RICHEMONT

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

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

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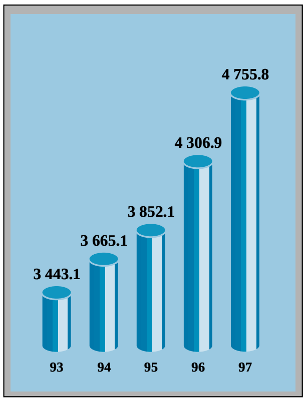
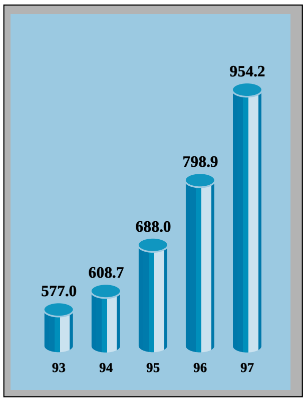
FINANCIAL HIGHLIGHTS

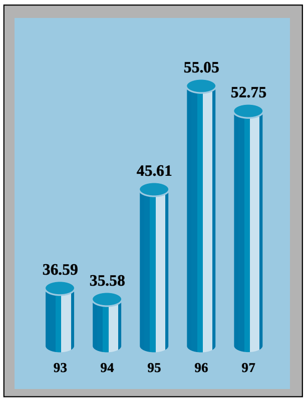
	1997 £	1996 £	
Net sales revenue	**4 755.8 m**	4 306.9 m	**+ 10.4%**
Operating profit	**954.2 m**	798.9 m	**+ 19.4%**
Attributable profit			
– excluding exceptional items and goodwill amortisation	**302.9 m**	316.1 m	**– 4.2%**
– including exceptional items and goodwill amortisation	**513.4 m**	416.4 m	**+ 23.3%**
Earnings per unit			
– excluding exceptional items and goodwill amortisation	**52.75**	55.05	**– 4.2%**
– including exceptional items and goodwill amortisation	**89.41**	72.52	**+ 23.3%**
Dividend per unit	**9.40**	8.00	**+ 17.5%**



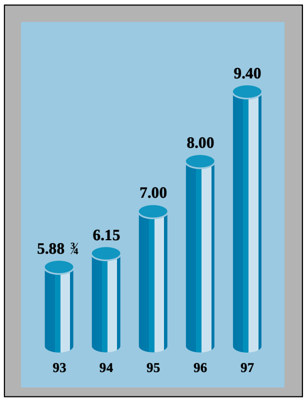
Net sales revenue (£ m)



Operating profit (£ m)



Earnings per unit* (£)



Dividend per unit (£)

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

GROUP STRUCTURE

Richemont

67%

Tobacco Products
Rothmans International

- Rothmans
- Peter Stuyvesant
- Dunhill
- Craven "A"
- Belga
- Winfield
- Lord Extra
- Golden American
- Parisienne
- Dallas
- Caballero
- London

70%

Luxury Goods
Vendôme Luxury Group

- Cartier
- Alfred Dunhill
- Montblanc
- Piaget
- Baume & Mercier
- Vacheron Constantin
- Hackett
- James Purdey
- Sulka
- Chloé
- Seeger

15%

Electronic Media
Canal+

50%

Direct Retailing
NAR Group

Nikolaus Senn
CHAIRMAN

THE LAST FINANCIAL YEAR has produced a generally satisfactory result for Richemont. Our core businesses of tobacco and luxury goods continued to show underlying growth in terms of both sales and operating profit. Profit attributable to unitholders on an adjusted basis fell marginally to £ 302.9 million, largely reflecting the losses attributable to our electronic media interests held through NetHold. NetHold's losses increased substantially in the year under review as a result of the increased investment in the launch of additional services. In consequence of the merger of NetHold with Canal+ we anticipate that the significant adverse impact on Richemont's results of the developmental costs incurred by NetHold will not recur in future years.

For these reasons, notwithstanding the decrease in attributable earnings, your Board is pleased to propose an increase of 17.5 per cent in the level of dividend payable, bringing it to £ 9.40.

During the year, Richemont's subsidiary Rothmans International was fortunate in being able to acquire FJ Burrus, the leading independent cigarette manufacturer in Switzerland. This transaction has significantly increased Rothmans International's presence in the Swiss market, where it is now the second largest company in terms of sales and market share. Richemont's presence in Switzerland was further strengthened later in the year when the Group's luxury goods subsidiary, Vendôme Luxury Group, acquired the business of Vacheron Constantin, the prestigious Genevan watchmaker. Vacheron Constantin joins the Vendôme family of exclusive watchmakers which, in addition to Cartier, includes the renowned Swiss brands of Piaget and Baume & Mercier.

Richemont's businesses are built on its brands. Those brands alone, however, would be worthless were it not for the efforts of the Group's employees to nurture and develop them. This year's annual report seeks to illustrate the role that our employees play in helping to build Richemont's various businesses. We take this opportunity to thank them for their contribution to the Group's continued success.

Nikolaus Senn
CHAIRMAN
Compagnie Financière Richemont AG
Zug, 25 June 1997

DIRECTORS AND COMPANY INFORMATION

COMPAGNIE FINANCIÈRE RICHEMONT AG

Nikolaus Senn
Chairman
Dr Senn, aged 70, is a non-executive director. He is also Honorary Chairman of Union Bank of Switzerland and a member of the board of Siemens, Munich.

Jean-Paul Aeschimann
Deputy Chairman
Maitre Aeschimann, aged 63, is a non-executive director. He is an attorney at the Bar of Geneva and is also a director of Vendôme Luxury Group.

Johann Rupert
Chief Executive
Mr Rupert, aged 47, is a director of Rothmans International and Vendôme Luxury Group and was recently appointed to the board of Canal+. He is also Chairman of Rembrandt Group Limited.

Jan du Plessis
Finance Director
Mr du Plessis, aged 43, is a director of Rothmans International and Hanover Direct and was recently nominated to join the board of Vendôme Luxury Group.

Yves-André Istel
Mr Istel, aged 61, is a non-executive director. He is Vice Chairman of Rothschild Inc., New York and Rothschild Europe and is a director of Rothschild & Cie. He also serves on the boards of several other public companies and non-profit institutions.

Joseph Kanoui
Mr Kanoui, aged 60, is Chairman and Chief Executive of Vendôme Luxury Group and Chairman of Cartier Monde.

Sir Robin Renwick KCMG
Sir Robin, aged 59, is a non-executive director and formerly served as British Ambassador to South Africa and the United States. He was recently appointed to the board of Canal+ and serves on the boards of a number of other public companies including Robert Fleming Holdings, Save & Prosper and British Airways.

William Ryan
Mr Ryan, aged 62, is Chief Executive of Rothmans International and serves on the boards of several public companies in that group.

The Rt Hon Lord Swaythling
Lord Swaythling, aged 68, is a non-executive director. He is non-executive Chairman of Rothmans International and has, at various times, served on the boards of a number of public companies and on the Board of Banking Supervision of the Bank of England.

DIRECTORS AND COMPANY INFORMATION

RICHEMONT SA

Johann Rupert*
Chairman

Joseph Kanoui*
Managing Director

Jean-Paul Aeschimann*
Non-executive director

Jan du Plessis*
Finance Director

Eloy Michotte
Mr Michotte, aged 49, is an executive director with primary responsibility for corporate finance. He also serves on the board of directors of NAR Group.

Frederick Mostert
Dr Mostert, aged 37, is an executive director with responsibility for intellectual property. He is a member of the New York Bar and is Executive Vice President of the International Trade Mark Association.

Alan Quasha
Mr Quasha, aged 47, is a non-executive director. Based in New York, he is Chairman of NAR Group and of Hanover Direct.

Howard Tanner
Mr Tanner, aged 53, is an executive director and serves on the board of NAR Group and Hanover Direct.

* Also a director of Compagnie Financière Richemont AG

STATUTORY INFORMATION

COMPAGNIE FINANCIÈRE RICHEMONT AG

Registered Office	Rigistrasse 2 CH 6300 Zug Switzerland Telephone: 041 710 33 22 Telefax: 041 711 71 02
Group and Statutory Auditors	Coopers & Lybrand AG Zurich
Company Secretary	**Alan Grieve**

RICHEMONT SA

Registered Office	35 Boulevard Prince Henri L 1724 Luxembourg Telephone: 22 72 52 Telefax: 22 72 53
Statutory Auditors	Coopers & Lybrand SC Luxembourg
Company Secretary	**Alan Grieve**

Richemont SA is a wholly-owned subsidiary of Compagnie Financière Richemont AG. Participation certificates issued by Richemont SA are indivisibly twinned with the shares of Compagnie Financière Richemont AG to form Richemont units. Richemont units are traded on the Swiss Stock Exchange. Depositary receipts in respect of Richemont units are traded on the Johannesburg Stock Exchange; American Depositary Receipts are traded over the counter in New York and are listed on SEAQ International in London.

Johann Rupert
CHIEF EXECUTIVE

THE YEAR UNDER REVIEW was characterised by satisfactory performances by the Group's tobacco and luxury goods businesses. In addition, significant acquisitions were made by Rothmans International and Vendôme Luxury Group whilst Richemont's electronic media interests were merged with those of Canal+ of France. The merger has created Europe's largest pay-television business, in which Richemont now holds a 15 per cent interest.

The Group's operating profit increased by some 19 per cent to £ 954 million. This increase reflects a strong performance from the Group's tobacco interests, where operating profit increased by 34 per cent to £ 810 million on sales of £ 3 300 million. This was largely due to the inclusion of the results of the Southern Africa region for the first time on a full 12 months basis. The increase in Rothmans International's operating profit was offset by the higher losses reported by NetHold in respect of the Group's electronic media interests and by a decrease of 3 per cent in the operating profit reported by Vendôme Luxury Group to £ 243 million. The latter reflected the adverse impact of the appreciation of sterling during the year. Vendôme's sales decreased marginally in sterling terms to £ 1 456 million, reflecting good sales growth in local currency terms.

Agreement was reached in September of last year for the merger of the Group's interest in NetHold with Canal+ but, due to the need to obtain clearances from various regulatory authorities in Europe, the transaction could only be concluded at the end of the financial year. In consequence, Richemont has accounted for its share of the operating losses incurred by NetHold for the full 12 month period under review. Richemont's share of the losses of NetHold amounted to £ 81 million during the period, an increase of £ 35 million over the prior year's results. This was largely due to the introduction of additional channels using digital broadcast technology and the costs associated with the expansion of the businesses into Eastern Europe and the Middle East.

The results for the year have been adversely impacted to a significant degree by the strength of sterling. Consequently, in terms of the translation of the results of companies reporting in currencies other than sterling, operating profit for the year under review was reduced by some £ 74 million and attributable profit by some £ 29 million. The management of Richemont's core businesses of Rothmans International and Vendôme Luxury Group are to be congratulated on the satisfactory growth that both companies have nonetheless achieved.

ELECTRONIC MEDIA

THE MOST SIGNIFICANT EVENT of the past year has undoubtedly been the merger of Richemont's media interests, formerly held through NetHold, with those of Canal+. NetHold's operations in Scandinavia, the Benelux and its 45 per cent interest in Telepiù were merged with Canal+, with NetHold's businesses in Africa, the Middle East and eastern Mediterranean countries being transferred to our co-shareholders in NetHold. As a consequence of the transaction, Richemont now owns 15 per cent of the capital of Canal+. Simultaneously, a shareholders' agreement and a corporate governance agreement have been entered into between Richemont and Havas, the French media group which owns 34 per cent of Canal+, to work together to secure the successful development of both companies' combined interest in Canal+.

In last year's annual report we pointed out the benefits that could be achieved through the creation of alliances with strong industry partners. Equally, we have consistently stressed the need for NetHold to establish a strong presence in each of the markets in which it operates in order to achieve the high level of profitability and cash flow which the pay-television industry is capable of generating. The merger with Canal+ has created Europe's largest pay-television operator and has significantly increased the potential for the merged entity to achieve critical mass in those former NetHold territories.

Given the strength of Canal+'s established operations and the complementary nature of their activities with those of NetHold, we were very attracted to the concept of working together with Canal+. The Canal+ name is synonymous with pay-television throughout France, giving the company a strong franchise and positioning it well to protect its market share as new participants enter through the medium of digital satellite broadcasting.

During the 1980's Canal+ developed its core pay-television operation serving the French market through terrestrial transmissions. By adapting the pay-television concept to the French market, including a commitment to the production of French language programming and the creation of a mix of feature films and sporting events, Canal+ has established a loyal subscriber base. The concept was successfully exported to foreign markets through joint ventures with local partners. Prior to the merger with NetHold, Canal+ was present in the Spanish, German, Belgian, Swiss and Polish markets as well as operating the 'Canal Horizons' service in French speaking territories in Africa. Since 1990 the group has developed thematic channels to run alongside its core service. These channels were originally transmitted over cable prior to the launch in 1992 of Canalsatellite's analogue direct-to-home satellite service. In 1996, Canalsatellite successfully launched its digital service in the French market offering its established range of channels, additional film channels, pay per view services and further exclusive coverage of sporting events.

Canal+'s business philosophy is centred around the needs of its subscribers. This preoccupation goes beyond an awareness of the need to offer a first class range of programmes. As a provider of pay-television services, Canal+ distinguishes itself from its competitors by building on the direct relationship that it has with each of its subscribers. This relationship extends from the provision of a regular monthly magazine through telephone and Internet based information services to road shows around France where subscribers can meet the management of the company face to face to express their views on the service which Canal+ provides. In addition, Canal+ offers subscribers invitations to special events, festivals, football championships and special children's sports training courses. Canal+'s philosophy of close liaison with its subscribers is reflected in the exceptionally low level of turnover in subscribers. This has improved over the last ten years and fell further to 7.5 per cent during 1996.

In addition to the delivery of its pay-television services, Canal+ has established a presence in film and television production as well as the ownership and distribution of programming rights. Through its own production companies – 'Le Studio Canal+' and 'Ellipse Programme' – Canal+ is a major European producer accounting for over 30 per cent of the total amount invested each year in French film production.

Following the merger, the enlarged Canal+ has some 10 million subscribers principally in Western Europe and Scandinavia, encompassing the key markets of France, Germany, Italy and Spain. In Italy, the presence of Canal+ will strengthen Telepiù's ability to develop its digital bouquet. An exciting relaunch of the digital package is planned for the 1997 autumn season, taking advantage of Canal+'s experience gained in building its successful digital satellite operation in the French market over the past year.

TOBACCO PRODUCTS

RICHEMONT'S interests in the tobacco industry are held through Rothmans International. Rothmans International is the fourth largest international tobacco company in the world, manufacturing and marketing cigarettes, fine cut, pipe tobacco and cigars. The Group has approximately 20 000 employees and operates 38 factories around the world. Its brands are sold in over 160 countries and territories worldwide.

In January 1996, Richemont and Rembrandt Group Limited merged their tobacco interests under Rothmans International, with Richemont owning two thirds and Rembrandt Group Limited one third of the enlarged Rothmans International group. Rothmans International was further expanded in June 1996 through the acquisition of FJ Burrus. Burrus is the second largest cigarette company in Switzerland, manufacturing and selling a number of well-known brands. Integration of these operations has been completed and the enlarged Group now enjoys cost benefits from the production facilities in South Africa and Switzerland.

The year under review incorporates the results of the former Rembrandt tobacco interests for the full financial year and for Burrus for a nine month period.

BRAND DEVELOPMENT – Rothmans International has a strong portfolio of trade marks. Rothmans, Peter Stuyvesant and Dunhill are amongst the world's top 15 international cigarette trade marks. In the year under review, Rothmans maintained its position as the Group's largest selling trade mark. Sales in the former Soviet Union, a key development market for the Group, grew by more than 50 per cent over the course of the year. Peter Stuyvesant increased its leadership of the South African market and continues to grow strongly in Greece, building on its position as the second largest brand in that market. Volumes of Dunhill grew by over 8 per cent. In Asia, Dunhill King Size enjoyed double digit growth as did sales of Dunhill International in Africa and the Middle East. Sales of Dunhill through duty free outlets also increased substantially.

Pall Mall has seen growth of over 30 per cent, particularly in Central and Eastern Europe, and Craven "A" volumes have also increased through higher sales in Africa and strong growth in Vietnam, where sales more than doubled. Sales of London, the Group's leading popular price trade mark grew by almost 90 per cent, with increased volumes in the Middle East, Africa and Asia.

The international brands are complemented by popular local brands with distinct heritage such as Holiday, the leading brand in New Zealand and Belga, Caballero and Carrolls in Belgium, The Netherlands and Ireland, respectively. The Burrus acquisition brought two strong local brands into the Group portfolio. Parisienne is the second largest trade mark in the Swiss cigarette market and continues to gain market share. Select is a low-tar cigarette and one of Switzerland's top five brands.

In November Winfield, Australia's number one trade mark, was launched as France's first 30's pack. The launch has been an outstanding success and Winfield has captured a market share of 6 per cent. Sales of the trade mark worldwide have grown by over 25 per cent.

The Group also has a wide portfolio of fine cut, pipe tobacco and cigar trade marks, including Samson fine cut, Captain Black and Erinmore pipe tobaccos and Dunhill, Schimmelpenninck and Corps Diplomatique cigars.

The trade marks are supported by substantial marketing expenditure. The Rothmans trade mark is supported by sponsorship of the Rothmans Williams Formula One team, which won both the 1996 World Championship for Constructors and the 1996 World Drivers' Championship.

Rothmans International's objective is to continue to grow as a major international tobacco company, operating worldwide. In the year ending 31 March 1997, the Group's sales volume increased by 5 per cent when Southern Africa is included on a full year basis for the previous financial year. Volumes grew in all of the Group's geographic regions. Significant volume gains were made in Switzerland as a result of the Burrus acquisition as well as in the former Soviet Union, Poland, Malaysia, Vietnam and France.

FINANCIAL RESULTS – Net sales revenue increased by 4 per cent to £ 3 300 million. Operating profit grew by 7 per cent to £ 810 million, as the impact of higher volumes and pricing increases was offset by adverse exchange rate movements and increasing costs. Major contributors to this profit growth include France, Switzerland, Australia, Malaysia and Canada. At constant exchange rates – thereby adjusting for the adverse impact of the recent strength of sterling – operating profit increased by 15 per cent. Associated undertakings accounted for £ 14 million, with Carreras Group Limited of Jamaica being the main contributor.

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

EUROPE – This region includes both Western and Eastern Europe and the former Soviet Union as well as the Group's European-based fine cut, pipe tobacco and cigar business. Rothmans International's major markets are the United Kingdom, France, Switzerland, Germany and Benelux. Sales volumes continue to grow in Southern and Eastern Europe, particularly in the former Soviet Union.

In 1996/97 operating profit grew by 14 per cent to £ 249 million, mainly due to the acquisition of Burrus and price rises in Western Europe, which offset increased investment in marketing and declining sales in several of the remaining Western European markets. The underlying profitability of the business improved by 25 per cent in constant currencies.

The Group has increased volumes in several West European markets, gaining market share. In France, the launch of Winfield 30's has been highly successful, achieving a market share of 6 per cent by the end of the financial year. The brand has been supported with a strong Australian theme, which has proved very appealing to French consumers. Group volumes in France have grown by over 5 per cent on the previous year. In the United Kingdom, Rothmans Royals has seen steady growth, following its repackaging in a 24's pack, contributing to the Group's volume gains in this market. Sales also increased in Spain. In Greece volume continues to grow, through increasing sales of Peter Stuyvesant, the number two trade mark.

Since the acquisition of Burrus by Rothmans International in June, sales in Switzerland have remained buoyant. The Group's existing Swiss-based business has been integrated into the larger Burrus operation, leading to the closure by Sullana – Rothmans International's local operating company – of its offices and the Wetzikon factory.

Volumes and share continued to decline in Germany and Ireland. Marketing and new product initiatives have started to stabilise Rothmans International's market share in Benelux, although volumes again fell faster than the overall market.

In the former Soviet Union, there is strong demand for Group brands. Sales of the premium trade marks Rothmans, Dunhill and Vogue have increased substantially, and there was also growth of Dallas, a popular price cigarette. The Group's position in the Russian Federation will be strengthened by the operation of the new Rothmans Nevo production facility in St. Petersburg, which is scheduled to commence cigarette manufacture in the autumn of 1997.

Sales of Golden American continue to develop in Poland, with particularly strong growth from the Lights variant reflecting the Group's investment in that market. Trading conditions remain turbulent in a number of Eastern European countries, with higher sales in former Yugoslavia and the Czech Republic offsetting declines in Bulgaria and Romania.

In non-cigarette tobacco products, operating profits were reduced, mainly as a result of the strength of sterling. Despite generally lower consumption levels in mature Western European markets, Group volume performance was encouraging for all product groups, increasing market share in a number of markets, particularly France and The Netherlands. Further product cost benefits were realised through improved levels of manufacturing efficiency and production consolidation. The Group continues to exploit the international and duty free market opportunities for the Dunhill range of premium cigars.

AFRICA AND THE MIDDLE EAST – This geographic region covers the African continent, the Middle East and South Asia. In the year under review, operating profits for the region fell by 11 per cent to

£ 236 million, due primarily to the weakness of the South African rand. In constant currencies, profitability increased by 6 per cent.

Rothmans International built on its position as market leader in South Africa, increasing market share of Peter Stuyvesant, the country's number one brand. However, the South African cigarette market fell under the burden of increasing excise taxes and Group sales fell in line with the market decline, although maintaining market share. Cigarette taxes were further increased in March 1997.

Volumes and profits improved in most of Equatorial Africa. The Group continues to work closely with Coralma, a joint venture between SEITA and Bolloré Technologies in francophone Africa. In the year under review, Rothmans International saw substantial growth across these markets and increased market leadership in Côte d'Ivoire through higher sales of Craven "A" and Dunhill.

In the Middle East, the Group enjoyed strong volume and market share growth in Peninsular Arabia, where sales grew by over 10 per cent. Rothmans and London both strengthened their positions within the top five brands in the Peninsula. Overall in the Middle East, margin gains were offset by higher operating costs, leaving profitability little changed.

AMERICAS – Rothmans International's main operation in the Americas is in Canada, where the Group operates through a 71 per cent shareholding in its listed company, Rothmans Inc., which holds 60 per cent of Rothmans, Benson & Hedges Inc., an equity partnership with Philip Morris. In Jamaica, the Group is market leader through its associate, Carreras Group Limited. In the United States, Rothmans International focuses on the sale of cigars and pipe tobacco. Operating profit for the region grew by almost 11 per cent to £ 94 million in the financial year 1996/97, mainly due to higher prices and cost efficiencies.

Cigarette volumes fell slightly in Canada, but profitability was improved through pricing increases and strong volume and profit growth in the roll-your-own tobacco products Custom Cut and Supercut.

In the United States, the Group complemented its position as the leading pipe tobacco company with the acquisition of Sparta Industries, the largest manufacturer and distributor of pipes in the USA. Pipe tobacco volumes and sales of Winchester little cigars declined moderately. Demand for premium cigars continued to grow strongly, benefiting sales of the Group's Dominican and Honduran cigars. Sales of Dunhill cigarettes maintained market position.

Jamaican volumes were stable, with Craven "A" remaining firmly in place as the leading brand. Profitability improved despite the lack of a price increase.

ASIA – The Asia region strengthened operating profits by 4 per cent to £ 144 million. Growth in profitability arising from higher volumes and pricing improvements was partially offset by increased product and marketing costs.

Rothmans of Pall Mall (Malaysia) Berhad, a listed company and the market leader in Malaysia, enjoyed another year of strong volume and profit growth. Sales of Dunhill, the leading brand, continued to increase. In Singapore, Rothmans Industries Limited, a listed company, increased volumes and profits from the domestic market through stronger sales of Dunhill in a very restricted marketing environment. The company also successfully completed the move to the new Senoko factory in January. Several other markets in South East Asia are managed by the Singapore company, including Vietnam, where sales grew by over 45 per cent in 1996/97. This growth was due primarily to the performance of Craven "A" and Dunhill volumes also more than doubled.

In China sales were slightly down, however Dunhill volumes continue to show encouraging growth and the Group continues to invest in the world's largest cigarette market. South Korea had another year of rapid growth, with Dunhill Lights improving its sales by over 30 per cent as the fifth largest imported brand in the country. The Group's performance in Japan was disappointing as volumes fell back slightly during a further year of aggressive competition.

PACIFIC – In the Pacific region, Rothmans International operates in Australasia and Indonesia through Rothmans Holdings Limited, a listed company. The Group is market leader in New Zealand and Papua New Guinea and the clear number two player in Australia.

Profitability in the region more than doubled in 1996/97 to £ 73 million, as market conditions in Australia stabilised following the price war of the previous year. The position of Rothmans International was consolidated in the price war; cigarette sales volumes and market share were higher and Winfield remains firmly in place as the number one brand. The Winfield trade mark also more than doubled its share of the growing roll-your-own tobacco sector, mainly due to the launch of Winfield Extra Mild in April 1996. However, Australia remains an extremely competitive market place where the Group will be ready to respond rapidly to competitor actions.

The Group consolidated upon its leading position in New Zealand, improving cigarette volumes, market share and profitability. However, sales of roll-your-own tobacco declined due to a fall in the overall market and a reduction in market share.

Volumes in Indonesia moved forward with Kansas American, which saw strong growth, fuelled by the introduction of a Lights variant. There is high marketing support for the brand, including the sponsorship of the national soccer league. The Group continues to incur operating losses in this market as it invests to build a substantial long-term business in Indonesia.

INDUSTRY ISSUES – The tobacco industry worldwide has faced another year of pressure from tobacco control activists, and the litigious and regulatory climate in the United States has become particularly volatile. However, Rothmans International is not involved in the US litigation. Neither is it involved in the settlement discussions which have been taking place in an attempt to resolve that litigation.

Subsequent to the year end, a preliminary agreement was reached in the United States between five American tobacco companies and certain state attorneys-general and private attorneys who were suing the industry. The agreement must yet be approved by the US Congress and endorsed by the President before it can be put into effect. Rothmans International is not a party to that preliminary agreement but is studying the content thereof. The proposed agreement is a response to the specific situation facing the industry in the United States. In that country the level of excise duties has traditionally been significantly lower than that applicable elsewhere and the terms of the proposed settlement should be viewed in the light of both this and the prevailing climate of litigation against tobacco companies. Given the fiscal and legal considerations which apply in other markets Rothmans International does not believe that it would be appropriate to seek to implement similar solutions elsewhere.

The tobacco industry is operating in an increasingly challenging environment. In Canada the industry faces a draconian Tobacco Control Act. It is the belief of many that this measure is unconstitutional as it demonstrably violates several parts of Canada's Charter of Rights and Freedoms. The Canadian tobacco companies, including Rothmans, Benson & Hedges, are once again commencing a legal challenge against the Canadian government.

Despite these external pressures, world demand for cigarettes continues to grow at just under 1 per cent per year. Rothmans International is confident the tobacco industry faces a long and profitable future and that, as the world's fourth largest international tobacco company, the Group will continue to achieve profit and volume growth.

LUXURY GOODS

RICHEMONT'S interests in the luxury goods industry are held through its majority shareholding in Vendôme Luxury Group. Vendôme Luxury Group owns a unique portfolio of the world's best known luxury brands, which design, manufacture, market and distribute a range of luxury products including jewellery, watches, writing instruments, leather goods, menswear and accessories, fragrances, lighters and women's fashion clothing and accessories.

Vendôme's principal objective is the development of each of its brands to generate long-term growth in turnover and profits for the benefit of its shareholders, while ensuring that the reputation and integrity of the brands are maintained and, wherever possible, enhanced. Neither the protection of the brands nor their long-term development will be compromised for the sake of short-term rewards.

In terms of Swiss francs, Vendôme's reporting currency, net sales revenue increased by 12 per cent to SFr 2 999 million, reflecting good growth in underlying sales. Operating profit increased by SFr 44 million to SFr 501 million, an increase of 10 per cent, reflecting the growth in sales. As in prior years, sales of jewellery and gold and jewellery watches represented the largest element of sales, amounting to SFr 1 232 million in total, an increase of 19 per cent. Sales of other watches increased by 17 per cent to SFr 512 million. Other major contributors to turnover were writing instruments, which increased by 13 per cent to SFr 354 million and leather goods, which at SFr 302 million reflected an increase of 3 per cent.

CARTIER enjoyed another excellent year with sales significantly up in all geographic regions and across the major product lines. This performance was built on the basis of successful new products, a new advertising campaign and the continued expansion of the Cartier boutique network.

Amongst the new products launched during the year, the outstanding jewellery event was the October 1996 presentation at the Tuileries Gardens in Paris of a new collection based on the theme of *La Création*. This successful inauguration was followed by presentations in other European capitals in late 1996, and in America and South East Asia early in 1997.

The highpoint of Cartier's watchmaking activities was the successful launch of the *Tank Française de Cartier*, the latest creation in the Tank range of watches available in 18-carat gold, gold and steel, or steel.

The latest series of *Pasha* jewellery watches presented at the Salon International de la Haute Horlogerie in Geneva was acclaimed as one of the highlights of the exhibition, confirming Cartier's leadership in the area of jewellery watches.

Other new creations launched during the year included a *Must de Cartier* eau de toilette, faithfully reproducing the perfume that has become one of the *vedettes* of the fragrance market. An expanded collection of Cartier belts and large leather goods and an original line of bordeaux coloured leather accessories were also highlights of the year, as was the introduction of the new Louis Cartier fountain pen.

Cartier's network of 180 boutiques on five continents was again a major contributor to success. A total of 18 new Cartier boutiques were opened during the year: five in Europe, two in America and eleven in Asia. This increasing network, as well as the success of the jewellery products which are sold exclusively through boutiques, was largely responsible for the company's increase in turnover.

Wholesale sales also continue to increase, despite a strict adherence to a quality programme which is carefully applied when appointing new distributors. A broader customer service programme has been initiated, including more comprehensive in-house training courses, in order to improve further the service provided through this high quality distribution network.

Sales continue to grow most strongly in Asia and the Americas, reflecting Cartier's growing retail infrastructure in Latin America and the newly emerging Far East markets. The relative importance of Europe as a marketplace continued to decline, even though European sales increased during the year. Nevertheless, Europe remains an essential market – as essential to Cartier's development in terms of tradition and image as Asia is presently in terms of growth potential. Cartier is committed to its home market, which remains its inspiration even after 150 years.

The thematic exhibitions of the Cartier Foundation – notably the *Comme un oiseau* exhibition – attracted broad and favourable attention from press and public. The *Pot de Jean-Pierre Raynaud,* an exhibition that was first presented in Berlin and then in the Forbidden City of Beijing, had enormous media impact in both Germany and China.

The main promotional theme during the year was the commencement of the celebration of Cartier's 150th anniversary in 1997, under the slogan of *150 Years of History and Romance.* Major activities in the year include gala events and major exhibitions of the Cartier collection of historical pieces. Some of Cartier's most exciting creations will be made available in limited editions of 3, 150 and 1 847 pieces to commemorate the anniversary.

As part of the celebrations, two of the most important museums in the world – the Metropolitan Museum of Art in New York and the British Museum in London – have offered to honour Cartier with major exhibitions, in the Spring and Autumn respectively.

Finally, Cartier continues to invest significant time and resources in improving its operating structures and has made a major investment in the brand's manufacturing capability. Cartier continues to maintain the optimum equilibrium between traditional craftsmanship – essential in the manufacture of high quality luxury goods – and state-of-the-art production systems.

ALFRED DUNHILL achieved growth in a number of areas during the year despite the considerable pressure placed on sales and margins by the weakness of the Yen. This pressure particularly affected sales made to tourist travellers in the Asia-Pacific region, the most important market, with a corresponding decrease in performance. Outside of the Asia-Pacific region, the brand continued its successful development of a broad range of product categories.

In the United States, the Alfred Dunhill stores succeeded in attracting a younger local clientele, and this led to encouraging growth in US retail sales. In Europe there was a significant increase in both retail and wholesale sales, driven by the growing appeal of the company's accessory products, particularly watches.

Despite the disappointing performance in the Asia-Pacific region as a whole, certain markets in the area continued to grow, particularly China. Sales in Asia were helped by the launch of the *Golf* range of menswear, merchandise designed to offer the ultimate in luxury and performance on the golf course.

The traditional Alfred Dunhill menswear collection again increased its share of total sales, with the Autumn/Winter collection based on the theme of the Scottish Highlands. The Spring/Summer collection of the current year has been specifically designed for people on the move, using highly crease-resistant and lightweight materials.

The Alfred Dunhill range of leather goods has not seen any major product development in the year and sales were particularly affected by the decrease in tourism in the Asia-Pacific region, the major market for these products.

A new concept across the range of hard products – *AD 2000*, featuring ranges of watches and costume jewellery – was also introduced during the year. These reflect the perfect combination of Alfred Dunhill's rich heritage and progressive attitude. The year also saw continued sales of the limited edition *Namiki* lacquer writing instruments.

The process of continually upgrading the Alfred Dunhill network of retail outlets continued in the year. In the United Kingdom, the Alfred Dunhill flagship store in Jermyn Street has been completely renovated to provide an environment befitting the leading English name in luxury goods. Following the redecoration of the main Japanese store in Ginza, Tokyo in the previous year, growth has been generated by the increased traffic which the new interior design consistently attracts.

The brand's involvement in golf continued in 1996 with the Alfred Dunhill Cup at St. Andrews in Scotland, as well as with the South African PGA and the Alfred Dunhill Masters in Hong Kong. The St. Andrews tournament has been running since 1985 and its high profile image is invaluable in the promotion and support of the brand's commercial activities.

MONTBLANC introduced several new products into the *Meisterstück* range of writing instruments during the year. Of these, the most innovative has been the *Wedding Pen* which has been conceived as an imaginative wedding gift, featuring a symbolic gold ring which can be engraved on its inner rim with a discreet, personal inscription.

At the very top end of the Montblanc range of writing instruments, it has become traditional to issue a small number of limited edition pieces each year. During 1996, the *Montblanc Patron of the Arts Edition* honoured two historical figures who were not only responsible for shaping the Russian Empire but were also great supporters of the development of the arts: *Peter the Great* and *Catherine the Great*.

As in previous years the *Writer's Edition* series was dedicated to a famous author. The 1996 model pays homage to *Alexandre Dumas*. At the less expensive end of the Montblanc range of writing instruments, some new products and line extensions have been launched to support the traditional trade networks which are important to the brand in its European stronghold markets, particularly Germany.

Building upon its dominant position in the luxury writing instrument market, Montblanc has succeeded in transferring its values to products that are no longer solely related to writing. In 1996, its range of leather goods was extended by offering an additional selection of more than 30 different items ranging from garment bags and document cases to wallets and other small accessories.

Further emphasising this strategy of diversification, Montblanc introduced a *Meisterstück* jewellery collection incorporating a variety of striking cufflinks, tie-bars, money clips and key rings. At the end of the year, Montblanc introduced its new *Meisterstück* range of watches.

Sales increased in all major markets during the year. Europe remains the largest market, with good sales in the year. Sales in the United States and the Far East were also strong. Sales in South America also increased significantly, with Brazil leading the way following the successful opening of a franchise boutique in São Paulo.

The policy of opening Montblanc boutiques in selected locations continues to increase visibility throughout the world. From the base of just one boutique in Hong Kong in 1990, the retail network has grown to 36 locations at the end of the year.

The *Fondation d'Entreprise Montblanc de la Culture* continues its programme of making annual awards to Patrons of the Arts. During the first quarter of 1997, awards were made in ten countries, including Singapore for the first time. Those receiving the awards are chosen by an international panel of artists. The Foundation represents a substantial support for the arts in the name of Montblanc.

PIAGET has again achieved an increase in market share on the basis of increased sales and a trend towards higher-priced pieces. An important factor in this success is Piaget's all gold and jewellery product range which is unique and maintains the brand at the highest position in the market.

This position was reinforced during the year by the expansion of the Piaget boutique network, the inauguration of a new headquarters for Piaget International in Geneva and the opening of additional "Espaces Piaget" in selected prestige outlets.

Sales progressed in all markets, most notably in Europe. There was also increased turnover throughout Asia, particularly in Hong Kong and Japan. Continued sales growth in the United States was supported by the opening of a new boutique in New York and the successful launch of Piaget jewellery through the distribution network.

In recent years Piaget has become known for its work in protecting cultural heritage masterpieces. In this respect, the city of Venice named Piaget as technical consultant and patron in the restoration of the celebrated Moors' Clocktower, which has stood in the Piazza San Marco since the end of the 15th century.

The current year opened with the prospect of sustained growth, based on the launching of several important products and further planned integration of Piaget's distribution network, notably in Japan.

BAUME & MERCIER experienced one of the most successful years in its history. Steady growth has been achieved in all markets through a network of 3 000 retail outlets in more than 75 countries with across-the-board increases. As a result, greater market share has been achieved in Europe, the United States and Asia.

The year also confirmed the success of Baume & Mercier's best-selling lines. The classic *Hampton* – classical and elegant, rectangular or tonneau-shaped – and the *Linea* jewellery watches have both become flagship collections. The *Linea* is poised to become the leading women's luxury timepiece in several strategic markets, including France and Italy.

The firm's reputation for innovation is reflected in its advertising campaigns. The highly successful Baume & Mercier & Me campaign was strengthened during the year with a new visual identity giving greater weight to the brand's image while also appealing to a younger clientele.

During the year, Baume & Mercier became the first of Vendôme's brands to introduce its own Internet site – www.baume-et-mercier.com – attracting 10 000 visitors in its first six months.

In recognition of Baume & Mercier's 160 years of watchmaking, a major exhibition of its historic models was organised in March 1997 in the sumptuous surroundings of the Cappelletti de Cantù jewellery museum in Como.

VACHERON CONSTANTIN – Acquired by Vendôme in December 1996, Vacheron Constantin is the oldest watch manufacturer in the world. It is renowned for its watch masterpieces which combine style with technical perfection. As a part of the Vendôme group, Vacheron Constantin will be managed in accordance with the Group's philosophy which respects the identity, the individuality and the autonomy of each of its brands.

There have been several major events in the year for Vacheron Constantin. The most significant product developments were the launches of the new *Jalousie* and *Overseas* watch ranges. The *Jalousie* model, with its shuttered dial, has a refined charm inspired by one of Vacheron Constantin's best selling models in the 1930's. The *Overseas* range represents a break-through for Vacheron Constantin into a more modern segment of the luxury watch market – available in gold and, for the first time, in steel the *Overseas* has been successful in attracting a new customer range.

Founded in 1755 by Jean-Marc Vacheron, generations of know-how and unrivalled reputation have made Vacheron Constantin a leader in the Swiss watchmaking industry. Jean-Marc Vacheron's vision gradually transformed the small workshop he opened in the Saint Gervais quarter of Geneva, attracting a clientele that included the heads of many of Europe's royal houses. In 1819, François Constantin added his expertise to the brand, promoting the already famous Vacheron Constantin timepiece throughout Europe.

The Vacheron Constantin collection consists of five families: *Les Historiques* – expressing the unique identity of the company over the centuries through the occasional relaunch of some classical models in special limited editions; *Les Joailleries* – symbolising the perfect union between the artistic mastery of the watchmaking and jewellery crafts; *Les Essentielles* – dedicated to classical design, where quality reigns supreme; *Les Complications* – confirming the full talent of Vacheron Constantin's master watchmakers, constantly directed toward incorporating new technologies and designs that render them exceptional and unique; *Overseas* – the newest Vacheron Constantin line pays homage to contemporary lifestyle with informal watches for leisure and sportswear.

HACKETT enjoyed strong growth throughout the year, primarily in its UK home market. The increase in sales largely reflected continuing investment in product development, advertising and expansion of the network of stores. Progress was made internationally with significant growth in the French and Spanish markets. Hackett's Japanese business is also thriving with nine stores and concessions geographically spread throughout the country.

Product development continued to focus on the use of exclusive cloths, maintaining Hackett's distinctive character. Tailoring, shirts, jackets and trousers all showed increases in sales. Sales of ties, designed with the same blend of distinctive colours, patterns and fabrics, were especially strong, with demand centred on woven ties.

Hackett is making good headway in fulfilling its strategy of building on the success of its exclusive retail network while developing a successful wholesale business throughout the UK, European and Asian markets.

JAMES PURDEY & SONS experienced another year of encouraging growth with full order books evidencing the continuing demand for the company's products. Purdey guns and rifles are made to each customer's individual specifications, as they have been over the company's 183 year history, and continue to receive worldwide acclaim and appreciation.

Designed with simplicity of line, light in weight and perfect in balance, the Purdey Side-by-Side can only be thought of as a timeless design classic. Reiterating this combination in its contemporary and future work will ensure that the Purdey name remains at the forefront of the market for game guns and rifles worldwide.

This English style is now being imparted to a new range of bolt-action rifles. The notation "Express" when describing larger calibre rifles was coined by James Purdey in the last century. This gave Purdey great authority as riflemakers – authority that has been passed down to the present day and is wholly complementary to the making of Purdey's shotguns for game shooting.

SULKA continued to grow in the year as it further expanded its core business in men's luxury clothing and attracted new customers with a line that now includes travel-related leather accessories. Development also continued on Sulka's much-anticipated fragrance for men. Its expected 1997 launch will add to Sulka's international appeal.

In May 1997, Sulka inaugurated its first small boutique in the South Coast Plaza shopping centre of Orange County, California, bordering on Newport Beach and Beverly Hills.

Outside the United States, Sulka has long-established stores in London and Paris, and the first steps have been taken towards the establishment of a Far Eastern presence in the near future.

CHLOÉ has embarked on a strategy of product extension with several new products being launched during the year, the most notable of which was the launch of a third Chloé perfume under the label of *Chloé Innocence.* The perfume's appearance in the market was supported by an imaginative advertising campaign in all European markets. New sales outlets were created and the natural relationship between *Chloé Innocence* and other Chloé products not only generated additional goodwill but increased showcase space with many larger retailers.

Since the year end, the English designer Stella McCartney has replaced Karl Lagerfeld as chief designer of Chloé. Miss McCartney, aged 26, is a very talented designer who will help to rejuvenate the image of Chloé and will spend a considerable amount of time promoting its products worldwide. Miss McCartney has a long-term exclusive contract and has given up her own ready-to-wear collection to concentrate on her new role.

SEEGER – By the end of the year, less than 24 months after the inauguration of its first boutique, Seeger has built on its claim to be the world's most exclusive manufacturer of leather goods with the establishment of nine retail outlets in Europe, America and Asia.

The Seeger boutique in New York has created a successful model for expansion in the United States and has been followed by a newly-opened boutique in San Francisco and the inauguration in 1997 of a small boutique in the South Coast Plaza shopping centre in Orange County, near Los Angeles.

A new range of products for women has been launched in Seeger boutiques, and includes a selected range of handbags and travelbags.

DIRECT RETAILING

NAR GROUP LIMITED was formed in 1988 to hold certain of the Group's interests in North America along with those of the Quasha family, those interests being principally in the natural resources sector. The partners hold equal shares in the ordinary equity of NAR, Richemont having also contributed additional funding through preference capital. Since its formation, the emphasis of NAR has shifted from a broadly based portfolio of investments to a more focused one, the principal holding being a controlling interest in Hanover Direct, a speciality catalogue retailer in the United States.

NAR reported disappointing results in the year under review. The Group's share of NAR's losses increased by £ 13 million to £ 16 million, largely reflecting significant losses incurred by Hanover Direct. The operating losses of Hanover Direct for the 12 months ended 31 December 1996, before reflecting goodwill amortisation and exceptional goodwill write-offs totalling US$ 19 million, amounted to US$ 75 million. The losses were mainly due to restructuring charges, higher paper and postage costs and increased inventory write-offs. A new chief executive, with extensive industry experience, was appointed in late 1996. Shortly thereafter a new chief financial officer and various other senior appointments were made to strengthen the management team.

Notwithstanding these problems, the Board of Richemont believes that Hanover's business is well founded and that the problems encountered are in the process of being resolved. After discussions with our partners, it has been agreed that NAR should refocus its activities solely on the development of Hanover Direct and that its other investment interests should be sold. Linked to this, Richemont has taken steps to ensure that Hanover Direct has adequate financial resources. In this context, subsequent to the year end, Richemont underwrote a rights issue and invested some US$ 36 million in Hanover Direct. As a consequence of the rights issue, Richemont has acquired a direct equity interest of some 20 per cent in Hanover Direct and has appointed two directors to the Board. In addition NAR, in which Richemont holds a 50 per cent interest, continues to hold a 47 per cent interest in Hanover Direct.

PROSPECTS

OUR ESTABLISHED tobacco and luxury goods businesses have performed well in the year under review and have continued to grow. The acquisition of FJ Burrus by Rothmans International has significantly increased the Group's presence in the Swiss market and new brand initiatives will continue to be implemented in all markets. The acquisition by Vendôme Luxury Group of Vacheron Constantin and the many new product launches during the year are evidence of our commitment to the continued expansion of Vendôme's business.

Richemont has, through the merger of its pay-television activities with those of Canal+, achieved a significant presence in a first class company which is the European leader in its industry. In its analogue pay-television activities Canal+ has a highly profitable and cash flow generative business. These will provide the backbone of its operations over the short term until the positive impact of the digital services is realised. Richemont's interest in Canal+ will be self financing, in contrast to the need for additional investment that the maintenance of an independent NetHold would have implied. We believe that these financial advantages, combined with the strategic benefits of the merger and the proven expertise of Canal+ management, will allow Richemont to continue to benefit from an involvement in the rapidly developing pay-television industry.

If the recent strength of sterling is maintained for the remainder of this year, it is anticipated that Richemont's results will once again be adversely impacted. However, the opportunities for continued underlying growth in our established tobacco and luxury goods interests, combined with the exciting potential offered by our involvement in the pay-television industry, allow us to look forward with confidence to a year of further progress for Richemont.

Johann P. Rupert.

Johann Rupert
CHIEF EXECUTIVE
Compagnie Financière Richemont AG
Zug, 25 June 1997

GROUP RESULTS – Comparison of the Group's results on a reported basis against the previous year is distorted by the effects of exceptional items and goodwill amortisation in both periods.

The Group's profit and loss account for the year to 31 March 1997 includes the exceptional gain realised by Richemont on the merger of Canal+ and the European operations of NetHold. The transaction has been accounted for as the effective disposal of Richemont's interest in NetHold in return for an equity interest in the enlarged Canal+. The value placed on the investment acquired in Canal+ as a result of the merger gives rise to a gain of £ 291.5 million which has been shown as an exceptional item in the Group's results on a reported basis.

The results for the year ended 31 March 1996 included the exceptional gain of £ 160.3 million which arose on the dilution of the Group's effective interest in Rothmans International on the merger of Richemont's tobacco interests with those of Rembrandt Group Limited in January 1996.

The results on a reported basis in both the current and prior years have also been impacted by the Group's accounting policy of amortising goodwill through the consolidated profit and loss account. The goodwill amortisation charge at the pre-tax profit level for the year ended 31 March 1997 was £ 111.0 million (1996: £ 66.6 million). At the attributable profit level, after deduction of minority interests, the amortisation charge amounted to £ 81.0 million (1996: £ 60.0 million). The increase in the charge in the year under review largely related to goodwill in respect of Richemont's tobacco interests.

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

Summary of adjusted results	**Profit before taxation**		**Profit attributable to unitholders**	
	1997	1996	**1997**	1996
	£ m	£ m	**£ m**	£ m
Results as reported	**1 095.3**	889.4	**513.4**	416.4
Goodwill amortisation	**111.0**	66.6	**81.0**	60.0
Gain on merger of media interests	**(291.5)**	–	**(291.5)**	–
Gain on merger of tobacco interests	–	(160.3)	–	(160.3)
Results on an adjusted basis	**914.8**	795.7	**302.9**	316.1

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

Profit and loss account

	Year ended 31 March 1997			Year ended 31 March 1996		
	Reported results £ m	Exceptional items and goodwill amortisation £ m	Adjusted results £ m	Reported results £ m	Exceptional items and goodwill amortisation £ m	Adjusted results £ m
Operating profit	954.2	–	954.2	798.9	–	798.9
Goodwill amortisation	(111.0)	111.0	–	(66.6)	66.6	–
Gain on merger of media interests	291.5	(291.5)	–	–	–	–
Gain on merger of tobacco interests	–	–	–	160.3	(160.3)	–
Profit before net investment expense and taxation	1 134.7	(180.5)	954.2	892.6	(93.7)	798.9
Net investment expense	(39.4)	–	(39.4)	(3.2)	–	(3.2)
Profit before taxation	1 095.3	(180.5)	914.8	889.4	(93.7)	795.7
Taxation	(308.5)	–	(308.5)	(268.4)	–	(268.4)
Profit after taxation	786.8	(180.5)	606.3	621.0	(93.7)	527.3
Minority interests	(273.4)	(30.0)	(303.4)	(204.6)	(6.6)	(211.2)
Profit attributable to unitholders	513.4	(210.5)	302.9	416.4	(100.3)	316.1
Earnings per unit	£ 89.41	£ (36.66)	£ 52.75	£ 72.52	£ (17.47)	£ 55.05

The Group's operating profit was 19.4 per cent higher than last year at £ 954.2 million. The improvement was primarily due to higher operating profits from Richemont's tobacco interests, reflecting an increase of almost 7 per cent in underlying tobacco operating profit along with the favourable impact of the merger of Rothmans International with the tobacco businesses of Rembrandt in January 1996. It should be noted, however, that the merger did not have a material impact on the Group's results at the attributable profit level in both the current and prior years. The Group's operating results were adversely impacted, however, by higher operating losses from its media activities and NAR Group.

Net investment expense increased from £ 3.2 million to £ 39.4 million, mainly due to the inclusion in the results for the year under review of a full year's financing costs of the July 1995 Rothmans International public buy-out (being income lost on cash resources used to finance the buy-out and interest expense on borrowings incurred). The effective taxation rate, after adjusting pre-tax profits to exclude exceptional items and goodwill amortisation from results for both years, was unchanged from the previous year at 33.7 per cent.

The share of profit attributable to minority interests was £ 92.2 million higher than last year at £ 303.4 million. The increase primarily reflected improvements in the results reported by Rothmans International's publicly quoted subsidiaries, together with the impact of the changes in the Group's effective interest in Rothmans International over the last two financial years. The results for the year under review included a full twelve months' charge for minority interests in respect of the 33.3 per cent interest in Rothmans International now held by Rembrandt. In the previous year, Rothmans International was accounted for as a wholly-owned subsidiary of Richemont between the public buy-out in July 1995 and the merger of tobacco interests with those of Rembrandt in January 1996.

The strength of sterling in the year under review had a significant adverse effect on the translation of the results of companies not reporting in sterling, reducing operating profit by some £ 74 million and profit attributable to unitholders on an adjusted basis by some £ 29 million.

DIVIDEND – The Board of Directors of Richemont SA has recommended the payment of a dividend to holders of participation certificates equal to 12.53 per cent of the amount of the participation reserve, inclusive of the 1.0 per cent preference dividend. This will amount to a total dividend of £ 54.0 million or £ 9.40 per participation certificate, which represents an increase of 17.5 per cent over the previous year.

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

The total dividend payable to unitholders in respect of the year ended 31 March 1997 will therefore be £ 9.40 per unit.

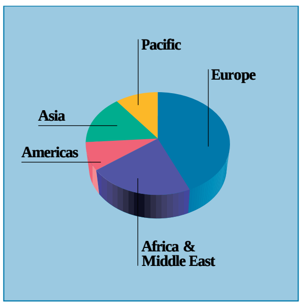
ANALYSIS OF OPERATING RESULTS BY BUSINESS SEGMENT – The following table analyses the Group's operating results between the two principal business segments, tobacco and luxury goods, as well as other activities.

	Net sales revenue		Operating profit	
	1997	1996	**1997**	1996
	£ m	£ m	**£ m**	£ m
Tobacco	**3 300.1**	2 840.1	**795.9**	587.0
Luxury goods	**1 455.7**	1 466.8	**243.3**	249.7
Other	**–**	–	**(2.0)**	(7.0)
The Company and its subsidiary undertakings	**4 755.8**	4 306.9	**1 037.2**	829.7
Share of associated undertakings			**(83.0)**	(30.8)
Tobacco			**14.1**	18.7
Media interests			**(81.0)**	(46.3)
NAR Group			**(16.1)**	(3.2)
Operating profit			**954.2**	798.9

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

TOBACCO – In January 1996 Richemont merged its tobacco interests with those of Rembrandt. In order to more readily permit the comparison of the current year's tobacco operating results against last year, the comparative figures shown in the analysis of Rothmans International's results by region opposite have been adjusted to include the Southern Africa region for the full year to 31 March 1996. The commentary that follows discusses Rothmans International's operating results including Southern Africa on a full year basis for both periods.

The worldwide volume of sales by Rothmans International group companies in the year ended 31 March 1997 was some 5 per cent higher than in the previous year. The principal gains were achieved in Switzerland (due to the acquisition of the Burrus group), the Middle East, Russia, Poland, Vietnam, France, Malaysia, Australia and the United Kingdom. These gains more than outweighed lower volumes in South Africa and Germany. Net sales revenue, which is analysed by operating region in the chart below, increased by £ 135.1 million (4.3 per cent) to £ 3 300.1 million.



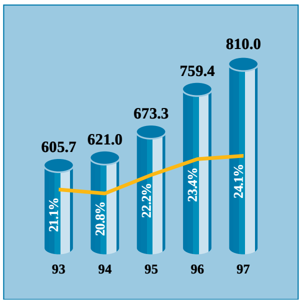
tobacco sales revenue by region

The table presented below analyses tobacco net sales revenue, operating profit and the operating margin percentage across Rothmans International's operating regions.

Operating profit increased by £ 50.6 million (6.7 per cent) to £ 810.0 million, with major improvements in Pacific and Europe being partially offset by a decline in the Africa and Middle East region. The strength of sterling in the year under review had a significant adverse impact on the translation of the results of companies not reporting in sterling, reducing operating profit by some £ 66 million.

The key factors affecting the operating profit in each geographical region are summarised below:

- In Europe the higher operating profit was due to the inclusion of the Burrus group for nine months of the year under review and improved selling prices in most markets.
- The decline in profits in Africa and the Middle East was principally due to the impact of the weakening of the South African rand.
- The higher operating profits in the Americas resulted from improved volumes and price increases in Canada.
- Increased volumes and prices in Malaysia, Vietnam and Singapore gave rise to improved profits in Asia. Operating results in Japan were disappointing and steps have been taken to address the high overhead cost base in that market with a view to reducing the level of losses.
- The substantial improvement in the Pacific region was primarily due to the recovery in Australia from the unprecedented price war which occurred during the previous year. Operating profit in the Australian market increased by £ 32.7 million to £ 46.3 million.



tobacco operating profit (£ m) and margin percentage

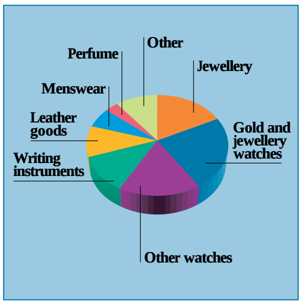
	Net sales revenue		Operating profit		Operating margin	
	1997	1996	**1997**	1996	**1997**	1996
	£ m	£ m	**£ m**	£ m	**%**	%
Europe	**1 412.3**	1 377.0	**249.4**	218.8	**17.7**	15.9
Africa and the Middle East	**675.1**	682.7	**236.0**	264.2	**35.0**	38.7
Americas	**304.7**	283.6	**93.5**	84.4	**30.7**	29.8
Asia	**540.1**	493.7	**143.7**	138.4	**26.6**	28.0
Pacific	**367.9**	328.0	**73.3**	34.9	**19.9**	10.6
Rothmans International and its subsidiary undertakings	**3 300.1**	3 165.0	**795.9**	740.7	**24.1**	23.4
Share of associated undertakings			**14.1**	18.7		
Operating profit			**810.0**	759.4		
Pre–acquisition results of the Southern Africa region			**–**	(153.7)		
Operating profit as reported			**810.0**	605.7		

LUXURY GOODS – Net sales revenue in terms of the Swiss franc, Vendôme's reporting currency, increased by 11.7 per cent to SFr 2 998.8 million. This improvement reflected an increase in underlying demand as well as the fact that revenues in the previous year were adversely impacted by a number of unfavourable external events. The strengthening of sterling in the current financial year, however, meant that net sales revenue from luxury goods in sterling terms was virtually in line with last year at £ 1 455.7 million.

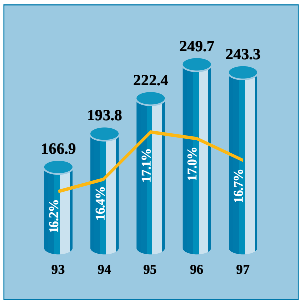
Jewellery sales increased by 11.9 per cent to SFr 526.1 million, reflecting in particular a strong performance in the second half of the year under review. Sales of watches benefited from the introduction of successful new models in the current financial year and were 21.5 per cent higher than the year to 31 March 1996. Writing instrument sales increased by 12.6 per cent to SFr 354.4 million. Sales of leather goods showed a modest increase of 3.1 per cent in the year, being impacted in particular by a decline in tourism in the Far East. Net sales revenue from the Group's luxury goods interests in the year to 31 March 1997 is analysed by major product group in the chart below.

In terms of sales by geographic area, the improvement in Vendôme's revenues was generated principally in the Far Eastern and American markets. Sales in the Far East were 13.7 per cent higher than last year at SFr 1 208.4 million, as increased revenues in Japan were partly offset by the impact of lower tourist sales in the other mature markets of Hong Kong and Singapore. Sales in the Americas increased by 21.8 per cent to SFr 593.4 million, with strong performances in all product categories.

Vendôme's gross margin percentage strengthened by over one percentage point in the year under review, due largely to an increasing proportion of retail sales. This improvement, together with the higher sales revenues, was partly offset by increased operating expenses to leave operating profit, before reflecting goodwill amortisation charged by Vendôme, ahead by SFr 44.2 million (9.7 per cent) at SFr 501.1 million. In sterling terms, however, operating profit from the Group's luxury goods interests decreased by 2.6 per cent to £ 243.3 million.



Luxury goods sales revenue
by major product group



Luxury goods operating profit (£ m)
and margin percentage

MEDIA INTERESTS – The merger of Canal+ and the European operations of NetHold was approved by the shareholders of Canal+ at a general meeting on 28 March 1997 and was completed shortly thereafter. The Group's operating results for the year under review consequently included Richemont's share of NetHold's results for the full twelve month period. Richemont's results for the year to 31 March 1997 were adversely impacted by the planned costs of the significant expansion in NetHold's operations, in particular with the launch of digital pay-television services and sports channels in a number of European and African markets. Although continued subscriber growth resulted in substantially higher revenues, the investment necessary to support the further development of NetHold's business meant that Richemont's share of operating losses from media activities increased by £ 34.7 million to £ 81.0 million.

Following the merger of Canal+ and NetHold, Richemont holds a 15 per cent equity interest in the enlarged Canal+. The investment in Canal+ has been shown in the Group's consolidated balance sheet at 31 March 1997 within investments in associated undertakings and will be accounted for in the future under the equity method. Richemont's results from 1 April 1997 onwards will consequently include the Group's share of Canal+'s profits or losses.

NAR GROUP LIMITED – Richemont's share of NAR Group's operating loss increased by £ 12.9 million to £ 16.1 million, reflecting in particular increased losses from NAR's principal subsidiary, Hanover Direct.

Hanover Direct reported a significant increase in operating losses in its financial year to December 1996. The company's results were impacted by restructuring charges, higher paper and postage costs and inventory writedowns. Management have implemented a number of measures to address the difficulties in order to restore the company to profitability. Subsequent to the year end, Richemont underwrote a rights issue of the company's common stock and invested some US$ 36 million in Hanover Direct. As a consequence of the rights issue, Richemont has acquired a direct equity interest of some 20 per cent in Hanover Direct and has appointed two directors to the Board. In addition NAR, in which Richemont holds a 50 per cent interest, continues to hold a 47 per cent interest in Hanover Direct.

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

The acquisition of a 15 per cent equity interest in Canal+ as a result of the merger with NetHold was the principal factor behind the increase of £ 202.1 million in investments in associated undertakings, although this was partly offset by the Group's share of losses incurred by associates and adverse exchange rate movements during the year under review. The interest in Canal+ has been valued by reference to the company's market share price; the total value will be divided between investments in associated undertakings and goodwill when an opening consolidated balance sheet for the enlarged Canal+ is available.

Goodwill increased by £ 129.2 million to £ 1 776.0 million at 31 March 1997, largely reflecting the acquisitions of the Burrus group and Vacheron Constantin (goodwill arising in the year totalled £ 253.7 million), partly offset by the amortisation charge for the year.

Net borrowings were £ 169.2 million higher than the previous year end at £ 409.3 million. In overall terms, cash generated from operations in the year was more than offset by the costs of business acquisitions, investments by the Group's tobacco and luxury goods businesses in production and distribution infrastructure and unfavourable exchange rate effects.

Summary balance sheet

	1997 £ m	1996 £ m
Fixed assets		
Tangible	**717.7**	680.7
Investments in associated undertakings	**605.0**	402.9
Other long-term investments	**108.9**	125.4
	1 431.6	1 209.0
Net working capital	**1 078.9**	938.2
Net operating assets	**2 510.5**	2 147.2
Goodwill	**1 776.0**	1 646.8
Net borrowings	**(409.3)**	(240.1)
Cash and cash equivalents	**737.6**	829.9
Long-term borrowings	**(1 146.9)**	(1 070.0)
Other long-term liabilities	**(542.2)**	(636.1)
	3 335.0	2 917.8
Capital employed		
Unitholders' funds	**2 276.1**	1 924.6
Minority interests	**1 058.9**	993.2
	3 335.0	2 917.8

GOODWILL – Richemont's accounting policy, in accordance with International Accounting Standards, is to capitalise and subsequently amortise goodwill through the consolidated profit and loss account over its estimated useful life, up to a maximum period of 20 years. The Group's goodwill amortisation charge at the pre-tax profit level for the year ended 31 March 1997 was £ 111.0 million (1996: £ 66.6 million). A proportion of this charge, however, related to goodwill arising on acquisitions made by the Group's associated undertakings. Such goodwill is capitalised within the balance sheet of the associate concerned and consequently, following the principles of equity accounting, appears in the Richemont consolidated balance sheet as part of investments in associated undertakings. At 31 March 1997, investments in associates included goodwill of £ 16.3 million (1996: £ 227.5 million) which had been capitalised by the Group's associated undertakings. It should be noted, however, that the amount of £ 16.3 million at 31 March 1997 does not include any goodwill capitalised by Canal+ as an opening balance sheet for the enlarged Canal+ group is not yet available. Of the goodwill amortisation charge referred to above, £ 17.9 million (1996: £ 11.6 million) related to goodwill which has been capitalised by associated undertakings.

The majority of acquisitions made by Group companies involve substantial values being attributed to intangible assets. In view of the difficulty of accurately separating acquired brands and trade marks from the other intangible assets of acquired businesses, Richemont has elected to categorise all such acquired intangibles as goodwill. International Accounting Standards require that this goodwill be amortised through the Group's profit and loss account each year. In consequence, although Richemont believes the level of marketing expenditure invested annually should increase rather than decrease the value of its intangible assets, the Group's earnings are adversely impacted by a significant goodwill amortisation charge. In this regard, the Group's results are presented on both a reported and adjusted basis, the latter excluding the effects of goodwill amortisation.

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

In the summary cash flow statement, the impact of exceptional items in both years has been presented below the net cash flow after financing activities in order to facilitate comparison against last year. On this basis, the net cash inflow after financing activities was £ 112.9 million in the year under review, against a net outflow of £ 462.0 million in the previous year.

The net cash inflow from operating activities increased by £ 74.5 million in the year under review, although this was partially offset by higher tax payments (reflecting in particular the settlement of prior year tax liabilities) and increased levels of capital expenditure.

In terms of business acquisitions, the cash outflow of £ 269.3 million in the current year related primarily to the purchases of the Burrus group and Vacheron Constantin.

The overall inflow was more than offset, however, by the impact of exchange rate movements in the year under review, which reduced the sterling value of cash and cash equivalents by £ 185.5 million. At 31 March 1997, cash and cash equivalents of the Company and its subsidiaries were £ 737.6 million. Long-term borrowings were £ 1 146.9 million, resulting in net borrowings of £ 409.3 million.

Summary cash flow statement

	1997 £ m	1996 £ m
Net cash inflow from operating activities	**975.9**	901.4
Returns on investments and servicing of finance	**(10.6)**	(21.2)
Taxation paid	**(356.6)**	(235.4)
Net acquisition of tangible fixed assets	**(196.3)**	(116.6)
Acquisition of Rothmans International public minorities	–	(1 651.6)
Other acquisitions of subsidiary and associated undertakings, minority interests and investments	**(269.3)**	(84.8)
Net cash inflow/(outflow) before financing activities	**143.1**	(1 208.2)
Financing activities	**227.8**	956.0
Dividends paid	**(258.0)**	(209.8)
Net cash inflow/(outflow) after financing activities	**112.9**	(462.0)
European rationalisation costs	**(19.7)**	(52.0)
Exchange rate effects	**(185.5)**	20.0
Decrease in cash and cash equivalents	**(92.3)**	(494.0)
Cash and cash equivalents – opening	**829.9**	1 323.9
Cash and cash equivalents – closing	**737.6**	829.9
Long-term borrowings	**(1 146.9)**	(1 070.0)
Net borrowings	**(409.3)**	(240.1)

CONSOLIDATED FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Board of Directors of Compagnie Financière Richemont AG ('Richemont' or 'the Company') is pleased to submit its report on the activities of the Company and its subsidiary and associated undertakings (together, 'the Group') for the year ended 31 March 1997. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 1997 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 75 to 80.

The agenda for the Annual General Meeting, which is to be held in Zug on 11 September 1997, is set out on page 91.

Further information on the Group's activities during the year under review and a commentary on the consolidated financial statements are contained in the Review of the Year on pages 8 to 42 and the Financial Review on pages 43 to 52. Details of the Company's underlying investments are given in the schedule of Principal Group Companies on pages 88 and 89. These investments are principally held through the Company's wholly-owned subsidiary Richemont SA, Luxembourg.

General

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

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Basis of consolidation

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

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 are derived from accounts drawn up at 31 March of each year. Where audited accounts are not drawn up to this date, the amounts are arrived at by reference to the last audited accounts available.

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

(c) Foreign currencies

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

(D) GROSS SALES REVENUE

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

(E) TAXATION

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

Deferred taxation arises from timing differences between the recognition of certain items of income and expenditure for accounting and taxation purposes. Deferred taxation is accounted for using the liability method in respect of all material timing differences. Certain Group companies account for deferred taxation only in respect of timing differences that are expected to reverse in the foreseeable future – the difference between this and the above policy of full provision is not material.

(F) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis over the expected useful lives of the assets. Repairs and maintenance costs are charged to the profit and loss account when incurred.

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

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

Freehold land and assets under construction are not depreciated.

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

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

(G) GOODWILL

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

(H) ADVERTISING, PROMOTION, RESEARCH, DEVELOPMENT, PATENTS AND TRADE MARK EXPENSES

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

(I) INVESTMENTS IN ASSOCIATED UNDERTAKINGS

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

(J) OTHER LONG-TERM INVESTMENTS

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

(K) INVENTORIES

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

(L) DEBTORS

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

(M) MARKETABLE SECURITIES

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

(N) PROVISIONS FOR EMPLOYEES' POST RETIREMENT BENEFITS

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

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

(O) PRODUCT WARRANTIES

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1997

	Notes	1997 £ m	1996 £ m
Gross sales revenue		**10 112.2**	9 275.8
Duty, excise and sales taxes		**(5 356.4)**	(4 968.9)
Net sales revenue	2	**4 755.8**	4 306.9
Cost of sales		**(2 735.5)**	(2 517.1)
Gross profit		**2 020.3**	1 789.8
Net operating expenses	3	**(983.1)**	(960.1)
Operating profit of the Company and its subsidiary undertakings	3	**1 037.2**	829.7
Share of operating losses of associated undertakings	4	**(83.0)**	(30.8)
Operating profit		**954.2**	798.9
Goodwill amortisation		**(111.0)**	(66.6)
Gain on merger of media interests	5	**291.5**	–
Gain on merger of tobacco interests	6	**–**	160.3
Profit before net investment expense and taxation		**1 134.7**	892.6
Net investment expense	7	**(39.4)**	(3.2)
Profit before taxation		**1 095.3**	889.4
Taxation	8	**(308.5)**	(268.4)
Profit after taxation		**786.8**	621.0
Minority interests		**(273.4)**	(204.6)
Profit attributable to unitholders	9	**513.4**	416.4

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

		1997 £ m	1996 £ m
Analysis of profit attributable to unitholders			
Profit attributable to unitholders as reported		**513.4**	416.4
Goodwill amortisation		**81.0**	60.0
Gain on merger of media interests		**(291.5)**	–
Gain on merger of tobacco interests		**–**	(160.3)
Profit attributable to unitholders on an adjusted basis		**302.9**	316.1
		£	£
Earnings per unit	10		
Earnings per unit on a reported basis		**89.41**	72.52
Earnings per unit on an adjusted basis		**52.75**	55.05

CONSOLIDATED BALANCE SHEET
AT 31 MARCH 1997

	Notes	1997 £ m	1996 £ m
ASSETS			
Fixed assets			
Tangible	11	**717.7**	680.7
Goodwill	12	**1 776.0**	1 646.8
		2 493.7	2 327.5
Investments			
Associated undertakings	13	**605.0**	402.9
Other long-term investments	14	**108.9**	125.4
		713.9	528.3
Net current assets			
Inventories	15	**1 554.9**	1 509.3
Debtors	16	**1 073.1**	1 067.8
Marketable securities	17	**422.9**	536.5
Cash		**723.5**	801.7
Current assets		**3 774.4**	3 915.3
Current liabilities	18	**(1 963.2)**	(2 158.1)
		1 811.2	1 757.2
		5 018.8	4 613.0
UNITHOLDERS' FUNDS			
Share capital	20	**223.2**	223.2
Participation reserve	21	**430.7**	430.7
Unitholders' capital	22	**653.9**	653.9
Retained earnings and other reserves	23	**1 622.2**	1 270.7
		2 276.1	1 924.6
MINORITY INTERESTS		**1 058.9**	993.2
LONG-TERM LIABILITIES			
Borrowings	24	**1 181.8**	1 109.4
Other	25	**502.0**	585.8
		1 683.8	1 695.2
		5 018.8	4 613.0

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 1997

	Notes	1997 £ m	1996 £ m
Cash inflow from operating activities	28	**956.2**	849.4
Returns on investments and servicing of finance			
Interest income and similar items		**83.7**	106.0
Interest paid and similar items		**(102.3)**	(141.9)
Income from other long-term investments		**4.3**	11.5
Dividends from associated undertakings		**3.7**	3.2
Cash flow applied to returns on investments and servicing of finance		**(10.6)**	(21.2)
Taxation paid		**(356.6)**	(235.4)
Investing activities			
Acquisitions of tangible fixed assets		**(215.2)**	(141.8)
Proceeds from disposals of tangible fixed assets		**18.9**	25.2
Acquisitions of subsidiary undertakings, net of cash acquired	29	**(279.4)**	(0.1)
Proceeds from disposals of subsidiary undertakings, net of cash sold		**0.6**	3.2
Acquisition of Rothmans International public minorities	29	**–**	(1 651.6)
Acquisitions of other minority interests	29	**–**	(10.7)
Acquisitions of associated undertakings		**–**	(189.0)
Proceeds from disposals of associated undertakings		**8.3**	–
Acquisitions of other long-term investments		**(6.5)**	(21.8)
Proceeds from disposals of other long-term investments		**7.7**	133.6
Cash flow applied to investing activities		**(465.6)**	(1 853.0)
Net cash inflow/(outflow) before financing activities		**123.4**	(1 260.2)
Financing activities			
New long-term borrowings		**256.8**	1 032.2
Repayments of long-term borrowings		**(19.0)**	(64.4)
Capital element of finance lease payments		**(10.0)**	(11.8)
Dividend paid on Richemont SA participation reserve		**(45.9)**	(40.2)
Dividends paid to minority interests		**(212.1)**	(169.6)
Cash flow generated from/(applied to) financing activities		**(30.2)**	746.2
Net cash inflow/(outflow) after financing		**93.2**	(514.0)
Effect of exchange rate movements		**(185.5)**	20.0
Net decrease in cash and cash equivalents		**(92.3)**	(494.0)
Cash and cash equivalents at beginning of year		**829.9**	1 323.9
Cash and cash equivalents at end of year	30	**737.6**	829.9

Note 1 – Principal changes in group structure

In September 1996, Richemont, MIH Holdings Limited ('MIH') and Canal+ SA ('Canal+') reached agreement in principle on the merger of Canal+ with the Group's European media interests, which were held through its 50 per cent interest in Nethold BV ('NetHold'). Definitive agreements on the terms of the merger were entered into in December 1996. The transaction resulted in NetHold's European operations merging with Canal+ while its other operations, primarily in the Mediterranean region and Africa, were to be transferred to MIH. As a consequence of the merger, the Group acquired an equity interest of 15 per cent in the enlarged Canal+. In March 1997, Richemont entered into an agreement with Havas SA, which holds an equity interest of 34 per cent in Canal+, to join both groups' interests in Canal+ in a concert party following the merger.

The merger of Canal+ and the European operations of NetHold was approved by the shareholders of Canal+ at a general meeting held on 28 March 1997 and has been accounted for with effect from that date. For accounting purposes, the merger has been treated as an effective disposal of the Group's interest in NetHold in return for an equity interest in the enlarged Canal+. The impact of the merger on Richemont's results for the year ended 31 March 1997 is therefore restricted to the realisation of an exceptional gain on this disposal (see note 5). The Group's interest in Canal+ acquired as a result of the merger is included within investments in associated undertakings in the consolidated balance sheet at 31 March 1997.

Note 2 – Net sales revenue

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

	1997	1996
	£ m	£ m
Tobacco	**3 300.1**	2 840.1
Luxury goods	**1 455.7**	1 466.8
	4 755.8	4 306.9

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

	1997	1996
	£ m	£ m
Europe	**1 953.1**	1 948.6
Asia Pacific	**1 494.6**	1 402.6
Middle East, Africa and India	**715.4**	405.8
Americas	**592.7**	549.9
	4 755.8	4 306.9

Note 3 – Operating profit

The analysis of net operating expenses was as follows:

	1997	1996
	£ m	£ m
Selling and distribution costs	295.6	279.5
Administration expenses	659.9	656.5
Other operating expenses	27.6	24.1
	983.1	960.1

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

	1997	1996
	£ m	£ m
Tobacco	795.9	587.0
Luxury goods	243.3	249.7
Other	(2.0)	(7.0)
Operating profit of the Company and its subsidiary undertakings	1 037.2	829.7

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

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

	1997	1996
	£ m	£ m
Depreciation of tangible fixed assets	124.7	118.1
Personnel expenses	800.3	773.7
Operating lease rentals	99.8	93.5

Note 4 – Share of results of associated undertakings

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

	1997	1996
	£ m	£ m
Operating loss	(83.0)	(30.8)
Goodwill amortisation	(17.9)	(11.6)
Net interest expense	(10.0)	(9.0)
Loss before taxation	(110.9)	(51.4)
Taxation	(9.2)	(7.6)
Loss after taxation	(120.1)	(59.0)
Other shareholders' interests	14.6	4.9
Dividends	(3.7)	(3.2)
Loss retained for the year	(109.2)	(57.3)

Note 5 – Gain on merger of media interests

The exceptional gain on the merger of media interests in the year to 31 March 1997 represented the gain realised by Richemont on the merger of the European operations of NetHold with Canal+. The transaction has been accounted for as the effective disposal of the Group's interest in NetHold in return for an equity interest in the enlarged Canal+, resulting in a gain of £ 291.5 million.

Note 6 – Gain on merger of tobacco interests

The exceptional gain of £ 160.3 million in the year to 31 March 1996 represented the gain on the dilution of Richemont's effective interest in Rothmans International on the merger of the Group's tobacco interests with those of Rembrandt Group Limited.

Note 7 – Net investment expense

	1997	1996
	£ m	£ m
Interest income and similar items	**73.0**	89.2
Interest expense and similar charges	**(106.9)**	(92.2)
	(33.9)	(3.0)
Share of net interest expense of associated undertakings	**(10.0)**	(9.0)
	(43.9)	(12.0)
Income from other long-term investments	**4.5**	8.8
	(39.4)	(3.2)

Interest income and similar items includes £ 10.0 million (1996: £ 4.5 million) in respect of income from the Group's associated undertakings.

Note 8 – Taxation

	1997	1996
	£ m	£ m
Current taxation	**307.2**	291.6
Deferred taxation	**(7.9)**	(30.8)
	299.3	260.8
Share of taxation of associated undertakings	**9.2**	7.6
	308.5	268.4

At 31 March 1997, the Company and its subsidiary undertakings had taxation losses of £ 110.3 million (1996: £ 107.9 million) in respect of which taxation assets had not been recognised as the future utilisation of these losses is uncertain. Based on current rates of taxation, utilisation of these losses at 31 March 1997 would result in the recognition of a taxation asset of £ 27.5 million (1996: £ 28.9 million).

Note 9 – Profit attributable to unitholders

	1997	1996
	£ m	£ m
Attributable profit of the Company and its subsidiary undertakings	622.6	473.7
Group's share of loss retained by associated undertakings	(109.2)	(57.3)
	513.4	416.4

Note 10 – Earnings per unit

Earnings per unit on a reported basis are calculated by reference to the profit attributable to unitholders of £ 513.4 million (1996: £ 416.4 million) and 5 742 000 units in issue (1996: 5 742 000).

Earnings per unit are also shown on an adjusted basis, excluding the effects of goodwill amortisation and exceptional items. The exceptional items were the gain on the merger of media interests with Canal+ in the year to 31 March 1997 and the gain on the merger of the Group's tobacco interests with those of Rembrandt Group Limited in the previous year. The profit attributable to unitholders used for this calculation was £ 302.9 million (1996: £ 316.1 million).

Note 11 – Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Assets under construction	Total
	£ m	£ m	£ m	£ m	£ m
Cost					
1 April 1996	377.6	693.4	507.0	24.1	1 602.1
Exchange adjustments	(61.9)	(94.7)	(63.2)	(3.1)	(222.9)
Additions	34.5	23.8	95.9	62.8	217.0
Acquisitions of subsidiaries	38.2	8.8	0.9	–	47.9
Transfers and reclassifications	5.1	19.4	6.1	(30.6)	–
Disposals and provisions	(6.2)	(25.3)	(59.2)	(0.1)	(90.8)
31 March 1997	387.3	625.4	487.5	53.1	1 553.3
Depreciation					
1 April 1996	109.1	493.6	318.7		921.4
Exchange adjustments	(17.5)	(71.4)	(45.4)		(134.3)
Charge for the year	12.9	39.7	72.1		124.7
Disposals and provisions	(4.3)	(23.8)	(48.1)		(76.2)
31 March 1997	100.2	438.1	297.3		835.6
Net book value					
1 April 1996	268.5	199.8	188.3	24.1	680.7
31 March 1997	287.1	187.3	190.2	53.1	717.7

Included above are fixed assets with a net book value of £ 21.3 million (1996: £ 25.6 million) held under finance leases.

Note 11 – Tangible fixed assets (continued)

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

	1997	1996
	£ m	£ m
Freehold land	**40.4**	35.1
Freehold buildings	**183.9**	183.3
Long leaseholds	**48.0**	26.1
Short leaseholds	**14.8**	24.0
	287.1	268.5

The fire insurance value of fixed assets at 31 March 1997 was £ 2 702.9 million (1996: £ 2 559.0 million).

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

	1997	1996
	£ m	£ m
Contracts placed	**57.4**	62.8
Authorised but not yet contracted	**86.5**	93.8
	143.9	156.6

Note 12 – Goodwill

	1997	1996
	£ m	£ m
Cost		
Balance at 1 April	**1 681.0**	56.2
Exchange adjustments	**(12.0)**	0.2
Goodwill arising in the year	**253.7**	2 671.6
Disposals	**(27.8)**	(1 047.0)
Balance at 31 March	**1 894.9**	1 681.0
Amortisation		
Balance at 1 April	**34.2**	5.3
Exchange adjustments	**(0.9)**	0.1
Charge for the year	**93.1**	55.0
Disposals	**(7.5)**	(26.2)
Balance at 31 March	**118.9**	34.2
Net book value	**1 776.0**	1 646.8

Note 12 – Goodwill (continued)

Goodwill arising in the year to 31 March 1997 was primarily in respect of the acquisitions of FJ Burrus SA and Vacheron Constantin Holding SA and is analysed in the following table:

	£ m
Consideration	**340.7**
Net assets acquired	**(87.0)**
Goodwill arising	**253.7**

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

A proportion of the total goodwill amortisation charge of £ 111.0 million (1996: £ 66.6 million) shown at the pre-tax profit level in the consolidated profit and loss account related to goodwill arising on acquisitions made by the Group's associated undertakings. Such goodwill is capitalised in the balance sheet of the associate concerned and consequently appears in the Group balance sheet within investments in associated undertakings (see note 13 below). Of the total goodwill amortisation charge, £ 17.9 million (1996: £ 11.6 million) related to goodwill which has been capitalised by Richemont's associated undertakings.

Note 13 – Investments in associated undertakings

	1997	1996
	£ m	£ m
Carrying value at 1 April	**402.9**	460.0
Exchange adjustments	**(50.2)**	(2.5)
Acquisitions	**502.9**	2.7
Disposals	**(144.9)**	–
Decrease in post-acquisition retained earnings and other reserves	**(105.7)**	(57.3)
Carrying value at 31 March	**605.0**	402.9

Acquisitions of associated undertakings in the year to 31 March 1997 principally represent the Group's interest in Canal+ following the merger of media interests (see note 1), which has been valued by reference to the Canal+ market share price. This total value will be divided between investments in associated undertakings and goodwill when an opening consolidated balance sheet for the enlarged Canal+ is available.

Investments in associated undertakings at 31 March 1997 include goodwill of £ 16.3 million (1996: £ 227.5 million) which has been capitalised by the Group's associated undertakings. The amount of £ 16.3 million at 31 March 1997 does not include any goodwill which has been capitalised by Canal+.

Note 14 – Other long-term investments

	1997	1996
	£ m	£ m
Shares in listed companies, at cost less amounts written off	**43.2**	51.4
Shares in unlisted companies, at cost less amounts written off	**18.4**	19.5
Other	**47.3**	54.5
	108.9	125.4
Market value of shares in listed companies at 31 March	**47.6**	51.9

Note 15 – Inventories

	1997	1996
	£ m	£ m
Raw materials and consumables	**513.9**	482.9
Work in progress	**163.1**	203.9
Finished goods and goods for resale	**877.9**	822.5
	1 554.9	1 509.3

Note 16 – Debtors

	1997	1996
	£ m	£ m
Trade debtors	**688.1**	676.6
Amounts owed by associated undertakings	**14.1**	18.5
Deferred taxation	**72.3**	85.7
Other debtors	**198.9**	198.3
Prepayments and accrued income	**99.7**	88.7
	1 073.1	1 067.8

Of the deferred taxation included above, £ 8.1 million (1996: £ 9.0 million) is recoverable after more than one year.

Note 17 – Marketable securities

	1997	1996
	£ m	£ m
Listed securities	**89.1**	84.7
Unlisted securities	**333.8**	451.8
	422.9	536.5
Market value of listed securities at 31 March	**89.1**	85.3

Note 18 – Current liabilities

	1997	1996
	£ m	£ m
Bank loans and overdrafts	**408.8**	508.3
Short-term portion of long-term loans	**5.3**	10.9
Trade creditors	**221.9**	209.6
Obligations under finance leases	**8.2**	10.9
Amounts owed to associated undertakings	**0.8**	1.2
Taxation	**242.8**	345.5
Deferred taxation	**8.2**	15.2
Duty and excise taxes	**590.0**	581.3
Other creditors	**213.3**	234.3
Accruals and deferred income	**263.9**	240.9
	1 963.2	2 158.1

Bank loans and overdrafts amounting to £ 19.2 million (1996: £ 19.2 million) and duty and excise taxes payable of £ 6.8 million (1996: £ 13.1 million) are secured on tangible assets of Group undertakings.

Note 19 – Net operating assets

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

	1997	1996
	£ m	£ m
Tobacco	1 171.9	899.5
Luxury goods	740.6	825.0
Other	(7.0)	19.8
The Company and its subsidiary undertakings	1 905.5	1 744.3
Share of associated undertakings	605.0	402.9
Net operating assets	2 510.5	2 147.2

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

	1997	1996
	£ m	£ m
Net operating assets	2 510.5	2 147.2
Goodwill	1 776.0	1 646.8
Marketable securities	422.9	536.5
Cash	723.5	801.7
Bank loans and overdrafts	(408.8)	(508.3)
Short-term portion of long-term loans	(5.3)	(10.9)
Total assets less current liabilities	5 018.8	4 613.0

Note 20 – Share capital

	1997	1996
	£ m	£ m
Authorised, issued and fully paid:		
5 220 000 “A” bearer shares with a par value of SFr 100 each	202.9	202.9
5 220 000 “B” registered shares with a par value of SFr 10 each	20.3	20.3
	223.2	223.2

Note 21 – Participation reserve

	1997	1996
	£ m	£ m
Reserve in respect of 5 742 000 participation certificates with no par value issued by Richemont SA	430.7	430.7

Note 22 – Unitholders' capital

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

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

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

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

	1997	1996
(a) "A" bearer units, each comprising one "A" bearer share in the Company and one bearer participation certificate in Richemont SA	**5 220 000**	5 220 000
(b) "B" registered units, each comprising ten "B" registered shares in the Company and one registered participation certificate in Richemont SA	**522 000**	522 000
	5 742 000	5 742 000

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

Note 23 – Retained earnings and other reserves

	1997	1996
	£ m	£ m
Balance at 1 April	**1 270.7**	871.9
Appropriation of prior year retained earnings:		
Dividend paid on Richemont SA participation reserve	**(45.9)**	(40.2)
Profit attributable to unitholders	**513.4**	416.4
Exchange adjustments	**(116.0)**	22.6
Balance at 31 March	**1 622.2**	1 270.7
Closing retained earnings and other reserves are analysed as follows:		
The Company and its subsidiary undertakings	**1 592.5**	1 385.3
Associated undertakings	**29.7**	(114.6)
	1 622.2	1 270.7

Legal reserves amounting to £ 61.3 million (1996: £ 61.1 million) are included above but are not available for distribution.

Note 24 – Long-term borrowings

	1997	1996
	£ m	£ m
Bank loans	1 140.6	1 063.2
Other loans	6.3	6.8
	1 146.9	1 070.0
Short-term portion of long-term loans (note 18)	(5.3)	(10.9)
Long-term loans	1 141.6	1 059.1
Obligations under finance leases	14.1	16.4
Other creditors	26.1	33.9
	1 181.8	1 109.4

Bank and other loans are subject to market rates of interest. Bank loans amounting to £ 3.7 million (1996: £ 18.6 million) are secured on tangible assets of Group undertakings.

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

		1997	1996
		£ m	£ m
Amounts repayable in the financial years ending 31 March:	1998	–	6.5
	1999	7.8	9.7
	2000	2.0	2.3
	2001	1 124.0	1 025.3
	thereafter	7.8	15.3
		1 141.6	1 059.1

Obligations under finance leases fall due for payment as follows:

	1997	1996
	£ m	£ m
Amounts payable between two and five years	8.6	9.2
Amounts payable between one and two years	6.3	8.2
Amounts payable within one year	9.0	12.1
	23.9	29.5
Less: future finance charges included above	(1.6)	(2.2)
	22.3	27.3
Included in current liabilities (note 18)	(8.2)	(10.9)
Included in long-term borrowings	14.1	16.4

Note 25 – Other long-term liabilities

	1997	1996
	£ m	£ m
Obligations for post retirement benefits	333.8	379.8
Deferred taxation	65.6	66.5
Other provisions	102.6	139.5
	502.0	585.8

Note 26 – Post retirement benefits

The Group operates various pension schemes around the world in accordance with local conditions and practices in the countries concerned. The major schemes are of the defined benefit type. Medical benefits are also provided to pensioners in certain countries.

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

	1997	1996
	£ m	£ m
Regular cost	53.0	49.5
Spreading of surpluses and deficiencies	(15.4)	(13.3)
Notional interest on balance sheet provisions	22.2	22.4
	59.8	58.6

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

	1997	1996
	£ m	£ m
Debtors	7.6	0.1
Current liabilities	23.2	24.8
Other long-term liabilities	333.8	379.8

The principal component of the other long-term liabilities of £ 333.8 million shown above at 31 March 1997 related to the obligations of Rothmans International's main German companies to pay future pension benefits, which are unfunded and therefore provided by way of balance sheet provisions.

Actuarial valuations of the companies' estimated long-term liabilities were performed by Rüss, Dr Zimmermann and Partner, Actuaries, Hamburg, as at 31 March 1997 using the entry age method and assuming average future salary and pension increases of 5.25 per cent and 3.75 per cent per annum respectively. At the exchange rate then ruling, the present value of the companies' future pension liabilities amounted to £ 200.0 million, which was covered by balance sheet provisions then existing. The charge to the Group profit and loss account in respect of the schemes for the year to 31 March 1997 was £ 11.5 million (1996: £ 12.6 million).

A number of Group companies sponsor defined benefit pension schemes which are funded by payments to separate trustee administered funds. The Group's liabilities to meet the future obligations of these schemes are consequently not shown in the consolidated balance sheet. The largest such scheme is the Rothmans International UK Pension Fund, which covers the majority of Rothmans International's employees in the United Kingdom. An actuarial valuation of the Fund was carried out by William M Mercer Limited as at 31 March 1996 using the projected unit credit method. Under the assumptions that the long-term annual rate of return on the Fund's investments will exceed the increase in pensionable earnings by 1.5 per cent and will exceed the annual growth in future pensions by 4.0 per cent, the actuarial value of the estimated long-term accrued liabilities of the Fund as at 31 March 1996 was £ 377.5 million. The actuarial value of assets represented 123 per cent of these liabilities, and at the date of the valuation the market value of the Fund's assets was £ 584 million. The surplus shown by the above valuation is being spread over the average remaining service lives of the current employees of participating companies. Participating companies did not contribute to the Fund during the year. The charge to the Group profit and loss account in respect of the scheme for the year to 31 March 1997 was £ 8.8 million (1996: £ 8.5 million).

Note 26 – Post retirement benefits (continued)

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

Note 27 – Financial commitments and contingent liabilities

At 31 March 1997 certain Group companies had contingent liabilities and commitments. These principally related to commitments under forward exchange contracts together with commodity contracts which are appropriate to the companies' respective businesses. Such contracts are entered into exclusively to hedge current and forecast future foreign currency exposures and trading commitments arising in the ordinary course of business. No material losses are expected to arise in respect of these contingent liabilities and commitments.

At 31 March 1997 the Company and its subsidiary undertakings had signed non-cancellable operating leases in respect of which the following minimum rentals are payable:

	Land and buildings £ m	Other assets £ m	Total £ m
Within one year	**59.2**	**6.0**	**65.2**
Between two and five years	**176.0**	**7.1**	**183.1**
Thereafter	**137.1**	**0.2**	**137.3**
	372.3	**13.3**	**385.6**

Note 28 – Cash inflow from operating activities

	1997 £ m	1996 £ m
Operating profit	**954.2**	798.9
Share of operating losses of associated undertakings	**83.0**	30.8
Depreciation of tangible fixed assets	**124.7**	118.1
Profit on disposals of tangible fixed assets	**(5.3)**	(1.0)
Increase/(decrease) in long-term liabilities	**(4.0)**	54.0
Increase in inventories	**(187.0)**	(41.0)
Increase in debtors	**(66.3)**	(28.4)
Increase/(decrease) in current liabilities	**76.6**	(30.0)
	975.9	901.4
Net cash outflow in respect of the European rationalisation programme	**(19.7)**	(52.0)
Cash inflow from operating activities	**956.2**	849.4

Note 29 – Acquisitions of subsidiary undertakings and minority interests

	1997	1996
	£ m	£ m
Total consideration payable (note 12)	**340.7**	3 173.1
Non cash consideration	**–**	(1 500.0)
Consideration deferred to future years	**(0.7)**	(2.5)
Consideration deferred from prior years	**–**	1.0
Consideration paid during the year	**340.0**	1 671.6
Cash and cash equivalents of subsidiary undertakings acquired	**(60.6)**	(9.2)
Acquisitions of subsidiary undertakings and minority interests – cash outflow	**279.4**	1 662.4
Analysed as:		
Acquisitions of subsidiary undertakings, net of cash acquired	**279.4**	0.1
Acquisition of Rothmans International public minorities	**–**	1 651.6
Acquisitions of other minority interests	**–**	10.7
	279.4	1 662.4

Note 30 – Cash and cash equivalents

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

	1997	1996
	£ m	£ m
Marketable securities	**422.9**	536.5
Cash	**723.5**	801.7
Bank loans and overdrafts	**(408.8)**	(508.3)
	737.6	829.9

Note 31 – Post balance sheet event

In April 1997, Hanover Direct, Inc ('Hanover Direct'), a subsidiary of one of the Group's associated undertakings, issued rights to holders of its common stock to purchase additional shares of the stock in a rights issue which expired on 30 May 1997. Richemont agreed to purchase all shares which were not subscribed for by Hanover Direct's shareholders. As a result of the issue, Richemont has now acquired a direct interest of 20 per cent in the common stock of Hanover Direct for a consideration of some US$ 36 million.

Note 32 – Principal group companies

Details of Richemont's underlying investments are given in the schedule of Principal Group Companies on pages 88 and 89.

REPORT OF THE GROUP AUDITORS

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

As auditors of the Group, we have audited the consolidated financial statements on pages 55 to 73, consisting of the statement of accounting policies, consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement and the notes to the consolidated financial statements of Compagnie Financière Richemont AG for the year ended 31 March 1997.

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 International Standards on Auditing as 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 statement 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 cash flows, in accordance with the Accounting and Reporting Recommendations as issued by the Foundation for Accounting and Reporting Recommendations in Switzerland and comply with the law.

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

COOPERS & LYBRAND AG

Kurt Hausheer	Clive Bellingham	Zurich, 25 June 1997
Swiss Certified Public Accountant	Chartered Accountant	
Lead Auditor	Lead Auditor	

FINANCIAL STATEMENTS OF THE COMPANY

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1997

	Notes	1997 SFr m	1996 SFr m
INCOME			
Dividends		**43.7**	22.1
Other income		**7.5**	5.6
		51.2	27.7
EXPENSES			
Interest paid		**1.4**	0.3
General expenses	2	**12.0**	10.0
		13.4	10.3
PROFIT BEFORE TAXATION		**37.8**	17.4
Taxation		**1.2**	1.0
NET PROFIT FOR THE YEAR		**36.6**	16.4

BALANCE SHEET
AT 31 MARCH 1997

	Notes	1997 SFr m	1996 SFr m
Non-current assets			
Investments	3	**702.8**	702.8
Fixed assets	4	**22.7**	23.1
		725.5	725.9
Current assets			
Loans to affiliated companies		**127.1**	90.8
Debtors		**0.4**	0.3
Cash		**1.3**	1.7
		128.8	92.8
		854.3	818.7
Shareholders' equity			
Share capital	5	**574.2**	574.2
Legal reserve	6	**112.7**	111.9
Retained earnings	7	**122.3**	86.5
		809.2	772.6
Liabilities			
Current liabilities			
Accrued expenses		**0.6**	0.3
Taxation		**1.2**	0.4
Loans from affiliated companies		**42.9**	44.9
		44.7	45.6
Long-term liabilities		**0.4**	0.5
		45.1	46.1
		854.3	818.7

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 1997

Note 1 – Basis of preparation of the financial statements

The financial statements represent the financial position of the Company at 31 March 1997 and the results of its operations for the year then ended, prepared in accordance with Swiss law.

Note 2 – General expenses

	1997	1996
	SFr m	SFr m
General expenses are comprised as follows:		
Personnel costs	**3.8**	3.0
Depreciation	**0.5**	0.6
Other	**7.7**	6.4
	12.0	10.0

Note 3 – Investments

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

	1997	1996
	SFr m	SFr m
Richemont SA, Luxembourg	**700.0**	700.0
Other investments	**2.8**	2.8
	702.8	702.8

Note 4 – Fixed assets

Excluding land, the net book value of tangible fixed assets is SFr 15.1 million (1996: SFr 15.4 million). The fire insurance value of tangible fixed assets amounts to SFr 20.0 million (1996: SFr 19.2 million).

Note 5 – Share capital

	1997	1996
	SFr m	SFr m
5 220 000 "A" bearer shares with a par value of SFr 100 each, fully paid	**522.0**	522.0
5 220 000 "B" registered shares with a par value of SFr 10 each, fully paid	**52.2**	52.2
	574.2	574.2

Note 6 – Legal reserve

	1997	1996
	SFr m	SFr m
Balance at 1 April	**111.9**	111.1
Transfer from retained earnings	**0.8**	0.8
	112.7	111.9

The legal reserve is not available for distribution.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 1997

Note 7 – Retained earnings

	1997 SFr m	1996 SFr m
1 April, before appropriation of prior year retained earnings	**86.5**	70.9
Transfer to legal reserve	**(0.8)**	(0.8)
1 April, after appropriation	**85.7**	70.1
Net profit for the year	**36.6**	16.4
	122.3	86.5

The retained earnings are stated before the proposed appropriation as set out on page 80.

Note 8 – Contingent liabilities

At 31 March 1997 the Company had given guarantees totalling SFr 752.9 million in respect of which it had received indemnities from subsidiaries in the same amount to cover obligations of various group companies amounting to SFr 567.6 million. The Company does not foresee any liability arising under these guarantees and, therefore, no provision has been made.

Note 9 – Significant shareholders

At the Annual General Meeting of shareholders which was held on 12 September 1996, the following significant shareholdings were notified to the Company:

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

– 1 924 944 “A” bearer shares held by Richemont Securities AG, representing 18.4 per cent of the voting rights in the Company. Richemont Securities AG acts as Depositary for depositary receipt holders and votes on their behalf and acts on their instructions at shareholders’ meetings. The depositary receipts are listed on the Johannesburg Stock Exchange and represent claims against the Depositary in respect of a one hundredth undivided share of the rights and benefits, including voting rights, attaching to an “A” bearer unit.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF RETAINED EARNINGS AT 31 MARCH 1997

	SFr m
AVAILABLE RETAINED EARNINGS	
1 April, after appropriation	**85.7**
Net profit for the year	**36.6**
	122.3
PROPOSED APPROPRIATION	
Transfer to legal reserve	**1.8**
Balance to be carried forward	**120.5**
	122.3

Details of the dividend proposed in respect of the participation certificates of Richemont SA, Luxembourg are given on page 87.

The Board of Directors — Zug, 25 June 1997

REPORT OF THE STATUTORY AUDITORS

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

As statutory auditors, we have audited the accounting records and the financial statements (profit and loss account, balance sheet and notes) of Compagnie Financière Richemont AG for the year ended 31 March 1997.

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 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 the law and the Company's articles of incorporation.

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

COOPERS & LYBRAND AG

Kurt Hausheer	Clive Bellingham	Zurich, 25 June 1997
Swiss Certified Public Accountant	Chartered Accountant	
Lead Auditor	Lead Auditor	

RICHEMONT SA

FINANCIAL STATEMENTS OF THE COMPANY

DIRECTORS' REPORT

The Board of Directors of Richemont SA is pleased to submit its report on the activities of the Company for the year ended 31 March 1997. The following financial statements set out the financial position of the Company and the results of its operations for the year then ended.

STATEMENT OF ACCOUNTING POLICIES

(A) Accounting convention

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

(B) Foreign currency translation

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

(C) Investments in subsidiary undertakings

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

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1997

	1997	1996
	£ m	£ m
INCOME		
Dividend	**154.5**	60.4
Other income	**0.8**	5.2
	155.3	65.6
EXPENSES		
General expenses	**1.7**	5.1
PROFIT BEFORE TAXATION	**153.6**	60.5
Taxation	**0.1**	0.1
NET PROFIT FOR THE YEAR	**153.5**	60.4

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	Notes	1997 £ m	1996 £ m
Assets			
Investments	2	**1 944.3**	2 565.0
Cash		**1.0**	1.3
Loans to group companies	8	**688.0**	25.1
		2 633.3	2 591.4
Capital and reserves			
Share capital	3	**143.5**	143.5
Participation reserve	4	**430.7**	430.7
Legal reserve	5	**14.3**	14.3
General reserve	6	**285.3**	285.3
Retained earnings	7	**198.0**	104.3
		1 071.8	978.1
Liabilities			
Loans from group companies	8	**1 558.1**	1 608.0
Accrued expenses		**3.4**	5.3
		2 633.3	2 591.4

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 1997

Note 1 – Basis of preparation of the financial statements

Richemont SA is a Luxembourg holding company, incorporated on 5 March 1979. It is a wholly-owned subsidiary of Compagnie Financière Richemont AG, Zug, Switzerland. The financial statements represent the financial position of the Company at 31 March 1997 and the results of its operations for the year then ended.

Note 2 – Investments

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

Note 3 – Share capital

	1997	1996
	£ m	£ m
Authorised		
Shares with a par value of £ 75 each	**200.0**	200.0
Issued and fully paid		
1 914 000 shares with a par value of £ 75 each	**143.5**	143.5

Note 4 – Participation reserve

	1997	1996
	£ m	£ m
Reserve established in respect of 5 742 000 participation certificates with no par value	**430.7**	430.7

The Company has set aside a participation reserve amounting to £ 430.7 million and issued, in respect of this reserve, 5 220 000 (1996: 5 220 000) bearer non-voting participation certificates with no par value and 522 000 (1996: 522 000) registered non-voting participation certificates with no par value. Bearer and registered participation certificates have identical rights.

Note 5 – Legal reserve

The legal reserve amounting to £ 14.3 million (1996: £ 14.3 million) is not available for distribution.

Note 6 – General reserve

The general reserve amounting to £ 285.3 million (1996: £ 285.3 million) is available for distribution subject to the approval of the shareholders.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 1997

Note 7 – Retained earnings

	1997	1996
	£ m	£ m
1 April, before appropriation of prior year retained earnings	**104.3**	96.6
Transfer to legal reserve	**–**	(0.5)
9.67 per cent dividend paid on share capital (1996: 8.33 per cent)	**(13.9)**	(12.0)
10.67 per cent dividend paid on participation reserve (1996: 9.33 per cent)	**(45.9)**	(40.2)
1 April, after appropriation	**44.5**	43.9
Net profit for the current year	**153.5**	60.4
	198.0	104.3

The retained earnings at 31 March are stated before the proposed appropriation thereof as set out on page 87.

Note 8 – Loans to and from group companies

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

Note 9 – Contingent liabilities

At 31 March 1997 the Company had given guarantees totalling £ 779.9 million to cover obligations of various group companies amounting to £ 603.1 million. The Company does not foresee any liability arising under these guarantees and, therefore, no provision has been made.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF RETAINED EARNINGS
AT 31 MARCH 1997

	£ m
Available retained earnings	
1 April, after appropriation	**44.5**
Net profit for the year	**153.5**
	198.0
Proposed appropriation	
11.53 per cent dividend payable on share capital	**16.6**
12.53 per cent dividend payable on participation reserve	**54.0**
Balance to be carried forward	**127.4**
	198.0

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

The proposed dividend on the participation reserve amounts to £ 9.40 per participation certificate. It will be payable to unitholders of Richemont on 30 September 1997 in respect of coupon number 41, free of charges, at the banks designated as paying agents.

The Board of Directors — Luxembourg, 23 June 1997

REPORT OF THE STATUTORY AUDITORS

To the Shareholders
Richemont SA, Luxembourg

We have audited the accompanying annual accounts of Richemont SA for the year ended 31 March 1997. These annual accounts are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these annual accounts based on our audit.

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

In our opinion, the accompanying annual accounts give, in conformity with the legal requirements, a true and fair view of the financial position of Richemont SA as of 31 March 1997 and of the results of its operations for the year then ended. We also confirm that the proposal of the Board of Directors for the appropriation of the retained earnings is in agreement with the law and the Company's statutes.

COOPERS & LYBRAND SC — Luxembourg, 23 June 1997
Statutory auditors
represented by Dominique Robyns
Réviseur d'Entreprises

The principal companies in the Group, as well as in each case the effective interest in their ordinary share capital attributable to Richemont as at 31 March 1997, are set out below. The list of companies distinguishes between subsidiary undertakings and associated undertakings in accordance with the Group's accounting policy as set out in note (B) on page 55.

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

Country of incorporation	Name of company	Effective interest
Subsidiary undertakings – luxury goods		
France	Cartier SA	69.9 %
	Chloé International SA	69.9 %
Germany	Cartier GmbH	69.9 %
	Karl Seeger Lederwarenfabrik GmbH	69.9 %
	Montblanc – Simplo GmbH	69.9 %
Hong Kong	Les Must de Cartier Far East Limited	69.9 %
Italy	LMC International Spa	69.9 %
Japan	Cartier Japan Limited	69.9 %
	Dunhill Group Japan Limited	46.2 %
Luxembourg	Cartier Monde SA	69.9 %
	Vendôme Luxury Group SA	69.9 %
Netherlands	Cartier International BV	69.9 %
	Montblanc International BV	69.9 %
	Vendôme Luxury Group BV	69.9 %
Switzerland	Baume & Mercier SA	69.9 %
	Cartier International SA	69.9 %
	Cartier SA	69.9 %
	Interdica SA	69.9 %
	Piaget (International) SA	69.9 %
	Vacheron & Constantin SA	69.9 %
United Kingdom	Alfred Dunhill Limited	69.9 %
	Cartier Limited	69.9 %
	Hackett Limited	69.9 %
	James Purdey & Sons Limited	69.9 %
	Vendôme Luxury Group PLC	69.9 %
United States of America	A Sulka & Company Limited	69.9 %
	Cartier, Incorporated	69.9 %
	Montblanc Inc.	69.9 %
Subsidiary undertakings – other		
Luxembourg	Richemont Finance SA (Holding company)	100.0 %
Switzerland	Business Control SA (Management services)	100.0 %
	Richemont Securities AG (Transfer secretaries)	100.0 %
United Kingdom	Richemont International Limited (Advisory services)	100.0 %
Associated undertakings		
British Virgin Islands	NAR Group Limited (Holding company)	50.0 % [1]
France	Canal+ SA (Electronic media)	15.0 %
Jamaica	Carreras Group Limited (Tobacco products)	31.6 %
United States of America	Hanover Direct, Inc. (Direct retailing)	27.4%

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

	1993	1994	1995	1996	**1997**
	£ m	£ m	£ m	£ m	**£ m**
PROFIT AND LOSS ACCOUNT					
Net sales revenue					
Tobacco	2 412.6	2 485.1	2 551.7	2 840.1	**3 300.1**
Luxury goods	1 030.5	1 180.0	1 300.4	1 466.8	**1 455.7**
	3 443.1	3 665.1	3 852.1	4 306.9	**4 755.8**
Operating profit					
Tobacco	419.0	438.7	499.4	605.7	**810.0**
Luxury goods	166.9	193.8	222.4	249.7	**243.3**
Media interests	(7.3)	(25.7)	(38.1)	(46.3)	**(81.0)**
NAR Group	6.5	11.0	11.2	(3.2)	**(16.1)**
Other	(8.1)	(9.1)	(6.9)	(7.0)	**(2.0)**
	577.0	608.7	688.0	798.9	**954.2**
Profit attributable to unitholders					
On a reported basis	208.2	115.0	279.6	416.4	**513.4**
Goodwill amortisation	1.9	2.2	5.5	60.0	**81.0**
Gain on merger of media interests	–	–	–	–	**(291.5)**
Gain on merger of tobacco interests	–	–	–	(160.3)	–
Profit on sale of properties	–	–	(23.2)	–	–
Costs and taxation in respect of the Group restructuring	–	50.4	–	–	–
European rationalisation costs	–	36.7	–	–	–
On an adjusted basis	210.1	204.3	261.9	316.1	**302.9**

	1993	1994	1995	1996	**1997**
	£ m	£ m	£ m	£ m	**£ m**
BALANCE SHEET					
Net operating assets	1 730.9	1 684.2	1 882.0	2 147.2	**2 510.5**
Goodwill	25.5	23.9	50.9	1 646.8	**1 776.0**
Net liquid funds/(borrowings)	956.7	973.8	1 220.3	(240.1)	**(409.3)**
Other long-term liabilities	(525.0)	(607.7)	(613.4)	(636.1)	**(542.2)**
Minority interests	(1 050.2)	(853.3)	(1 014.0)	(993.2)	**(1 058.9)**
Unitholders' funds	1 137.9	1 220.9	1 525.8	1 924.6	**2 276.1**
PER UNIT INFORMATION					
Earnings per unit*	£ 36.59	£ 35.58	£ 45.61	£ 55.05	**£ 52.75**
Dividends per unit	£ 5.88¾	£ 6.15	£ 7.00	£ 8.00	**£ 9.40**

*Excluding the effects of goodwill amortisation and exceptional items.

NOTICE OF MEETING

The Annual General Meeting of shareholders of Compagnie Financière Richemont AG will be held at 3.00 pm in the "Grosser Saal", Artherstrasse 2–4, 6300 Zug on Thursday 11 September 1997.

AGENDA

1. Business Report

The Board of Directors proposes that the General Meeting, having taken cognisance of the reports of the Auditors, approve the consolidated financial statements of the Group, the financial statements of the Company and the Directors' Report for the business year ended 31 March 1997.

2. Appropriation of Profits

The Board of Directors proposes that the available retained earnings of the Company at 31 March 1997 of SFr 122 300 000 be appropriated as follows:

Transfer to legal reserve	SFr 1 800 000
Balance to be carried forward	SFr 120 500 000
	SFr 122 300 000

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 1997.

4. Election of the Board of Directors

The Board of Directors proposes that the following members be re-elected to serve for a further term of one year: Nikolaus Senn, Jean-Paul Aeschimann, Johann Rupert, Jan du Plessis, Yves-André Istel, Joseph Kanoui, Sir Robin Renwick, William Ryan, Lord Swaythling.

5. Election of the Auditors

The Board of Directors proposes that Coopers & Lybrand AG 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 1997 will be available for inspection at the registered office of the Company from 19 August 1997 onwards. A copy of these documents, which are contained in the Richemont Annual Report 1997, will be sent to shareholders upon request.

Cards for admission to the Annual General Meeting together with voting forms may be obtained by holders of bearer shares, upon deposit of their share certificates, from any branch of the following banks up to 5 September 1997:

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

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

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

Depositary 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 depositary agents.

For the Board of Directors

Nikolaus Senn, Chairman
Johann Rupert, Chief Executive

Zug, 25 June 1997