteau Society is a not-for-profit organisation, founded by Jacques Cousteau in 1974 to undertake scientific environmental research.

At the Salon International de la Haute Horlogerie, IWC revealed its innovative and dynamic product developments for 2004. Exquisite additions to the *Portuguese, Portofino* and *Da Vinci* ranges and a new generation of professional divers' watches in the *Aquatimer* collection were launched.

BAUME & MERCIER GENEVE · 1830

Established since 1830, Baume & Mercier has in recent years produced exciting new ranges for men and women while proudly maintaining a reputation for the finest craftsmanship and technological innovation.

This year has been no exception. Its *CapeLand, Linea* and *Hampton* collections are as popular as ever, with the *Hampton City* now launched worldwide.

With distribution via a carefully selected global retail network, Baume & Mercier is also concentrating on a more assertive communications strategy. Launched in November 2003, this has so far produced excellent feedback and resulted in increased recognition. As part of this strategy, the year saw the launch of the brand's new advertising campaign based on emotions that inspire intimacy.

The year has been a challenging and fulfilling period for Baume & Mercier. Although the European market has proved to be difficult during the year, strong market growth has been seen in the United States.

The Hampton Milleis

MONT BLANC

For almost 100 years Montblanc has created exquisite, unique and handcrafted writing instruments. The past year has been one of exemplary creation and diverse activity.

Following the recent success of the *Bohème* collection, Montblanc introduced new developments in 2003 to target younger, design-conscious clients: the new *StarWalker* pen collection, the stylish leather range *4810 WestSide*, and the impressive new *TimeWalker* watch. In addition, the new leather range *4810 EastSide* was introduced, targeted at more conservative consumers.

Following the tradition of annual limited editions, Montblanc launched the *White House* pen during the year. 2003 also saw the opening of a new flagship store in Manhattan, featuring the latest design concept. This concept is now realised in more than 20 of the 230 Montblanc boutiques worldwide.

This year sees the world premiere of the *Montblanc Young Artist World Patronage Exhibition*, a collection of works by young contemporary artists. This concept uses Montblanc's international boutique network as a platform to promote young talent and further demonstrates the brand's commitment to art and culture.

Platinum plated StarWalker fountain pen with 14k gold nib and rubberised surface with diamond-cut lines – featuring the 'floating' Montblanc star in a transparent cap dome

dunhill

Since its launch in 1893, Alfred Dunhill has become a leading creator and purveyor of English luxury goods for men. It believes in innovative design and function and the use of finest materials by highly skilled craftsmen.

Alfred Dunhill's goal to become the leading supplier of men's leather accessories was illustrated by the launch of its distinctive *d-eight* collection. The *Sidecar* range, launched in March 2003, enjoys huge success across all regions and accounts for almost 40 per cent of all leather sales.

Alfred Dunhill demonstrated its commitment to innovation and technical invention with the *dunhill X-Centric* watch that combines high design with mechanical movements which are unique to the brand.

The refurbishment of 48 Jermyn Street in London presents a new concept in luxury retailing for men, including a gentlemen's barbershop and a new bespoke tailoring room. New stores were opened during the year in Taiwan, Japan and China, where the brand celebrated its 10th anniversary.

Alfred Dunhill looks forward to the coming year with four renowned British designers taking charge in four key areas: Richard James for tailoring, Bill Amberg for leather goods, Tom Bolt for timepieces and Nick Ashley for the *Motorities* outerwear collection.

An English bridle leather briefcase from the successful Tradition range, made in Alfred Dunhill's London factory

LANCEL
PARIS

This year has been one of considerable activity for the brand, with Lancel aiming to increase its visibility and revert to the vocation for which it has been renowned since 1876, creating beautiful gifts and accessories. The Maison wants to re-express its pioneering values.

The previously announced retail restructuring has now been completed and the focus is now on the retail network in France, Russia and China. Importantly, the Opéra flagship store in Paris is currently undergoing a major refurbishment programme.

Further positive steps have been taken to make the brand more accessible and to develop the business. Furthermore, the year saw the redevelopment of accessories ranges in order to assist in regenerating the brand and attracting new customers. Lancel continues to launch two collections a year in an endeavour to make Lancel an essential part of a woman's wardrobe.

Chloé

Since its creation in 1952, Chloé has been synonymous with romanticism and femininity. To this can now be added trendiness, youth and sophistication.

This year the talent of Chloé's artistic director, Phoebe Philo, achieved huge recognition. The October 2003 and March 2004 shows received an exceptional response, both from the press and retailers.

The brand continued its commercial expansion: two boutiques were opened in the Middle East and shop-in-shops built in the most prestigious of Japanese department stores. It also opened more corners and shop-in-shops elsewhere to promote its fast growing range of handbags and leather goods.

Following the success of the *Bracelet* and *Camera* bags launched in 2002 and 2003 respectively, Chloé has created its third 'hit' bag, the *Silverado*.

Hackett GB and England Team Rugby World Cup cufflinks

HACKETT
LONDON

Inspired by authentic British style, Hackett offers a unique point of view on men's clothing and accessories; the result is unmistakably British, always appropriate and totally individual.

After another successful year, Hackett has established itself even more firmly as the home of 'Essential British Kit'. This is true in the UK retail and wholesale sectors and now increasingly elsewhere, including Spain where a further concession has been opened in the latest El Corte Ingles department store in Madrid. Hackett has also started to make an impression in Italy.

Continuing to reaffirm its 'DNA', innovation has continued in all product areas, including accessories, using the play of cut, colour and cloth to great effect. The complete redesign of the Hackett website and the profile gained through Hackett's sponsorship of the World Cup winning England Rugby Union Team and Jonny Wilkinson have continued to strengthen Hackett's brand image.

2004 sees Hackett achieve 21 years of trading, a significant milestone and the cue for much celebration and commercial opportunity. As part of this, the flagship store in Sloane Street, London will be revamped for an autumn re-opening.

In 2004 James Purdey & Sons celebrates its 190th anniversary as one of London's foremost bespoke gun makers. Purdey is internationally renowned for exquisitely handcrafted sporting guns and rifles, and supplies many of the world's most distinguished and discerning people with guns as well as shooting clothing and accessories.

This financial year has seen a marked growth in demand for Purdey guns and rifles. In addition to the United States, there was notable interest in new guns from clientele in the UK, Europe and Russia.

As part of the ongoing development of Purdey's clothing and accessories business, 2003 saw the establishment of a new wholesaling network for Purdey branded clothing with retail outlets in Austria, France, Japan, Portugal, Spain, Sweden, Switzerland and the United States.

A notable event at the beginning of 2004 was the launch of the new 12-bore Purdey *Hammer Gun*, a model not built by Purdey since the 1920s. There is a strong resurgence of interest for this type of gun in the United States and the UK and Purdey will build a limited edition of twelve guns to be followed by a limited edition 20-bore model.

Since its inauguration in 1867, Old England has become a renowned purveyor of English products in France.

While retaining its core items, such as the duffle coat, the tweed jacket for men or the kilt for women, and maintaining its traditional approach to quality and style, the objective now for Old England is to attract a target market of young and sporty people. Thus Old England has introduced creations from celebrated and innovative British designers: shoes from John Lobb and Emma Hope and leather goods and handbags from Lulu Guinness and Anya Hindmarch.

The rejuvenation of the Toulouse boutique, the modernisation of the product ranges and the recent introduction of exemplary British designers are contributing factors to the marked improvement in sales that has been seen during this financial year for Old England.

Montegrappa has been recognised as a specialist manufacturer of Italian handcrafted writing instruments for nearly a century.

This past year has been an eventful one, both in terms of creation and collaboration with new partners. The *Peace Pen*, a unique writing jewel that combines platinum, diamonds and crystal, is the world's most expensive pen. This ambitious project has been in development for two years and through it Montegrappa promotes the Peace Parks Foundation of which Montegrappa is a member. The Peace Parks Foundation is an international organisation which aims to facilitate the establishment of cross-border animal conservation areas.

In October 2003, Montegrappa launched the first of the collection that it has created exclusively for Ferrari, inspired by a detail of the bodywork of a Ferrari.

In the current year, to celebrate the fact that Athens is to host the Olympic Games, Montegrappa has launched *Classical Greece*, a new collection of fine writing jewels that embodies the values of the brand: handcrafted and sophisticated jewellery techniques, unique shapes, precious materials and the remarkable expression of 'made in Italy'.

The Classical Greece limited edition

CORPORATE GOVERNANCE

GENERAL PRINCIPLES

Richemont is committed to maintaining a high standard of corporate governance. It subscribes to the principles laid down in the Swiss Code of Best Practice for Corporate Governance published by 'economiesuisse', the Swiss Business Federation.

The Group's principles of corporate governance are embodied in the statutes of both Compagnie Financière Richemont SA and Richemont SA, Luxembourg, in the Corporate Governance Regulations and in the terms of reference of the Audit, Compensation and Nomination Committees of the Compagnie Financière Richemont SA Board.

This section of the annual report follows the recommendations of the Swiss Exchange 'Directive on Information Relating to Corporate Governance' ('DCG'). Headings follow the format of the DCG. In certain instances, where the issues contained in the directive do not apply to Richemont or where the amounts involved are not material, no disclosure may be given.

1. GROUP STRUCTURE AND SIGNIFICANT SHAREHOLDERS

Structure

Richemont equity units comprise shares in Compagnie Financière Richemont SA indivisibly twinned with participation certificates issued by its wholly owned subsidiary, Richemont SA, Luxembourg. As such, the Board of Compagnie Financière Richemont SA is the Group's supervisory board, composed of a majority of non-executive directors, whilst the Board of Richemont SA, Luxembourg acts as the Group's management board.

The businesses in the Group operate in five identifiable main business areas: (i) jewellery, (ii) watchmaking, (iii) writing instruments, (iv) leather and accessories and (v) other products. Each of the Maisons in the Group enjoys a high degree of autonomy, with its own management group under a chief executive officer. To complement those businesses, the Group has established central functions and a regional structure around the world to provide central controlling and support services in terms of distribution, finance, legal and administration services.

Details of the principal companies within the Group are set out opposite.

Compagnie Financière Rupert

Compagnie Financière Rupert, a partnership limited by shares established in Switzerland, holds 52 200 000 Richemont 'B' registered units representing 9.1 per cent of the equity of the Group and controlling 50 per cent of the voting rights at the level of Compagnie Financière Richemont SA. Mr Johann Rupert, the Executive Chairman of Richemont, is the sole General Managing Partner of Compagnie Financière Rupert.

During the year under review, a holding company beneficially owned by trusts associated with the Rupert family acquired those interests in Compagnie Financière Rupert which it did not already own. Those interests had previously been held by affiliated parties which, together with the Rupert family interests, had formed a shareholder group bound by the terms of an agreement between the parties. Consequent to the transfer of ownership of the interests in Compagnie Financière Rupert, that shareholders' agreement has been terminated. In consequence, the former shareholders in Compagnie Financière Rupert have no further interest in Richemont 'B' units.

Compagnie Financière Rupert does not hold any Richemont 'A' units. Trusts and other entities in the shareholding structure above Compagnie Financière Rupert have indicated to the Company that they, together with parties closely related thereto, held a total of 135 426 'A' units, or the equivalent thereof in the form of Depository Receipts, as at 31 March 2004.

Other significant shareholders

The Capital Group Companies Inc, Los Angeles, formally advised the Company on 6 January 2003 that, at that date, client accounts and investment funds under the

Details of principal companies within the Group are set out below

Country of incorporation	Location	Name of company	Effective interest	Share capital (currency 000s)
Subsidiary undertakings				
France	Paris	Cartier SA	100.0%	€ 24 392
	Paris	Chloé International SA	100.0%	€ 4 000
	Paris	Lancel SA	100.0%	€ 157 462
	Paris	Old England SA	93.9%	€ 1 783
	Paris	Van Cleef & Arpels Holding France SA	100.0%	€ 17 519
Germany	Münich	Richemont Northern Europe GmbH	100.0%	€ 13 064
	Glashütte	Lange Uhren GmbH	100.0%	€ 550
	Hamburg	Montblanc – Simplo GmbH	100.0%	€ 1 724
Hong Kong	Hong Kong	Richemont Asia Pacific Limited	100.0%	HK$ 2 500
Italy	Milan	Richemont Italia SpA	100.0%	€ 10 000
	Milan	Officine Panerai Marketing e Communicazione Srl	100.0%	€ 90
Japan	Tokyo	Richemont Japan Limited	100.0%	¥ 250 000
	Tokyo	Alfred Dunhill Japan Limited	100.0%	¥ 400 000
	Tokyo	Montblanc Japan Limited	100.0%	¥ 150 000
Luxembourg	Luxembourg	Richemont Finance SA	100.0%	€ 350 000
	Luxembourg	Richemont Luxury Group SA	100.0%	€ 3 000 000
Netherlands	Amsterdam	Cartier International BV	100.0%	€ 17 697
	Amsterdam	Montblanc International BV	100.0%	€ 2 886
Russia	Moscow	LLC Richemont Luxury Goods	100.0%	RUR 25 000
Switzerland	Geneva	Baume & Mercier SA	100.0%	SFr 100
	Geneva	Cartier SA	100.0%	SFr 1 000
	Geneva	Cartier International SA Genève	100.0%	SFr 500
	Villars-sur-Glâne	Richemont International SA	100.0%	SFr 1 007 500
	Schaffhausen	IWC International Watch Co. AG	100.0%	SFr 100
	Le Sentier	Manufacture Jaeger-LeCoultre SA	100.0%	SFr 100
	La Côte-aux-Fées	Piaget SA	100.0%	SFr 128
	Geneva	Richemont Suisse SA	100.0%	SFr 4 850
	Geneva	Richemont Securities SA	100.0%	SFr 100
	Geneva	Vacheron & Constantin SA	100.0%	SFr 100
	Villars-sur-Glâne	Van Cleef & Arpels Logistics SA	100.0%	SFr 31 387
United Kingdom	London	Alfred Dunhill Limited	100.0%	£ 69 421
	London	Cartier Limited	100.0%	£ 4 200
	London	Hackett Limited	100.0%	£ 10 582
	London	James Purdey & Sons Limited	100.0%	£ 1 635
	London	Richemont Holdings (UK) Limited	100.0%	£ 99 672
United States of America	Delaware	Richemont North America Inc.	100.0%	US$ 130 709
Joint venture – tobacco				
Luxembourg	Luxembourg	R&R Holdings SA	66.7%	£ 948 000

				Market capitalisation
Associated undertaking – tobacco				
United Kingdom	London	British American Tobacco p.l.c.*	19.6%	£ 16 841 million

**British American Tobacco ordinary shares are quoted on the London Stock Exchange (ISIN GB 0002875804).*

management of its subsidiary companies held 52 501 787 Richemont 'A' bearer units representing 5.03 per cent of the voting rights at the level of Compagnie Financière Richemont SA.

As at the date of this report, the Company has received no other notifications of significant shareholdings representing in excess of 5 per cent of the voting rights.

Cross shareholdings

Richemont does not hold an interest in any company, which is itself a shareholder in the Group.

2. CAPITAL STRUCTURE

Shares and participation certificates

In accordance with the articles of incorporation of both companies, shares issued by Compagnie Financière Richemont SA have been twinned with participation certificates issued by its wholly-owned subsidiary Richemont SA, Luxembourg to form Richemont 'A' and 'B' units. There are 522 000 000 'A' bearer units and 52 200 000 'B' registered units in issue. Richemont 'A' bearer units are listed on the SWX Swiss Exchange and traded on virt-x, whilst the 'B' registered units are not listed and are held by Compagnie Financière Rupert, as detailed above.

Each 'A' bearer share in Compagnie Financière Richemont SA with a par value of SFr 1.00 is twinned with one participation certificate in Richemont SA of no par value to form one Richemont 'A' unit in bearer form. Every ten 'B' registered shares in Compagnie Financière Richemont SA with a par value of SFr 0.10 each are twinned with one registered participation certificate in Richemont SA with no par value to form one 'B' unit, issued in registered form. Further details are given in note 20 to the consolidated financial statements on page 69 of this report.

Holders of 'A' and 'B' units enjoy equal dividend rights. To date, dividends have not been declared in respect of the share capital issued by Compagnie Financière Richemont SA. Rather, Richemont SA, Luxembourg has distributed dividends in respect of the participation certificates in issue.

The units were split on a one hundred to one basis with effect from 12 November 2001. No other changes to the capital structure have been effected over the last three years.

Dividend

In respect of the financial year ended 31 March 2004, a dividend of € 0.40 per unit has been proposed. The dividend will be paid in respect of the participation certificates issued by Richemont SA, Luxembourg on 27 September 2004. In accordance with the practice adopted in prior years, no dividend will be payable in respect of the share capital of Compagnie Financière Richemont SA.

Unit buy-back programmes

During the year under review, the Group bought back 6 345 960 units through the stock market as part of its programme to hedge obligations under the Richemont stock option plan. Over the course of the period from March 1999 to 31 March 2004, the Group has repurchased a total of 29 845 960 'A' units through the market in support of equity-based incentive schemes for executives. In February 2004, the Board of Compagnie Financière Richemont SA approved the buy-back of a further 10 000 000 units over the period to February 2006. Of this programme, 5 000 000 units had been purchased up to 31 March 2004 and are reflected in the aggregate figure of 6 345 960 units referred to above. Details of the Group's stock option plan are set out in section 5 of this report and in note 25 to the consolidated financial statements on page 72 of this report.

Unit repurchases during the year, net of disposals to executives under the terms of the stock option plan, resulted in the reserve for treasury units, which forms an element of shareholders' equity in the consolidated balance sheet, increasing by a net € 103 million. Further details are given in note 21 to the consolidated financial statements on page 69 of this report.

Voting rights

Shares in Compagnie Financière Richemont SA have been indivisibly twinned with participation certificates issued by Richemont SA, Luxembourg to form Richemont 'A' and 'B' units.

Holders of Richemont units may attend and vote at meetings of shareholders of Compagnie Financière Richemont SA. They may attend in person or may appoint the Company or a third party to represent them at the meeting.

There is no limit on the number of units that may be held by any given party nor any restriction on the voting rights attaching to those units.

The statutes of Richemont SA provide that holders of participation certificates may vote on all issues which have a direct bearing on the participation certificate capital. They may attend in person or may appoint the Company or a third party to represent them at any such meeting. Compagnie Financière Richemont SA holds the entire issued share capital of Richemont SA. Accordingly, participation certificate holders have no right to attend meetings of shareholders of Richemont SA, Luxembourg.

Richemont 'A' and 'B' units have equal rights to share in dividends and capital. As a consequence, however, of the differing nominal values of the 'A' and 'B' shares in Compagnie Financière Richemont SA, each 'B' unit conveys the right, in normal circumstances, to 10 votes at meetings of shareholders of Compagnie Financière Richemont SA, whereas each 'A' unit conveys the right to one vote at such a meeting. Richemont 'B' units, which represent 9.1 per cent of the Group's equity, therefore control 50 per cent of the votes at meetings of shareholders of Compagnie Financière Richemont SA. The 'B' registered units are entirely held by Compagnie Financière Rupert. In accordance with Swiss company law, certain resolutions relating to the capital structure of the Company, the transfer of its registered office or its dissolution, require the approval of two thirds of the shares represented and an absolute majority of the nominal share capital.

Statutory quorums

The general meeting of shareholders of Compagnie Financière Richemont SA is the ultimate decision-making forum of the Company. Resolutions of the general meeting are generally passed by an absolute majority of the votes represented at the meeting. As detailed above, certain resolutions may require the approval of two thirds of the shares represented at the meeting and an absolute majority of the nominal share capital.

The Annual General Meeting in respect of the financial year ended 31 March 2004 will be held on 16 September 2004 in Geneva. The agenda for that meeting is set out on page 96 of this report. The notice period and agenda in respect of the meeting follow the requirements of Swiss company law. Holders of a minimum of one million 'A' units, which reflects a holding of 'A' shares in Compagnie Financière Richemont SA with a nominal value of SFrs 1 million, may request that an item be placed on the agenda for the meeting. Such requests must be submitted, in writing, at least 20 days in advance of the deadline for publication of the formal notice convening the meeting.

South African Depository Receipts

Richemont Securities SA, a wholly-owned subsidiary of Compagnie Financière Richemont SA, acts as depository for the issuance, transfer and cancellation of Richemont South African Depository Receipts ('DRs'), which are traded on the JSE Securities Exchange South Africa. DRs trade in the ratio of 10 DRs to each Richemont 'A' unit. The terms and conditions applicable to DRs are set out in the Deposit Agreement entered into between Richemont Securities SA, as Depository, and Compagnie Financière Richemont SA and Richemont SA, Luxembourg, as issuers.

In its capacity as depository, Richemont Securities SA holds one 'A' unit in safe custody for every 10 DRs in issue. Richemont Securities SA's interest in the 'A' units that it holds is therefore non-beneficial. At 31 March 2004, Richemont Securities SA held 166 658 221 Richemont 'A' units, representing some 32 per cent of the 'A' units, in safe custody in respect of DRs in issue.

Dividends received by Richemont Securities SA are payable in rand to South African residents. Dividends are converted upon receipt by Richemont Securities SA and remitted to the holders of DRs.

Holders of DRs issued by Richemont Securities SA are not entitled to attend the shareholders' meeting or to vote in person. Rather, DR holders are canvassed as to their voting instructions by Richemont Securities SA, which then represents the holders as their proxy at the Annual General Meeting.

American Depository Receipts ('ADRs')

Bank of New York operates a sponsored ADR programme in respect of Richemont 'A' units, the ADRs trading in a 1:1 ratio with the underlying units. Richemont ADRs are traded over the counter in the United States.

Transferability of units

Richemont's listed 'A' units are issued in bearer form. Accordingly, there is no register of shareholdings and no restrictions on transfers of unit holdings, transfers being effected by the delivery of the relevant unit certificate. Unit certificates embody both the share certificate in respect of Compagnie Financière Richemont SA and the related participation certificate in respect of Richemont SA. Given this indivisible twinning of shares in Compagnie Financière Richemont SA with participation certificates issued by Richemont SA, which is reflected in the statutes of both companies, a transfer of shares cannot be effected without the corresponding transfer of the related participation certificate.

Transfers of the unlisted 'B' registered shares in Compagnie Financière Richemont SA, which are held solely by Compagnie Financière Rupert, must be approved by the Board of Directors of the Company.

3. BOARD OF DIRECTORS

Responsibilities and membership

The Board of Directors of Compagnie Financière Richemont SA, the parent company, is responsible for the overall strategic direction of the Group and the appointment of senior management. In addition, it is responsible for establishing financial controls and appropriate procedures for the management of risk within the Group as well as the overall supervision of the business. The Board is responsible for the preparation of the financial statements of the Company and of the Group and for the organisation of the annual meeting of shareholders.

The Board is composed principally of non-executive directors with diverse professional and business backgrounds. Nine nationalities are represented on the Board, which was composed of 13 members at 31 March 2004. Board members are elected at each year's Annual General Meeting for a term of one year.

In terms of its regular business, the Board meets generally for half a day, at least five times per annum. Further meetings on specific topics are held on an ad hoc basis. The Board also meets with executive management for two days each year to review the strategic direction of the Group's businesses. The Executive Chairman and the Group Finance Director establish agendas for meetings of the Board, financial reports and supporting information in respect of agenda items being circulated to members of the Boards in advance of each meeting. Directors may ask that an item be placed on the agenda for any meeting.

At the annual meeting of shareholders of Compagnie Financière Richemont SA held on 17 September 2003, Mr Joseph Kanoui stepped down as a member of the Board, having served as a director since the foundation of the Company in 1988. At the same meeting, Mr Simon Murray, Mr Alain Dominique Perrin and Prof. Jürgen Schrempp were elected to the Board of the Company. Following the resignation of Mr Jan du Plessis, Group Finance Director, on 30 April 2004 to allow him to take up the position of Chairman of British American Tobacco p.l.c., his successor, Mr Richard Lepeu, has been nominated to the Board of Compagnie Financière Richemont SA. This is subject to the approval of shareholders at the Annual General Meeting to be held in September 2004. Mr Lepeu is currently a director of Richemont SA. His biography appears on page 32 of this report.

Board Committees

In terms of the Group's framework of corporate governance, the Board of Compagnie Financière Richemont SA has established an Audit Committee, a Compensation Committee and a Nominations Committee. The composition of these Committees is indicated in the biographical notes on Board members set out below. No corporate governance committees have been established by the Board of Richemont SA, Luxembourg, given its role as the Group's management board.

Audit Committee

The four members of the Audit Committee are non-executive directors. The Group Finance Director attends all meetings, as do the Head of Risk Management and Internal Audit and representatives of PricewaterhouseCoopers SA, the Group's external auditors. Meetings of the Committee are held at least three times per annum. The Committee meets in camera with the external auditors during the course of each meeting. The Audit Committee's principal tasks are to:

- satisfy itself that the consolidated financial statements follow approved accounting principles and give a true and fair view of the Group's financial position and results;
- recommend to the Board the appointment, re-appointment or dismissal of the external auditors and keep under review their independence and objectivity as well as their level of remuneration;
- examine and review, with both external and internal auditors, the adequacy and effectiveness of the Group's management information systems as well as accounting, financial and operational controls;
- oversee the effectiveness of the Group's Internal Audit function and to liaise with the Head of Risk Management and Internal Audit on all matters of significance arising from the department's work;
- examine and review the adequacy, effectiveness and integrity of the processes to assure the Group's compliance with all applicable laws and regulations; and
- ensure compliance with the Group's Code of Conduct for Securities Dealings and its internal commitment approval procedures.

Compensation Committee

The Compensation Committee is comprised of three non-executive directors. To assist it in its deliberations it may draw on support from the Group's internal specialists and external advisors. Meetings of the Committee are held as necessary but at least twice per annum.

The function of the Committee is to establish a framework for determining the remuneration of Group executives and to establish the remuneration to be paid to non-executive directors and key executive directors.

The Committee also approves awards to the senior management group in terms of the Group's stock option plan.

Nominations Committee

The Nominations Committee consists of the non-executive directors meeting under the chairmanship of the Executive Chairman.

The principal functions of the Committee are to advise the Board of Compagnie Financière Richemont SA in areas such as the composition and size of the Board and the criteria to be applied in the selection of new members of the Board and management.

In addition, the Committee is responsible for the nomination of directors to serve on board committees and the management board.

BOARD OF DIRECTORS OF COMPAGNIE FINANCIÈRE RICHEMONT SA

Johann Rupert
Executive Chairman

South African, age 54
Appointed to the board 1988

Mr Rupert studied economics and company law at the University of Stellenbosch, South Africa and has had an extensive career in international business and finance. He has served on the boards of Rothmans International and British American Tobacco and was Executive Chairman of Rand Merchant Bank. He became Group Chief Executive of Richemont on its formation in 1988 and assumed the role of Executive Chairman in September 2002. He is Non-Executive Chairman of Remgro Limited and of VenFin Limited. Mr Rupert is Chairman of the Nominations Committee.

Jean-Paul Aeschimann
Non-executive Deputy Chairman

Swiss, age 70
Appointed to the board 1988

Maître Aeschimann graduated in law from the University of Neuchâtel, studied at Harvard University and has been admitted to the Bar of Geneva. He is a practising lawyer and is a senior partner of Lenz & Staehelin, based in Geneva. He serves on the board of Barclays Bank (Suisse) S.A. and a Swiss subsidiary of Reuters as well as a number of Swiss subsidiaries of the Total group. Lenz & Staehelin acts as legal counsel to Richemont and to Compagnie Financière Rupert and Maître Aeschimann is the Special Auditor of Compagnie Financière Rupert. Maître Aeschimann is Chairman of the Audit Committee and is a member of the Compensation Committee and the Nominations Committee.

Franco Cologni
Senior Executive Director

Italian, age 69
Appointed to the board 2002

Dr Cologni is a graduate of the University of Milan, where he later became a professor. As a writer, he has published several books and articles, in particular on luxury goods, jewellery and watches, and is the publisher and editor-in-chief of the "Cartier Art" magazine. He joined Cartier in 1969 and served as Managing Director and Chairman of Cartier International. Dr Cologni has also been closely involved with the Group's watch brands and serves as Chairman of the Supervisory Board of the Comité Internationale de la Haute Horlogerie and of the Association Interprofessionnelle de la Haute Horlogerie. He is founder of the Richemont Creative Academy for Design and Applied Arts in Milan.

Jan du Plessis
Group Finance Director

South African and British, age 50
Appointed to the board 1988, resigned 30 April 2004

Mr du Plessis obtained degrees in commerce and law from the University of Stellenbosch in South Africa and is a South African Chartered Accountant. He has been Group Finance Director of Richemont since its formation in 1988. He served as Finance Director of Rothmans International from 1990 to 1996, during which time that company was a subsidiary of Richemont. In November 2003 the board of British American Tobacco announced the appointment of Mr du Plessis as Non-Executive Chairman with effect from 1 July 2004. In consequence, Mr du Plessis has resigned from the Board of Compagnie Financière Richemont SA with effect from 30 April 2004.

Leo Deschuyteneer
Non-executive Director

Belgian, age 73
Appointed to the board 1998

Mr Deschuyteneer is a graduate in economics and holds a doctorate in law from the University of Brussels. He was a Fullbright scholar and holds an MBA from Temple University of Philadelphia. He has participated in the Advanced Management Program at INSEAD. He is an active partner in the management of Sofina SA, a Belgian investment company, which is an investor in Richemont. He has been involved with Richemont's luxury goods businesses for a number of years, having previously served as a director of Vendôme Luxury Group. He is also a director of various European companies, including Sidro, Sofindev, Colruyt, Cerepfi and Mecaniver and is a member of the Executive Committee of the Belgian National Theatre. Mr Deschuyteneer is a member of the Audit Committee and the Nominations Committee.

Lord Douro
Non-executive Director

British, age 58
Appointed to the board 2000

Lord Douro holds an MA degree from Oxford University. He has broad experience in banking and finance and served previously as Chairman of Dunhill Holdings and as Deputy Chairman of Vendôme Luxury Group, which were subsidiaries of the Group. He was a member of the European Parliament from 1979 to 1989 and was Chairman of Sun Life and Provincial Holdings from 1995 to 2000. He is currently Chairman of the Framlington Group and is a director of Sanofi-Synthelabo and of Pernod Ricard and is a Commissioner of English Heritage. Lord Douro is a member of the Nominations Committee.

Yves-André Istel
Non-executive Director

American, age 68
Appointed to the board 1990

Mr Istel graduated in economics from Princeton University and has had an extensive career in investment banking. He was Managing Director and a member of the board of Lehman Brothers from 1977 to 1983; Co-Chairman of First Boston International from 1984 to 1988; Chairman of Wasserstein Perella & Co International from 1988 to 1992 and Vice Chairman of Rothschild Inc from 1993 to 2002. He is currently Senior Advisor to Rothschild Inc, a member of its Investment Banking Committee and a member of the board of Rothschild & Cie Banque. He is a director of the boards of Imperial Sugar Company, Valeo S.A., The Chalone Wine Group Ltd and GenuOne Inc. In addition, he is Chairman of the advisory board of the Remarque Institute, New York University; the Center for French Civilisation and Culture, New York University; The European Institute and the Fondation Saint-John Perse. He is also a member of the board of the French-American Foundation; the Council on Foreign Relations and Action Against Hunger, USA; the Board of Overseers, New York University and the Advisory Council in the Department of French and Italian, Princeton University. Mr Istel is a member of the Audit Committee and the Nominations Committee.

Simon Murray
Non-executive Director

British, age 64
Appointed to the board 2003

Mr Murray was educated at Bedford School in England and attended SEP Stanford Business School in the United States. He began his business career at Jardine Matheson, with ultimate responsibility for the company's engineering and trading operations, as well as holding directorships in various affiliated companies. In 1980, he formed his own project advisory company mainly involved in financing capital-intensive engineering projects in the Asia-Pacific region. He subsequently became the Group Managing Director of the Hong Kong based conglomerate Hutchison Whampoa. He pioneered that company's entry into the mobile telecommunication business and developed its energy business. He joined Deutsche Bank Group as Executive Chairman Asia-Pacific in 1993, supervising the Group's operations in the region. He subsequently founded Simon Murray & Associates and its subsidiary General Enterprise Management Services Ltd, a private equity investment management company. Mr Murray is a member of the Nominations Committee.

Alain Dominique Perrin
Executive Director

French, age 61
Appointed to the board 2003

Mr Perrin is a graduate of the Ecole des Cadres et des Affaires Economiques, Paris (E.D.C.). He joined Cartier in 1969, assuming a series of roles in that organisation and served ultimately as President of Cartier International SA. He has been responsible for the creation of the Fondation Cartier pour l'Art Contemporain in Paris and the launch of the annual Salon International de la Haute Horlogerie. He serves on the management committees of a number of non-profit organisations and is President of the Ecole des Dirigeants et Créateurs d'entreprise (E.D.C.). Mr Perrin was Chief Executive of Richemont SA overseeing the Group's luxury goods business from 2001 to 2003 and was appointed to the Board of Compagnie Financière Richemont SA in 2003. Mr Perrin is a member of the Nominations Committee.

Alan Quasha
Non-executive Director

American, age 54
Appointed to the board 2000

Mr Quasha is a graduate of Harvard College, Harvard Business School, Harvard Law School and New York University Law School. After practising law he moved into commerce and is now President of Quadrant Management Inc, an investment management business based in New York. He served as a director of Richemont SA, Luxembourg from 1988 up until the time he joined the Board of Compagnie Financière Richemont SA and was Chief Executive Officer of North American Resources Limited, a joint venture between Richemont and the Quasha family, between 1988 and 1998. He is also Chairman of Harken Energy Company, Chairman of Carret Asset Management Group LLC and a past director of American Express Funds. He is a past governor of the American Stock Exchange, is Chairman of the Visiting Committee of Harvard University's Weatherhead Centre for International Affairs and is Chairman of the American Brain Trauma Foundation. Mr Quasha is a member of the Nominations Committee.

Lord Renwick of Clifton
Non-executive Director

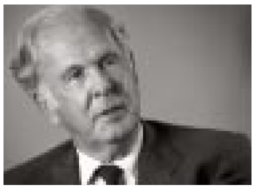
British, age 66
Appointed to the board 1995

Lord Renwick is a graduate of Cambridge University and served in the British diplomatic service, rising to become Ambassador to South Africa from 1987 to 1991 and Ambassador to the United States from 1991 to 1995. He is currently Vice Chairman, Investment Banking, of JPMorgan Europe. He is Chairman of Fluor Limited and a director of BHP Billiton, British Airways, Fluor Corporation, Harmony Gold Mining Co and SABMiller. He is also a trustee of The Economist. Lord Renwick is Chairman of the Compensation Committee and is a member of the Audit and Nominations Committees.

Jürgen Schrempp
Non-executive Director

German, age 59
Appointed to the board 2003

Prof. Schrempp holds a degree in mechanical engineering from the University of Applied Science in Offenburg, Germany. He is Chairman of the Board of Management of DaimlerChrysler AG and is one of the principal architects of Daimler-Benz's successful 1998 merger with Chrysler Corporation. During over 40 years with the company, Mr Schrempp served as Chairman of Mercedes-Benz South Africa as well as Chairman of the Management Board of Deutsche Aerospace (DASA). He became Chairman of the Board of Management of Daimler-Benz in 1995. Prof. Schrempp is a member of the Supervisory Board of Allianz AG. He is also a director of Sasol Ltd. and Vodafone Group. He is a member of the Advisory Council of Deutsche Bank and the South African President's International Investment Council. He is a member of the Nominations Committee.



Ernst Verloop
Non-executive Director

Dutch, age 77
Appointed to the board 1998

Mr Verloop holds a degree in law from Utrecht University. He enjoyed a long and successful international career with the Unilever group, rising to become an executive director of Unilever NV and Unilever PLC. He has served on the boards of a number of leading Dutch and international companies, associations and state enterprises and was Chairman of the Unilever-Erasmus University Visiting Professorship in Marketing Foundation. He was Chairman of the Supervisory Board of Rothmans Europe (Nederland) BV and was a director of Rothmans International BV when those companies were subsidiaries of the Group. He is currently Chairman of the Central Museum Committee of Utrecht. Mr Verloop is a member of the Nominations Committee and the Compensation Committee.

4. SENIOR MANAGEMENT

The Board of Richemont SA, a directly held, wholly-owned subsidiary of Compagnie Financière Richemont SA, functions as the Group's management board.

BOARD OF DIRECTORS OF RICHEMONT SA

Johann Rupert
executive chairman

Jan du Plessis
group finance director
resigned 30 April 2004

Franco Cologni
senior executive director

Richard Lepeu
Group Finance Director
with effect from 1 May 2004

French, age 52
Appointed to the board 2000

Mr Lepeu is a graduate of the Institut d'Etudes Politiques de Paris and the Université de Sciences Economiques de Paris X. He worked in international corporate finance before joining Cartier in 1979 as assistant to the President. Within Cartier, he was appointed Company Secretary in 1981 and became Director of Finance and Administration in 1985 before being appointed Chief Executive in 1995. He became Chief Operating Officer of Richemont in 2001 and was appointed as Group Finance Director in May 2004. Mr Lepeu is also a member of the Boards of Richemont Japan and Richemont North America. It is proposed that Mr Lepeu be appointed to the Board of Compagnie Financière Richemont SA at the forthcoming Annual General Meeting to be held on 16 September 2004.

Yannick Lakhnati
Chief Operating Officer

French, age 45
Appointed to the board 2003

Mr Lakhnati is a graduate from the Institut Supérieur de Gestion in Paris. After a career in management consulting, he joined Remgro Limited in South Africa in 1994 rising to become Chief Executive Officer of one of the subsidiaries in its Industrial Division. He joined Richemont as Chief Operating Officer in January 2004.

Callum Barton
Chief Executive of Richemont North America

British, age 54
Appointed to the board 2000

Mr Barton is a graduate of the University of East Anglia and qualified as a Chartered Accountant in 1973. He joined Cartier in 1975 and was Finance Director of Les Must de Cartier before becoming Managing Director of Piaget and Baume & Mercier in 1988. He was Chief Executive of Alfred Dunhill and Operations Director of Richemont before taking up his current position in 2001. He is Chairman of Alfred Dunhill and of Cartier Inc.

Henry-John Belmont
Director of Haute Horlogerie

French, age 63
Appointed to the board 2001

Mr Belmont studied engineering at the Ecole Polytechnique in Grenoble, France and holds an MBA from INSEAD at Fontainebleau. He has a background in precision engineering and was Chief Executive of Yema-Matra prior to joining Jaeger-LeCoultre in 1987, where he became Chief Executive. Having overseen the integration of Jaeger-LeCoultre, IWC and A. Lange & Söhne with the Group's other specialist watch brands, he is now responsible for Richemont's overall watch movement manufacturing strategy.

Piet Beyers
Director of Marketing Services

South African, age 54
Appointed to the board 2000

Mr Beyers holds BComm and LLB degrees from the University of Stellenbosch, South Africa and an MBA from the University of Cape Town. Prior to joining the Group, he had an extensive career in industry and was, inter alia, Managing Director of Cadbury, South Africa. He is also a director of Remgro Limited, VenFin Limited and Distell Limited.

Giampiero Bodino
Group Art Director

Italian, age 43
Appointed to the board 2004

Mr Bodino has had an extensive career in the design industry. In February 2002 he became Creative Director for Richemont and a member of the Strategic Product and Communication Committee. He was subsequently appointed Cartier Creative Director and in February 2004 became Group Art Director and a member of the Board of Richemont SA.

Pilar Boxford
Group Public Relations Director

British, age 52
Appointed to the board 2004

Ms Boxford is a graduate of the Institut d'Etudes Politiques de Paris in economics and finance. She joined Cartier Paris in 1979 as Product Manager - Perfumes and subsequently became responsible for Cartier's worldwide public relations strategy. In 1984, she transferred to Cartier London as Communications Director and became a member of the management board of Cartier UK Limited. She was appointed Richemont Public Relations Director in February 2004 to support the Maisons in the development of strategies to enhance the effectiveness of their PR activities.

Simon Critchell
Chief Executive of Alfred Dunhill

British, age 58
Appointed to the board 2001

Mr Critchell is a graduate of Kings College, London and holds an MBA from INSEAD. He had a career in sales, marketing and general management before joining the Group in 1990. Prior to assuming his current role in 2001, he was Chief Executive of Richemont North America and of Cartier Inc. He is a member of the Board of Richemont North America and serves as a member of the Corporate Council of the Whitney Museum of Art, New York.

Bernard Fornas
Chief Executive of Cartier

French, age 57
Appointed to the board 2002

Mr Fornas graduated from Lyon Business School and holds an MBA from the Kellogg School of Management. He has worked with a number of companies in the consumer products field prior to joining Cartier as International Marketing Director in 1994. He subsequently became Chief Executive of Baume & Mercier and was appointed Chief Executive of Cartier in 2002.

Alan Grieve
Director of Corporate Communications

British, age 52
Appointed to the board 2004

Mr Grieve holds a degree in business administration from Heriot-Watt University, Edinburgh and is a member of the Institute of Chartered Accountants of Scotland. Prior to joining Richemont's predecessor companies in 1986, he worked with Price Waterhouse & Co (now PricewaterhouseCoopers) and Arthur Young (now Ernst & Young). He has served as Company Secretary of Richemont since its formation in 1988 and has been involved in many aspects of the Group's financial management, serving also on the boards of a number of the Group's subsidiary companies.

Isabelle Guichot
Chief Executive of Van Cleef & Arpels

French, age 39
Appointed to the board 2003

Ms Guichot graduated with an MBA from l'Ecole des Hautes Etudes Commerciales (H.E.C.), Paris in 1986, joining Cartier International immediately thereafter. She worked in many areas of that company and was appointed Commercial/Sales Director in 1992 before being made Managing Director of Cartier SA in France in 1996 and assuming her current role as Chief Executive of Van Cleef & Arpels in 1999. In 2003 Ms Guichot also assumed the role of Chief Executive of Lancel.

Dominique Jousse
Human Resources Director

French, age 45
Appointed to the board 2000

Ms Jousse is a graduate of the Sorbonne in economics and business management and has a post-graduate qualification in human resource management from the Institut de Gestion Sociale, Paris. She has held a number of senior positions in international human resources, having worked with Citibank, General Electric, LVMH and Andersen Consulting (now Accenture) and was International Human Resources Director of Cartier International from 1996 to 1999.

Albert Kaufmann
General Counsel

Swiss, age 56
Appointed to the board 2000

Mr Kaufmann holds a degree from the Faculty of Law of the University of Geneva and has been admitted to the Geneva Bar. He joined Cartier in 1974 to lead its legal department and has since been responsible for the legal affairs of the Group's luxury goods companies. He was a member of the board of Cartier International and was a director of Vendôme Luxury Group. He was appointed as Group General Counsel in 1999. Mr Kaufmann is a member of the board of the Swiss Watch Federation.

Eloy Michotte
Corporate Finance Director

Belgian, age 56
Appointed to the board 1988

Mr Michotte graduated in engineering from the University of Louvain in Belgium and holds an MBA from the University of Chicago. He has had an extensive career in international business and finance, having worked with Ford, McKinsey & Co and Bankers Trust Company prior to joining Richemont at the time of its formation in 1988. As Head of Corporate Finance, he has responsibility for mergers and acquisitions and serves on the boards of a number of companies in which the Group has an interest.

Frederick Mostert
Chief Intellectual Property Counsel

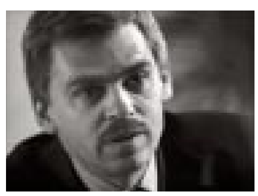
South African, age 44
Appointed to the board 1994

Dr Mostert holds a masters degree from Columbia University School of Law in New York City and a doctorate from RAU in Johannesburg. He is a member of the New York Bar and has practised corporate law at Shearman and Sterling and international intellectual property law at Fross, Zelnick, Lehrman and Zissu in New York. He joined Richemont in 1990. He is Honorary Chairman of the International Trademark Association, serves on the Advisory Board of the McCarthy Center for Intellectual Property and Technology Law and is Vice Chairman of GenuOne Inc.

Norbert Platt
Chief Executive of Montblanc

German, age 57
Appointed to the board 2000

Mr Platt graduated with a BSc in precision mechanical engineering from the University of Frankfurt/Main and has studied business and management topics at Harvard Business School and at INSEAD. He worked for a number of years in the field of precision instruments, working with Rollei both in Germany and internationally, becoming CEO of Rollei Singapore and Managing Director of Rollei Fototechnic in Germany. He joined Montblanc in 1987 and is President and CEO of Montblanc International.



Jan Rupert
Manufacturing Director

South African, age 48
Appointed to the board 2000

Mr Rupert is a graduate in mechanical engineering from Stellenbosch University and has had an extensive career in production management in the tobacco and watchmaking industries. He was Manufacturing Director of Rothmans International and assumed his current role with the Group in 1999, in which capacity he has overall responsibility for the Group's manufacturing strategy.

Richard Thorby
company secretary

The Board of Richemont SA typically meets five times per annum, for half a day to a day. It is composed of the Executive Chairman, the Group Finance Director and the Chief Operating Officer together with the Chief Executive Officers of the Group's leading business units as well as regional and functional heads. At 31 March 2004, the Board had 20 members, three of whom also served on the Board of Compagnie Financière Richemont SA during the year under review. Appointments to the management board are made by the Board of Compagnie Financière Richemont SA upon the recommendation of the Nominations Committee.

The executive management is charged by the Board of Directors of Compagnie Financière Richemont SA with implementing the strategic policies determined by the Board. It is empowered to conduct the day-to-day strategic and operational management including, inter alia, the financial management of the Group. It is responsible for the management of the Group's underlying businesses and investments, subject at all times to an obligation to provide adequate information on the development of those businesses to the Board.

Management contracts

There are no contracts between the Group and any third parties for the management of any subsidiary or associated company in the Group.

5. COMPENSATION, UNITHOLDINGS AND LOANS

Compensation policy

The Group's compensation policies are designed to ensure that Group companies may attract and retain management talent, recognising the international nature of its businesses. The Group sets high standards in the selection of executives, recognising their importance to the long-term development of the business.

In addition to a basic salary, executives may receive short-term performance-related bonuses and will generally be eligible to participate in the Group's stock option plan, details of which are set out below. The Group does not operate any schemes to issue shares or units to executives as part of their remuneration package.

The Compensation Committee of the Board of Compagnie Financière Richemont SA is responsible for determining the remuneration of the members of the Board of Directors, the Executive Chairman and members of senior management.

Non-executive directors receive an annual fee for their services. They are not eligible for performance-related payments and do not receive awards under the Group's stock option plan.

Compensation to executive directors and senior management

The total level of compensation paid to executive directors of Compagnie Financière Richemont SA and members of the Board of Richemont SA, the management board, including pension contributions, benefits in kinds and all other aspects of remuneration but excluding the value of awards under the Group's stock option plan, amounted to € 36 964 000. This included a pension fund contribution of € 8 400 000 for the benefit of Mr Alain Dominique Perrin, who was Chief Executive of Richemont SA until 30 September 2003. This payment reflected Mr Perrin's enormous contribution to the creation of shareholder value over more than thirty years and the fact that, more than anybody else, he should be credited with the unrivalled success of Cartier over that time, increasing its operating contribution more than ten-fold over that period. Mr Perrin will continue to serve in an executive capacity as senior advisor to the Board for a further period of three years until 31 March 2007.

Compensation to non-executive directors

Total fees and other remuneration paid to non-executive directors during the year amounted to € 779 000. Included within this figure is an amount of € 242 000 paid to a non-executive director for consultancy and advisory services and an amount of € 162 000 paid to a non-executive director who retired during the year.

Additional fees and remuneration

In addition to fees paid in respect of Board membership, one non-executive member of the Board is a partner in a professional firm which received fees totalling € 626 000 from Group companies during the year under review for advice on legal and taxation matters.

Compensation to former directors or senior management

No such payments were made during the year under review.

Allotment of units

No units were allotted to directors or members of the management board during the year under review.

Unit ownership

As at 31 March 2004 non-executive directors and parties closely linked to them owned a total of 41 000 Richemont 'A' units. Executive directors and members of the management board and parties closely linked to them held a total of 1 502 310 Richemont 'A' units at that date. As noted above, Mr Johann Rupert is the General Managing Partner of Compagnie Financière Rupert, which holds the 52 200 000 'B' registered units in the Group. Parties associated with Compagnie Financière Rupert held a further 135 426 'A' units at 31 March 2004.

Stock option plan

The Group operates a long-term unit-based compensation scheme whereby executives are awarded options to acquire units at predetermined market-linked prices. No awards under the stock option plan have been made to non-executive directors.

Richemont agrees with the principle that stock options form part of compensation and that the issue of new shares to meet the obligations under stock option plans results in unfavourable dilution. For this reason, Richemont has implemented a series of buy-back programmes since 1999 to acquire 'A' units to meet the obligations under its unit-based compensation schemes. By using its own capital to acquire these units, Richemont has effectively always reflected the cost of the unit-based compensation schemes in the profit and loss account by way of a financing charge.

Awards under the Group's stock option plan will not result in the issue of new capital and, in consequence, there will be no dilution of current unitholders' interests.

Details of options held by executive directors and members of the management board under the plan at 31 March 2004 are as follows:

Granted during the year ended 31 March	Exercise price SFr	Expiry dates	Number of options
2000	24.25	2009	700 000
2003	24.25	2009	4 874 000
	24.25	2010	15 000
	24.25	2011	221 250
	24.25	2012	508 350
	21.00	2012	35 000
	20.00	2012	3 451 700
2004	25.80	2013	1 000 000
	29.10	2013	2 500 000
	30.95	2013	500 000
Total			13 805 300

Each option entitles the executive to purchase one Richemont 'A' unit.

Numbers of options include those previously awarded to executives who were appointed to the management board during the year under review.

Loans

As at 31 March 2004, loans totalling € 8 451 000 were outstanding to five executive directors. The loans are denominated in Swiss francs, US dollars and euros and carry interest rates of between 3 and 5 per cent. They are repayable over periods of up to 5 years. No loans were outstanding to non-executive directors. Current policy is not to extend further loans to executive directors.

Highest total compensation

The total level of remuneration paid to the highest paid director, including pension contributions, benefits in kind and all other aspects of remuneration but excluding the value of awards under the Group's stock option plan, amounted to € 2 707 000. In addition, that director received options entitling him to acquire 2 500 000 Richemont 'A' units. These options are exercisable over the coming nine years at an exercise price of SFr 29.10, being the market price on the date of the grant.

6. SHAREHOLDER PARTICIPATION RIGHTS

Details of shareholder voting rights and the right to attend meetings of shareholders and participation certificate holders are given above in section 2 of this report under the heading 'Capital Structure'.

7. CHANGE OF CONTROL AND DEFENCE MECHANISMS

In terms of the Swiss Stock Exchange and Securities Trading Act ('SESTA'), Compagnie Financière Richemont SA has not elected to 'opt out' or 'opt up' in terms of the provisions relating to the obligations for an acquirer of a significant shareholding to make a compulsory offer to all unitholders. In accordance with the Act, any party that would directly or indirectly or acting in concert with third parties acquire more than 33⅓ per cent of the voting rights of the Company would therefore be obliged to make an offer to acquire all of the listed equity securities of the Company. The interest of Compagnie Financière Rupert in 100 per cent of the 'B' registered shares in the Company, which existed at the date SESTA came into force, does not trigger any obligation in this respect. As noted above, Compagnie Financière Rupert controls 50 per cent of the voting rights at the level of Compagnie Financière Richemont SA.

No specific provisions exist in the statutes or internal regulations of the company which would seek to limit or block any takeover bid. No special contractual relationships exist between Group companies and directors or members of management which would protect management or act as a deterrent to a change of control of the company.

The rules of the stock option plan for executives in the Group contain specific provisions in respect of a change of control of the Group, which are typical in terms of such schemes and would result in the early vesting of benefits due to participants in the event of a change of control taking place.

8. AUDITORS

The external auditors report to the Board of Compagnie Financière Richemont SA through the Audit Committee, which also supervises the Group's relationship with the auditors.

PricewaterhouseCoopers SA have been appointed by the shareholders of Compagnie Financière Richemont SA at the 2003 Annual General Meeting as the auditors of the financial statements of the Company and of the consolidated financial statements of the Group. They were appointed for a period of one year and, being eligible, will stand for a further period of office of one year at this year's Annual General Meeting. PricewaterhouseCoopers (formerly Coopers & Lybrand) were initially appointed as auditors of Compagnie Financière Richemont SA and the Group in 1993. Mr Martin Aked, the lead auditor, assumed that role in October 2001.

Total fees paid or accrued as payable to PricewaterhouseCoopers for the audit of the financial statements of the Company and the Group and related services were € 5.6 million in respect of the financial year ended 31 March 2004. Fees paid or accrued as payable in respect of the financial year to PricewaterhouseCoopers for non-audit related services amounted to € 3.6 million.

Representatives of PricewaterhouseCoopers attended all meetings of the Audit Committee held during the financial year as well as the meeting of the Committee held on 8 June 2004 at which the financial statements were reviewed. For further information on the role of the Audit Committee, please refer to section 3 of this report.

9. INFORMATION POLICY

The annual report is the principal source of financial and business information for unitholders. The Group's preliminary announcement of the results for the financial year is generally issued in June each year. In addition to the annual report, Richemont publishes, in November each year, an interim report on the first six months trading period. Announcements as to current trading performance are typically made at the Annual General Meeting and, in respect of the pre-Christmas period, in January each year. Ad hoc news announcements are made in respect of matters which the Board considers to be of significance to unitholders, in accordance with the guidelines laid down by the Swiss Exchange.

The annual and interim reports are distributed to all parties who have asked to be placed on the Group's mailing list and to registered holders of South African Depository Receipts.

All news announcements other than the annual and interim reports are distributed by fax and e-mail. Shareholders and other interested parties may ask to be included on the distribution list by contacting the Company Secretary at the Company's registered office or by e-mail (secretariat@richemont.com) or by registering on the Group's website (www.richemont.com).

Copies of the annual and interim reports, the preliminary announcement and ad hoc press releases may also be downloaded from the Richemont website. Copies of the statutes of both Compagnie Financière Richemont SA and Richemont SA, Luxembourg, together with the Corporate Governance Regulations, are also available on the website.

Statutory and regulatory announcements are published in the Swiss Official Gazette of Commerce ('SHAB').

FINANCIAL REVIEW

OVERVIEW

Although sales declined by 8 per cent, operating profit was 14 per cent higher than the previous year.

	2004 € m	2003 € m	
Sales	3 375	3 651	– 8%
Cost of sales	(1 283)	(1 367)	
Gross margin	2 092	2 284	– 8%
Net operating expenses	(1 796)	(2 025)	– 11%
Operating profit	296	259	+ 14%

Although underlying sales in local currencies were in line with the prior year, the strengthening of the euro, in particular against the dollar and the yen, resulted in sales at actual exchange rates being 8 per cent below the prior year's levels, at € 3 375 million. Whilst sales in the first six months of the year were down by 14 per cent, trading in the second six months showed promising signs of recovery. In constant currency terms, sales during the final quarter of the year increased by 10 per cent.

The gross margin percentage declined from 62.6 per cent to 62.0 per cent. Currency movements had an adverse impact given the predominantly euro and Swiss franc cost base of the Group, whilst manufacturing capacity utilisation remained below optimum levels.

Net operating expenses, including the impact of restructuring and impairment charges in the prior year, decreased by 11 per cent. This more than offset the decrease in gross margin and resulted in a 14 per cent increase in operating profit compared to the prior year.

Restructuring and impairment charges in the prior year of € 91 million included in net operating expenses related to the restructuring of Alfred Dunhill and Lancel activities, the rationalisation of the Group's manufacturing operations and the termination of certain lease commitments. No material restructuring or impairment charges are included in the results for the year under review.

Operating profit increased to € 296 million and the operating margin improved by 1.7 percentage points to 8.8 per cent.

ANALYSIS OF SALES AND PROFITABILITY BY BUSINESS AREA

The Group's leather and accessories businesses are now treated as a separate business area.

The following table analyses the sales and operating contribution of the Group's five main areas of activity. In contrast with the presentation adopted last year, a new business segment, 'Leather and accessories Maisons', which comprises Alfred Dunhill and Lancel, has been introduced. In addition, restructuring and impairment charges totalling € 91 million in respect of the prior year have been allocated to each respective area of activity. The table at the end of the review provides a reconciliation to the previously presented figures.

	2004 € m	2003 € m restated	
Sales			
Jewellery Maisons	1 808	1 994	– 9%
Specialist watchmakers	780	808	– 4%
Writing instrument manufacturers	389	394	– 1%
Leather and accessories Maisons	258	302	– 15%
Other businesses	140	153	– 8%
	3 375	3 651	– 8%
Operating result			
Jewellery Maisons	367	421	– 13%
Specialist watchmakers	95	80	+ 18%
Writing instrument manufacturers	55	68	– 19%
Leather and accessories Maisons	(42)	(107)	+ 61%
Other businesses	(9)	(25)	+ 64%
	466	437	+ 7%
Unallocated costs	(170)	(178)	– 5%
Operating profit	296	259	+ 14%

In the table above, those Maisons which are principally engaged in a specific business area have been grouped together. Accordingly, those businesses which have a heritage as producers of high jewellery and jewellery watches, Cartier and Van Cleef & Arpels, are grouped together as jewellery Maisons. Their entire product ranges, including watches, writing instruments and leather goods, are reflected in the sales and operating results for that segment.

The Group's jewellery Maisons reported a decline of 9 per cent in sales at actual exchange rates, although sales were only 1 per cent lower at constant rates. This was largely attributable to the weakness of the dollar and yen against the euro during the year under review. During the year, Cartier launched many new jewellery products, including *Les Secrets du Boudoir* and *Les Délices de Goa* lines, extensions to *Le Baiser du Dragon* collection launched in the previous year, and the *Charms* range. Cartier watch sales included the contribution from the *Déclaration* range as well as new models in the *Roadster* collection. Van Cleef & Arpels' sales increased, in constant currency terms, reflecting better trading in the brand's boutique network and the benefit of the new product ranges, including *Midsummer Night's Dream* and *Frivole*.

The Group's specialist watchmakers reported a 4 per cent decrease in sales at actual exchange rates. At constant exchange rates, however, sales were 4 per cent above the prior year. Good sales growth was reported by Jaeger-LeCoultre, IWC, Officine Panerai and Vacheron Constantin. Both Jaeger-LeCoultre and IWC benefited from the development of new markets, largely linked to their move on to the Richemont regional distribution platforms. New model ranges helped all of the watchmaking Maisons generate stronger sales in the second half of the year.

Richemont's writing instruments manufacturers, Montblanc and Montegrappa, reported constant currency sales growth of 6 per cent for the year. This increase was largely attributable to the further expansion of Montblanc's retail network, including the opening of a North American flagship boutique in New York. Whilst writing instrument sales benefited from the launch of the *Starwalker* collection, the growth in sales of other products, including leather goods and watches, confirms the success of Montblanc's diversification strategy. These products now account for 36 per cent of the brand's sales. The developing Montegrappa brand increased sales by almost 50 per cent in the year, albeit from a small base.

The Group's 'Leather and accessories Maisons', being Alfred Dunhill and Lancel, have reported lower levels of losses as the benefits of the restructuring steps taken last year begin to flow through into results. In the prior year, restructuring and impairment charges contributed € 52 million to operating losses. Excluding the impact of store closures for both Maisons, sales at constant exchange rates decreased by 3 per cent for the year as a whole. Lancel's focus is now on France, the brand's traditional base, and China, where 11 franchised stores have already been established.

The 'Other businesses' segment includes Chloé, Hackett, Purdey and Old England as well as certain watch component manufacturing activities for third parties. The inclusion of these smaller businesses in one segment recognises the disparity in size between them and the Group's larger operations. These Maisons are still in a developmental phase, albeit that some, such as Chloé and Hackett, are growing rapidly. Sales of these businesses reflected the trends seen during the year, with the first half being extremely difficult and a return to growth in constant currency terms in the second half of the year.

Operating profit before unallocated costs totalled € 466 million, an increase of 7 per cent compared to the prior year. This reflects the lower gross margin contribution, offset by reductions in operating expenses and significantly lower restructuring and impairment charges. Unallocated costs represent the costs of general management, marketing support and related central marketing initiatives as well as any central service costs which cannot be directly allocated to segments. Central services include, for example, IT, legal, intellectual property and finance functions of the Group.

SALES BY REGION

The strength of the euro, in particular against the dollar and the yen, impacted heavily on sales.

	2004 € m	2003 € m	at actual exchange rates	at constant exchange rates
Europe	**1 458**	1 558	– 6%	– 5%
Japan	**625**	705	– 11%	– 3%
Asia-Pacific	**637**	695	– 8%	+ 7%
Americas	**655**	693	– 5%	+ 11%
	3 375	3 651	– 8%	0%

Sales in European markets account for 43 per cent of sales, making this the Group's most important geographic region. With the combined effects of lower tourist numbers as well as weak domestic economies, sales in the region decreased by 6 per cent for the year, although encouraging signs emerged in the final quarter with growth at constant exchange rates of 8 per cent being reported. At constant exchange rates, full year sales in France and Italy declined by 13 per cent and 7 per cent respectively, whilst sales in the United Kingdom, where the economic climate was more positive, increased by 5 per cent. Sales in Germany decreased by 12 per cent.

Sales in Japan decreased by 3 per cent in constant currency terms or 11 per cent on conversion into euros at actual exchange rates. The weaker yen resulted in price increases during the year. The impact of these increases, together with a limited offering of engagement rings and jewellery lines at lower price points, in particular at Cartier, contributed to a relatively weak performance.

Sales in the Asia-Pacific region increased by 7 per cent in constant currency terms but were 8 per cent lower at actual exchange rates. These encouraging figures reflect strong sales growth in the second half of the year under review, given the negative impact of the SARS epidemic earlier in the period. In constant currency terms, annual sales in Hong Kong and China increased by 5 per cent and 24 per cent, respectively. As elsewhere, the positive trend seen in the latter part of the year continued, with sales in the Asia-Pacific region showing growth of 18 per cent in constant currency terms during the final quarter.

The Americas region showed sales growth of 11 per cent in constant currency terms, reflecting the strong economy and renewed consumer confidence. In euro terms, however, sales decreased by 5 per cent for the year as a whole. Again, the final quarter of the financial year showed particularly strong growth, with sales increasing by 23 per cent at constant rates.

SALES BY DISTRIBUTION CHANNEL

Retail sales remained in line with the previous year at 41 per cent of total sales.

	2004 € m	2003 € m	
Retail	**1 392**	1 496	– 7%
Wholesale	**1 983**	2 155	– 8%
	3 375	3 651	– 8%

At constant exchange rates, retail sales were 2 per cent higher than the prior year, the modest increase reflecting good growth in Asia-Pacific and the Americas, largely offset by weakness in Japan. European retail sales were broadly in line with the prior year.

In constant currency terms, wholesale sales were in line with the prior year, a shortfall in Europe offsetting growth in other regions. At actual exchange rates, total wholesale sales decreased by 8 per cent to € 1 983 million.

The Group's network of owned stores grew by 14 during the year to 552 outlets. Cartier opened six new boutiques in the year but also closed six, whilst Van Cleef & Arpels opened one new boutique in Japan. Most of the overall increase relates to the 14 new openings by Montblanc, including a New York flagship store for the US market. The continuing rationalisation of the Alfred Dunhill retail network led to the net closure of nine stores. The increase in 'Other' reflects the internalisation of certain Chloé stores in Japan, which were formerly franchised.

Retail network (number of points of sale)

	Owned	Franchised	Total
Cartier	157	55	212
Van Cleef & Arpels	33	7	40
Piaget	19	14	33
Montblanc	141	87	228
Alfred Dunhill	73	85	158
Lancel	70	52	122
Hackett	26	–	26
Other	33	13	46
	552	313	865

PROFIT AND LOSS ACCOUNT AND RESULTS OF ASSOCIATED COMPANY

The contribution from British American Tobacco decreased by 13 per cent, reflecting a lower equity interest and the strength of the euro during the year.

	2004 € m	2003 € m
Operating profit	**296**	259
Net investment income/(expense)	6	(56)
Profit before taxation	**302**	203
Taxation	(64)	(50)
Profit after taxation	**238**	153
Minority interests	–	3
Net profit of the parent and its subsidiaries	**238**	156
Share of results of associated company		
– British American Tobacco	**422**	486
Net profit of the Group	**660**	642

Following the change of accounting treatment in respect of the British American Tobacco preference shares as a consequence of the issue of call warrants over those shares in January 2003, income of € 40 million (2003: € 9 million) has been included within the net investment income/expense caption in terms of the adjustment to the net present value of the preference shares. Interest expense in respect of the Group's net debt during the year reflected the continuing low level of interest rates globally and lower levels of net debt during the year. In the prior year, net investment expense included provisions of some € 20 million to write down unlisted investments to the prevailing valuation as at 31 March 2003.

The Group's effective taxation rate for the year declined from 24.7 per cent to 21.2 per cent. This reflected the ongoing benefits of operational integration and the continuing pattern of lower corporate tax rates globally.

ASSOCIATED COMPANY – BRITISH AMERICAN TOBACCO ('BAT')

The Group's share of the results of its associated company decreased by 13 per cent to € 422 million.

The figure in respect of the Group's share of the results of BAT represents the Group's 19.2 per cent share of BAT's results for the six months to 30 September 2003 and its 19.6 per cent share of BAT's results for the six months to 31 March 2004. The movement in the Group's percentage holding of BAT's ordinary capital is due to the share buy-back programme carried out by BAT during the year. The Group does not participate in the buy-back programme.

The results for the comparative period reflected the Group's 21.0 per cent effective interest for the nine months to 31 December 2002 and a lower interest of 18.6 per cent for the three months to 31 March 2003. The reduction in the effective interest followed the issue of warrants over the BAT convertible redeemable preference shares by R & R Holdings SA, Richemont's joint venture interest, in January 2003 and the resultant change in the accounting treatment of the preference shares. The warrants were exercised on 28 May 2004, resulting in the preference shares being converted into ordinary shares. Given the increase in the number of ordinary shares as a consequence of the conversion of the preference shares, Richemont's effective interest in the ordinary capital of BAT has now decreased to 18.6 per cent.

On 4 June 2004, Richemont received £ 544 million in respect of its holding of the preference shares. In euro terms, this amounted to € 828 million.

BAT's attributable profit, excluding goodwill amortisation and exceptional items, was 1 per cent higher than the prior year. However, after taking into account the adjustment to the present value of the preference shares and preference share dividends, the results for 2004 were 1 per cent below the comparable figure in the prior year. Taking into account the Group's reduced equity interest and the 8 per cent strengthening of the euro against the pound over the prior year, the Group's share of BAT's results in euro terms declined by 13 per cent.

In its financial year to 31 December 2003, BAT had shipments of 792 billion cigarettes, an increase of 2 per cent over the prior year. Its four global 'drive' brands, Kent, Dunhill, Lucky Strike and Pall Mall, grew by 13 per cent between them over the prior year. Kent's volumes reached almost 30 billion, up 14 per cent, while Dunhill, already over the 30 billion mark, was up 8 per cent. Lucky Strike had a difficult time but performed more strongly as the year progressed. Pall Mall broke the 30 billion barrier for the first time, up 32 per cent, largely due to an impressive performance in Italy.

During the year, BAT acquired Tabacalera Nacional S.A.A. in Peru and Duvanska Industija Vranje in Serbia. Effective 31 December 2003, it also acquired Ente Tabacche Italiani S.p.A. in Italy. The major transaction announced by BAT during the year was the proposed creation of Reynolds American, combining R. J. Reynolds ('RJR') and the US businesses of BAT's American subsidiary, Brown and Williamson, to form Reynolds American, a holding company to be 58 per cent owned by RJR shareholders and 42 per cent owned by BAT. In addition, Lane Limited, BAT's US smoking tobacco and cigar business, will be sold by BAT to Reynolds American for $ 400 million in cash. Reynolds American will have a combined share of approximately one third of the US domestic market. Subject to regulatory approval, BAT anticipates that this transaction will be completed later this year.

On a regional basis, BAT's operating profit, excluding goodwill and exceptional items, was 4 per cent higher at £ 2 781 million, with higher contributions from Asia-Pacific, Latin America and Africa and Middle East regions. The growth of profit at comparable rates of exchange would have been 3 per cent as the impact of a stronger euro and South African rand more than offset the continued weakness of the US dollar and currency devaluations in Latin America.

During the year to December 2003, BAT's profit from the America-Pacific region was £ 955 million, down £ 23 million from the previous year, as US dollar exchange rate movements and the very difficult trading conditions in the US cigarette business were only partly offset by a strong profit increase from the rest of the region. Volumes were down 4 per cent to 103 billion, as the increases from South Korea and Japan were more than offset by the impact of lower industry volumes in the US and Canada.

In Asia-Pacific, regional profit was up £ 10 million to £ 473 million over the prior year with outstanding performances in Australia, Malaysia, Vietnam and India, partially offset by reduced profit from Cambodia, Indonesia and duty free. Regional volumes remained constant.

In Latin America, profits were up £ 47 million to £ 440 million due to increases from many markets in the region and the first-time contribution from the acquisition in Peru. The excellent regional results were achieved despite the impact of currency devaluations compared to the previous year and difficult economic conditions in many of the countries. Volumes in the region declined by 2 per cent mainly due to Brazil.

Total profit in Europe was down £ 11 million to £ 536 million, despite the strengthening of the euro. While there were good performances in Eastern and Central Europe, led by Russia and Romania, these were insufficient to cover the lower profit generated in Western Europe. Volumes were up 7 per cent with strong growth from Russia, Romania and Italy, partially offset by decreases in France and Germany.

In the Africa and Middle East region, profit at £ 337 million was up by £ 77 million. This very good performance was achieved despite the cost of continuing investments in this region and reflected generally good performances, as well as the favourable impact of the stronger South African rand. Volumes were up 7 per cent and net turnover at comparable rates of exchange was 14 per cent higher.

In the year to 31 December 2003, BAT carried out a detailed review of its manufacturing operations and organisational structure, including an initiative to reduce overheads and indirect costs, that resulted in the consolidation of its manufacturing operations in the UK, a major restructuring of its business in Canada and an agreed closure plan for a factory in Belgium. The operating results for the year included an exceptional charge of £ 437 million for these restructuring activities. In addition, BAT also included in its exceptional items for the year a write down of a loan to a joint venture of £ 87 million and the loss on the disposal of a subsidiary of its Canadian operation of £ 76 million.

Using BAT's adjusted diluted earnings per share as an indicator of its underlying performance, in the year to December 2003 earnings grew by 4 per cent to 69.21 pence per share, benefiting from the higher operating profit and the impact of its share buy-back programme. This trend continued in the quarter to March 2004 with adjusted earnings per share up 6 per cent on the comparable period.

During the year to 31 March 2004, Richemont received dividends from BAT on both its ordinary and preference shares totalling € 252 million.

In line with the practice adopted in previous years, Richemont adjusts the reported results of British American Tobacco to take account of its December financial year-end and the differences in accounting policies applied by the two companies. The table below sets out the adjustments to BAT's reported results for inclusion in Richemont's financial statements:

	2004 £ m	2003 £ m
Attributable profit as reported by BAT for the year ended 31 December 2003 (2003: to 31 December 2002)	631	1 152
Less: attributable profit as reported by BAT for the quarter ended 31 March 2003 (2003: to 31 March 2002)	(235)	(229)
Add: attributable profit as reported by BAT for the quarter ended 31 March 2004 (2003: to 31 March 2003)	219	235
Adjustments:		
– to eliminate goodwill amortisation	426	380
– to eliminate exceptional items reported by BAT	518	–
	1 559	1 538
– adjustment for present value of BAT preference shares and dividends	(42)	(10)
Adjusted attributable profit of BAT for the year	1 517	1 528
Richemont's share of the adjusted attributable profit of BAT		
– 19.2% for the period 1 April 2003 to 30 September 2003	155	–
– 19.6% for the period 1 October 2003 to 31 March 2004	139	–
– 21.0% for the period 1 April 2002 to 31 December 2002	–	253
– 18.6% for the period 1 January 2003 to 31 March 2003	–	60
	294	313
	€ m	€ m
Converted at the average € : £ rate of 0.6950 (2003: 0.6429) for the year	422	486

The movement in the Group's percentage holding of BAT's ordinary capital during the year ended 31 March 2004 is due to the share buy-back programme carried out by BAT. Richemont did not participate in the buy-back programme and, as a consequence of the decline in the number of ordinary shares in issue, Richemont's effective interest in BAT increased over the year.

CASH FLOW STATEMENT

Free cash flow from operations exceeded dividends from British American Tobacco for the first time.

	2004 € m	2003 € m
Operating profit	296	259
Depreciation and other non-cash items	151	228
Earnings before interest, tax and depreciation	447	487
Decrease in working capital	114	69
Cash generated from operations	561	556
Returns on investments and servicing of finance	(26)	(37)
Taxation paid	(68)	(125)
Net acquisition of fixed assets	(118)	(180)
Free cash flow from operations	349	214
Dividends received from associate – BAT	252	258
Acquisition of subsidiary undertakings and minority interests, net of cash acquired	(7)	(106)
Other investing activities, net	37	17
Net cash inflow before financing activities	631	383
Dividends paid to unitholders	(176)	(178)
Buy-back of Richemont units, net	(98)	(31)
Other financing activities, net	(13)	(289)
Exchange rate effects	29	94
Increase/(decrease) in cash and cash equivalents	373	(21)
Cash and cash equivalents at beginning of year	(744)	(723)
Cash and cash equivalents at end of year	(371)	(744)
Long-term borrowings	(423)	(433)
Net borrowings	(794)	(1 177)

Earnings before interest, tax and depreciation amounted to € 447 million, a decrease compared to the prior year largely due to the reduction in non-cash items in the year under review.

Working capital requirements decreased by € 114 million during the year, primarily reflecting the effective management of inventories. As a result, cash generated from operations increased by € 5 million to € 561 million.

The reduction in fixed asset expenditure compared to the prior year reflects the planned slowdown in the growth of the retail network and after-sales service centre expansion programmes. After the enlargement of the Group's watch manufacturing capacity in recent years, the current year has seen lower levels of expenditure, the programme being largely completed. Gross capital expenditure amounting to € 134 million was broadly in line with the depreciation charge for the year.

Dividends received from BAT comprise the final dividend in respect of BAT's financial year ended 31 December 2002 and the interim dividend in respect of the 2003 financial year. Total dividends received amounted to € 252 million, including € 13 million in respect of the preference shares.

SUMMARISED BALANCE SHEET

Net borrowings continued to decline.

	31 March 2004 € m	31 March 2003 € m
Long-term assets		
Fixed assets	743	801
Investment in associated undertaking – BAT	2 454	2 590
Other long-term assets	381	1 165
	3 578	4 556
Net current assets	2 359	1 795
Net operating assets	5 937	6 351
Net borrowings	(794)	(1 177)
Cash	186	150
Bank loans and overdrafts	(557)	(894)
Short-term portion of long-term borrowings	(359)	(23)
Long-term borrowings	(64)	(410)
Other long-term liabilities	(171)	(176)
	4 972	4 998
Equity		
Unitholders' funds	4 968	4 992
Minority interests	4	6
	4 972	4 998

The carrying value of the 'Investment in associated undertaking – BAT', amounting to € 2 454 million, includes only the Group's investment in British American Tobacco ordinary shares. At 31 March 2004, the Group's interest in BAT ordinary shares amounted to 19.6 per cent and BAT's market capitalisation, based on 2 058 million total ordinary shares in issue, amounted to € 25 162 million (£ 16 841 million). The fair value of the Group's investment in BAT ordinary shares therefore amounted to € 4 927 million.

At March 2003, the Group's holding of BAT preference shares was classified as a long-term asset and at March 2004 as a current asset, the valuation being determined by reference to the discounted present value of the redemption proceeds and the anticipated future dividend flows in the period to maturity. On 4 June 2004, the Group received the proceeds of the disposal of the preference shares amounting to € 828 million.

At 31 March 2004, the Group's net borrowings had been reduced by € 383 million to € 794 million. In addition to repayments effected during the year, this also reflects the weakening of the dollar and other currencies in which the Group borrows against the euro between March 2003 and March 2004.

CONSOLIDATED PROFIT AND LOSS ACCOUNT ON A REPORTED BASIS

Exceptional gains in 2003 were replaced by exceptional charges in 2004.

	2004 € m	2003 € m
Operating profit	296	259
Exceptional items	–	272
Profit before net investment income/(expense)	296	531
Net investment income/(expense)	6	(56)
Profit before taxation	302	475
Taxation	(64)	(50)
Profit after taxation	238	425
Minority interests	–	3
Net profit of the parent and its subsidiaries	238	428
Share of net profit of associated company	82	300
Share of net profit on an adjusted basis	422	486
Goodwill amortisation	(196)	(186)
Share of exceptional items reported by associate	(144)	–
Net profit of the Group on a reported basis	320	728

	2004 € m	2003 € m
A summary of the effects of goodwill amortisation and exceptional items on unitholders' net profit is shown below:		
Net profit of the Group on a reported basis	320	728
Elimination of goodwill amortisation – associated company	196	186
Elimination of exceptional items	144	(272)
Gain arising on BAT preference shares	–	(301)
Write-down of Hanover Direct preference shares	–	29
Share of exceptional items reported by associated company	(144)	–
Net profit on an adjusted basis	660	642

After taking into account goodwill amortisation in respect of the Group's interest in British American Tobacco and exceptional items, net profit on a reported basis declined from € 728 million to € 320 million. Reflecting the accounting policy adopted by the Group in the previous financial year, goodwill arising from the acquisition of subsidiary companies is deducted immediately from unitholders' funds rather than being capitalised and amortised. All goodwill amortisation thus relates to the Group's interest in BAT, the Group's sole associated company.

The exceptional items reported by BAT for the year primarily related to restructuring costs in the UK and Canada, the Group's share of these costs amounting to € 144 million. In the prior year, BAT reported no exceptional items. Exceptional gains amounting to € 272 million in the comparative period reflect the Group's deemed sale of BAT preference shares, as a consequence of the issue of convertible warrants over these shares in January 2003, generating a gain of € 301 million, and an exceptional provision of € 29 million in respect of the Group's investment in Hanover Direct Inc., a former associated company.

Excluding goodwill amortisation and exceptional items from both periods, net profit of the Group on an adjusted basis increased by 3 per cent to € 660 million.

RECLASSIFICATION OF THE ANALYSIS OF SALES AND PROFITABILITY BY BUSINESS AREA

The Group's segmental analyses have been extended from four to five segments, with 'Leather and accessories Maisons' being separated from the segment previously entitled 'Textile, leather and other businesses'. The 'Leather and accessories Maisons' area includes the activities and results of Alfred Dunhill and Lancel only.

In addition, restructuring and impairment charges for the year to March 2003 amounting to € 91 million have been allocated to the respective segments. The table below reconciles the previously reported figures to the restated figures.

	Year ended 31 March 2003 as reported € m	New segment recognition € m	Reallocation of charges € m	Year ended 31 March 2003 restated € m
Sales				
Jewellery Maisons	1 994	–	–	1 994
Specialist watchmakers	808	–	–	808
Writing instrument manufacturers	394	–	–	394
Leather and accessories Maisons	–	302	–	302
Other businesses	455	(302)	–	153
	3 651	–	–	3 651
Operating result				
Jewellery Maisons	439	–	(18)	421
Specialist watchmakers	82	–	(2)	80
Writing instrument manufacturers	68	–	–	68
Leather and accessories Maisons	–	(55)	(52)	(107)
Other businesses	(71)	55	(9)	(25)
	518	–	(81)	437
Unallocated costs	(168)	–	(10)	(178)
	350	–	(91)	259
Restructuring and impairment charges	(91)	–	91	–
Operating profit	259	–	–	259

CONSOLIDATED FINANCIAL STATEMENTS
DIRECTORS' REPORT

The Board of Directors of Compagnie Financière Richemont SA ('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 2004. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 2004 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 80 to 84.

The agenda for the Annual General Meeting, which is to be held in Geneva on 16 September 2004, is set out on page 96.

Further information on the Group's activities during the year under review is given in the Financial Review on pages 39 to 52. A list of principal group companies held primarily through the Company's wholly-owned subsidiary Richemont SA, Luxembourg, is presented on page 25.

CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF ACCOUNTING POLICIES

GENERAL

The financial statements are prepared in accordance with Swiss generally accepted accounting principles as issued by the Foundation for Accounting and Reporting Recommendations in Switzerland ('Swiss GAAP ARR') and comply with Swiss law.

The financial statements of each entity within the Group are measured using the currency that best reflects the economic substance of the underlying events relevant to the entity ('the measurement currency'). The consolidated financial statements are presented in millions of euros, which represents the measurement currency of the Group.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(A) ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, other than those instances where fair value accounting is applied as disclosed in the accounting policies set out below.

(B) BASIS OF CONSOLIDATION

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

Subsidiary undertakings are defined as those undertakings that are controlled by the Group. Control of an undertaking most commonly exists when the Company holds, directly or indirectly through other subsidiary undertakings, more than 50 per cent of the ordinary share capital and voting rights of the undertaking. 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. In consolidating the financial statements of subsidiary undertakings, intercompany transactions, balances and unrealised gains are eliminated. Unrealised losses are eliminated unless costs cannot be recovered.

Associated undertakings are defined as those undertakings, not classified as subsidiary undertakings, where the Group is able to exercise a significant influence. Associated undertakings are accounted for under the equity method. The Group's share of the results and attributable net assets of associated undertakings is derived from accounts drawn up at 31 March of each year. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertaking. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint ventures are enterprises that are jointly controlled by the Group and one or more other parties in accordance with contractual arrangements between the parties. The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. Under this method the Group includes its share of the joint ventures' income and expenses, assets and liabilities and cash flows in the relevant components of the financial statements.

The attributable results of subsidiary undertakings, associated undertakings and joint ventures are included in the financial statements from their dates of acquisition.

(C) FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies, including investments in associated undertakings, are translated into euros at exchange rates prevailing at the balance sheet date. For consolidation purposes, the share capital of the Company is translated from Swiss francs into euros based on the historical rate applicable at the time the Group first adopted the euro as its reporting currency. The earnings of those undertakings in the Group, including associated undertakings, whose accounts are denominated in foreign currencies, are translated into euros 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. Changes in the fair value of a designated foreign currency derivative that qualifies as a hedge of a net investment in a foreign entity are recognised directly in equity (hedging reserve). Other exchange differences, including those arising from currency conversions in the normal course of business, are credited or charged to the profit and loss account for the year.

(D) REVENUE RECOGNITION

Sales are the amounts receivable by the Company and its subsidiary undertakings from the provision of goods and services to third parties and are stated after deducting value added taxes, duties, other sales taxes and trade discounts. Sales are recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Sales include royalty income earned by the Group, which is recognised on the accruals basis.

(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 is provided using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Currently enacted rates are used to determine deferred taxation. Deferred tax assets relating to unused tax losses carried forward are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

(F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is 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 property, plant and equipment 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.

(G) INTANGIBLE ASSETS

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 arising from the acquisition of subsidiary undertakings is deducted immediately from unitholders' funds. Goodwill arising from the acquisition of associated undertakings is capitalised within the cost of the investment and is amortised through the profit and loss account on a straight-line basis over its estimated useful life, up to a maximum of 20 years.

Operating lease premiums

Premiums paid at the inception of operating leases for leasehold buildings are capitalised and amortised over their expected useful lives or, if shorter, the lease period.

Software

Costs that are directly associated with developing, implementing or improving identifiable software products having an expected benefit beyond one year are recognised as intangible assets and amortised using the straight-line method over their useful lives, not exceeding a period of five years. Costs associated with evaluating or maintaining computer software are expensed as incurred.

Research, development, patents and trademarks

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.

(H) LEASES

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 current liabilities and long-term borrowings. Rentals payable on assets held under operating leases are charged to the profit and loss account on the straight-line basis.

(I) IMPAIRMENT OF LONG-TERM ASSETS

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the carrying amount of the asset exceeds its recoverable amount, defined as the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(J) ADVERTISING AND PROMOTION

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 for those costs relating to specific future events, which are carried forward to the accounting period in which those events take place.

(K) INVESTMENTS IN ASSOCIATED UNDERTAKINGS

Investments in associated undertakings are stated at amortised cost, comprising the Group's share of their net assets, adjusted where necessary and practicable to reflect the Group's accounting policies, and include goodwill arising on acquisition, net of accumulated amortisation. The Group's share of associated undertakings' net profit, including the amortisation for the period of the Group's goodwill arising on the acquisition of such associated undertakings, is disclosed in a single line in the profit and loss account. Full details of the Group's share of associated undertakings' operating results, goodwill amortisation, net interest, taxation and minority interests are provided within the notes to the financial statements.

(L) OTHER LONG-TERM ASSETS

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included within current assets. Investments that are initiated by the Group by providing money, goods or services directly to a debtor, other than those originated as trading investments, are classified as originated investments. Investments with fixed maturity which the Group has the intent and ability to hold to maturity are classified as held-to-maturity investments and are included within other long-term assets. Investments intended to be held for an indefinite period of time are classified as available-for-sale and are included within other long-term assets. Trading and available-for-sale investments are carried at fair value, whilst originated and held-to-maturity investments are carried at amortised cost. Realised and unrealised gains and losses arising from changes in the fair value of trading and available-for-sale investments are included in the profit and loss account in the period in which they arise.

All purchases of investments are recognised at the trade date and the cost of purchase includes transaction costs. Sales of securities are recognised at the trade date.

(M) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. In general, cost is determined on either a weighted average basis or a 'first in first out' basis depending on the nature of the inventory. 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.

(N) DEBTORS

Trade and other debtors are stated at original invoiced amount, net of provisions for amounts which are not expected to be recoverable in full.

(O) EMPLOYEE BENEFITS

The Group operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the recommendations of independent qualified actuaries.

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries, who carry out valuations of the schemes on a cyclical basis, with each scheme being valued at least once every three years. Each pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are spread forward over the average remaining service lives of employees.

The Group's contributions to the defined contribution pension plans are charged to the profit and loss account in the year to which they relate.

The Group operates a stock option plan for executives. No amounts, other than employers' social security costs and taxes, are reflected in the profit and loss account in respect of the granting, vesting or exercise of such options.

(P) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. Provisions are quantified based on reliable estimates of the probable outcomes. Provisions are made for warranty repair costs relating to the sale of certain products which are sold under international guarantee against mechanical faults. Restructuring costs and all other provisions are recognised in the period in which the Group becomes legally or constructively committed to payment.

(Q) FINANCIAL RISK MANAGEMENT

The international nature of the Group's activities exposes it to a variety of financial risks, including the effects of changes in foreign exchange rates and interest rates.

The Group's financial instruments include derivative instruments, as well as cash and cash equivalents, investments, receivables, accounts payable and borrowings. The Group utilises derivative financial instruments in order to hedge interest rate exposure and foreign exchange risk.

All derivatives are recognised on the balance sheet at their fair value. The Group designates certain derivatives, on the date that a derivative contract is entered into, as either a hedge of the fair value of a recognised asset or liability (fair value hedge); or a hedge of a firm commitment or of a forecast transaction (cash flow hedge); or a hedge of a net investment in a foreign entity.

Changes in the fair value of a derivative that is designated and qualifies as a fair value hedge and is assessed as being highly effective, are recorded in the profit and loss account, along with the change in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge and is assessed as being highly effective, are recognised directly in equity (hedging reserve). Amounts deferred in equity are included in the profit and loss account in the same period as that during which the hedged firm commitment or forecast transaction affects net profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed or forecast transaction is ultimately recognised in the profit and loss account. When a committed or forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in unitholders' funds is immediately transferred to the profit and loss account.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under IAS 39. Changes in the fair value of derivatives that do not qualify for hedge accounting under IAS 39 and those elements of derivatives excluded from the measure of hedge effectiveness are recognised in the profit and loss account.

Hedges of a net investment in a foreign entity are accounted for on a similar basis to cash flow hedges. Where the hedging instrument is a derivative, any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in unitholders' funds; the gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

The Group formally documents, at inception, all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also formally assesses, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 30. Movements on the hedging reserve are shown in note 21.

The fair value of publicly-traded derivatives, securities and investments is based on quoted market prices at the balance sheet date. In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date.

(R) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, other short-term marketable investments and bank overdrafts.

(S) TREASURY UNITS

The consideration paid on the acquisition of treasury units is included within the equity reserve for treasury units, is carried at cost and is deducted from unitholders' funds. On the disposal of such treasury units, the original consideration paid is eliminated from the carrying value of treasury units and any gains or losses arising on disposal are included as movements in retained earnings and other reserves.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 € m	2003 € m
Sales	*1*	3 375	3 651
Cost of sales		(1 283)	(1 367)
Gross profit		2 092	2 284
Net operating expenses	*2*	(1 796)	(2 025)
Operating profit		296	259
Exceptional items	*5*	–	272
Profit before net investment income/(expense)		296	531
Net investment income/(expense)	*6*	6	(56)
Profit before taxation		302	475
Taxation	*7*	(64)	(50)
Profit after taxation		238	425
Minority interests		–	3
Share of results of associated undertaking	*8*	82	300
Net profit		320	728
Earnings per unit	*9*	€	€
Earnings per unit on a reported basis – basic		0.582	1.309
Earnings per unit on a reported basis – fully diluted		0.578	1.307

A summary of net profit, adjusted to exclude the effects of goodwill amortisation and exceptional items, is set out below:

	Notes	2004 € m	2003 € m
Net profit as reported		320	728
Goodwill amortisation in respect of associated undertaking	*8*	196	186
Exceptional items	*5*	–	(272)
Exceptional items reported by associated undertaking	*8*	144	–
Net profit on an adjusted basis		660	642
Earnings per unit	*9*	€	€
Earnings per unit on an adjusted basis – basic		1.200	1.155
Earnings per unit on an adjusted basis – fully diluted		1.193	1.153

The above summary of adjusted profit is supplementary to the requirements of Swiss generally accepted accounting principles.

CONSOLIDATED BALANCE SHEET
AT 31 MARCH 2004

	Notes	2004 € m	2003 € m
Long-term assets			
Property, plant and equipment	10	684	735
Intangible assets	11	59	66
Deferred tax assets	12	187	137
Investment in associated undertaking	13	2 454	2 590
Other long-term assets	14	194	991
		3 578	4 519
Net current assets			
Inventories	15	1 402	1 604
Debtors	16	1 835	950
Cash		186	150
Current assets		3 423	2 704
Bank loans and overdrafts		(557)	(894)
Short-term portion of long-term loans and finance leases		(359)	(23)
Accruals and deferred income		(170)	(171)
Other current liabilities	17	(532)	(333)
Current tax liabilities		(97)	(95)
Provisions	24	(79)	(123)
		1 629	1 065
		5 207	5 584
Equity			
Share capital	18	334	334
Participation reserve	19	645	645
Unitholders' capital	20	979	979
Treasury units	21	(590)	(487)
Retained earnings and other reserves	21	4 579	4 500
Unitholders' funds		4 968	4 992
Minority interests		4	6
		4 972	4 998
Long-term liabilities			
Borrowings	22	64	410
Secured call warrants	23	–	37
Provisions	24	46	53
Post-retirement and other benefit obligations	25	89	83
Deferred tax liabilities	12	36	3
		235	586
		5 207	5 584

The consolidated financial statements were approved by the Board of Directors on 9 June 2004.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 € m	2003 € m
Cash generated from operations	27	561	556
Interest income and similar items		19	10
Interest paid and similar items		(32)	(47)
Dividends from associated undertaking		239	258
Taxation paid		(68)	(125)
Net cash inflow from operating activities		719	652
Investing activities			
Acquisition of property, plant and equipment		(124)	(167)
Proceeds from disposal of property, plant and equipment		14	16
Acquisition of intangible assets		(10)	(30)
Proceeds from disposal of intangible assets		2	1
Acquisition of subsidiary undertakings and minority interests, net of cash acquired	28	(7)	(106)
Disposal of associated undertaking		1	–
Proceeds from sale of secured call warrants		–	31
Proceeds from sale of assets held for resale		55	–
Acquisition of other long-term assets		(36)	(30)
Proceeds from disposal of other long-term assets		17	16
Net cash used in investing activities		(88)	(269)
Net cash inflow before financing activities		631	383
Financing activities			
Proceeds from long-term borrowings		303	212
Repayments of long-term borrowings		(317)	(515)
Dividend paid on Richemont SA participation reserve		(176)	(178)
Dividend paid to minority interests		–	(3)
Buy-back of Richemont units		(123)	(31)
Proceeds from sale of treasury units		25	–
Other		1	17
Net cash used in financing activities		(287)	(498)
Net cash inflow/(outflow) after financing activities		344	(115)
Effects of exchange rate movements		29	94
Net increase/(decrease) in cash and cash equivalents		373	(21)
Cash and cash equivalents at beginning of year		(744)	(723)
Cash and cash equivalents at end of year	29	(371)	(744)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2004

	Share capital € m	Participation reserve € m	Treasury units € m	Translation and other reserves € m	Retained earnings € m	Total unitholders' funds € m	Minority interests € m	Total € m
Balance at 1 April 2002 as previously reported	334	645	(376)	86	7 294	7 983	82	8 065
Effects of change in accounting policy	–	–	–	(14)	(3 124)	(3 138)	(32)	(3 170)
Balance at 1 April 2002 as restated	334	645	(376)	72	4 170	4 845	50	4 895
Exchange adjustments	–	–	–	(227)	(19)	(246)	–	(246)
BAT – change in percentage holding	–	–	–	–	(33)	(33)	–	(33)
Cash flow and net investment hedges								
– fair value gains	–	–	–	51	–	51	–	51
– transfer to the profit and loss account	–	–	–	1	–	1	–	1
Purchase of minority interests	–	–	–	–	–	–	(38)	(38)
Net profit	–	–	–	–	728	728	–	728
Loss attributable to minority interests	–	–	–	–	–	–	(3)	(3)
Goodwill set off against unitholders' funds	–	–	–	–	(39)	(39)	–	(39)
Net movement in treasury units	–	–	(111)	(26)	–	(137)	–	(137)
Dividend paid on Richemont SA participation reserve	–	–	–	–	(178)	(178)	–	(178)
Dividend paid to minority interests	–	–	–	–	–	–	(3)	(3)
Balance at 31 March 2003	334	645	(487)	(129)	4 629	4 992	6	4 998
Exchange adjustments	–	–	–	37	(59)	(22)	–	(22)
BAT								
– prior year adjustment reported by BAT	–	–	–	–	(42)	(42)	–	(42)
– change in percentage holding	–	–	–	–	33	33	–	33
Cash flow and net investment hedges								
– fair value losses	–	–	–	(24)	–	(24)	–	(24)
– transfer to the profit and loss account	–	–	–	(1)	–	(1)	–	(1)
Purchase of minority interests	–	–	–	–	–	–	(2)	(2)
Net profit	–	–	–	–	320	320	–	320
Goodwill set off against unitholders' funds	–	–	–	–	(3)	(3)	–	(3)
Net movement in treasury units	–	–	(103)	(8)	–	(111)	–	(111)
Release of unutilised restructuring provisions created on acquisition of subsidiary undertakings	–	–	–	–	2	2	–	2
Dividend paid on Richemont SA participation reserve	–	–	–	–	(176)	(176)	–	(176)
Balance at 31 March 2004	334	645	(590)	(125)	4 704	4 968	4	4 972

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 MARCH 2004

Note 1 – Sales

Analysis of sales by major product line

	2004 € m	2003 € m
Jewellery	767	815
Watches	1 560	1 705
Leather goods	240	270
Writing instruments	273	277
Clothing and other	535	584
	3 375	3 651

Analysis of sales by geographical area

	2004 € m	2003 € m
Europe	1 458	1 558
Japan	625	705
Asia-Pacific	637	695
Americas	655	693
	3 375	3 651

Analysis of sales by category

	2004 € m	2003 € m
Sales of goods	3 357	3 625
Royalty income	18	26
	3 375	3 651

Note 2 – Net operating expenses

	2004 € m	2003 € m
Selling and distribution costs	854	932
Communication costs	364	392
Administration and other expenses	578	701
	1 796	2 025

Note 3 – Net profit

Profit of the Company and its subsidiary undertakings includes the following items:

	2004 € m	2003 € m
Depreciation of property, plant and equipment (note 10)	131	136
Amortisation of intangible assets (note 11)	14	14
Operating lease rentals	277	296
Cash flow hedges – transfer from unitholders' funds	(1)	1
Foreign exchange losses/(gains) on monetary items	7	(9)
Impairment of property, plant and equipment (note 10)	5	28
Reversal of previous impairments (note 10)	(5)	–
Trade receivables – impairment charge for bad debts	6	6
Research and development expenditure	8	14
(Profit)/loss on disposal of fixed assets	(8)	15

Note 4 – Personnel

Personnel expenses

	2004 € m	2003 € m
Wages and salaries	700	735
Social security costs	122	119
Pension costs		
– defined contribution plans	22	25
– defined benefit plans (note 25)	19	16
Other (note 25)	–	10
	863	905

Employees

	2004 Number	2003 Number
Average number of persons employed by the Group during the year calculated on a full-time equivalent basis:		
Switzerland	4 274	4 450
Rest of world	10 597	10 528
	14 871	14 978

Note 5 – Exceptional items

	2004 € m	2003 € m
Gain arising on BAT preference shares	–	301
Write down of originated investment in Hanover Direct	–	(29)
	–	272

a) Gain arising on British American Tobacco ('BAT') preference shares

The exceptional gain of € 301 million recognised in 2003 represents the gain arising from the revised accounting treatment in respect of the Group's holding of preference shares in BAT following the issue of call warrants. The warrant issue had the effect of locking in the consideration to be received in June 2004 in respect of the shares at £ 6.75 per share. Under the terms of the merger agreement between Richemont, Remgro Limited and BAT, the redeemable convertible preference shares fell to be redeemed for cash at a fixed price of £ 6.75 per share on 7 June 2004 unless sold through the market prior to that date, in which case the preference shares would automatically convert to ordinary shares in BAT.

In January 2003, Richemont's joint venture interest, R&R Holdings SA, issued call warrants, listed on the Luxembourg Stock Exchange, that gave the holder of each warrant the right to receive from R&R Holdings one ordinary share in BAT on 28 May 2004, upon payment of £ 6.75. The issue of the call warrants therefore irrevocably committed R&R Holdings to dispose of the balance of the BAT preference shares, either as a consequence of the exercise of the warrants or through the redemption of the shares by BAT.

Reflecting the finite life of the BAT preference share interest the Group has, with effect from January 2003, accounted for the shares as a debt rather than an equity interest, carrying the shares at the discounted present value of the £ 6.75 receivable in June 2004, together with the present value of estimated dividends received thereon. Accordingly, the carrying value of these shares was reclassified within the balance sheet at 31 March 2003. The Group also recognised the valuation of the conversion rights embedded within the preference shares. The Group's liability under the call warrants, which was equal to the conversion rights embedded in the preference shares and was based on the market price at the balance sheet date, is included in current liabilities. The current estimated value of the right to receive future dividends within 12 months from the balance sheet date has been included in debtors.

On 4 June 2004, the warrant holders exercised their right to convert the BAT preference shares into ordinary shares.

b) Write down of originated investment in Hanover Direct

In May 2003, Richemont sold its remaining interest in Hanover Direct, Inc. to an independent investor group for US$ 40 million. The carrying value of the Hanover Direct preference shares at 31 March 2003 was accordingly written down to this figure.

Note 6 – Net investment income/(expense)

	2004 € m	2003 € m
Interest income and similar items	5	5
Interest expense and similar items	(28)	(41)
Fair value gains/(losses) on financial instruments	29	(20)
	6	(56)

Note 7 – Taxation

	2004 € m	2003 € m
Current taxation	78	101
Current taxation in respect of prior years	5	8
Deferred taxation	(19)	(59)
	64	50

Note 8 – Share of results of associated undertaking

The Group's share of the results of British American Tobacco is set out below:

	2004 € m	2003 € m
Operating profit	782	847
Goodwill amortisation	(196)	(186)
Exceptional items	(144)	–
Net interest expense	(74)	(60)
Profit before taxation	368	601
Taxation	(243)	(255)
Profit after taxation	125	346
Minority interests	(43)	(46)
Share of associate's results	82	300

Analysed as follows:	2004 € m	2003 € m
Share of profit on an adjusted basis	422	486
Goodwill amortisation	(196)	(186)
Amortisation charge in respect of associated undertaking	(147)	(143)
Amortisation charge reflected in the Group's share of the results of BAT	(49)	(43)
Exceptional items	(144)	–
Share of profit on a reported basis	82	300

Richemont accounts for its effective interest in BAT under the equity method. For the six month period to 30 September 2003, Richemont's effective interest in BAT was 19.2 per cent and for the six month period to 31 March 2004, 19.6 per cent. For the nine months ended 31 December 2002, the effective interest in BAT was 21.0 per cent representing its interest in both the ordinary and preference shares of BAT. With effect from 1 January 2003, as a result of the reclassification of the preference shares to other long-term assets, Richemont ceased to equity account for its interest in those preference shares. Accordingly, the Group equity accounted only its 18.6 per cent effective interest in the ordinary share capital of BAT during the three month period ended 31 March 2003.

Richemont's share of the BAT's exceptional charge for the year, primarily relating to restructuring costs in the UK and Canada, amounted to € 144 million.

Note 9 – Earnings per unit

The Group has revised the basis on which it calculates fully diluted earnings per unit.

In accordance with International Financial Reporting Standards ('IFRS'), notional interest income on the funds invested in units acquired under the unit buy-back programme is no longer added back to net profit to determine fully diluted earnings per unit. Equally, the number of units to be used for the purposes of the calculation is no longer the aggregate of units in circulation together with those held in treasury, but is rather the weighted average number of units, adjusted to assume conversion of all potential dilutive shares arising from outstanding stock options.

This involves a restatement of the comparative figure for fully diluted earnings per unit on a reported basis, which increases from € 1.290 to € 1.307. Similarly, the comparative figure for fully diluted earnings per unit on an adjusted basis increases from € 1.141 to € 1.153.

a) On a reported basis

Basic earnings per unit is calculated by reference to the weighted average number of units outstanding during the period of 550.2 million units (2003: 556.0 million units), together with the net profit of the Group on a reported basis of € 320 million for the year (2003: € 728 million). The number of units outstanding takes into account the effects of the Group's buy-back programme.

Fully diluted earnings per unit is calculated by reference to the 553.3 million units outstanding (2003: 556.8 million units) and net profit on a reported basis for the year of € 320 million (2003: € 728 million).

b) On an adjusted basis

Basic earnings per unit is calculated by reference to the weighted average number of units outstanding during the period of 550.2 million units (2003: 556.0 million units), together with the net profit of the Group on an adjusted basis of € 660 million for the year (2003: € 642 million). The number of units outstanding takes into account the effects of the Group's buy-back programme.

Fully diluted earnings per unit is calculated by reference to the 553.3 million units outstanding (2003: 556.8 million units) and net profit on an adjusted basis for the year of € 660 million (2003: € 642 million).

Note 10 – Property, plant and equipment

	Land and buildings € m	Plant and machinery € m	Fixtures, fittings, tools and equipment € m	Assets under construction € m	Total € m
Cost					
Balance at 1 April 2003	357	230	740	22	1 349
Exchange adjustments	(12)	(7)	(29)	(1)	(49)
Additions	5	13	76	30	124
Transfers and reclassifications	3	6	13	(16)	6
Disposals	(3)	(6)	(73)	–	(82)
Balance at 31 March 2004	350	236	727	35	1 348
Depreciation					
Balance at 1 April 2003	60	169	385	–	614
Exchange adjustments	(1)	(5)	(12)	–	(18)
Charge for the year	11	24	96	–	131
Transfers and reclassifications	3	6	(3)	–	6
Disposals	(1)	(6)	(62)	–	(69)
Impairment	(1)	(4)	5	–	–
Balance at 31 March 2004	71	184	409	–	664
Net book amount					
at 31 March 2003	297	61	355	22	735
at 31 March 2004	279	52	318	35	684

Included above is property, plant and equipment with a net book amount of € 25 million (2003: € 19 million) held under finance leases.

The fire insurance value of property, plant and equipment at 31 March 2004 was € 1 455 million (2003: € 1 151 million).

The impairment charges in respect of the current year and reversals in respect of the prior year relate to the reorganisation of manufacturing operations.

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

	2004 € m	2003 € m
Property, plant and equipment	19	16

Note 11 – Intangible assets

	Leasehold and distribution rights € m	Software € m	Total € m
Cost			
Balance at 1 April 2003	132	19	151
Exchange adjustments	(2)	–	(2)
Additions	6	4	10
Disposals	(9)	–	(9)
Balance at 31 March 2004	127	23	150
Amortisation			
Balance at 1 April 2003	73	12	85
Exchange adjustments	(1)	–	(1)
Charge for the year	10	4	14
Disposals	(7)	–	(7)
Balance at 31 March 2004	75	16	91
Net book amount			
at 31 March 2003	59	7	66
at 31 March 2004	52	7	59

The remaining amortisation periods for leasehold rights, distribution rights and software range between 1 and 10 years.

Note 12 – Deferred tax assets and liabilities

	1 April 2003 € m	Exchange adjustments € m	(Charge)/ credit for the year € m	Other € m	31 March 2004 € m
Accelerated tax depreciation	4	(1)	2	–	5
Provision on inventories	10	–	2	–	12
Bad debt reserves	4	–	(1)	–	3
Post-retirement benefits	11	–	–	–	11
Unrealised gross margin elimination	14	–	3	(1)	16
Tax losses carried forward	39	(1)	26	–	64
Other	52	1	(13)	–	40
	134	(1)	19	(1)	151
Deferred tax assets	137				187
Deferred tax liabilities	(3)				(36)
	134				151

At 31 March 2004, the Company and its subsidiary undertakings had taxation losses of € 336 million (2003: € 381 million) in respect of which taxation assets had not been recognised as the future utilisation of these losses is uncertain. A majority of these losses can be carried forward more than 5 years. Based on current rates of taxation, future utilisation of these losses would result in the recognition of a taxation asset at 31 March 2004 of € 110 million (2003: € 127 million).

Note 13 – Investment in associated undertaking

As a result of the merger of Rothmans International and British American Tobacco, which was completed in June 1999, Richemont and Rembrandt Group Limited, through R&R Holdings, held a 35 per cent equity interest in the enlarged BAT group. The shareholding comprised a 25 per cent interest in ordinary shares (604.3 million ordinary shares) and a 10 per cent interest in the form of 241.7 million convertible redeemable preference shares. The preference shares ranked uniformly with ordinary shares for distribution of profits.

R&R Holdings is held as to two thirds by Richemont and one third by Remgro Limited ('Remgro'), the successor company to Rembrandt Group Limited, following the restructuring of the latter as at 1 April 2000. Richemont's effective interest in BAT at the date of the merger was 23.3 per cent.

Following the disposal of one half of R&R Holdings' interest in the BAT preference shares in June 2000, Richemont's effective interest in BAT was reduced to 21.1 per cent and, following the allocation of shares under BAT's share option scheme, Richemont's effective shareholding at 31 March 2002 amounted to 21.0 per cent.

In January 2003, R&R Holdings issued secured call warrants, listed on the Luxembourg Stock Exchange, giving the holder of each warrant the right to receive from R&R Holdings one ordinary share in BAT on 28 May 2004, upon payment to R&R Holdings of £ 6.75. The issue of these warrants effectively crystallised the terms of the disposal of the preference shares at £ 6.75 per share, either by way of the exercise of the warrants or through the redemption of the preference shares by BAT. Accordingly, the preference shares have been reclassified as other long-term assets at 31 March 2003 and as debtors at 31 March 2004.

Following the issuance of the call warrants in January 2003 and the reclassification of the preference shares in the balance sheet of the Group, the net present value of the preference shares has been reclassified as debt and treated as a deduction from the net asset value of BAT for Richemont consolidation purposes. Accordingly, the Group's share of the net assets of BAT decreased with a consequent increase in the goodwill relating to the investment. This reclassification was implemented in the year ended 31 March 2004 and the comparative figures have been adjusted accordingly. The Group's share of the net tangible liabilities of BAT at 31 March 2003 consequently increased from € 87 million to € 292 million and the goodwill in respect of the Group's investment in BAT, net of amortisation, increased from € 2 009 million to € 2 214 million at that date.

In January 2004, BAT changed their accounting policy in respect of their employee share schemes and Employee Share Option Trusts ('ESOTs'). The net carrying value of BAT's ESOTs, previously shown as an asset in the balance sheet and amounting to £ 155 million was deducted from BAT's equity as at 31 March 2004. The amount of € 42 million shown below is Richemont's share thereof.

In the year ended 31 March 2004 the Group reappraised the method of recognising the effects of changes in its effective interest in BAT resulting from BAT's buy-back of its own shares. Previously, changes in the Group's share of the net assets of BAT were recorded as movements in retained earnings with no impact on the goodwill arising on the Group's investment in BAT. With effect from the year ended 31 March 2004, such changes in the effective interest are recorded as acquisitions or disposals. An adjustment increasing both goodwill and retained earnings by € 33 million has been made at 31 March 2004 in respect of the previous year.

The investment in associated undertaking at 31 March 2004 is analysed as follows:

	2004 € m	2003 € m
Carrying value at 1 April	**2 590**	3 198
Prior year adjustment reported by BAT	**(42)**	–
Exchange adjustments	**16**	(95)
Reclassification of preference shares	**–**	(515)
Change in percentage holding	**33**	(33)
Net profit before goodwill amortisation	**278**	486
Amortisation of goodwill	**(196)**	(186)
Dividends paid	**(225)**	(265)
Carrying value at 31 March	**2 454**	2 590

	2004 € m	2003 € m
British American Tobacco		
– Share of net tangible liabilities	**(1 011)**	(292)
– Goodwill	**1 151**	668
	140	376
Richemont		
– Goodwill arising on the Group's investment in BAT, net of amortisation	**2 314**	2 214
	2 454	2 590

The market capitalisation of BAT ordinary shares at 31 March 2004 was £ 16 841 million (2003: £ 12 826 million). The fair value of the Group's effective interest of 19.6 per cent in BAT ordinary shares at that date was € 4 927 million (2003: effective interest of 18.6 per cent with a fair value of € 3 453 million).

Note 14 – Other long-term assets

	2004 € m	2003 € m
Originated investments		
– BAT preference shares		
– Carrying value	–	743
– Conversion rights	–	37
– Right to receive future dividend	–	30
Available-for-sale investments		
– Shares in unlisted undertakings	39	41
Other		
– Collections	74	71
– Other	81	69
	194	991

Following the issue by R&R Holdings of secured call warrants in respect of preference shares convertible into BAT ordinary shares, the Group effectively crystallised the disposal of its interest in the preference shares of BAT. Accordingly, the preference shares were reclassified as an originated investment at 31 March 2003. The carrying value of these BAT preference shares was determined by reference to the discounted present value of the redemption proceeds amounting to £ 6.75 per share on the Group's effective holding of 80.6 million preference shares.

The conversion rights represented the fair value of the embedded right to convert BAT preference shares into ordinary shares in June 2004.

At 31 March 2003, the Group recognised an amount of € 30 million being the estimated fair value of the right to receive the final dividend payable by BAT in April 2004 on the Group's effective holding in the BAT preference shares.

The carrying value of the preference shares, the conversion rights and the right to receive future dividends described above have been reclassified as debtors at 31 March 2004 (note 16), reflecting the short-term nature of these assets.

Note 15 – Inventories

	2004 € m	2003 € m
Raw materials and consumables	42	42
Work in progress	349	415
Finished goods and goods for resale	1 011	1 147
	1 402	1 604

Note 16 – Debtors

	2004 € m	2003 € m
Trade debtors	399	404
Other debtors	137	175
BAT preference shares and warrants	982	–
BAT ordinary and preference shares		
– dividends receivable	195	184
Assets held for resale		
– Hanover Direct preference shares	–	37
– Other	16	33
Prepayments and accrued income	106	117
	1 835	950

Trade debtors are stated net of provisions of € 19 million (2003: € 22 million).

The proceeds receivable in respect of the British American Tobacco convertible redeemable preference shares and the related secured call warrants, which were classified as long-term assets at 31 March 2003 (note 14), have been included in debtors at 31 March 2004 given the maturity of the warrants in June 2004.

Included within dividends receivable at 31 March 2004 is an amount of € 32 million being the fair value of the right to receive the final dividend on the preference shares payable by BAT in April 2004 (2003: € 30 million included within other long-term assets (note 14)). At 31 March 2003, an amount of € 13 million was included in dividends receivable, being the estimated fair value of the right to receive the BAT preference share dividend in April 2003.

There is no significant concentration of credit risk with respect to trade debtors due to the Group's internationally diverse customer base.

Note 17 – Other current liabilities

	2004 € m	2003 € m
Trade creditors	151	148
Secured call warrants	176	–
Other creditors	205	185
	532	333

In January 2003 the Group, through R&R Holdings, sold secured call warrants in respect of preference shares convertible into ordinary shares of British American Tobacco.

The value of the warrants, which were previously classified as long-term liabilities (note 23), has been determined by reference to their market price as at 31 March 2004.

Note 18 – Share capital

	2004 € m	2003 € m
Authorised, issued and fully paid:		
522 000 000 ‘A’ bearer shares with a par value of SFr 1.00 each	304	304
522 000 000 ‘B’ registered shares with a par value of SFr 0.10 each	30	30
	334	334

Note 19 – Participation reserve

	2004 € m	2003 € m
Reserve in respect of 574 200 000 participation certificates with no par value issued by Richemont SA	645	645

Note 20 – Unitholders’ capital

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

a) Each ‘A’ bearer share in the Company with a par value of SFr 1.00 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 0.10 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:

	2004 Units	2003 Units
a) ‘A’ bearer units, each comprising one ‘A’ bearer share in the Company and one bearer participation certificate in Richemont SA	522 000 000	522 000 000
b) ‘B’ registered units, each comprising ten ‘B’ registered shares in the Company and one registered participation certificate in Richemont SA	52 200 000	52 200 000
	574 200 000	574 200 000

Note 20 – Unitholders’ capital (continued)

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

Note 21 – Retained earnings, other reserves and treasury units

	2004 € m	2003 € m
a) Summary		
Balance at 1 April	4 013	3 866
Exchange adjustments	(22)	(246)
Net profit	320	728
Goodwill deducted from unitholders’ funds	(3)	(39)
Dividend paid on Richemont SA participation reserve	(176)	(178)
Movements in hedging reserve	(25)	52
Units purchased, net of units sold	(103)	(111)
Realised losses on treasury units sold	(8)	(26)
BAT prior year adjustment and effect of change in percentage holding	(9)	(33)
Other adjustments	2	–
Balance at 31 March	3 989	4 013
Retained earnings and reserves other than in respect of treasury units	4 579	4 500
Reserve for treasury units	(590)	(487)
Balance at 31 March	3 989	4 013

b) Legal reserves

Legal reserves amounting to € 95 million (2003: € 95 million) are included in retained earnings and other reserves but are not available for distribution.

c) Reserve for treasury units

In order to hedge its obligations arising under the stock option plan, the Group has purchased Richemont ‘A’ units. Changes in the holding of this stock of units are shown as movements in unitholders’ funds as follows:

Note 21 – Retained earnings, other reserves and treasury units (continued)

Movements in treasury units

	Units millions	€ m
Balance at 1 April 2002	16.5	376
Realised losses transferred to retained earnings	–	(26)
Units purchased	7.0	138
Units sold	(0.1)	(1)
Balance at 31 March 2003	23.4	487
Units purchased	6.5	136
Units sold	(1.6)	(33)
Balance at 31 March 2004	28.3	590

Of the units purchased during the current year, 6.3 million units were acquired in the open market at a total cost of € 134 million, while the remaining 0.2 million units were repurchased from former stock option plan participants at a cost of € 2 million.

During the year, 1.6 million units with a cost value of €33 million were sold to scheme participants who exercised their options.

The market value of the 28.3 million units (2003: 23.4 million units) held by the Group at the year-end, based on the closing price at 31 March 2004 of SFr 34.05 (2003: SFr 18.45), amounted to € 619 million (2003: € 293 million).

d) Goodwill deducted from unitholders' funds

Accumulated goodwill arising on the acquisition of subsidiary undertakings deducted from unitholders' funds is as follows:

	2004 € m	2003 € m
Balance at 1 April	(3 177)	(3 138)
Goodwill arising in year	(3)	(39)
Balance at 31 March	(3 180)	(3 177)

e) Movements in hedging reserve

The table below shows movements on the hedging reserve during the year:

	2004 € m	2003 € m
Balance at 1 April	51	(1)
Fair value (losses)/gains on cash flow and net investment hedging instruments	(24)	51
Amount transferred to profit and loss account	(1)	1
Balance at 31 March	26	51

f) British American Tobacco prior year adjustment and effect of change in percentage holding

The net € 9 million shown in the 'Summary' table is made up of a prior year adjustment of € 42 million, being the Group's share of a prior year adjustment reported by BAT in the quarter ended 31 March 2004, offset by the impact of the reduction in the Group's effective interest in BAT of € 33 million. For further information please refer to note 13.

Note 22 – Borrowings

	2004 € m	2003 € m
Bank loans	402	414
Other loans	–	1
	402	415
Short-term portion of long-term loans	(355)	(21)
Long-term loans	47	394
Obligations under finance leases	17	16
	64	410

Bank and other loans are subject to market rates of interest ranging from 0.5 per cent to 4.2 per cent and are denominated in euros, US dollars, and Japanese yen. Obligations under finance leases, included in long-term borrowings, fall due for payment between two and five years.

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

	2004 € m	2003 € m
Amount repayable in the financial years ending 31 March:		
2004	–	21
2005	355	243
2006	–	122
2007	47	2
thereafter	–	27
	402	415

Note 23 – Secured call warrants

	2004 € m	2003 € m
Secured call warrants	–	37

In January 2003 the Group, through R&R Holdings, sold secured call warrants in respect of preference shares convertible into ordinary shares of British American Tobacco. The carrying value of these warrants was determined by reference to their market price as at 31 March 2003.

At 31 March 2004, these warrants have been classified as other current liabilities (note 17). The warrants were exercised by warrant holders on 28 May 2004 at £ 6.75 per warrant.

Note 24 – Provisions

	2004 € m	2003 € m
Provisions	125	176
Current	(79)	(123)
Long-term	46	53

Movements in provisions for the year are set out below:

	Warranties € m	Restructuring € m	Other € m	Total € m
Provisions at 1 April 2003	19	57	100	176
Exchange adjustments	(1)	(3)	(1)	(5)
Additional provisions	14	6	53	73
Provisions reversed	–	(17)	(17)	(34)
Transfer and reclassification	–	–	(3)	(3)
Utilised in the year	(13)	(28)	(41)	(82)
Provisions at 31 March 2004	19	15	91	125
Current	(16)	(13)	(50)	(79)
Long-term	3	2	41	46

Warranties

Group companies provide warranties on certain products. A provision of € 19 million (2003: € 19 million) has been recognised for expected warranty claims based on past experience. It is expected that € 16 million of this provision will be used within the following 12 months and the balance will be utilised over the remainder of the expected lives of the products.

Restructuring

This provision represents the Group's obligations arising from committed restructuring activities, the largest part of which will be completed within the next year. The remainder of this provision at 31 March 2004 is expected to be utilised by March 2006.

Other provisions

These provisions comprise legal and constructive obligations, particularly in respect of onerous lease contracts and employee commitments. The balance at 31 March 2004 is expected to be fully utilised by 2014. It is not expected that the outcome of legal claims provided for will give rise to any significant loss beyond the amounts provided for at 31 March 2004.

Note 25 – Employee benefits

Post-retirement and other benefit obligations

Movement in the liability recognised in the balance sheet:

	2004 € m	2003 € m
Balance at 1 April	83	51
Transfer of provision from current liabilities	2	13
Total expense for the year		
– pension costs	19	16
– other	–	10
Contributions paid	(15)	(8)
Net liability	89	82
Other post-retirement benefits	–	1
Balance at 31 March	89	83

The net liability reflected in long-term liabilities in the balance sheet is determined as follows:

	2004 € m	2003 € m
Present value of funded obligations	184	157
Fair value of plan assets	(155)	(128)
	29	29
Present value of unfunded obligations	83	74
Unrecognised actuarial deficit	(23)	(21)
Net liability	89	82

The amounts recognised in the profit and loss account are as follows.

	2004 € m	2003 € m
Current service cost	13	13
Internal cost	12	12
Expected return on plan assets	(7)	(10)
Net actual losses recognised	1	–
Other costs	–	10
Prior service cost/curtailment	–	1
Total included in personnel expenses (note 4)	19	26

Of the total expense, € 3 million (2003: € 2 million) and € 16 million (2003: € 24 million) were included respectively in cost of sales and net operating expenses.

The actual return on plan assets was € 18 million (2003: a loss of € 15 million).

The principal actuarial assumptions used for accounting purposes reflected prevailing market conditions in each of the countries in which the Group operates and were as follows:

	2003/2004 cost	End-of-year benefit obligation	Weighted average
Discount rate	1.25% to 6.0%	1.7% to 5.8%	5.2%
Expected return on plan assets	1.75% to 6.4%	2.0% to 6.6%	6.1%
Future salary increases	0.75% to 4.5%	1.5% to 4.9%	4.4%
Future pension increases	1.33% to 2.5%	2.0% to 2.6%	2.4%

Assumptions used to determine the benefit expense and the end-of-year benefit obligations for the defined benefit plans varied within the ranges shown above. The weighted average rate for each assumption used to measure the benefit obligation is also shown. The assumptions used to determine end-of-year benefit obligations are also used to calculate the following year's cost.

The Group operates a number of defined benefit and defined contribution retirement arrangements. The major plans are the arrangements in Switzerland, the UK and Germany.

In Switzerland, benefits provided are essentially defined contribution in nature but are subject to a statutory minimum benefit. Since the defined contribution element dominates the plans' benefit structures, it has been concluded that the most appropriate accounting treatment is to consider this arrangement as if it was a defined contribution plan, subject to a continuing check that the defined benefit minimum has no realistic expectation of impacting on benefits paid. Certain other plans, because of the investment and annuity conversion guarantees contained within the benefit structure of these plans, have been accounted for on a defined benefit basis.

In the UK, benefits are related to service and final salary. The plan is funded by a separate trust, with a funding target to maintain assets equal to the value of the accrued benefits based on projected salaries.

In Germany, retirement benefits are related to service and final salary. Since no external pre-financing exists, the liabilities are recognised within the balance sheets of the relevant companies, in line with local practice.

Benefits under arrangements other than those detailed above are generally related to service and either salary or grade. They are funded in all locations where this is consistent with local practice, otherwise the liability is recognised in the balance sheet.

The Group does not have any significant liabilities in respect of any other post-retirement benefits, including post-retirement healthcare liabilities.

Note 25 – Employee benefits (continued)

Stock option plan

The Group has implemented a long-term unit-based compensation scheme whereby executives are awarded options to acquire units at a predetermined price. Awards under the stock option plan typically vest over periods of three to five years and have expiry dates, the date after which unexercised options lapse, of between 6 and 10 years from the date of grant. During the year ended 31 March 2004, awards were granted at a weighted average exercise price of SFr 28.29 per unit (2003: SFr 35.57 per unit). Options in respect of 1 597 850 units (2003: 84 500 units) were exercised during the year at an average price of SFr 24.32 per unit.

A reconciliation of the movement in the number of awards granted to executives is as follows:

	Number of units			
	Stock option plan	Phantom option plan	Unit purchase scheme	Total
Balance at 1 April 2002	3 959 000	11 068 150	5 457 900	20 485 050
Awarded	250 000	–	62 940	312 940
Exercised	(5 000)	(79 500)	(10 000)	(94 500)
Lapsed	(280 600)	(542 500)	(286 600)	(1 109 700)
Cancellation/repurchase	(1 743 800)	(10 446 150)	(5 224 240)	(17 414 190)
Options not cancelled	2 179 600	–	–	2 179 600
Stock options awarded at SFr 24.25	16 311 575	–	–	16 311 575
Stock options awarded at SFr 20.00	7 335 035	–	–	7 335 035
Balance at 31 March 2003	25 826 210	–	–	25 826 210
Awarded	4 133 750	–	–	4 133 750
Exercised	(1 597 850)	–	–	(1 597 850)
Lapsed	(890 950)	–	–	(890 950)
Balance at 31 March 2004	27 471 160	–	–	27 471 160

The terms of the outstanding stock options at 31 March 2004 are as follows:

Vesting in the year ending	Weighted average exercise price	Number of options
31 March 2003	SFr 24.25	512 400
31 March 2004	SFr 24.24	3 936 416
31 March 2005	SFr 24.25	4 475 017
31 March 2006	SFr 24.60	4 608 987
31 March 2007	SFr 22.65	5 311 525
31 March 2008	SFr 22.78	4 128 688
31 March 2009	SFr 21.66	2 968 127
31 March 2010	SFr 28.70	530 000
31 March 2011	SFr 29.10	500 000
31 March 2012	SFr 29.10	500 000
		27 471 160

Note 26 – Financial commitments and contingent liabilities

At 31 March 2004 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material losses will arise. Details of the Group's commitments in respect of financial derivatives are given in note 30.

At 31 March 2004 the Group had signed non-cancellable operating leases in respect of which the following minimum rentals are payable:

	Land and buildings		Other assets		Total	
	2004 € m	2003 € m	2004 € m	2003 € m	2004 € m	2003 € m
Within one year	127	113	5	2	132	115
Between two and five years	344	306	5	4	349	310
Thereafter	255	295	1	9	256	304
	726	714	11	15	737	729

Note 27 – Cash inflow from operating activities

	2004 € m	2003 € m
Operating profit	296	259
Depreciation of property, plant and equipment	131	136
Amortisation of intangible assets	14	14
Other non-cash items	6	78
Decrease in inventories	137	34
(Increase)/decrease in debtors	(11)	49
Decrease in current liabilities	(12)	(14)
	561	556

Cash inflow from operating activities is stated before taxation, returns on investments and servicing of finance. The figure reflects underlying cash flows incurred in respect of each caption and specifically excludes foreign exchange effects, movements in non-operating assets and liabilities and changes in working capital as a result of acquisitions.

Note 28 – Acquisitions of subsidiary undertakings and minority interests

	2004 € m	2003 € m
Consideration paid during the year	7	106
Cash and cash equivalents of subsidiary undertakings acquired	–	–
Acquisitions of subsidiary undertakings and minority interests – cash outflow	7	106
Analysed as:		
Acquisitions of subsidiary undertakings, net of cash acquired	5	–
Acquisitions of other minority interests	2	106
	7	106
Net consideration paid	7	106
Net assets acquired	(4)	(67)
Goodwill arising on the acquisition of subsidiaries and minority interests	3	39

The goodwill arising in the year has been recorded as a deduction from unitholders' funds.

Note 29 – Cash and cash equivalents

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

	2004 € m	2003 € m
Cash	186	150
Bank loans and overdrafts	(557)	(894)
	(371)	(744)

Bank and other loans are subject to market rates of interest ranging from 0.5 per cent to 4.2 per cent.

Note 30 – Derivative financial instruments

The Group is exposed to financial risks arising from the international nature of its business operations and has therefore established appropriate policies to manage such risks.

The Group's overall financial risk management activities focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Group. The risk management strategy is reviewed and approved by the Board of Directors and carried out by central Group Treasury. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the operating units.

To manage such financial risks, the Group uses derivative hedging instruments to offset exposure, whereby the market risk associated with such instruments is primarily offset by equal and opposite movements in the positions covered. Treasury operations are restricted to the hedging of underlying financial risks; speculative trading is not permitted.

Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar, Hong Kong dollar and the Japanese yen. Entities within the Group use forward contracts that have a maximum maturity of 12 months to hedge their receivables and payables denominated in foreign currencies.

The Group has a number of investments in foreign subsidiaries and an associated undertaking, whose net assets are exposed to currency translation risk. Currency exposure to the net assets of the Group's subsidiaries is managed primarily through borrowings denominated in the relevant foreign currency.

Interest rate risk
The Group borrows at variable rates and sometimes uses interest rate swaps as cash flow hedges of future interest payments. Such swaps have the economic effect of converting borrowings from floating rates to fixed rates.

Credit risk
The Group has no significant concentrations of credit risk, defined as risk in relation to non-performance by counterparties. This risk is minimised by utilising a variety of banks of high credit standing. The Group has policies that limit the amount of credit exposure to any one financial institution.

Liquidity risk
The Group has arranged unsecured committed bank facilities to ensure its liquidity at all times.

Net fair value of derivative financial instruments

	Nominal amount		Fair value	
	2004 € m	2003 € m	2004 € m	2003 € m
Fair value hedges	**303**	298	**(8)**	3
Cash flow hedges	**253**	241	**(2)**	5
Hedge of a net investment in a foreign entity	**813**	788	**18**	49
Interest rate swaps	**129**	185	**(3)**	(7)
Loan note swap	**–**	19	**–**	–
Embedded conversion rights associated with BAT preference shares	**–**	–	**176**	37
Secured call warrants in respect of BAT preference shares	**–**	–	**(176)**	(37)

Note 30 – Derivative financial instruments (continued)

a) Nominal amount

Nominal amounts represent the following:

– Forward foreign exchange contracts: the sum of all contracts, bought or sold, outstanding at the year end;
– Foreign currency options: the sum of the amounts underlying the options outstanding at the year end;
– Interest rate swaps: the sum of the principal amounts underlying the swaps outstanding at the year end.

Foreign currency amounts have been translated to euros using the exchange rates prevailing at the balance sheet dates.

b) Fair value of derivative financial instruments and hedge transactions

The fair value of publicly traded derivatives, securities and investments is based on quoted market prices at the balance sheet date. In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. In the case of forward contracts and swaps, the fair value represents the net gain or loss on the contract or swap since its inception, as there is no initial outlay. In the case of options, the fair value represents the initial premium paid, adjusted for any gain or loss on the option since its inception.

Fair value hedges are foreign currency options and forward exchange contracts that are hedges of assets and liabilities already recorded in the balance sheet or that were entered into for hedging purposes but do not meet the strict criteria required under IAS 39 for them to qualify as effective hedges.

Cash flow hedges are principally average rate options and forward exchange contracts to sell foreign currencies generated by Group sales invoiced in Swiss francs over the subsequent year.

The hedge of a net investment in a foreign entity is the forward sale, by a Group company reporting in euros, of an amount of pounds sterling to hedge its investment in a company reporting in sterling that holds the investment in British American Tobacco. The hedge has been put in place to cover the Group's share of the proceeds resulting from the redemption of the British American Tobacco preference shares in June 2004 or the exercise of the call warrants issued in respect thereof.

Interest rate and loan note swaps have been entered into to manage the risk relative to fluctuations in variable interest rates on short and medium-term lines of credit. At 31 March 2004 the weighted average interest charge of the Group was 2.4 per cent (2003: 2.6 per cent).

Note 31 – Change in accounting policy in 2003

a) Change in accounting policy

In the year ended 31 March 2003, the Group changed its accounting policy with respect to goodwill arising on the acquisition of subsidiary undertakings. Previously, goodwill was recognised as an intangible asset and 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. The Group elected to change this policy and to deduct goodwill arising on the acquisition of subsidiary undertakings immediately from unitholders' funds at the time of acquisition. This policy was applied retrospectively and comparative figures were restated accordingly.

b) Pro forma information

The following pro forma information is provided to demonstrate the effects in the consolidated financial statements of the change in accounting policy in the year ended 31 March 2003 with respect to goodwill arising on the acquisition of subsidiary undertakings. If the Group had not changed its policy, the amounts presented in the financial statements would have been:

	2004 € m	2003 € m
Goodwill on acquisition of subsidiary undertakings		
Cost at 1 April	3 682	3 646
Exchange adjustments	(3)	(3)
Goodwill acquired	3	39
Cost at 31 March	3 682	3 682
Accumulated amortisation and impairment at 1 April	1 036	476
Reduction in net profit for year	159	560
Amortisation charge	159	181
Impairment charge	–	379
Accumulated amortisation and impairment at 31 March	1 195	1 036
Net book amount at 31 March	2 487	2 646

The pro forma impairment charge at 31 March 2003 reflected the negative impact of prevailing world economic conditions on certain businesses.

Note 31 – Change in accounting policy in 2003 (continued)

	2004 € m	2003 € m
Net profit for the year		
As reported	320	728
Pro forma reduction in net profit for the year	(159)	(560)
Pro forma net profit	161	168
Unitholders' funds		
As reported	4 968	4 992
Pro forma increase (net book amount of goodwill)	2 487	2 646
Pro forma unitholders' funds	7 455	7 638

Note 32 – Dividend per unit

At the Annual General Meeting of Richemont SA, Luxembourg, to be held on Thursday, 16 September 2004, a dividend of € 0.40 per unit, falls to be approved. These financial statements do not reflect this dividend payable, which will be accounted for in unitholders' funds as an appropriation of retained earnings effected during the year ending 31 March 2005.

Note 33 – Ultimate parent company

The directors regard Compagnie Financière Rupert, Geneva, Switzerland, to be the Group's controlling party as 50 per cent of the voting rights of the Company are held by that entity.

Note 34 – Company information

Statutory information in respect of the Company is given on page 95.

Note 35 – Post balance sheet events

On 4 June 2004, Richemont received the proceeds of the disposal of its interest in the preference shares issued by British American Tobacco as part of the consideration for the merger of Rothmans International in 1999. These proceeds amounted to £ 544 million or some € 828 million.

On 7 June 2004, the conversion of the BAT preference shares into BAT ordinary shares resulted in the Group's effective interest in the ordinary share capital of BAT being diluted from 19.6 per cent at 31 March 2004 to 18.6 per cent.

REPORT OF THE GROUP AUDITORS

To the General Meeting of Shareholders of
Compagnie Financière Richemont SA, Geneva

As auditors of the Group, we have audited the consolidated financial statements on pages 53 to 77, consisting of the statement of accounting policies, consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and the notes to the consolidated financial statements of Compagnie Financière Richemont SA for the year ended 31 March 2004.

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

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows, in accordance with Swiss generally accepted accounting principles as issued by the Foundation for Accounting and Reporting Recommendations in Switzerland ('Swiss GAAP ARR') and comply with Swiss law.

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

PricewaterhouseCoopers SA
Martin Aked Clive Bellingham
Geneva, 9 June 2004

COMPANY FINANCIAL STATEMENTS

COMPAGNIE FINANCIÈRE RICHEMONT SA

RICHEMONT SA

COMPAGNIE FINANCIÈRE RICHEMONT SA

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2004

	Note	2004 SFr m	2003 SFr m
Income			
Dividend income		92.0	86.4
Interest income		2.7	14.9
Other income		3.4	5.7
		98.1	107.0
Expenses			
General expenses	2	10.5	12.9
Profit before taxation		87.6	94.1
Taxation		0.2	1.2
Net profit		87.4	92.9

BALANCE SHEET

AT 31 MARCH 2004

	Notes	2004 SFr m	2003 SFr m
Long-term assets			
Investments	3	700.2	700.2
Property, plant and equipment	4	22.7	22.7
		722.9	722.9
Current assets			
Loans to Group companies		574.8	484.1
Debtors		0.6	0.6
Cash and cash equivalents		0.6	0.6
		576.0	485.3
		1 298.9	1 208.2
Shareholders' equity			
Share capital	5	574.2	574.2
Legal reserve	6	117.6	117.6
Reserve for own shares	7	228.3	198.3
Retained earnings	8	363.6	306.2
		1 283.7	1 196.3
Current liabilities			
Accrued expenses		12.5	9.8
Taxation		2.1	1.5
Loans from Group companies		0.6	0.6
		15.2	11.9
		1 298.9	1 208.2

COMPAGNIE FINANCIÈRE RICHEMONT SA

NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 2004

Note 1 – Basis of preparation of the financial statements

The financial statements represent the financial position of Compagnie Financière Richemont SA ('the Company') at 31 March 2004 and the results of its operations for the year then ended, prepared in accordance with Swiss law.

Note 2 – General expenses

General expenses comprise the following:

	2004 SFr m	2003 SFr m
Personnel expenses	3.1	6.1
Depreciation of property, plant and equipment	0.1	2.1
Other	7.3	4.7
	10.5	12.9

Note 3 – Investments

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

	2004 SFr m	2003 SFr m
Richemont SA, Luxembourg	700.0	700.0
Other investments	0.2	0.2
	700.2	700.2

Note 4 – Property, plant and equipment

Excluding land, the net book value of property, plant and equipment at 31 March 2004 was SFr 15.0 million (2003: SFr 15.0 million). The fire insurance value of property, plant and equipment at 31 March 2004 was SFr 23.7 million (2003: SFr 22.8 million).

Note 5 – Share capital

	2004 SFr m	2003 SFr m
522 000 000 'A' bearer shares with a par value of SFr 1.00 each, fully paid	522.0	522.0
522 000 000 'B' registered shares with a par value of SFr 0.10 each, fully paid	52.2	52.2
	574.2	574.2

Note 6 – Legal reserve

The legal reserve of SFr 117.6 million (2003: SFr 117.6 million) is not available for distribution.

Note 7 – Reserve for own shares

During the year the Group purchased 6 345 960 'A' units (2003: 1 500 000 'A' units) in the open market for a total cost of SFr 208.2 million (2003: SFr 45.1 million) in order to hedge obligations under the Group's stock option plan. A further 120 150 units were repurchased from executives. In 2003, 5 525 840 units were repurchased from executives, the majority of which were repurchased as part of the unwinding of the Group's unit purchase scheme.

During the year 1 597 850 'A' units were sold to executives of the Group under the Group's stock option plan. In 2003, 67 940 units were sold to executives of the Group under the Group's executive unit purchase scheme and the Group's stock option plan.

At 31 March 2004, following these transactions, the Group held 28 287 260 Richemont 'A' units (2003: 23 419 000 Richemont 'A' units).

A Richemont 'A' unit is composed of one 'A' bearer share issued by the Company and one participation certificate issued by Richemont SA. At the time of formation of Richemont, 25 per cent of the value of an 'A' unit was attributed to the 'A' bearer share issued by the Company and 75 per cent to the participation certificate issued by Richemont SA. In terms of the reserve for own shares established in respect of the units purchased, an amount of SFr 30.0 million (2003: SFr 62.3 million), being 25 per cent of the cost of units acquired net of the cost of units sold to Group executives during the year, has been transferred to the reserve for own shares. The balance of the net cost of units purchased has been transferred to a reserve in respect of the participation certificates purchased in the balance sheet of Richemont SA.

COMPAGNIE FINANCIÈRE RICHEMONT SA
NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2004

Note 8 – Retained earnings

	2004 SFr m	2003 SFr m
Balance at 1 April of prior year retained earnings	306.2	275.6
Net transfer to reserve for own shares	(30.0)	(62.3)
Balance at 1 April, after appropriations	276.2	213.3
Net profit	87.4	92.9
Balance at 31 March	363.6	306.2

Note 9 – Contingent liabilities

At 31 March 2004 the Company had given guarantees totalling SFr 646.4 million (2003: SFr 1 154.3 million) in respect of which it had received indemnities from subsidiaries in the same amount. Obligations to third parties of various Group companies under these guarantees amounted to SFr 218.9 million at 31 March 2004 (2003: SFr 127.0 million). The Company does not foresee any liability arising under these guarantees and, therefore, no provision has been made.

The directors believe that there are no other contingent liabilities.

Note 10 – Significant shareholders

Pursuant to the requirements of the Swiss Federal Act on Stock Exchanges and Securities Trading and the associated ordinances, the Company received formal notification in December 2000 from Compagnie Financière Rupert, that it held 522 000 000 'B' registered shares, representing 50.0 per cent of the voting rights in the Company. In addition, Compagnie Financière Rupert has indicated that parties related to it held or controlled 135 426 'A' bearer shares (either directly or through the medium of South African Depository Receipts), representing 0.01 per cent of the voting rights in the Company as at 31 March 2004.

Also pursuant to the requirements of the Swiss Federal Act on Stock Exchanges and Securities Trading and the associated ordinances, the Company received formal notification on 10 January 2003 from The Capital Group Companies Inc., Los Angeles, that companies under its control held 52 501 787 'A' bearer shares, representing 5.03 per cent of the voting rights in the Company.

Richemont Securities SA, a wholly-owned subsidiary of the Company, acts as depository in respect of Richemont South African Depository Receipts ('DR's'), which are traded on the JSE Securities Exchange South Africa. DR's trade in the ratio of ten DR's to each Richemont 'A' unit. In its capacity as depository and on behalf of the holders of DR's, Richemont Securities SA holds one 'A' unit in safe custody for every ten DR's in issue. Richemont Securities SA's interest is therefore non-beneficial in nature.

All dividends attributable to the 'A' units held in safe custody are remitted by Richemont Securities SA individually to holders of DR's and Richemont Securities SA acts as the approved representative of each DR holder in voting at shareholders' meetings of the Company. DR holders provide Richemont Securities SA with voting instructions as to their holdings of DR's and Richemont Securities SA may only vote on behalf of those DR holders from whom it has received such instructions.

At 31 March 2004, Richemont Securities SA held 166 658 221 Richemont 'A' units (2003: 193 839 000 units), representing some 32 per cent (2003: 37 per cent) of the 'A' units, in safe custody in respect of DR's in issue.

COMPAGNIE FINANCIÈRE RICHEMONT SA

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

AT 31 MARCH 2004

	SFr m
Available retained earnings	
Balance at 1 April 2003	**306.2**
Net transfer to reserve for own shares	**(30.0)**
Net profit	**87.4**
	363.6

Proposed appropriation
The Board of Directors proposes that the available retained earnings of SFr 363.6 million be carried forward.

The Board of Directors
9 June 2004

COMPAGNIE FINANCIÈRE RICHEMONT SA
REPORT OF THE STATUTORY AUDITORS

Report of the statutory auditors to the general meeting
of Compagnie Financière Richemont SA, Geneva

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Compagnie Financière Richemont SA for the year ended 31 March 2004.

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

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

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

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

PricewaterhouseCoopers SA
Martin Aked Clive Bellingham
Geneva, 9 June 2004

RICHEMONT SA
SOCIÉTÉ ANONYME HOLDING
DIRECTORS' REPORT

The Board of Directors of Richemont SA ('the Company') is pleased to submit its report on the activities of the Company for the year ended 31 March 2004. 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, are in accordance with Luxembourg legal and regulatory requirements and are presented in euros.

(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 the euro, are translated at exchange rates ruling at the year end. The resulting exchange gains or losses are credited or charged to the profit and loss account for the 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 2004

	2004 € m	2003 € m
Income		
Dividend income	407.3	393.5
Expenses		
General expenses	4.7	2.9
Profit before taxation	402.6	390.6
Taxation	0.3	0.3
Net profit for the year	402.3	390.3

BALANCE SHEET

AT 31 MARCH 2004

	Notes	2004 € m	2003 € m
Long-term assets			
Investments	*2*	3 206.7	3 206.7
Current assets			
Loans to Group companies	*3*	358.6	219.4
Cash and cash equivalents		0.5	0.5
		359.1	219.9
		3 565.8	3 426.6
Shareholders' equity			
Share capital	*4*	215.0	215.0
Participation reserve	*5*	645.0	645.0
Legal reserve	*6*	21.5	21.5
General reserve	*7*	427.0	427.0
Reserve for own participation certificates	*8*	442.6	384.9
Retained earnings	*9*	514.9	413.2
		2 266.0	2 106.6
Current liabilities			
Loans from Group companies	*3*	1 225.3	1 225.0
Borrowings	*10*	74.1	94.4
Accrued expenses		0.4	0.6
		1 299.8	1 320.0
		3 565.8	3 426.6

RICHEMONT SA
NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2004

Note 1 – Company information

Richemont SA is a Luxembourg holding company, incorporated on 5 March 1979. It is a wholly-owned subsidiary of Compagnie Financière Richemont SA, Geneva, Switzerland.

Note 2 – Investments

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

Note 3 – Loans to and from Group companies

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

Note 4 – Share capital

	2004 € m	2003 € m
Issued and fully paid		
1 914 000 shares of no par value	215.0	215.0

Note 5 – Participation reserve

	2004 € m	2003 € m
Reserve established in respect of 574 200 000 participation certificates with no par value	645.0	645.0

The Company has set aside a participation reserve amounting to € 645.0 million and issued, in respect of this reserve, 522 000 000 (2003: 522 000 000) bearer participation certificates with no par value and 52 200 000 (2003: 52 200 000) registered participation certificates with no par value. Bearer and registered participation certificates have identical rights.

Note 6 – Legal reserve

The legal reserve amounting to € 21.5 million (2003: € 21.5 million) is not available for distribution.

Note 7 – General reserve

The general reserve amounting to € 427.0 million (2003: € 427.0 million) is available for distribution subject to the approval of the shareholders.

RICHEMONT SA

NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 2004

Note 8 – Reserve for own participation certificates

During the year the Group purchased 6 345 960 'A' units (2003: 1 500 000 'A' units) in the open market for a total cost of € 133.8 million (2003: € 31.0 million) in order to hedge obligations under the Group's stock option plan. A further 120 150 units were repurchased from executives. In 2003, 5 525 840 units were repurchased from executives, the majority of which were repurchased as part of the unwinding of the Group's unit purchase scheme.

During the year 1 597 850 'A' units were sold to executives of the Group under the Group's stock option plan. In 2003, 67 940 units were sold to executives of the Group under the Group's executive unit purchase scheme and the Group's stock option plan.

At 31 March 2004, following these transactions, the Group held 28 287 260 Richemont 'A' units (2003: 23 419 000 Richemont 'A' units).

A Richemont 'A' unit is composed of one 'A' bearer share issued by Compagnie Financière Richemont SA and one participation certificate issued by the Company. At the time of formation of Richemont, 25 per cent of the value of an 'A' unit was attributed to the 'A' bearer share issued by Compagnie Financière Richemont SA and 75 per cent to the participation certificate issued by the Company. In terms of the reserve for own participation certificates established in respect of the units purchased, an amount of € 57.7 million (2003: € 126.9 million), being 75 per cent of the cost of units acquired net of the cost of units sold to Group executives during the year, has been transferred to the reserve for own participation certificates. The balance of the cost of net units purchased has been transferred to a reserve in respect of the shares purchased in the balance sheet of Compagnie Financière Richemont SA.

Note 9 – Retained earnings

	2004 € m	2003 € m
Balance at 1 April of prior year retained earnings before appropriation	413.2	392.7
Dividend paid on share capital	(59.1)	(59.1)
Dividend paid on participation reserve	(183.8)	(183.8)
Balance at 1 April, after appropriation	170.3	149.8
Net transfer to reserve for own participation certificates	(57.7)	(126.9)
Net profit for the year	402.3	390.3
Balance at 31 March, closing balance	514.9	413.2

The retained earnings at 31 March are stated before the proposed appropriation as set out below.

Note 10 – Borrowings

These borrowings are dematerialised treasury notes issued under a Commercial Paper Programme which allows Richemont SA, using a bank as intermediary, to borrow up to € 100.0 million for a duration of less than one year in the European retail market.

Note 11 – Contingent liabilities

At 31 March 2004 the Company had given guarantees totalling € 681.5 million (2003: € 1 137.3 million) to cover obligations of various Group companies amounting to € 166.3 million (2003: € 164.3 million). The Company does not foresee any liability arising under these guarantees and, therefore, no provision has been made.

The directors believe that there are no other contingent liabilities.

RICHEMONT SA

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

AT 31 MARCH 2004

	€ m
Available retained earnings	
1 April 2003, after appropriation	170.3
Net transfer to reserve for own participation certificates	(57.7)
Net profit for the year	402.3
	514.9
Proposed appropriation	
Dividend payable on share capital	74.4
Dividend payable on participation reserve	229.7
Balance to be carried forward	210.8
	514.9

The proposed dividend on the share capital will be payable to Compagnie Financière Richemont SA, Geneva.

The proposed dividend on the participation reserve amounts to € 0.40 per participation certificate. It will be payable to Richemont unitholders on 27 September 2004 in respect of coupon number 3, free of charges, at the banks designated as paying agents.

The Board of Directors
Luxembourg, 7 June 2004

RICHEMONT SA
SOCIÉTÉ ANONYME HOLDING
REPORT OF THE STATUTORY AUDITORS

To the Shareholders of
Richemont SA, Luxembourg

We have audited the accompanying annual accounts of Richemont SA, société anonyme holding, for the year ended 31 March 2004. 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 Luxembourg legal and regulatory requirements, a true and fair view of the financial position of Richemont SA, société anonyme holding, as of 31 March 2004 and of the results of its operations for the year then ended.

PricewaterhouseCoopers Sàrl
Réviseur d'Entreprises
represented by Luc Henzig
Luxembourg, 9 June 2004

FIVE YEAR RECORD

PROFIT AND LOSS ACCOUNT

	2000 € m	2001 € m	2002 € m	2003 € m	2004 € m
Sales	2 924	3 684	3 860	3 651	**3 375**
Cost of sales	(995)	(1 216)	(1 382)	(1 367)	**(1 283)**
Gross profit	1 929	2 468	2 478	2 284	**2 092**
Net operating expenses	(1 395)	(1 756)	(1 996)	(2 025)	**(1 796)**
Operating profit	534	712	482	259	**296**
Net investment income/(expense)	(21)	8	(46)	(56)	**6**
Profit before taxation	513	720	436	203	**302**
Taxation	(152)	(191)	(107)	(50)	**(64)**
Profit after taxation	361	529	329	153	**238**
Minority interests	(3)	(1)	2	3	**–**
Net profit of the parent and its subsidiaries	358	528	331	156	**238**
Share of results of associated undertakings	425	440	495	486	**422**
Tobacco	430	473	495	486	**422**
Pay television	3	–	–	–	**–**
Direct retailing	(8)	(33)	–	–	**–**
Net profit	783	968	826	642	**660**
Gross profit margin	66.0%	67.0%	64.2%	62.6%	**62.0%**
Operating profit margin	18.3%	19.3%	12.5%	7.1%	**8.8%**
Effective taxation rate	29.7%	26.5%	24.5%	24.7%	**21.2%**

Basis of preparation

The profit and loss account is presented on an adjusted basis excluding the effect of exceptional items and goodwill amortisation. A reconciliation to the results presented on a reported basis is given on page 93.

ANALYSIS OF SALES

	2000 € m	2001 € m	2002 € m	2003 € m	2004 € m
Sales by product line					
Jewellery	667	877	860	815	**767**
Watches	1 293	1 653	1 794	1 705	**1 560**
Leather goods	267	312	303	270	**240**
Writing instruments	234	263	285	277	**273**
Clothing and other	463	579	618	584	**535**
	2 924	3 684	3 860	3 651	**3 375**
Sales by geographic region					
Europe	1 203	1 508	1 710	1 558	**1 458**
Asia	1 116	1 436	1 454	1 400	**1 262**
Americas	605	740	696	693	**655**
	2 924	3 684	3 860	3 651	**3 375**
Sales by distribution channel					
Retail	1 272	1 647	1 590	1 496	**1 392**
Wholesale	1 652	2 037	2 270	2 155	**1 983**
	2 924	3 684	3 860	3 651	**3 375**

EXCHANGE RATES

	2000	2001	2002	2003	2004
Average rates					
€ : US$	1.0318	0.9070	0.8848	0.9947	**1.1754**
€ : Yen	114.53	100.38	110.64	121.03	**132.63**
€ : SFr	1.6031	1.5389	1.4960	1.4651	**1.5459**
€ : £	0.6403	0.6137	0.6176	0.6429	**0.6950**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2000 € m	2001 € m	2002 € m	2003 € m	2004 € m
Reconciliation of net profit					
On a reported basis	2 982	1 264	608	728	**320**
Goodwill amortisation	277	384	200	186	**196**
Gain on disposal of Vivendi interest	–	(533)	–	–	**–**
Gain arising on BAT preference shares	–	(189)	–	(301)	**–**
Share of BAT exceptional items	106	42	18	–	**144**
Gain on Rothmans International/BAT merger	(2 582)	–	–	–	**–**
Write down of Hanover Direct preference shares	–	–	–	29	**–**
On an adjusted basis	783	968	826	642	**660**

PER UNIT INFORMATION

	2000	2001	2002	2003	2004
Earnings per unit on a reported basis					
– basic	€ 5.273	€ 2.269	€ 1.089	€ 1.309	**€ 0.582**
– fully diluted	€ 5.269	€ 2.264	€ 1.089	€ 1.307	**€ 0.578**
Earnings per unit on an adjusted basis					
– basic	€ 1.384	€ 1.737	€ 1.479	€ 1.155	**€ 1.200**
– fully diluted	€ 1.383	€ 1.734	€ 1.479	€ 1.153	**€ 1.193**
Dividend per unit	€ 0.24	€ 0.30	€ 0.32	€ 0.32	**€ 0.40**

The Group has revised the basis on which it calculates fully diluted earnings per unit.

In accordance with International Financial Reporting Standards ('IFRS'), notional interest income on the funds invested in units acquired under the unit buy-back programme is no longer added back to net profit to determine fully diluted earnings per unit. Equally, the number of units to be used for the purposes of the calculation is no longer the aggregate of units in circulation together with those held in treasury, but is rather the weighted average number of units, adjusted to assume conversion of all potential dilutive shares arising from outstanding stock options. The figures reflected above have been recalculated to reflect the revised basis.

CASH FLOW FROM OPERATIONS

	2000 € m	2001 € m	2002 € m	2003 € m	2004 € m
Operating profit	534	712	482	259	**296**
Depreciation and amortisation	84	110	133	150	**145**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	618	822	615	409	**441**
Other non-cash items	4	25	46	78	**6**
(Increase)/decrease in working capital	37	(270)	(375)	69	**114**
Cash inflow from operating activities	659	577	286	556	**561**
Capital expenditure	(150)	(230)	(308)	(180)	**(118)**
Net cash inflow/(outflow) from operating activities	509	347	(22)	376	**443**

STATUTORY INFORMATION

COMPAGNIE FINANCIÈRE RICHEMONT SA

Registered office: 8 Boulevard James-Fazy
1201 Geneva
Switzerland
Tel: (+41) (0) 22 715 3500
Fax: (+41) (0) 22 715 3550

Auditors: PricewaterhouseCoopers SA
Avenue Giuseppe-Motta 50
1202 Geneva
Switzerland

RICHEMONT SA

Registered office: 35 Boulevard Prince Henri
L-1724 Luxembourg
Tel: (+352) 22 42 10
Fax: (+352) 22 42 19

Auditors: PricewaterhouseCoopers Sàrl
400, route d'Esch
L-1471 Luxembourg

Shares of Compagnie Financière Richemont SA are indivisibly twinned with participation certificates issued by its wholly-owned subsidiary, Richemont SA, to form Richemont units. Richemont units are listed on the Swiss Stock Exchange and traded on the virt-x market (Reuters 'CFR.VX'/Bloombergs 'CFR VX') and are included in the Swiss Market Index ('SMI') of leading stocks. Depository receipts in respect of Richemont units are traded on the JSE Securities Exchange South Africa (Reuters 'RCHJ.J'/Bloombergs 'RCH SJ'); American Depository Receipts are traded over the counter in New York.

Internet: www.richemont.com
investor.relations@richemont.com
secretariat@richemont.com

NOTICE OF MEETING

The Annual General Meeting of shareholders of Compagnie Financière Richemont SA will be held at 10.00 am in the 'Grande Salle', Hotel des Bergues, 33 Quai des Bergues, 1201, Geneva on Thursday, 16 September 2004.

AGENDA

1. Business Report

The Board of Directors proposes that the General Meeting, having taken note of the reports of the auditors, approve the consolidated financial statements of the Group, the financial statements of the Company and the directors' report for the business year ended 31 March 2004.

2. Appropriation of profits

The Board of Directors proposes that the available retained earnings of the Company at 31 March 2004 of SFr 363 600 000 be carried forward to the following business year.

3. Discharge of the Board of Directors

The Board of Directors proposes that its members be discharged from their obligations in respect of the business year ended 31 March 2004.

4. Election of the Board of Directors

The Board of Directors proposes that the following members be re-elected to serve for a further term of one year: Johann Rupert, Jean-Paul Aeschimann, Dr Franco Cologni, Leo Deschuyteneer, Lord Douro, Yves-André Istel, Simon Murray, Alain Dominique Perrin, Alan Quasha, Lord Renwick of Clifton, Prof. Jürgen Schrempp and Ernst Verloop. The Board further proposes that Mr Richard Lepeu be elected to the Board.

5. Election of the Auditors

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

The financial statements of the Group and of the Company along with the related reports of the auditors together with the directors' report for the year ended 31 March 2004 will be available for inspection at the registered office of the Company from 23 August 2004 onwards. A copy of the financial statements, the reports of the auditors and the directors' report, which are contained in the Richemont Annual Report 2004, will be sent to shareholders upon request.

Cards for admission to the Annual General Meeting together with voting forms should be obtained by holders of bearer shares, upon deposit of their share certificates, from any branch of the following banks up to 10 September 2004: UBS AG, Lombard Odier Darier Hentsch & Cie, Bank J Vontobel & Co AG, Pictet & Cie and Bank von Ernst & Cie AG. Admission cards will not be issued by the Company.

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

A shareholder may appoint a proxy, who need not be a shareholder, as his or her representative at the meeting. Forms of proxy are provided on the reverse of the admission cards. In accordance with Swiss law, each shareholder may be represented at the meeting by the Company, by a bank or similar institution or by Mr Georges Fournier, Etude Poncet et Buhler, Notaires, 6 rue de Candolle, CH-1205 Geneva, as independent representative of the shareholders. Unless proxies include explicit instructions to the contrary, voting rights will be exercised in support of the proposals of the Board of Directors. Proxy voting instructions must be received by the Company or the independent representative by Friday, 10 September 2004.

The meeting will be held in English with a simultaneous translation into French and German.

Depository agents, as defined in Article 689d of the Swiss Company Law, are requested to indicate to the Company, as soon as possible and in any event to the admission control prior to the commencement of the meeting, the number and par value of the shares they represent together with the reference numbers of the relevant admission cards. Institutions subject to the Swiss Federal Act on Banks and Savings Banks of 8 November 1934 and professional fund managers and trustees may be considered as depository agents.

For the Board of Directors

Johann Rupert	Jean-Paul Aeschimann
EXECUTIVE CHAIRMAN	DEPUTY CHAIRMAN

Designed and produced by Rare Corporate Design, London.