

Consolidated financial statements

Directors' Report

The Board of Directors of Compagnie Financière Richemont SA ('the Company') is pleased to submit its report on the activities of the Company and its subsidiaries and associated undertakings (together, 'the Group') for the year ended 31 March 2009. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 2009 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 108 to 111.

The agenda for the Annual General Meeting, which is to be held in Geneva on 9 September 2009, is set out on page 116.

Further information on the Group's activities during the year under review is given in the Business Review on pages 6 to 39.

Consolidated financial statements

	Page		Page
Consolidated balance sheet	56	24. <i>Profit from continuing operations</i>	91
Consolidated income statement	57	25. <i>Employee benefits expense</i>	91
Consolidated statement of changes in equity	58	26. <i>Net finance (costs)/income</i>	92
Consolidated cash flow statement	59	27. <i>Discontinued operations</i>	92
Notes to the consolidated financial statements	60	28. <i>Earnings per share</i>	94
1. <i>General information</i>	60	29. <i>Dividends</i>	94
2. <i>Summary of significant accounting policies</i>	60	30. <i>Cash flow generated from operations</i>	95
3. <i>Financial risk management</i>	67	31. <i>Financial commitments and contingent liabilities</i>	95
4. <i>Risk assessment</i>	70	32. <i>Business combinations</i>	96
5. <i>Critical accounting estimates and judgements</i>	70	33. <i>Related-party transactions</i>	97
6. <i>Segment information</i>	70	34. <i>Share-based payment</i>	103
7. <i>Property, plant and equipment</i>	73	35. <i>Joint ventures</i>	105
8. <i>Intangible assets</i>	74	36. <i>Ultimate parent company</i>	105
9. <i>Investments in associated undertakings</i>	76	37. <i>Post balance sheet events</i>	105
10. <i>Taxation</i>	77	38. <i>Principal Group companies</i>	106
11. <i>Financial assets held at fair value through profit or loss</i>	79	Report of the Group auditors	107
12. <i>Other non-current assets</i>	80		
13. <i>Inventories</i>	80		
14. <i>Trade and other receivables</i>	80		
15. <i>Derivative financial instruments</i>	81		
16. <i>Cash and cash equivalents</i>	83		
17. <i>Equity</i>	83		
18. <i>Borrowings</i>	85		
19. <i>Liquidity risk</i>	86		
20. <i>Retirement benefit obligations</i>	87		
21. <i>Provisions</i>	90		
22. <i>Trade and other payables</i>	91		
23. <i>Other operating (expense)/income</i>	91		

Company financial statements

Compagnie Financière Richemont SA	108
-----------------------------------	-----

Consolidated balance sheet at 31 March

	Notes	2009 € m	2008 re-presented € m
Assets			
Non-current assets			
Property, plant and equipment	7	1 148	975
Intangible assets	8	386	232
Investments in associated undertakings	9	14	3 008
Deferred income tax assets	10	305	257
Financial assets held at fair value through profit or loss	11	143	68
Other non-current assets	12	180	174
		2 176	4 714
Current assets			
Inventories	13	2 422	2 076
Trade and other receivables	14	672	641
Derivative financial instruments	15	18	72
Prepayments and accrued income		80	108
Assets of disposal groups held for sale	27	11	–
Cash at bank and on hand	16	2 032	2 094
		5 235	4 991
Total assets		7 411	9 705
Equity and liabilities			
Equity			
Share capital	17	334	334
Participation reserve	17	–	645
Treasury shares	17	(195)	(268)
Hedge and share option reserves	17	90	176
Cumulative translation adjustment reserve		124	(348)
Retained earnings		4 479	7 076
Total shareholders' equity		4 832	7 615
Minority interest		3	4
Total equity		4 835	7 619
Liabilities			
Non-current liabilities			
Borrowings	18	77	246
Deferred income tax liabilities	10	78	59
Retirement benefit obligations	20	39	42
Provisions	21	40	52
Other long-term liabilities		34	15
		268	414
Current liabilities			
Trade and other payables	22	545	563
Current income tax liabilities		172	188
Borrowings	18	188	12
Derivative financial instruments	15	123	8
Provisions	21	117	95
Accruals and deferred income		218	216
Short-term loans	18	276	267
Bank overdrafts	16	669	323
		2 308	1 672
Total liabilities		2 576	2 086
Total equity and liabilities		7 411	9 705

The notes on pages 60 to 106 are an integral part of these consolidated financial statements.

Consolidated income statement for the year ended 31 March

	Notes	2009 € m	2008 re-presented € m
Continuing operations			
Sales	6	5 418	5 290
Cost of sales		(1 988)	(1 875)
Gross profit		3 430	3 415
Selling and distribution expenses		(1 235)	(1 177)
Communication expenses		(644)	(608)
Administrative expenses		(542)	(522)
Other operating (expense)/income	23	(27)	10
Operating profit		982	1 118
Finance costs	26	(228)	(114)
Finance income	26	127	161
Share of post-tax profit of associated undertakings	9	3	1
Profit before taxation		884	1 166
Taxation	10	(133)	(194)
Profit from continuing operations	24	751	972
Discontinued operations			
Profit from discontinued operations (net of tax)	27	325	592
Net profit		1 076	1 564
Attributable to:			
Shareholders		1 075	1 565
Minority interest		1	(1)
		1 076	1 564
Earnings per share for profit and profit from discontinued operations attributable to shareholders during the year (expressed in € per share)			
Basic:			
– from continuing operations	28	1.340	1.734
– from discontinued operations	28	0.581	1.055
		1.921	2.789
Diluted:			
– from continuing operations	28	1.337	1.710
– from discontinued operations	28	0.579	1.040
		1.916	2.750

The notes on pages 60 to 106 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 March

	Notes	Equity attributable to shareholders					Total € m	Minority interest € m	Total equity € m
		Shareholders' capital € m	Treasury shares € m	Other reserves € m	Cumulative translation adjustment reserve € m	Retained earnings € m			
Balance at 31 March 2007		979	(264)	151	113	6 532	7 511	2	7 513
Adoption of IAS 38 (amendment)	2.1	–	–	–	–	(27)	(27)	–	(27)
Balance at 1 April 2007		979	(264)	151	113	6 505	7 484	2	7 486
Currency translation adjustments		–	–	–	(461)	–	(461)	3	(458)
Cash flow hedges:									
– net gains	17	–	–	31	–	–	31	–	31
– recycle to income statement	17	–	–	(13)	–	–	(13)	–	(13)
Net share of expense of associated undertakings recognised directly in equity	9	–	–	–	–	(87)	(87)	–	(87)
Tax on items recognised directly in equity	17	–	–	(24)	–	–	(24)	–	(24)
Net income/(expense) recognised directly in equity		–	–	(6)	(461)	(87)	(554)	3	(551)
Net profit/(loss)		–	–	–	–	1 565	1 565	(1)	1 564
Total recognised income/(expense)		–	–	(6)	(461)	1 478	1 011	2	1 013
Net share of transactions of associated undertakings with their equity holders	9	–	–	–	–	(173)	(173)	–	(173)
Net changes in treasury shares	17	–	(4)	–	–	(33)	(37)	–	(37)
Employee share option plan	17	–	–	31	–	–	31	–	31
Dividends paid	29	–	–	–	–	(701)	(701)	–	(701)
Balance at 31 March 2008		979	(268)	176	(348)	7 076	7 615	4	7 619
Currency translation adjustments		–	–	–	57	–	57	–	57
Cash flow hedges:									
– net losses	17	–	–	(41)	–	–	(41)	–	(41)
– recycle to income statement	17	–	–	(12)	–	–	(12)	–	(12)
Net share of income of associated undertakings recognised directly in equity (discontinued operations)	9	–	–	–	–	101	101	–	101
Tax on items recognised directly in equity	17	–	–	(4)	–	–	(4)	–	(4)
Net income/(expense) recognised directly in equity		–	–	(57)	57	101	101	–	101
Net profit		–	–	–	–	1 075	1 075	1	1 076
Total recognised income/(expense)		–	–	(57)	57	1 176	1 176	1	1 177
Net share of transactions of associated undertakings with their equity holders (discontinued operations)	9	–	–	–	–	(72)	(72)	–	(72)
Net changes in treasury shares	17	–	73	–	–	(7)	66	–	66
Employee share option plan	17	–	–	(29)	–	–	(29)	–	(29)
Dividends paid	29	–	–	–	–	(438)	(438)	–	(438)
Minorities acquired in business combinations		–	–	–	–	–	–	(2)	(2)
Partial liquidation of Group		(645)	–	–	415	(3 256)	(3 486)	–	(3 486)
Balance at 31 March 2009		334	(195)	90	124	4 479	4 832	3	4 835

The notes on pages 60 to 106 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 March

	Notes	2009 € m	2008 € m
Cash flows from operating activities			
Cash flow generated from operations	30	819	968
Interest received		73	82
Interest paid		(37)	(41)
Dividends from associated undertaking		343	325
Taxation paid		(179)	(171)
Net cash generated from operating activities		1 019	1 163
Cash flows from investing activities			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	32	(126)	(145)
Acquisition of associated undertakings	9	(3)	(1)
Acquisition of property, plant and equipment		(305)	(271)
Proceeds from disposal of property, plant and equipment		12	6
Acquisition of intangible assets		(44)	(33)
Proceeds from disposal of intangible assets		1	3
Acquisition of other non-current assets		(59)	(44)
Proceeds from disposal of other non-current assets		61	88
Net cash used in investing activities		(463)	(397)
Cash flows from financing activities			
Proceeds from borrowings		108	179
Repayment of borrowings		(162)	(107)
Dividends paid		(438)	(701)
Distribution of discontinued operations, net of cash disposed of		(351)	–
Payment for treasury shares		(98)	(80)
Proceeds from sale of treasury shares		14	43
Capital element of finance lease payments		(5)	(3)
Net cash used in financing activities		(932)	(669)
Net change in cash and cash equivalents		(376)	97
Cash and cash equivalents at beginning of year		1 771	1 623
Exchange (losses)/gains on cash and cash equivalents		(32)	51
Cash and cash equivalents at end of year	16	1 363	1 771

The notes on pages 60 to 106 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

at 31 March 2009

1. General information

Compagnie Financière Richemont SA ('the Company') and its subsidiaries (together 'Richemont' or 'the Group') is one of the world's leading luxury goods groups. The Group's luxury goods interests encompass several of the most prestigious names in the industry including Cartier, Van Cleef & Arpels, Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC, Baume & Mercier, Roger Dubuis, Montblanc, Alfred Dunhill, Lancel, Chloé and Azzedine Alaïa.

The Company is registered in Bellevue, Geneva, Switzerland. Shares of the Company are listed and traded on SIX Swiss Exchange and are included in the Swiss Market Index ('SMI') of leading stocks. Depository Receipts in respect of Richemont shares are traded on the Johannesburg stock exchange operated by JSE Limited.

On 20 October 2008, the de-twinning of the shares of the Company and the participation certificates of Richemont SA was effected. The participation certificates of Richemont SA have been converted into ordinary shares and are traded in the name of Reinet Investments SCA ('Reinet') on the Luxembourg stock exchange and are no longer directly related to the Company.

These consolidated financial statements have been approved for issue by the Board of Directors ('the Board') on 13 May 2009.

2. Summary of significant accounting policies

2.1. Basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards issued or adopted by the International Accounting Standards Board ('IASB') and in accordance with interpretations issued or adopted by the International Financial Reporting Interpretations Committee ('IFRIC'), (together 'IFRS').

The policies set out below have been consistently applied to the periods presented unless otherwise stated.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

The Group has early adopted the amendments to IAS 38, *Intangible Assets* which are required by the IASB's Improvements to IFRS published in May 2008. Goods and services received in respect of advertising activities are now expensed when the entity has the right to access the goods or receives the services. Previously items of promotional material representing expected usage in the next twelve months were held as prepayments and were recognised through profit or loss when utilised. In accordance with the implementation guidance of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the change in accounting policy has been accounted for retrospectively, and the comparative statements for 2008 have been

re-presented. Opening retained earnings for 2008 have been reduced by € 27 million. The effect of the change is tabulated below.

	€ m
Effect at 1 April 2007	
Decrease in retained earnings (€ 32 million communication costs less tax of € 5 million)	(27)
Effect at 31 March 2008	
Increase in communication costs less tax	7 (1)
Net decrease in profit	6
Effect at 31 March 2009	
Increase in communication costs less tax	12 (2)
Net decrease in profit	10

The impact on earnings per share was:

	March 2009			March 2008		
	Before change €	Impact of change €	After change €	Before change €	Impact of change €	After change €
Basic	1.939	(0.018)	1.921	2.800	(0.011)	2.789
Diluted	1.934	(0.018)	1.916	2.760	(0.010)	2.750

The following interpretations which are mandatory for the financial year ended 31 March 2009 have not had a material effect on the Group's consolidated net income and financial position.

- IFRIC 14, IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognised as an asset. The Group has considered the requirements in respect of its defined benefit plans and concluded that there are currently no surpluses that result in the recognition of assets. In respect of the Group's plans which are in surplus, current and future contributions are expected to exceed service costs, thus no economic benefit is available through contribution reductions.
- IFRIC 11, IFRS 2 *Group and Treasury Share Transactions* provides guidance on whether share-based transactions involving treasury shares or involving Group entities should be accounted for as equity-settled or cash-settled payment transactions in the stand alone accounts of the parent and Group companies. This interpretation does not impact the Group's financial statements.

2.2. 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 and joint ventures.

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

Uniform accounting policies have been adopted.

Subsidiary undertakings are defined as those undertakings that are controlled by the Group. Control of an undertaking most commonly exists when the Company holds, directly or indirectly through other subsidiary undertakings, more than 50 per cent of the ordinary share capital and voting rights of the undertaking. The accounts of subsidiary undertakings are drawn up at 31 March of each year. In consolidating the financial statements of subsidiary undertakings, intra-Group transactions, balances and unrealised gains and losses are eliminated.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The Group does not consolidate an entity for which it holds over 50 per cent of the share capital due to the fact that, despite this level of shareholding, the Group does not have the power to govern the financial and operating policies of that entity. Specifically, the Group's appointed directors do not constitute a majority of the Board of Directors of the Company, the body which controls the entity.

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.

Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertaking. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group recognises as equity movements its share of transactions booked by associated undertakings directly in equity.

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

The Group treats transactions with minority interests as transactions with parties external to the Group.

Non-cash distributions to shareholders, acting in their capacity as shareholders are recognised at book value.

2.3. Segment reporting

Details on the Group's business segments can be found under note 6. The Group uses business segments as the primary segments while geographical segments are considered secondary.

2.4. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). Following the de-twinning of the Richemont units on 20 October 2008, the functional currency of the Company changed from euro to Swiss franc. This change reflects the change in asset base and cash flow of the entity following the partial liquidation of its investment in Richemont SA. The consolidated financial statements are presented in millions of euros (the 'presentation currency'). Management believes that this currency is more useful to the users of the consolidated financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the average exchange rates prevailing during the period. The average rates approximate actual rates at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied as explained in note 3.2.

(c) Subsidiary and associated undertakings

The results and financial positions of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at that balance sheet date;
- (ii) income and expenses for each income statement are translated at the average exchange rate; and
- (iii) all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment reserve).

Exchange differences arising from the translation of the net investment in foreign entities and borrowings are taken to shareholders' equity on consolidation. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Notes to the consolidated financial statements continued

2.5. Property, plant and equipment

Land and buildings comprise mainly factories, retail boutiques and offices.

All property, plant and equipment is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, up to the limits, as follows:

• Buildings	50 years
• Plant and machinery	20 years
• Fixtures, fittings, tools and equipment	15 years

Land and assets under construction are not depreciated.

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement. Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.6. Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary or associate at the date of acquisition.

Goodwill arising on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associated undertakings is included in the carrying value of the investment in the associated company.

Goodwill arising from subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The cash-generating units represent the Group's investments in assets grouped at the lowest levels for which there are separately identifiable cash flows.

(b) Computer software and related licences

Costs that are directly associated with developing, implementing or improving identifiable software products having an expected benefit beyond one year are recognised as intangible assets and amortised using the straight-line method over their useful lives, not exceeding a period of 15 years. Licences are amortised over their contractual lives. Costs associated with evaluating or maintaining computer software are expensed as incurred.

(c) Research and development, patents and trademarks

Research expenditures are recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of commercial production of the product on the straight-line method over the period of its expected benefit.

(d) Leasehold rights and key money

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

2.7. Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. The Group has identified goodwill as the only category of asset with an indefinite life.

All other fixed and financial assets are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be fully recoverable.

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.8. Other financial asset investments

The Group classifies its investments in the following categories: financial assets held at fair value through profit or loss, loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investment was acquired. Management determines the classification of its investments at initial recognition.

(a) Financial assets held at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorised as held for trading. Assets in this category are classified as current if they are either held for trading or are expected to be realised within the next twelve months.

Purchases and sales of these financial assets are recognised on the transaction date. They are initially recognised at cost excluding transaction costs, which represents fair value. Fair value adjustments are included in the income statement in the period in which they arise.

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active or if the assets comprise unlisted securities, the Group establishes fair value by using valuation techniques which include the use of recent arm's-length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets held with no intention of trading and which have fixed or determinable payments that are not quoted in an active market. They are included in trade and other receivables within current assets, except for maturities greater than twelve months which are classified as other non-current assets.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the intention and ability to hold to maturity. The Group did not hold any investments in this category during the year.

2.9. Other non-current assets

The Group holds a collection of jewellery and watch pieces primarily for presentation purposes to promote the Maisons and their history. They are not intended for sale.

Maisons' collection pieces are held as non-current assets at cost less any permanent impairment in value.

2.10. Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is determined using either a weighted average or specific identification basis depending on the nature of the inventory. The cost of finished goods and work in progress comprises raw materials, direct labour, related production overheads and, where applicable, duties and taxes. It excludes borrowing costs.

2.11. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement of the provision is recognised in the income statement.

2.12. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.13. Equity

(a) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity, net of any tax effects.

(b) Treasury shares

All consideration paid by the Group in the acquisition of treasury shares and received by the Group on the disposal of treasury shares is recognised directly in shareholders' equity. The cost of treasury shares held at each balance sheet date is deducted from shareholders' equity. Gains or losses arising on the disposal of treasury shares are recognised within retained earnings directly in shareholders' equity.

2.14. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.15. Current and deferred income tax

Taxes on income are provided in the same period as the revenue and expenses to which they relate. Current taxes include capital taxes of some jurisdictions.

Deferred income tax is provided using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and the carry forward of unused tax losses can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16. Employee benefits

(a) Retirement benefit obligations

The Group operates a number of defined benefit and defined contribution post-employment benefit plans throughout the world. The plans are generally funded through payments to trustee-administered funds by both employees and relevant Group companies taking into account periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive post-employment, usually dependent on one or more factors such as age, years of service and compensation.

Notes to the consolidated financial statements continued

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligations at the balance sheet date less the fair values of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligations are calculated on a regular cyclical basis by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yields available at balance sheet dates on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity consistent with the terms of the related pension liability.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time ('the vesting period'). In this case, the past service costs are amortised on the straight-line method over the vesting period.

Actuarial gains and losses in excess of the greater of 10 per cent of the value of plan assets or 10 per cent of the defined benefit obligations are charged or credited to income over the expected average remaining service lives of employees.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(c) Short-term incentive plans

The Group recognises a liability and an expense for short-term incentives where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Share-based payment

The Group operates an equity-settled share-based compensation plan based on options granted in respect of Richemont shares. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At

each balance sheet date, the Group revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement over the remaining vesting period and a corresponding adjustment to equity.

2.17. Provisions

Provisions for restructuring costs, legal claims and other liabilities are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring and property related provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value at the balance sheet date of management's best estimate of the expenditure required to settle the obligation. The pre-tax discount rate used to determine the present value reflects current market assessments of the time value of money and the risk specific to the liability. Any increase in provisions due to the passage of time is recognised as interest expense.

2.18. Revenue recognition

(a) Goods and services

Sales revenue comprises the fair value of the sale of goods and services, net of value-added tax, duties, other sales taxes, rebates and trade discounts and after eliminating sales within the Group. Revenue is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Where there is a practice of agreeing to customer returns, accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Royalty income

Royalty income is recognised on the accruals basis in accordance with the substance of the relevant agreements.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.19. Leases

(a) Operating leases

Payments made under operating leases (net of any incentives received) are charged to the income statement on the straight-line method over the lease term. Sub-lease income (net of any incentives given) is credited to the income statement on the straight-line method over the sub-lease term.

(b) Finance leases

At commencement of the lease term, assets and liabilities are recognised at the lower of the present value of future minimum lease payments or fair value of the leased item. All property, plant and equipment so recognised is depreciated over the shorter of the asset's expected useful life or the lease term.

In cases where land and buildings are acquired under finance leases, separate values of the land and buildings are established.

2.20. Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation the comparative income statement is re-presented as if the discontinued operation had been discontinued from the start of the comparative period.

2.21. Dividend distributions

Dividend distributions to Richemont shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders of the Company.

2.22. Changes to IFRS

Certain new accounting standards issued by IASB and new interpretations issued by IFRIC are not yet effective for the year ended 31 March 2009 and have not been applied in preparing these consolidated financial statements.

- IFRS 2 (Amendment), (effective for accounting periods beginning on or after 1 January 2009) deals with two matters. It clarifies that vesting conditions can be service conditions and performance conditions only. Other features of share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This has no impact for the Group.
- IFRS 8, *Operating Segments* which is effective for accounting periods beginning on or after 1 January 2009 requires segmental information based on the internal reports regularly reviewed by the Group's chief operating decision-maker in order to assess each segment's performance and to allocate resources to them. It is expected that the application of this new standard will lead to a change in segmental information in the disclosure of the Group's operating segments.
- IAS 1 (revised), *Presentation of Financial Statements* (effective from 1 January 2009). It primarily affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosures of specific transactions and other events required by other IFRSs.
- IAS 23 (Amendment), *Borrowing Costs* (effective from 1 January 2009) requires that an entity capitalise, as part of the cost of the asset, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This is the Group's existing policy therefore the revised standard will not impact the Group's consolidated financial statements.
- IAS 27 (revised), *Consolidated and Separate Financial Statements* must be applied for annual periods beginning on or after 1 July 2009. The amendments to this standard relate to the accounting for non-controlling interests and loss of control of a subsidiary. These revisions will require any future transactions between the Group and minority shareholders ('non-controlling interests') to be accounted for in equity.
- IAS 32, *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation* (Amendment) (effective from 1 January 2009). The amendment requires certain puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity rather than as a liability. These amendments are not expected to have any impact on the Group's financial statements.
- IFRS 3 (revised), *Business Combinations* is effective for business combinations with an acquisition date on or after 1 July 2009. These revisions concern the accounting for business combinations in Group and separate financial statements. The Group will apply the requirements of these standards to business combinations with an acquisition date on or after 1 July 2009.
- IFRS 5 (Amendment), *Non-Current Assets held-for-sale and Discontinued Operations* (and consequential amendment to IFRS 1, *First-Time Adoption*) (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 April 2010.
- IAS 23 (Amendment), *Borrowing Costs* (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 *Financial Instruments: Recognition and Measurement*. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Group will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 April 2009.

Notes to the consolidated financial statements continued

- IAS 28 (Amendment), *Investments in Associates* (and consequential amendments to IAS 32, *Financial Instruments: Presentation*, and IFRS 7, *Financial Instruments: Disclosures*) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in an associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the IAS 28 (Amendment) to impairment tests related to investments in associates and any related impairment losses from 1 April 2009.
- IAS 36 (Amendment), *Impairment of Assets* (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 April 2009.
- IAS 19 (Amendment), *Employee Benefits* (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
 - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
 - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
 - The distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after twelve months of employee service being rendered.
 - IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.The Group will apply the IAS 19 (Amendment) from 1 April 2009.
- IAS 39 (Amendment), *Financial Instruments: Recognition and Measurement* (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
 - This amendment clarifies that it is possible for there to be movements in to and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
 - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.
 - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, *Operating Segments* which requires disclosure for segments to be based on information reported to the chief operating decision-maker.
 - When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used.The Group will apply the IAS 39 (Amendment) from 1 April 2009. It is not expected to have an impact on the Group's income statement.
- IAS 1 (Amendment), *Presentation of Financial Statements* (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, are examples of current assets and liabilities respectively. The Group will apply the IAS 1 (Amendment) from 1 April 2009. It is not expected to have an impact on the Group's financial statements.
- IFRIC 13, *Customer Loyalty Programmes* addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes with their customers. This interpretation does not have any impact on the consolidated financial statements.
- IFRIC 16, *Hedges of a Net Investment in a Foreign Operation* (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, *The Effects of Changes in Foreign Exchange Rates* do apply to the hedged item. The Group will apply IFRIC 16 from 1 April 2009. It is not expected to have a material impact on the Group's financial statements.

- IAS 28 (Amendment), *Investments in Associates* (and consequential amendments to IAS 32, *Financial Instruments: Presentation* and IFRS 7, *Financial Instruments: Disclosures*) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in associate is accounted for in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, *Financial Instruments: Presentation* and IFRS 7, *Financial Instruments: Disclosures*. The amendment will not have an impact on the Group's operations because it is the Group's policy for an investment in an associate to be equity accounted in the Group's consolidated accounts.
- IAS 38 (Amendment), *Intangible Assets* (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The amendment deletes the wording that states that there is rarely if ever support for use of a method that results in a lower rate of amortisation than the straight-line method. The amendment will not have an impact on the Group's operations, as all intangible assets are amortised using the straight-line method.
- IAS 20 (Amendment), *Accounting for Government Grants and Disclosure of Government Assistance* (effective from 1 January 2009). The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment will not have an impact on the Group's operations as there are no loans received or other grants from the government.
- IFRIC 15, *Agreements for the Construction of Real Estate* provides guidance on how to determine whether an agreement or the construction of real estate is within the scope of IAS 11, *Construction Contracts* or IAS 18, *Revenue* and when revenue from the construction should be recognised. The Group will apply IFRIC 15 from 1 April 2009. It is not expected to have any impact on the Group's financial statements.
- IFRIC 17, *Distribution of Non-cash Assets to Owners* clarifies that non-cash distributions to owners should be measured at the fair value of the assets distributed. The Group will apply IFRIC 17 from 1 April 2010. It is not expected to have a material impact on the Group's financial statements.
- IFRIC 18, *Transfer of Assets from Customers* clarifies the treatment of agreements in which an entity receives an item of property, plant and equipment from a customer to connect to an ongoing supply of goods and services. The Group will apply IFRIC 18 from 1 April 2010. It is not expected to have any impact on the Group's financial statements.

- IFRS 7 (Amendment), *Improving Disclosures about Financial Instruments*. The amendment requires additional disclosures in respect of financial instruments based on a three tier hierarchy for fair value measurement disclosures. It also clarifies and enhances to ensure the existing requirements for liquidity risk disclosure so that users of the financial statements can evaluate the nature and extent of liquidity risk related to financial instruments. The Group will apply the amendments to IFRS 7 from 1 April 2010. It is expected to lead to changes in the disclosures relating to financial instruments.

3. Financial risk management

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by a central treasury department ('Group Treasury') under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board has approved formal written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Swiss franc, US dollar, HK dollar and Japanese yen. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Entities in the Group use forward contracts to manage their foreign exchange risk arising from recognised assets and liabilities. Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury oversees the management of the net position in each foreign currency by using external forward currency contracts.

External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

The Group's financial risk management policy is to hedge up to 70 per cent of anticipated net cash flow exposure arising in US dollars, HK dollars, SG dollars and Japanese yen for the subsequent twelve months. A significant portion of projected sales in each major currency qualifies as 'highly probable' forecast transactions for hedge accounting purposes.

Notes to the consolidated financial statements continued

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The sensitivity analysis presented in the following tables shows the pre-tax increase/(decrease) in equity and profit or loss that would result from the noted percentage change in listed exchange rates, all other factors remaining constant. These arise principally from the re-pricing of derivative contracts. The analysis is performed on the same basis as for 2008.

	Change in rate		Equity		Income statement	
	2009 %	2008 %	2009 € m	2008 € m	2009 € m	2008 € m
USD strengthening vs CHF	13%	11%	(29)	(4)	(12)	(2)
JPY strengthening vs CHF	15%	8%	(16)	(17)	(1)	(1)
HKD strengthening vs CHF	13%	11%	(28)	(18)	–	(6)
SGD strengthening vs CHF	13%	9%	(2)	(2)	–	–
CNY* strengthening vs CHF	15%	13%	–	–	(8)	(4)
HKD strengthening vs EUR	14%	11%	–	–	(33)	(9)
JPY strengthening vs EUR	20%	12%	–	–	(48)	(12)
USD strengthening vs EUR	14%	10%	–	–	(1)	(5)
CHF strengthening vs EUR	6%	6%	–	–	70	34
SGD strengthening vs EUR	11%	–	–	–	(2)	–
GBP strengthening vs CHF	16%	–	–	–	5	–
GBP strengthening vs EUR	15%	–	–	–	(5)	–

	Change in rate		Equity		Income statement	
	2009 %	2008 %	2009 € m	2008 € m	2009 € m	2008 € m
USD weakening vs CHF	13%	11%	22	3	8	2
JPY weakening vs CHF	15%	8%	12	14	1	1
HKD weakening vs CHF	13%	11%	22	14	–	5
SGD weakening vs CHF	13%	9%	2	2	–	–
CNY* weakening vs CHF	15%	13%	–	–	5	3
HKD weakening vs EUR	14%	11%	–	–	22	11
JPY weakening vs EUR	20%	12%	–	–	29	13
USD weakening vs EUR	14%	10%	–	–	(1)	7
CHF weakening vs EUR	6%	6%	–	–	(70)	(34)
SGD weakening vs EUR	11%	–	–	–	1	–
GBP weakening vs CHF	16%	–	–	–	(5)	–
GBP weakening vs EUR	15%	–	–	–	5	–

*Chinese yuan/renminbi

(ii) Price risk

The Group is exposed to commodity price risk and equity securities' price risk.

• Commodity price risk

The Group is exposed to price risk related to anticipated purchases of certain commodities, namely precious metals and stones for use in its manufacturing processes. There is no financial risk as the commodities are for use as raw materials by the Group's businesses. A change in those prices may alter the gross margin of specific businesses. The Group enters into commodity options to manage fluctuation in prices or anticipate purchases.

• Equity securities' price risk

The Group is exposed to equity securities' price risk relating to its investments in listed and unlisted equities and its obligation to executives in the form of options over shares in listed equities. These are classified in the consolidated balance sheet as financial assets and liabilities held at fair value through profit or loss.

At 31 March 2009, the Group held a number of listed investments with a total market value of € 131 million. These investments are primarily listed in the UK and Luxembourg. Movements of plus/(minus) 40 per cent and 49 per cent based on the one-year and the three-month historic volatilities for the UK and Luxembourg listed equities respectively, all other variables held constant, would have had a pre-tax impact of plus/(minus) € 53 million. At 31 March 2008 the Group had an interest in a small number of investments listed in the UK and the USA. Any market movement would not have a significant impact for the Group's consolidated financial statements.

The Group also holds a portfolio of unlisted equities, principally through its venture capital/investment funds entities. These investments are acquired through capital injection with a view to future business development. These investments are recorded at fair value through profit or loss using valuation techniques. The Group actively monitors the performance of these investments, but is ultimately exposed to their underperformance.

As a consequence of the de-twinning of the Richemont units the Group modified the terms of its executive option plan which resulted in the award of options over shares in equities listed in the UK and Luxembourg. Movements of plus/(minus) 40 per cent and 49 per cent based on the one-year and the three-month volatilities of the UK and Luxembourg equity-based options respectively, all other variables held constant, would have had an impact on profit before tax of plus € 30 million, minus € 43 million.

(iii) Interest rate risk

• Fair value interest rate risk

The Group has limited fair value interest rate risk in view of the floating rate nature of its long-term borrowings.

• Cash flow sensitivity for variable interest rate instruments

An increase/(decrease) of 100 basis points in interest rates at the reporting date would have impacted net profit by plus/(minus) € 8 million (2008: plus/(minus) € 12 million), all other variables remaining constant. The analysis is performed on the same basis for 2008.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The minimum credit rating requirements of trading and deposit counterparties are a long-term credit rating of A2/A and a short-term credit rating of P1/A-1. At 31 March 2009, 42 per cent of the Group's cash was invested in AAA rated Euro Government Bond Funds (2008: 66 per cent).

The balance of the funds is held as cash.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate level of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Local liquidity is ensured by maintaining local bank credit facilities and by funding the excess funding requirements by the Group overlay cash pool.

3.2. Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 15. Movements in the hedge reserve in shareholders' equity are shown in note 17.4.

(a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for example, when the forecast transaction that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(b) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as at fair value through profit or loss and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

3.3. Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal values less estimated credit adjustments of trade receivables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3.4. Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return of capital to shareholders which the Group defines as total equity excluding minority interests and the level of dividends to ordinary shareholders.

From time to time the Group will approve special dividends. These distribute to shareholders exceptional non-recurring profits and cash flows.

The Board seeks to maintain a balance between business returns and a secure capital position. The Group's target is to achieve a return on shareholders' equity, excluding buy-backs, in excess of 12 per cent.

There were no changes in the Group's approach during the year.

The Group is not subject to any externally imposed capital requirements.

Notes to the consolidated financial statements continued

4. Risk assessment

The Company has a centralised risk management process which gives consideration to both strategic and operational risks. All identified risks are quantified according to their probability of occurrence and potential impact, and subsequently prioritised by Group Management. A consolidated risk report which includes action plans is reviewed annually by the Board of Directors and the Audit Committee.

For identified risks, which arise from the accounting and financial reporting, a risk assessment is performed. Throughout the Group's internal control system framework on financial reporting, relevant control measures are defined, which reduce the financial risk. Remaining risks are categorised depending on their possible impact (low, average, high) and appropriately monitored.

5. Critical accounting estimates and judgements

The Group is required to make estimates and assumptions that affect certain balance sheet and income statement items and certain disclosures regarding contingencies. Estimates and judgements applied by management are continuously evaluated and are based on information available, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances at the dates of preparation of the consolidated financial statements. Principal matters where assumptions, estimates and judgements are made relate in particular to:

Accounting estimates

- (a) the determination of sales deductions, including rebates, returns, discounts and incentives, which are reported as a reduction in sales;
- (b) the determination of carrying values for property, plant and equipment, intangible assets and inventories, especially as they relate to the purchase price allocation for newly acquired entities;
- (c) the assessment and recording of liabilities in respect of retirement benefit obligations;
- (d) the recognition of provision for income taxes, including deferred taxation, taking into account the related uncertainties in the normal course of business; and
- (e) the measurement of the recoverable amounts of cash-generating units containing goodwill.

The amounts involved are disclosed elsewhere in the financial statements, and the likelihood of a significant adjustment to any amounts in the next twelve months is limited.

Accounting judgements

- (f) the determination of the fair value of stock options immediately before and after the modification of 20 October 2008 based on closing market data on the date of modification; and
- (g) the recognition of non-cash distributions to shareholders, acting in their capacity as shareholders, at book value.

6. Segment information

A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. The Group has identified business segments as the primary segments.

A geographical segment is engaged in providing products within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The Group uses geographical segments as the secondary segments.

(a) Primary reporting format – business segments

For the purposes of clarity and comparability of external reporting, the Group combines internal management units with similar risk and reward profiles into business operating segments, which are constituted as follows:

- Jewellery Maisons – businesses whose heritage is in the design, manufacture and distribution of jewellery products; these comprise Cartier and Van Cleef & Arpels;
- Specialist Watchmakers – businesses whose primary activity includes the design, manufacture and distribution of precision timepieces. The Group's specialist watchmakers comprise Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC, Baume & Mercier and Roger Dubuis;
- Writing Instrument Maison – business whose primary activity includes the design, manufacture and distribution of writing instruments, namely Montblanc; and
- Leather and Accessories Maisons – businesses whose principal activities include the design and distribution of leather goods and other accessories, being Alfred Dunhill and Lancel.

Other Group operations mainly comprise Chloé, royalty income and other businesses. None of these constitutes a separately reportable segment.

Amounts included in 'Corporate' represent the costs of the Group's corporate operations which are not attributed to the segments.

The entire product range of a particular Maison, which may include jewellery, watches, writing instruments and leather goods, is reflected in the sales and operating result for that segment.

Segment assets consist primarily of property, plant and equipment, inventories, trade and other debtors and non-current assets. Segment liabilities comprise operating liabilities, including provisions, but exclude short and long-term loans and bank overdrafts.

Inter-segment transactions are transacted at prices that reflect the risk and rewards transferred and are entered into under normal commercial terms and conditions.

6. Segment information continued

(a) Primary reporting format – business segments (continued)

The segment results for the years ended 31 March are as follows:

	Sales		Inter-segment sales		Total segment sales	
	2009	2008	2009	2008	2009	2008
	re-presented	re-presented	re-presented	re-presented	re-presented	re-presented
	€ m	€ m	€ m	€ m	€ m	€ m
Sales						
Jewellery Maisons	2 762	2 657	1	1	2 763	2 658
Specialist Watchmakers	1 437	1 378	12	7	1 449	1 385
Writing Instrument Maisons	595	637	1	1	596	638
Writing Instrument Maison – impact of discontinued operations	(8)	(12)	–	–	(8)	(12)
Leather and Accessories Maisons	294	309	–	–	294	309
Other Businesses	338	321	163	105	501	426
	5 418	5 290	177	114	5 595	5 404
					2009	2008
					re-presented	re-presented
					€ m	€ m
Operating result from continuing operations						
Jewellery Maisons					777	765
Specialist Watchmakers					287	374
Writing Instrument Maison					69	126
Leather and Accessories Maisons					(10)	(5)
Other Businesses					(1)	16
Corporate					(140)	(158)
Operating profit					982	1 118
Finance costs					(228)	(114)
Finance income					127	161
Operating profit before share of results of associated undertakings					881	1 165
Share of post-tax profit of associated undertakings					3	1
Profit before taxation					884	1 166
Taxation					(133)	(194)
Profit from continuing operations					751	972
Profit from discontinued operations (note 27)					325	592
Net profit					1 076	1 564

Net segment assets at 31 March are as follows:

	Segment assets		Segment liabilities		Net segment assets	
	2009	2008	2009	2008	2009	2008
	re-presented*	re-presented*	re-presented*	re-presented*	re-presented*	re-presented*
	€ m	€ m	€ m	€ m	€ m	€ m
Net segment assets						
Jewellery Maisons	1 995	1 759	(292)	(295)	1 703	1 464
Specialist Watchmakers	1 436	1 004	(201)	(164)	1 235	840
Writing Instrument Maisons	462	443	(80)	(86)	382	357
Leather and Accessories Maisons	201	178	(50)	(60)	151	118
Other Businesses	411	459	(91)	(111)	320	348
Corporate	555	503	(363)	(233)	192	270
	5 060	4 346	(1 077)	(949)	3 983	3 397
Investments in associated undertakings	14	3 008	–	–	14	3 008
Cash and cash equivalents	2 032	2 094	(669)	(323)	1 363	1 771
Short-term loans and borrowings	–	–	(541)	(525)	(541)	(525)
Retirement benefit obligations	–	–	(39)	(42)	(39)	(42)
Deferred and current income tax, net	305	257	(250)	(247)	55	10
	7 411	9 705	(2 576)	(2 086)	4 835	7 619

* The segment assets at 31 March 2008 have been re-presented for the impact of the adoption of the amendments to IAS 38, *Intangible Assets*, by a total of € 39 million (see note 2.1).

Notes to the consolidated financial statements continued

6. Segment information continued

(a) Primary reporting format – business segments (continued)

Other segment information for the years ended 31 March is as follows:

	Capital expenditure		Depreciation/ amortisation charge		Impairment charge	
	2009 € m	2008 € m	2009 € m	2008 € m	2009 € m	2008 € m
Items related to property, plant, equipment and intangible assets						
Jewellery Maisons	105	107	74	63	1	–
Specialist Watchmakers	86	61	43	31	1	–
Writing Instrument Maisons	34	43	31	21	–	–
Leather and Accessories Maisons	25	25	12	11	–	–
Other Businesses	52	36	30	19	3	–
Corporate	48	39	28	29	1	–
	350	311	218	174	6	–

	Share option costs	
	2009 € m	2008 € m
Other non-cash items		
Jewellery Maisons	6	6
Specialist Watchmakers	5	5
Writing Instrument Maisons	2	2
Leather and Accessories Maisons	1	1
Other Businesses	1	1
Corporate	16	16
	31	31

(b) Secondary reporting format – geographical segments

Sales, segment assets and capital expenditure in the three main geographical areas where the Group's business segments operate are as follows in respect of the years ended 31 March:

	Sales		Segment assets at 31 March		Capital expenditure	
	2009 € m	2008 re-presented € m	2009 € m	2008 re-presented € m	2009 € m	2008 € m
Europe	2 363	2 284	3 793	3 244	236	194
France	500	493	542	505	26	25
Switzerland	288	257	2 245	1 895	137	92
Germany, Italy and Spain	611	681	487	488	31	30
Other Europe	964	853	519	356	42	47
Asia	2 166	1 994	815	671	85	75
China/Hong Kong	921	790	357	236	53	34
Japan	692	699	286	292	14	30
Other Asia	553	505	172	143	18	11
Americas	889	1 012	452	431	29	42
USA	662	775	379	341	24	36
Other Americas	227	237	73	90	5	6
	5 418	5 290	5 060	4 346	350	311

Sales are allocated based on the location of the customer or the boutique. Segment assets and capital expenditure are allocated based on where the assets are located.

7. Property, plant and equipment

	Land and buildings € m	Plant and machinery € m	Fixtures, fittings, tools and equipment € m	Assets under construction € m	Total € m
1 April 2007					
Cost	419	270	833	48	1 570
Depreciation	(93)	(200)	(469)	–	(762)
Net book value at 1 April 2007	326	70	364	48	808
Exchange adjustments	3	3	(23)	(2)	(19)
Acquisition through business combinations	35	17	2	–	54
Additions	20	37	163	58	278
Disposals	(1)	–	(5)	(1)	(7)
Depreciation charge	(15)	(18)	(106)	–	(139)
Transfers and reclassifications	13	6	28	(47)	–
31 March 2008					
Cost	493	342	909	56	1 800
Depreciation	(112)	(227)	(486)	–	(825)
Net book value at 31 March 2008	381	115	423	56	975
1 April 2008					
Cost	493	342	909	56	1 800
Depreciation	(112)	(227)	(486)	–	(825)
Net book value at 1 April 2008	381	115	423	56	975
Exchange adjustments	9	2	35	4	50
Acquisition through business combinations	–	2	–	–	2
Additions	20	45	169	73	307
Disposals	–	–	(13)	–	(13)
Depreciation charge	(17)	(33)	(121)	–	(171)
Impairments	–	(1)	(3)	–	(4)
Transfers and reclassifications	14	12	28	(52)	2
31 March 2009					
Cost	540	402	1 099	81	2 122
Depreciation	(133)	(260)	(581)	–	(974)
Net book value at 31 March 2009	407	142	518	81	1 148

Depreciation expense of € 35 million has been charged to cost of sales in the year (2008: € 30 million).

Included above is property, plant and equipment held under finance leases with a net book value of € 38 million (2008: € 25 million) comprising building € 33 million (2008: € 12 million), plant and machinery € 2 million (2008: € 7 million), fixtures, fittings, tools and equipment € 3 million (2008: € 6 million).

Borrowing costs capitalised during the current and prior year were immaterial (2009: rates of 2.1 per cent, 2008: rates of 4.0 per cent).

Committed capital expenditure not reflected in these financial statements amounted to € 11 million at 31 March 2009 (2008: € 28 million).

Notes to the consolidated financial statements continued

8. Intangible assets

	Goodwill € m	Leasehold and distribution rights € m	Computer software and related licences € m	Development costs and other € m	Total € m
1 April 2007					
Cost	13	130	45	69	257
Amortisation	–	(96)	(27)	(20)	(143)
Net book value at 1 April 2007	13	34	18	49	114
Exchange adjustments	(1)	(1)	3	1	2
Acquisition through business combinations	–	2	–	85	87
Additions:					
– internally developed	–	–	–	14	14
– other	–	4	7	8	19
Goodwill arising on business combinations	32	–	–	–	32
Disposals	–	–	–	(1)	(1)
Amortisation charge	–	(9)	(5)	(21)	(35)
Transfers	–	–	2	(2)	–
31 March 2008					
Cost	44	130	57	173	404
Amortisation	–	(100)	(32)	(40)	(172)
Net book value at 31 March 2008	44	30	25	133	232
	Goodwill € m	Leasehold and distribution rights € m	Computer software and related licences € m	Development costs and other € m	Total € m
1 April 2008					
Cost	44	130	57	173	404
Amortisation	–	(100)	(32)	(40)	(172)
Net book value at 1 April 2008	44	30	25	133	232
Exchange adjustments	7	–	1	9	17
Acquisition through business combinations	–	3	–	54	57
Additions:					
– internally developed	–	–	–	19	19
– other	–	4	14	6	24
Goodwill arising on business combinations	93	–	–	–	93
Disposals	–	–	–	(5)	(5)
Amortisation charge	–	(6)	(8)	(33)	(47)
Impairments	–	–	–	(2)	(2)
Transfers	11	–	(2)	(11)	(2)
31 March 2009					
Cost	155	119	72	245	591
Amortisation	–	(88)	(42)	(75)	(205)
Net book value at 31 March 2009	155	31	30	170	386

Amortisation expense of € 10 million (2008: € 7 million) relating to intangibles has been charged to cost of sales.

The remaining amortisation periods for intangible assets range between one and 25 years.

Computer software and related licences include internally generated computer software, whilst internally generated product development costs are included within the total for development costs and other.

8. Intangible assets continued

Impairment testing for intangible assets with indefinite lives including goodwill

Goodwill is the only intangible with an indefinite life.

For the purposes of impairment testing, goodwill is allocated to the Group's Maisons which represent the lowest level within the Group at which goodwill is monitored.

An operating segment level summary of goodwill is presented below.

	2009 € m	2008 € m
Jewellery Maisons	36	–
Specialist Watchmakers	106	33
Other Businesses – retail	13	11
Total	155	44

The recoverable amount of goodwill is determined based on the value-in-use of the Maison to which the goodwill is allocated. The value-in-use is determined by discounting the future cash flows generated from the continuing use of the Maison.

Jewellery Maisons/Specialist Watchmakers

The goodwill of € 93 million recognised during the year arises from the Group's acquisition of Roger Dubuis. The value-in-use was determined by discounting the future cash flows generated from the continuing operations of the jewellery Maisons and specialist watchmakers segments, applying the following key assumptions:

- pre-tax cash flows are based on an estimated five-year business plan. Management believes that this forecast period is justified due to the relative insignificance of the amount; and
- a pre-tax discount rate of 10.6 per cent.

The recoverable amount significantly exceeds the carrying amount. Management considers that it is not reasonably possible for future cash flows to change so significantly to eliminate the excess.

Other Businesses – retail

The recoverable amount of € 13 million (2008: € 11 million) for a Hong Kong-based clothing and accessories retailer was determined by discounting the future cash flows generated from the continuing operations, applying the following key assumptions:

- pre-tax cash flows are based on the approved five-year business plan; and
- a pre-tax discount rate of 10.6 per cent.

The recoverable amount significantly exceeds the carrying amount. Management considers that it is not reasonably possible for future cash flows to change so significantly to eliminate the excess.

The values assigned to the key assumptions represent management's assessment of future trends in the luxury goods businesses and are based on both external and internal sources.

In all cases, the carrying amount of the goodwill was determined to be lower than its recoverable amount; therefore no impairment losses were recognised.

Notes to the consolidated financial statements continued

9. Investments in associated undertakings

	BAT € m	Other € m	Total € m
At 1 April 2007	3 497	9	3 506
Exchange adjustments	(523)	(1)	(524)
Share of post-tax profit	–	1	1
Discontinued operations	609	–	609
Dividends received	(325)	–	(325)
Acquisition of associated undertakings	–	1	1
Other equity movements arising from:			
– expenses recognised directly in equity	(87)	–	(87)
– transactions with equityholders	(173)	–	(173)
At 31 March 2008	2 998	10	3 008
Exchange adjustments	20	(1)	19
Share of post-tax profit	–	3	3
Discontinued operations	355	–	355
Dividends received	(343)	–	(343)
Acquisition of associated undertakings	–	3	3
Other equity movements arising from:			
– expenses recognised directly in equity	101	–	101
– transactions with equityholders	(71)	(1)	(72)
Indirect disposal on partial liquidation of parent group	(3 060)	–	(3 060)
At 31 March 2009	–	14	14

Investments in associated undertakings at 31 March 2009 include goodwill of € 5 million (2008: € 2 200 million).

British American Tobacco plc ('BAT')

The summarised financial information in respect of the Group's share of results of its principal associated undertaking, BAT, up to the date of the Group's restructuring is as follows:

	Period to 20 October 2008 € m	Year to 31 March 2008 € m
Operating profit	519	826
After:		
Share of other expense	(8)	(27)
Finance costs	(63)	(137)
Finance income	15	53
Share of post-tax profit of associates	62	134
Profit before taxation	533	876
Taxation	(150)	(223)
Net profit	383	653
Attributable to:		
Shareholders' equity	355	609
Minority interest	28	44
	383	653

The Group's share of results and retained reserves of BAT for the six-month period to 30 September 2008 have been derived from accounts drawn up to that date, and for the period from 1 October to 20 October 2008 from estimates by management using the average daily profit of BAT for the preceding six-month period.

9. Investments in associated undertakings continued

Changes in the Group's percentage holding of BAT during the years ended 31 March 2009 and 2008 relate to the share buy-back programme carried out by BAT. The following table indicates the percentages applied to BAT's profits:

	Percentage
For the period to 20 October 2008	
1 April 2008 to 30 June 2008	19.4
1 July 2008 to 20 October 2008	19.5
For the year ended 31 March 2008	
1 April 2007 to 30 June 2007	19.1
1 July 2007 to 31 March 2008	19.3

On 20 October 2008, the Group effectively disposed of its entire holding in BAT through the partial liquidation of Richemont SA (note 27).

The market capitalisation of BAT ordinary shares at 20 October 2008 was £ 34 303 million (31 March 2008: £ 38 126 million). The fair value of the Group's effective interest of 19.5 per cent in BAT ordinary shares at that date was € 8 664 million (31 March 2008: effective interest: 19.3 per cent; fair value: € 9 250 million).

Other associated undertakings

The Group holds a 29.0 per cent interest in Net-à-Porter Ltd, an online retailer of women's designer branded ready-to-wear fashion clothing, shoes and accessories and a 20 per cent interest in Greubel Forsey, a Swiss specialist watchmaker.

During the year under review the Group acquired a 30.0 per cent interest in Lancel Japan, the exclusive distributor for Lancel products in Japan, and a 34.7 per cent interest in Rouages SA, a Swiss watch component manufacturer.

Summarised financial information of other associated undertakings:

	2009 € m	2008 € m
Revenue	112	87
Total assets	63	43
Total liabilities	(30)	(23)
	33	20

10. Taxation

10.1. Deferred income tax

Deferred income tax assets

	1 April 2007 re-presented € m	Exchange adjustments € m	(Charge)/credit for year re-presented € m	Recognised directly in equity € m	Acquisition in business combinations and transfer € m	31 March 2008 re-presented € m
Depreciation	28	–	(3)	–	–	25
Provision on inventories	23	–	(2)	–	–	21
Bad debt reserves	2	–	1	–	–	3
Retirement benefits	14	–	(3)	–	–	11
Unrealised gross margin elimination	120	–	10	–	–	130
Tax losses carried forward	14	–	(10)	–	–	4
Deferred tax on option plan	29	1	15	(21)	–	24
Other	43	–	(1)	(3)	–	39
	273	1	7	(24)	–	257

Notes to the consolidated financial statements continued

10. Taxation continued

	1 April 2008 re-presented € m	Exchange adjustments € m	(Charge)/credit for year € m	Recognised directly in equity € m	Acquisition in business combinations and transfer € m	31 March 2009 € m
Depreciation	25	5	4	–	–	34
Provision on inventories	21	2	–	–	–	23
Bad debt reserves	3	–	–	–	–	3
Retirement benefits	11	1	–	–	–	12
Unrealised gross margin elimination	130	–	4	–	–	134
Tax losses carried forward	4	–	3	–	–	7
Deferred tax on option plan	24	(1)	(12)	(7)	–	4
Other	39	14	23	3	9	88
	257	21	22	(4)	9	305

Deferred income tax liabilities

	1 April 2007 € m	Exchange adjustments € m	(Charge)/credit for year € m	Acquisition in business combinations and transfer € m	31 March 2008 € m
Depreciation	(8)	(4)	2	–	(10)
Provision on inventories	(11)	(2)	1	–	(12)
Other	(13)	(8)	–	(16)	(37)
	(32)	(14)	3	(16)	(59)

	1 April 2008 € m	Exchange adjustments € m	(Charge)/credit for year € m	Acquisition in business combinations and transfer € m	31 March 2009 € m
Depreciation	(10)	(1)	–	(11)	(22)
Provision on inventories	(12)	(1)	–	–	(13)
Other	(37)	3	(3)	(6)	(43)
	(59)	1	(3)	(17)	(78)

At 31 March 2009, the Company and its subsidiary undertakings had taxation losses carried forward of € 300 million (2008: € 268 million) in respect of which deferred tax assets had not been recognised as the future utilisation of these losses is uncertain. Of this amount € 211 million can be carried forward with no expiry dates. Based on current rates of taxation, future utilisation of these losses would result in the recognition of deferred tax assets at 31 March 2009 of € 82 million (2008: € 80 million).

The Company and its subsidiary undertakings also had temporary differences of € 46 million (2008: € 46 million) in respect of which deferred tax assets had not been recognised as the future utilisation of these temporary differences is uncertain. Based on current rates of taxation, future utilisation of these temporary differences would result in the recognition of deferred tax assets at 31 March 2009 of € 12 million (2008: € 14 million).

10.2. Taxation charge

Taxation charge in the income statement:

	2009 € m	2008 re-presented € m
Current tax	152	204
Deferred tax credit	(19)	(10)
	133	194

The average effective tax rate is calculated in respect of profit before taxation but excluding the share of post-tax profit of associated undertakings. The rates for the years ended 31 March 2009 and 2008 were 15.7 per cent and 16.9 per cent respectively.

10. Taxation continued

The taxation charge on the Group's profit before tax differs from the amount that arises using the statutory tax rates applicable to profits of the consolidated companies as follows:

	2009 € m	2008 re-presented € m
Profit before taxation from continuing operations	884	1 166
Less: share of post-tax profit of associated undertakings	(3)	(1)
Profit before taxation from discontinued operations	325	592
Less: share of post-tax profit of associated undertakings	(355)	(609)
Adjusted profit before taxation	851	1 148
Tax on adjusted profit calculated at statutory tax rate	179	242
Difference in tax rates	(68)	(65)
Non-taxable income	(3)	(3)
Non-deductible expenses	11	6
Utilisation and recognition of prior year tax losses	(11)	(10)
Non-recognition of current year tax losses	15	4
Withholding and other taxes	8	15
Prior year adjustments	2	5
Taxation charge	133	194

The statutory tax rate applied reflects the rate applicable to the principal Swiss-based trading company.

11. Financial assets held at fair value through profit or loss

	2009 € m	2008 € m
Investments in listed undertakings	131	–
Investments in unlisted undertakings	12	68
	143	68

All of the above assets were designated as held at fair value through profit or loss on initial recognition. These assets, comprising listed investments held to hedge the Group's obligations in respect of options granted to executives over the listed equities and unlisted investments acquired through the Group's venture capital/investment fund entities, are managed and their performance is evaluated on a fair value basis. Management reviews performance and valuation of these investments on a regular basis.

There are no other non-current or current financial assets that were designated as held at fair value through profit or loss on initial recognition.

Commitments for future investments have been disclosed in note 31.

The movement on the fair value of listed investments during the year can be summarised:

	2009 € m
Book value of investments received at time of de-twinning of Richemont units (note 17.3)	164
Initial uplift to fair value recognised through equity	19
Fair value movements	(23)
Disposals	(37)
Exchange adjustments	8
	131

Notes to the consolidated financial statements continued

12. Other non-current assets

	2009 € m	2008 € m
Maisons' collections	97	90
Lease deposits	58	58
Loans and receivables	8	10
Other assets	17	16
	180	174

The carrying value of lease deposits, loans and receivables approximate their fair values. There are no overdue or impaired amounts included in deposits, loans and receivables.

13. Inventories

	2009 € m	2008 € m
Raw materials and work in progress	819	803
Finished goods	1 603	1 273
	2 422	2 076

The cost of inventories recognised as an expense and included in cost of sales amounted to € 1 763 million (2008: € 1 713 million).

The Group reversed € 68 million (2008: € 24 million) of a previous inventory write-down during the year as the goods were sold at an amount in excess of the written down value. The amount reversed has been credited to cost of sales.

The Group recognised € 124 million (2008: € 75 million) in the write-down of inventory as a charge to cost of sales.

14. Trade and other receivables

	2009 € m	2008 € m
Trade receivables	543	519
Less: provision for impairment	(26)	(19)
Trade receivables – net	517	500
Loans and receivables	119	109
Other receivables	36	32
	672	641

Trade and other receivables are valued based on expected cash flows which are not discounted as they are expected to occur within the next twelve months.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of internationally-dispersed customers.

In addition to the amounts above there are non-current assets amounting to € 66 million (2008: € 68 million) and cash balances as disclosed in note 16 which are considered to be loans and receivables.

The maximum exposure to credit risk for trade receivables by geographic region was:

	2009 € m	2008 € m
Europe	308	290
France	83	83
Switzerland	59	53
Germany, Italy and Spain	105	106
Other Europe	61	48
Asia	130	120
China/Hong Kong	57	43
Japan	52	57
Other Asia	21	20
Americas	79	90
USA	66	78
Other Americas	13	12
	517	500

14. Trade and other receivables continued

The maximum exposure to credit risk for trade receivables by type of customer was:

	2009 € m	2008 € m
Wholesale customers	446	435
Retail customers	71	65
	517	500

The Group's most significant wholesale customer in China accounts for € 10 million of the total trade receivables carrying amount at March 2009 (2008: € 8 million for a European wholesaler).

Impairment losses

Impairment losses are recognised for all known bad debts and are provided on a specific basis.

The movement in the provision for impairment of trade and other receivables was as follows:

	2009 € m	2008 € m
Balance at 1 April of prior year	(19)	(15)
Exchange adjustments	(1)	1
Acquisition through business combinations	(1)	–
Provision charged to income statement	(11)	(14)
Utilisation of provision	3	1
Reversal of unutilised provision	3	8
Balance at 31 March	(26)	(19)

At 31 March 2009, trade receivables of € 34 million (2008: € 31 million) were impaired.

Receivables past due but not impaired:

	2009 € m	2008 € m
Up to three months past due	146	116
Three to six months past due	35	21
Over six months past due	13	10
	194	147

Based on past experience, the Group does not impair receivables that are not past due unless they are known to be bad debts. The Group has established credit check procedures that ensure the high creditworthiness of its customers.

Due to their short maturity, the fair values of trade and other receivables approximate to their book values.

The majority of trade receivables are denominated in the functional currency of the selling entity. Where this is not the case, forward currency contracts are usually entered into, covering the receivable from inception to maturity.

15. Derivative financial instruments

The Group uses the following derivative instruments:

- Currency forwards: representing commitments to purchase or sell foreign and domestic currencies.
- Foreign currency options: contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option), at or by a set date or during a set period, a specific amount of a foreign currency or financial instrument at a pre-determined price.
- Accrual style option forwards: forward instruments that incorporate similar option terms as described above and that may give the right to increase the nominal value.
- Interest rate swaps: commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed for floating). No exchange of principal takes place. The Group's credit risk represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligation.

Notes to the consolidated financial statements continued

15. Derivative financial instruments continued

- (e) Call options: agreements granting the right to buy Richemont shares at pre-determined prices as treasury stock to partially hedge the Group's obligations arising under the share option plan (note 17).
- (f) Currency basket options: option instruments that have all the characteristics of a standard option, except that the strike price is based on a weighted value of the component currencies.
- (g) Derivative share options: options granted to certain Richemont executives giving them the right to acquire shares in listed equities at pre-determined prices.

The nominal amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet date but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms.

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

The fair values and nominal amounts of derivative instruments held are as follows:

	Nominal amount		Fair value assets		Fair value liabilities	
	2009 € m	2008 € m	2009 € m	2008 € m	2009 € m	2008 € m
Derivatives designated as cash flow hedges						
Qualifying cash flow hedges						
Currency derivatives						
– currency forwards	554	399	10	26	(27)	–
– currency options	–	10	–	1	–	–
Non-hedge derivatives						
Accrual style option forwards	125	87	–	18	(45)	(4)
Currency basket options	–	300	–	12	–	–
Interest rate swap derivatives	38	–	–	–	(1)	–
Currency forwards	508	266	7	15	(15)	(4)
Derivative share options	107	–	–	–	(35)	–
Currency options	23	–	1	–	–	–
			18	72	(123)	(8)

Other than the non-hedge derivatives detailed above, the Group has no other financial assets classified as held for trading.

The contractual maturity of derivative instruments held is as follows:

	Less than 6 months		Between 6 and 12 months		Between 1 and 2 years	
	2009 € m	2008 € m	2009 € m	2008 € m	2009 € m	2008 € m
Derivatives designated as cash flow hedges						
Qualifying cash flow hedges						
Currency derivatives						
– currency forwards	116	156	438	237	–	6
– currency options	–	3	–	4	–	3
Non-hedge derivatives						
Accrual style option forwards	118	70	7	17	–	–
Currency basket options	–	100	–	200	–	–
Interest rate swap derivatives	–	–	–	–	38	–
Currency forwards	370	126	138	95	–	45
Derivative share options	107	–	–	–	–	–
Currency options	–	–	23	–	–	–
	711	455	606	553	38	54

15. Derivative financial instruments continued

Nominal amount

Nominal amounts represent the following:

- currency forwards: the sum of all contract volumes, bought or sold, outstanding at the year end;
- currency options: the sum of the amounts underlying the options outstanding at the year end;
- accrual style option forwards: the nominal value accrued at the year end. Depending on future movements in foreign currency exchange rates the nominal amount at the date of expiry of these options could range between € 125 million and € 435 million; and
- derivative share options: the sum of all share options on listed equities, other than Compagnie Financière Richemont SA, granted to executives as part of the Group option plan.

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

Non-hedge derivatives

Non-hedge derivatives are transactions involving foreign currency options, currency forwards or derivative share options.

Interest rate swap derivatives

Interest rate swaps have been entered into to manage the risk relative to fluctuations in variable interest rates on short and medium-term lines of credit. At 31 March 2009 the weighted average interest charge of the Group was 2.9 per cent (2008: 3.6 per cent).

16. Cash and cash equivalents

	2009 € m	2008 € m
Cash at bank and on hand	2 032	2 094
Bank overdrafts	(669)	(323)
	1 363	1 771

The effective interest rate on bank overdrafts was 1.9 per cent (2008: 4.1 per cent). The effective interest rate on cash at bank was 3.2 per cent (2008: 4.3 per cent).

There is no restricted cash included within cash and cash equivalents. In 2008, € 14 million of restricted cash had been deposited in an account to satisfy the conditions of a guarantee arrangement.

17. Equity

17.1. Share capital

	2009 € m	2008 € m
Authorised, issued and fully paid:		
522 000 000 'A' bearer shares with a par value of CHF 1.00 each	304	304
522 000 000 'B' registered shares with a par value of CHF 0.10 each	30	30
	334	334

17.2. Participation reserve

	2009 € m	2008 € m
Reserve in respect of 574 200 000 participation certificates with no par value issued by Richemont SA	–	645

On 20 October 2008, the de-twinning of the shares issued by the Company and the participation certificates issued by Richemont SA was effected.

The participation certificates from Richemont SA have been converted to ordinary shares and are traded in the name of Reinet Investments S.C.A. on the Luxembourg stock exchange (ISIN: LU0383812293).

Notes to the consolidated financial statements continued

17. Equity continued

17.3. Treasury shares

In order to hedge partially its potential obligations arising under the share option plan, the Group has purchased Richemont 'A' shares. Changes in the holding of this treasury stock of shares are shown as movements in shareholders' equity as follows:

	Units/shares millions	€ m
Balance at 1 April 2007	12.8	264
Purchased	3.0	61
Sold	(2.7)	(57)
Balance at 31 March 2008	13.1	268
Purchased	8.4	118
Sold	(1.0)	(27)
Transfer to investments in listed undertakings (note 11)	–	(164)
Balance at 31 March 2009	20.5	195

The cost value of the 1.0 million shares (2008: 2.7 million shares) sold during the year to plan participants who exercised their options was € 27 million (2008: € 57 million).

As in previous years, the Group has entered into over-the-counter purchased call options ('OTC options') with a third party to purchase treasury shares at the same strike prices as the share options granted to executives. These OTC options together with treasury shares provide a comprehensive hedge of the Group's potential obligations arising under the share option plan. Following the de-twinning of the Richemont units in October 2008, the treasury shares and the outstanding OTC options were modified in line with the terms of the de-twinning and market practise. The treasury shares converted into ordinary shares in the Company and Reinet. A cost of € 164 million has been transferred to investments in listed undertakings representing the historic cost of the Reinet shares included in the treasury reserve at the date of de-twinning. An immediate gain of € 19 million was recognised on measuring the Reinet shares at market value. This gain has been recognised directly in equity retained earnings. The OTC options converted into OTC options over the Company's ordinary shares only with both the number and strike prices having been adjusted at nil cost.

The costs of these call options together with the loss realised on shares sold during the year to plan participants, offset by the gain of € 19 million on measuring the Reinet shares at market value, amounted to € 7 million (2008: € 33 million) and were recognised directly in retained earnings.

The market value of the 20.5 million shares (2008: 13.1 million shares) held by the Group at the year end, based on the closing price at 31 March 2009 of CHF 17.78 (2008: CHF 55.70), amounted to € 242 million (2008: € 467 million).

17.4. Hedge and share option reserves

	Hedge reserve € m	Share option reserve € m	Total € m
Balance at 1 April 2007	8	143	151
Movements in hedge reserve			
– fair value gains	31	–	31
– recycle to income statement	(13)	–	(13)
Movement in employee share option reserve			
– expense recognised in the year	–	31	31
Tax on items recognised directly in equity	(3)	(21)	(24)
Balance at 31 March 2008	23	153	176
Movements in hedge reserve			
– fair value losses	(41)	–	(41)
– recycle to income statement	(12)	–	(12)
Movement in employee share option reserve			
– expense recognised in the year	–	31	31
– derivative liability recognised on stock option modification	–	(60)	(60)
Tax on items recognised directly in equity	3	(7)	(4)
Balance at 31 March 2009	(27)	117	90

17.5. Legal reserves

Legal reserves amounting to € 95 million (2008: € 95 million) are included in the reserves of Group companies but are not available for distribution.

18. Borrowings

	2009 € m	2008 € m
Non-current		
Bank borrowings	73	238
Finance lease obligations	4	8
	77	246
Current		
Short-term loans	276	267
Bank borrowings	184	8
Finance lease obligations	4	4
	464	279
Total borrowings	541	525

	Short-term loans		Bank borrowings		Finance lease obligations		Total	
	2009 € m	2008 € m	2009 € m	2008 € m	2009 € m	2008 € m	2009 € m	2008 € m
Amounts repayable within the financial year ended/ending 31 March								
2009	-	267	-	8	-	4	-	279
2010	276	-	184	176	4	4	464	180
2011	-	-	-	62	4	4	4	66
2012	-	-	73	-	-	-	73	-
	276	267	257	246	8	12	541	525
Interest	-	-	-	-	-	-	-	-
	276	267	257	246	8	12	541	525

Bank and other borrowings are subject to market-linked rates of interest ranging from 1.0 per cent to 14.4 per cent.

The interest rates applied to bank borrowings are fixed until the maturity of the borrowing.

The Group's borrowings are denominated in the following currencies:

	2009 € m	2008 € m
Euro	7	23
Hong Kong dollar	112	101
Japanese yen	158	137
Swiss franc	1	91
US dollar	80	68
Chinese renminbi	126	59
Other	57	46
	541	525

The carrying amounts of borrowings approximate their fair values. The fair values of long-term borrowings are based on cash flows discounted using a rate based on the borrowing rate.

Notes to the consolidated financial statements continued

19. Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements. Derivative assets are excluded.

31 March 2009

Non-derivative financial liabilities

	6 months or less € m	Contractual cash flow € m	Carrying amount € m
Current financial liabilities			
Other short-term loans	279	279	276
Trade and other payables	545	545	545
Bank overdrafts	669	669	669
	1 493	1 493	1 490

	Within 1 year € m	Between 1-2 years € m	Between 2-5 years € m	Contractual cash flow € m	Carrying amount € m
Non-current financial liabilities					
Long-term borrowings (including current portion)	191	6	75	272	265

Derivative financial liabilities

	6 months or less € m	Between 6-12 months € m	Contractual cash flow € m	Carrying amount € m
Currency forwards	585	109	694	42
Accrual style option forwards	118	7	125	45
Interest rate swap	–	–	–	1
Derivative share options	107	–	107	35
	810	116	926	123

Total financial liabilities				2 691	1 878
------------------------------------	--	--	--	--------------	--------------

All outstanding derivative share options are fully vested and have expiry dates from June 2009 to June 2017. The Group holds equity investments which fully hedge the obligations under the option plans.

31 March 2008

Non-derivative financial liabilities

	6 months or less € m	Contractual cash flow € m	Carrying amount € m
Current financial liabilities			
Other short-term loans	272	272	267
Trade and other payables	563	563	563
Bank overdrafts	323	323	323
	1 158	1 158	1 153

	Within 1 year € m	Between 1-2 years € m	Between 2-5 years € m	Contractual cash flow € m	Carrying amount € m
Non-current financial liabilities					
Long-term borrowings (including current portion)	15	184	68	267	258

Derivative financial liabilities

	6 months or less € m	Between 6-12 months € m	Between 1-2 years € m	Contractual cash flow € m	Carrying amount € m
Currency forwards	38	9	–	47	4
Accrual style option forwards	47	53	12	112	4
	85	62	12	159	8

Total financial liabilities				1 584	1 419
------------------------------------	--	--	--	--------------	--------------

20. Retirement benefit obligations

The net liabilities reflected in non-current liabilities in the balance sheet in respect of post-employment benefit plans are determined as follows:

	2009 € m	2008 € m
Present value of funded obligations	(632)	(635)
Fair value of plan assets	618	723
Net funded obligations	(14)	88
Present value of unfunded obligations	(41)	(38)
Unrecognised actuarial loss/(gain)	16	(19)
Amount not recognised due to asset limit	–	(73)
Net liabilities	(39)	(42)

The movement in the present value of the defined benefit obligation was as follows:

	2009 € m	2008 € m
Balance at 1 April of prior year	(673)	(663)
Exchange adjustments	–	15
Current service cost	(31)	(29)
Contributions by plan participants	(19)	(15)
Interest cost	(29)	(26)
Actuarial gains	53	44
Gains on curtailments	–	4
Liabilities extinguished on settlements	4	1
Liabilities assumed in business combinations	(2)	(32)
Benefits paid	24	28
Balance at 31 March	(673)	(673)
Present value of funded obligations	(632)	(635)
Present value of unfunded obligations	(41)	(38)
	(673)	(673)

The movement in the fair value of plan assets was as follows:

	2009 € m	2008 € m
Balance at 1 April of prior year	723	642
Exchange adjustments	(2)	(14)
Expected return on plan assets	37	31
Actuarial losses	(178)	(45)
Assets distributed on settlements	(3)	–
Contributions paid by employer	44	90
Contributions paid by plan participants	19	15
Assets acquired in business combinations	2	32
Benefits paid	(24)	(28)
Balance at 31 March	618	723

Notes to the consolidated financial statements continued

20. Retirement benefit obligations continued

The major categories of plan assets at the balance sheet date are as follows:

	2009 € m	2008 € m
Equities	206	248
Bonds	245	280
Property	67	75
Other assets, including insurance policies	100	120
Fair value of plan assets	618	723

The plans do not invest directly in property occupied by or in financial securities issued by the Group.

The expected rate of return on plan assets during the coming year is 5.1 per cent (2008: 5.3 per cent). This expected rate of return was derived as a weighted average of the long-term expected rates of return on each of the major asset classes at the measurement date taking account of government bond yields available at the balance sheet date and investment market expectations for future returns in excess of government bond yields for each asset class. The actual return on plan assets was a loss of € 141 million (2008: loss of € 14 million).

The amounts recognised in the income statement in respect of such plans are as follows:

	2009 € m	2008 € m
Current service cost	31	29
Interest cost	29	26
Expected return on plan assets	(37)	(31)
Net actuarial losses recognised in the year	91	18
Adjustment to recognise the effect of asset limit	(74)	(7)
Gains on curtailment and/or settlement	(1)	(5)
	39	30
	2009 € m	2008 € m
Expense charged in:		
Cost of sales	18	12
Net operating expenses	21	18
	39	30

Total pension costs are included in employee benefits expense (note 25).

Changes in the net liabilities recognised in the balance sheet are as follows:

	2009 € m	2008 € m
Balance at 1 April of prior year	(42)	(103)
Exchange adjustments	(2)	1
Total expense charged to the income statement	(39)	(30)
Contributions paid	44	90
Balance at 31 March	(39)	(42)

The Group expects to contribute € 45 million to such plans in the coming twelve months.

20. Retirement benefit obligations continued

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

	2009 Range	Weighted average	2008 Range	Weighted average
Discount rate	1.8% to 7.0%	4.3%	1.4% to 6.6%	4.5%
Expected return on plan assets	3.2% to 6.0%	5.1%	2.0% to 6.1%	5.3%
Future salary increases	1.8% to 4.9%	2.6%	1.4% to 6.0%	2.8%
Future pension increases	2.2% to 3.3%	3.0%	2.3% to 3.4%	3.1%

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

The Group's major benefit plans are in Switzerland, the UK and Germany.

In Switzerland, the Group operates a foundation covering the majority of employees in Switzerland, which holds assets separately to the Group. The foundation operates as a defined contribution plan with the Group's annual contribution being a fixed percentage of salary. Under IAS 19, *Employee Benefits*, the foundation is accounted for as a defined benefit plan on account of underlying benefit guarantees. For 2009, the expense recognised in the Group's consolidated income statement in respect of the foundation is equal to the Group's contribution.

In the UK, the Group operates a defined contribution plan for new hires and a defined benefit plan, which is closed to new entrants. For the defined benefit plan, benefits are related to service and final salary. The plan is funded through a trustee-administered fund, which is held separately to the Group, with a funding target to maintain assets equal to the value of the accrued benefits based on projected salaries. Contributions to the defined contribution arrangements are in addition and charged directly to the income statement.

In January 2008, a new plan was set up in Germany. Although this plan is largely defined contribution in nature it is accounted for under IAS 19 as a defined benefit plan due to some underlying guarantees applying. The plan is available to new hires from January 2008 and existing employees who chose to move from the old plan. The old plan is funded through a contractual trust agreement.

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

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

Defined benefit pension plans for the current and previous periods:

	2009 € m	2008 € m	2007 € m	2006 € m	2005 € m
Present value of defined benefit obligation	(673)	(673)	(663)	(632)	(562)
Fair value of plan assets	618	723	642	590	501
Surplus/(deficit) in plan	(55)	50	(21)	(42)	(61)
Experience adjustments on plan liabilities	53	44	9	(30)	(20)
Experience adjustments on plan assets	(178)	(45)	1	46	9

Notes to the consolidated financial statements continued

21. Provisions

	Warranties and sales related € m	Restructuring and property related € m	Employee benefits € m	Other € m	Total € m
At 1 April 2007	68	35	30	18	151
Acquired through business combinations	–	–	–	1	1
Charged/(credited) to the income statement:					
– additional provisions	42	8	17	8	75
– unused amounts reversed	(5)	(10)	(4)	(3)	(22)
Net charge/(credit)	37	(2)	13	5	53
Utilised during the year	(33)	(10)	(5)	(4)	(52)
Transfers	–	5	–	(5)	–
Exchange adjustments	(1)	(4)	(1)	–	(6)
At 31 March 2008	71	24	37	15	147
Acquired through business combinations	13	5	–	3	21
Charged/(credited) to the income statement:					
– additional provisions	52	19	1	5	77
– unused amounts reversed	(10)	(1)	(6)	(1)	(18)
Net charge/(credit)	42	18	(5)	4	59
Utilised during the year	(55)	(8)	(6)	(6)	(75)
Transfers	–	(2)	–	–	(2)
Exchange adjustments	3	3	–	1	7
At 31 March 2009	74	40	26	17	157
				2009 € m	2008 € m
Total provisions at 31 March:					
– non-current				40	52
– current				117	95
				157	147

Warranties and sales-related provisions

Group companies establish provisions for potential sales returns and warranties provided on certain products. Based on past experience a provision of € 74 million (2008: € 71 million) has been recognised for expected sales returns and warranty claims. It is expected that € 67 million (2008: € 60 million) of this provision will be used within the following twelve months and that the remaining € 7 million (2008: € 11 million) which relates solely to potential warranty claims will be utilised over the remainder of the expected warranty period of the products.

Restructuring and property-related provisions

These provisions represent the Group's obligations arising from committed restructuring activities and contractual obligations in respect of properties. It is anticipated that most of the restructuring provision will be utilised in the coming year. Certain property obligations will remain until 2014.

Employee benefits provisions

These include obligations arising under the Group's long-term incentive plan and the social costs on the Group's share option plan. An amount of € 18 million is expected to reverse in the coming twelve months. The remainder will reverse in the next two to ten years.

Other provisions

These provisions relate to legal and constructive obligations. It is not expected that the outcomes of legal claims will give rise to any significant losses beyond the amounts provided at 31 March 2009.

22. Trade and other payables

	2009 € m	2008 € m
Trade creditors	278	299
Other creditors	267	264
	545	563

23. Other operating (expense)/income

	2009 € m	2008 re-presented € m
Royalty income – net	16	15
Amortisation of intangible assets acquired on business combinations	(13)	(3)
Other expenses	(30)	(2)
	(27)	10

24. Profit from continuing operations

Profit from continuing operations is stated after the following items of expense/(income):

	2009 € m	2008 € m
Depreciation of property, plant and equipment (note 7)	171	139
Amortisation of intangible assets (note 8)	47	35
Operating lease rentals	278	283
Sub-lease rental income	(2)	(2)
Cash flow hedge – transfer from shareholders' equity	(12)	(13)
Research and development costs	23	19
Loss on disposal of property, plant and equipment	1	1
Profit on disposal of intangible assets	–	(2)
Restructuring charges	17	5

25. Employee benefits expense

	2009 € m	2008 € m
Wages and salaries including termination benefits € 11 million (2008: € 6 million)	917	855
Social security costs	160	153
Share option expense	31	31
Long-term employee benefits	(7)	11
Pension costs – defined contribution plans	11	11
Pension costs – defined benefit plans (note 20)	39	30
	1 151	1 091

	2009 number	2008 number
Average number of employees:		
Switzerland	6 478	5 839
Rest of the world	13 093	12 436
	19 571	18 275

Notes to the consolidated financial statements continued

26. Net finance (costs)/income

	2009 € m	2008 € m
Finance income:		
Interest income on bank and other deposits	73	82
Dividend income on financial assets at fair value through profit or loss	1	6
Net gain in fair value of financial assets at fair value through profit or loss	–	9
Net foreign exchange gains on monetary items	53	–
Mark-to-market adjustment in respect of hedging activities	–	64
Finance income	127	161
Finance costs:		
Interest expense:		
– bank borrowings	(37)	(35)
– other financial expenses	(1)	(1)
Net loss in fair value of financial assets at fair value through profit or loss	(18)	–
Mark-to-market adjustment in respect of hedging activities	(172)	–
Net foreign exchange losses on monetary items	–	(78)
Finance costs	(228)	(114)
Net finance (costs)/income	(101)	47

Foreign exchange gains resulting from effective hedge derivative instruments of € 12 million (2008: gains of € 13 million) were reflected in cost of sales during the year. Gains and losses on all non-hedge derivatives, as well as the ineffective portion of hedge derivatives, are included in net finance (costs)/income.

27. Discontinued operations

27.1. British American Tobacco ('BAT')

In their Extraordinary General Meeting on 9 October 2008 the shareholders of the Company approved the restructuring of its business by splitting its luxury goods businesses from its other interests, which included its interest in BAT and other assets, including cash of € 351 million.

The de-twinning of the shares of the Company and the participation certificates of Richemont SA was effected on 20 October 2008. As part of the restructuring, Richemont SA distributed to the Company its entire holdings in the share capital of the entities holding the luxury goods businesses in compensation for the cancellation of the share capital of Richemont SA, 100 per cent held by the Company. The cancellation of the shares of Richemont SA represents a disposal to the unitholders of the residual interests of Richemont SA which comprised principally its interest in BAT and other assets. The de-consolidation of Richemont SA generates no gain or loss through profit or loss as it represents a partial liquidation of Richemont SA in the context of a Group restructuring.

In addition to BAT, management has authorised and is actively involved in the disposal of two small business units.

The results and cash flows of the discontinued operations include the share of post tax profit and dividends received from BAT, and the two business units mentioned above. Management considers the net costs and cash flows of other assets disposed of to be immaterial.

27. Discontinued operations continued

Results of discontinued operations

	2009 € m	2008 € m
Sales	9	12
Cost of sales	(21)	(19)
Gross loss	(12)	(7)
Selling and distribution expenses	(3)	(4)
Communication expenses	(2)	(6)
Administrative expenses	(1)	–
Other operating expense	(12)	–
Operating loss	(30)	(17)
Share of post-tax profit of associated undertakings	355	609
Profit before taxation	325	592
Taxation	–	–
Profit from discontinued operations	325	592

Cash flow generated from/(used in) discontinued operations

	2009 € m	2008 € m
Net cash generated from operating activities (operating)	335	314
Disposal of discontinued operations net of cash disposed of (financing)	(351)	–
	(16)	314

Effect of disposal on the financial position of the Group

	2009 € m
Investment in associated undertaking	3 060
Financial assets held at fair value through profit or loss	76
Other non-current assets	3
Deferred income tax liabilities	(1)
Current income tax liabilities	(1)
Accruals and deferred income	(2)
Cash	351

27.2. Assets of disposal groups held for sale

The assets relate to disposal groups which have been approved for disposal. The completion date is expected during June 2009. These assets have been written down by € 11 million to their fair values less costs to sell, which are as follows:

	2009 € m
Property plant and equipment	2
Inventories	9
	11

Notes to the consolidated financial statements continued

28. Earnings per share

28.1. Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the year, excluding shares purchased by the Company and held in treasury.

	2009	2008
Profit attributable to shareholders of the Company (€ millions)	750	973
Profit from discontinued operations attributable to shareholders of the Company (€ millions)	325	592
	1 075	1 565
Weighted average number of shares in issue (millions)	559.5	561.1

28.2. Diluted

Diluted earnings per share is calculated adjusting the weighted average number of shares outstanding, which assumes conversion of all dilutive potential shares. The Company has only one category of dilutive potential shares: share options.

The calculation is performed for the share options to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2009	2008
Profit attributable to shareholders of the Company (€ millions)	750	973
Profit from discontinued operations attributable to shareholders of the Company (€ millions)	325	592
	1 075	1 565
Weighted average number of shares in issue (millions)	559.5	561.1
Adjustment for share options (millions)	1.5	8.0
Weighted average number of shares for diluted earnings per share (millions)	561.0	569.1

29. Dividends

In September 2008, a dividend of € 0.78 per unit was paid (September 2007: € 0.65 per unit, together with a special dividend of € 0.60 per unit).

30. Cash flow generated from operations

	2009 € m	2008 re-presented € m
Operating profit	951	1 101
Depreciation and impairment of property, plant and equipment	175	139
Amortisation and impairment of intangible assets	49	35
Loss on disposal of property, plant and equipment	1	1
Profit on disposal of intangible assets	–	(2)
(Decrease)/increase in provisions	(11)	2
Decrease in retirement benefit obligations	(5)	(60)
Non-cash items	20	19
Increase in inventories	(218)	(308)
Decrease/(increase) in trade debtors	21	(11)
Increase in other receivables, prepayments and accrued income	(15)	(6)
(Decrease)/increase in current liabilities	(154)	58
Increase in long-term liabilities	5	–
Cash flow generated from operations	819	968

31. Financial commitments and contingent liabilities

At 31 March 2009, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material losses will arise. Details of the Group's commitments in respect of financial derivatives are given in note 15 and in respect of property, plant and equipment in note 7. At 31 March 2009, the Group has provided non-significant guarantees to third parties up to a maximum of € 4 million (2008: € 14 million).

The Group leases various boutiques, offices and manufacturing premises under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The cost for certain boutique leases contains a fixed portion together with a variable portion which is most commonly a percentage of sales achieved. The commitments below reflect only the fixed elements.

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

	Land and buildings		Other assets		Total	
	2009 € m	2008 € m	2009 € m	2008 € m	2009 € m	2008 € m
Within one year	207	159	16	10	223	169
Between two and five years	450	353	25	20	475	373
Thereafter	250	249	2	2	252	251
	907	761	43	32	950	793

At 31 March 2009, the Group had committed to invest a further € 1 million (2008: € 307 million) in unlisted undertakings until 2010.

Notes to the consolidated financial statements continued

32. Business combinations

Business operations

On 11 August 2008, the Group acquired a 60 per cent controlling interest in Manufacture Roger Dubuis SA, a Geneva-based watchmaker.

This together with other non-material manufacturing and retail businesses acquired during the year represent the total business combinations.

The acquisition of Manufacture Roger Dubuis SA resulted in a residual goodwill amount of € 93 million. The goodwill relates to the additional manufacturing synergies to the Group. The goodwill is not tax deductible.

Manufacture Roger Dubuis SA contributed revenues of € 8 million for the period from acquisition to 31 March 2009 and losses of € 18 million for the same period. If the acquisition had occurred on 1 April 2008, the annual contribution to sales would have been around € 12 million and losses € 27 million. The other acquisitions have no material impact since acquisition, and this would not have changed had the acquisition occurred on 1 April 2008.

Net assets acquired in the year ended 31 March 2009

	Business operations acquired					
	Watch manufacturing		Other manufacturing and retail businesses		Total	
	Fair value € m	Acquirees carrying amount € m	Fair value € m	Acquirees carrying amount € m	Fair value € m	Acquirees carrying amount € m
Property, plant and equipment and other long-term assets	2	2	–	–	2	2
Intangible assets	54	–	3	–	57	–
Inventories	23	28	2	2	25	30
Trade and other receivables	4	4	–	–	4	4
Cash and cash equivalents	(15)	(15)	–	–	(15)	(15)
Current and long-term liabilities	(40)	(57)	(1)	–	(41)	(57)
Borrowings, current and deferred tax	(34)	7	–	–	(34)	7
Net assets acquired	(6)	(31)	4	2	(2)	(29)
Net assets acquired	(6)		4		(2)	
Attributable to minority interests	–		–		–	
Fair value of net assets acquired	(6)		4		(2)	
Receivable due to parent	7		–		7	
Goodwill	93		–		93	
Purchase consideration – cash paid	94		4		98	
Overdraft acquired	15		–		15	
Cash outflow on acquisitions	109		4		113	
Cash paid to settle deferred consideration for combinations made in prior periods	13		–		13	
Cash outflow on acquisitions	122		4		126	

In the year ended 31 March 2008, the following business combinations were made:

Business operations

During the year ended 31 March 2008, the Group made a number of acquisitions to enhance its manufacturing operations. In September 2007, Richemont acquired the component production facility of Manufacture Roger Dubuis SA and in November 100 per cent of the ordinary capital of Donzé-Baume SA, a watch case manufacturer.

The Group also acquired 100 per cent of the ordinary capital of the French fashion house, Azzedine Alaïa SAS.

These together with other non-material manufacturing businesses acquired during the year represent the total business combination.

The acquisition of Donzé-Baume SA resulted in a residual goodwill amount of € 32 million. The goodwill relates to the additional production capacity the Group has obtained by this acquisition and the fact that a significant external supplier was internalised. The goodwill is not tax deductible.

As no individual acquisition is considered material, the financial information is presented on an aggregate basis for each of these categories.

32. Business combinations continued

Business operations (continued)

These acquired businesses contributed revenues of € 28 million for the period from acquisition to 31 March 2008 and losses of € 7 million for the same period. If the acquisitions had occurred on 1 April 2007, the annual contribution to sales would have been around € 40 million and losses € 1 million.

The acquisition accounting for all the new entities has not been completed in respect of pensions. A material impact is not considered likely.

Net assets acquired in the year ended 31 March 2008

	Business operations acquired	
	Fair value € m	Acquirees carrying amount € m
Property, plant and equipment	54	51
Intangible assets	87	6
Inventories	29	30
Receivables	11	10
Cash and cash equivalents	3	3
Liabilities	(11)	(11)
Borrowings	(11)	(18)
Current and deferred tax	(19)	(1)
Other long-term liabilities	–	(5)
Net assets acquired	143	65
Fair value of net assets acquired	143	
Goodwill	32	
Purchase consideration	175	
Deferred payments	(27)	
Purchase consideration – cash paid	148	
Cash and cash equivalents acquired	(3)	
Cash outflow on acquisition	145	

33. Related-party transactions

Compagnie Financière Rupert, Bellevue, Geneva holds 522 000 000 'B' registered shares representing an interest in 50 per cent of the voting rights in Compagnie Financière Richemont SA. In addition, Compagnie Financière Rupert has advised that parties related to it held a total of 162 664 Richemont 'A' bearer shares, or the equivalent thereof in the form of Depository Receipts, as at 31 March 2009, representing 0.02 per cent of the voting rights of the Company.

The Group has a number of transactions and relationships with related parties, as defined by IAS 24, *Related Party Disclosures*, all of which are undertaken in the normal course of business.

Besides Compagnie Financière Rupert, the Board of Directors of Compagnie Financière Richemont SA and the Group Management Committee ('key management'), the Group has identified the following other related parties:

- Richemont's associated undertakings (see note 9);
- Richemont's joint venture interests (see note 35);
- Reinet Investments S.C.A. (see note 1), a public company incorporated in Luxembourg;
- Remgro Limited, a public company incorporated in South Africa;
- VenFin Limited, a private company incorporated in South Africa; and
- Richemont foundations (employee and others).

Notes to the consolidated financial statements continued

33. Related-party transactions continued

Group restructuring

In August 2008 the Company agreed with its joint venture partner, Remgro Limited, to restructure their joint holding in BAT and to return 90 per cent of the shares of BAT to their respective unit/shareholders.

The transaction was approved by the shareholders of the Company and the participation certificate holders of Richemont SA, Luxembourg ('RSA') at Extraordinary General Meetings held in October. On 20 October 2008 the Company separated from its former subsidiary RSA in a restructuring exercise that saw the luxury goods businesses being transferred from RSA to the Company effected by the redemption of the ordinary share capital of RSA which was 100 per cent held by the Company. RSA, renamed as Reinet Investments S.C.A. ('Reinet'), retained the full interest in BAT, a portfolio of small venture capital investments and some € 350 million in cash.

Until the restructuring, Richemont held its interest in BAT through a joint-venture vehicle, R&R Holdings SA. The joint venture partner was Remgro Limited. The restructuring, which resulted in the creation of Reinet, envisaged the partial liquidation of R&R Holdings SA and the distribution to Reinet of Richemont's 19.5 per cent share of the underlying holding of BAT shares. As a consequence of the distribution of the BAT shares, the joint-venture with Remgro Limited was terminated.

On 3 November 2008, Reinet distributed to its shareholders by way of a capital reduction 90 per cent of its interest in the shares of BAT. At that time, Remgro Limited contributed 10 per cent of its holding of BAT shares to Reinet in exchange for the issuance of Reinet securities to its shareholders in accordance with the original agreement.

Following the restructuring, the management of Richemont is distinct from Reinet, although a number of executives who have management responsibilities for Reinet continue to have executive roles and are employed by Richemont. Richemont has charged an applicable share of costs of the executives to Reinet in respect of the period ended 31 March 2009.

Other related-party transactions

The following transactions were carried out with related parties giving rise to (expense/payables) and income/receivables:

(a) Transactions and balances between the Richemont Group and its associated undertakings

	2009 € m	2008 € m
Sales to Net-à-Porter	1	3
Receivables outstanding at 31 March: Net-à-Porter – sales of goods	–	1

(b) Transactions and balances between the Richemont Group and entities under common control

	2009 € m	2008 € m
Goods and services bought from and other transactions with entities under common control:		
Ventek International – acquisition of IT services and equipment	(1)	–
Falconair Limited – provision of aviation services and reimbursement of third-party expenses	(2)	(2)
Montblanc Kulturstiftung – donation	–	(1)
Services sold to and other transactions with entities under common control:		
Reinet and its related Group companies	2	–
Payables outstanding at 31 March:		
Falconair Limited – provision of aviation services and reimbursement of third-party expenses	(1)	–
Ventek International – acquisition of IT services and equipment	(1)	–
Receivables outstanding at 31 March:		
Fondation Antoine LeCoultre	1	1
Reinet and its related Group companies	2	–

33. Related-party transactions continued

(c) Transactions and balances between the Richemont Group and its joint ventures

	2009 € m	2008 € m
Services provided and other income from:		
Laureus World Sports Awards Limited – sponsorship	(4)	(5)
Goods and services sold to and other transactions with its joint ventures:		
R&R – dividends received	343	341
Ralph Lauren Watch and Jewelry Company Sàrl	3	–
Receivables outstanding at 31 March:		
R&R	–	1 353
Laureus World Sports Awards Limited	–	2
Ralph Lauren Watch and Jewelry Company Sàrl	1	–

(d) Transactions and balances between the Richemont Group and its investment entities

	2009 € m	2008 € m
Goods and services bought from and other transactions with its investment entities:		
Kaenon Polarized – purchase of goods	–	(1)
Receivables outstanding at 31 March:		
Kaenon Polarized	–	1
Luxe International Inc.	2	–

(e) Individuals

During the year, the Group gave donations of € 0.4 million (2008: € 0.3 million) to the Fondazione Cologni dei Mestieri d'Arte. The Foundation promotes, supports and organises cultural, scientific and training initiatives in favour of the Arts and Crafts and the Trades of Art. Dr Franco Cologni, a senior executive director of Compagnie Financière Richemont SA, is the President of the Foundation.

Me Jean-Paul Aeschmann, the Deputy Chairman, is counsel to the Swiss legal firm, Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling € 0.7 million (2008: € 0.5 million) from Group companies for advice on legal and taxation matters.

In addition to his non-executive director's fee, Lord Douro received fees, pension contributions and other benefits totalling € 0.1 million (2008: € 0.2 million) in connection with his role as director and non-executive chairman of Richemont Holdings (UK) Limited, the holding company for the Group's UK interests, and in respect of consultancy services provided to the Group.

During the period to 20 October 2008, the Group had interests in three closed-ended investment funds managed by General Enterprise Management Services Limited. Mr Simon Murray, a non-executive director of the Company, has an effective interest of 25 per cent in this investment management company. The cash invested during the period to 20 October 2008, net of capital refunds and distributions, was € 1.7 million (year to 31 March 2008: net received € 3.0 million).

On 28 February 2006, the Group committed to invest US\$ 65 million in a subsidiary company, Atelier Fund, LLC, a limited liability investment company specialising in high potential brand/retail opportunities in the luxury sector. Ms Martha Wikstrom, a non-executive director of the Company holds a one-third interest in Atelier Management, LLC, the managing company of this investment fund. During the year, fees of € 0.9 million (2008: € 1.1 million) were paid to the managing company for fund management and other services not specific to Atelier Fund, LLC.

In accordance with the terms of the modification to the Group's executive stock option plan, as detailed in note 34, certain executive directors and members of the Group's management committee received vested options over shares in BAT and Reinet. At 31 March 2009, the Group recognised in its balance sheet a liability of € 22 million in respect of its obligation to deliver shares on exercise of the vested options.

Notes to the consolidated financial statements continued

33. Related-party transactions continued

(f) Key management compensation

	2009 € m	2008 € m
Salaries, short-term incentives and other short-term employee benefits	24	23
Long-term employee benefits	–	2
Post-employment benefits	2	3
Share option expense	11	13
	37	41

Key management compensation disclosures as required by Swiss law

The following disclosures on executive compensation are required by Swiss law. In determining the value of each component the Group has followed the valuation and measurement principles of International Financial Reporting. The amounts are in agreement with other IFRS information provided in this annual report.

Key management compensation for the year ended 31 March 2009

	Salary, short-term incentives and other short-term employee benefits €	Long-term benefits €	Post- employment benefits €	Stock option cost* €	Total €
Board of Directors of Compagnie Financière Richemont SA					
Johann Rupert Executive Chairman	2 098 794	–	1 528 739	2 295 383	5 922 916
Jean-Paul Aeschimann Non-Executive Deputy Chairman	123 613	–	–	–	123 613
Norbert Platt Group Chief Executive Officer	5 070 284	–	67 643	2 221 997	7 359 924
Richard Lepeu Group Finance Director	2 704 187	–	69 225	1 287 895	4 061 307
Franco Cologni Senior Executive Director	517 161	–	9 416	–	526 577
Lord Douro Non-Executive Director	192 080	–	–	–	192 080
Yves-André Istel Non-Executive Director	118 613	–	–	–	118 613
Simon Murray Non-Executive Director	76 938	–	–	–	76 938
Alain Dominique Perrin Executive Director	1 545 442	–	–	–	1 545 442
Alan Quasha Non-Executive Director	76 938	–	–	–	76 938
Lord Renwick Non-Executive Director	118 613	–	–	–	118 613
Jan Rupert Manufacturing Director	1 005 354	–	53 016	1 014 734	2 073 104
Jürgen Schrempp Non-Executive Director	76 938	–	–	–	76 938
Martha Wikstrom Non-Executive Director	76 938	–	–	–	76 938
Total	13 801 893	–	1 728 039	6 820 009	22 349 941
Group Management Committee	10 032 558	(414 000)	629 485	4 721 970	14 970 013
Total key management compensation	23 834 451	(414 000)	2 357 524	11 541 979	37 319 954

* The cost for stock options is determined in accordance with IFRS 2, *Share-based Payment*. Details of the valuation model and significant inputs to this model are found in note 34.

During the year under review, certain members of the Group Management Committee provided services to the Reinet Group of entities which are regarded as entities under common control. € 0.6 million of total compensation costs disclosed above was in respect of these services and has been reimbursed by the Reinet Group (2008: nil).

33. Related-party transactions continued

Key management compensation for the year ended 31 March 2008

		Salary, short-term incentives and other short-term employee benefits €	Long-term benefits €	Post- employment benefits €	Stock option cost* €	Total €
Board of Directors of Compagnie Financière Richemont SA						
Johann Rupert	Executive Chairman	1 473 190	–	1 549 938	3 196 482	6 219 610
Jean-Paul Aeschimann	Non-Executive Deputy Chairman	102 621	–	–	–	102 621
Norbert Platt	Group Chief Executive Officer	4 598 776	–	65 409	2 030 234	6 694 419
Richard Lepeu	Group Finance Director	2 546 310	–	61 591	1 402 216	4 010 117
Franco Cologni	Senior Executive Director	506 119	–	11 609	–	517 728
Lord Douro	Non-Executive Director	228 282	–	–	–	228 282
Yves-André Istel	Non-Executive Director	97 621	–	–	–	97 621
Simon Murray	Non-Executive Director	73 215	–	–	–	73 215
Alain Dominique Perrin	Executive Director	1 446 914	–	–	–	1 446 914
Alan Quasha	Non-Executive Director	73 215	–	–	–	73 215
Lord Renwick	Non-Executive Director	88 469	–	–	–	88 469
Jan Rupert	Manufacturing Director	976 788	–	46 029	838 471	1 861 288
Jürgen Schrempp	Non-Executive Director	73 215	–	–	–	73 215
Martha Wikstrom	Non-Executive Director	73 215	–	–	–	73 215
Total		12 357 950	–	1 734 576	7 467 403	21 559 929
Board of Directors of Richemont SA		11 238 029	1 995 000	1 016 107	5 245 293	19 494 429
Total key management compensation		23 595 979	1 995 000	2 750 683	12 712 696	41 054 358

* The cost for stock options is determined in accordance with IFRS 2, *Share-based Payment*. Details of the valuation model and significant inputs to this model are found in note 34.

Stock option plan

The Group operates a long-term share-based compensation plan whereby executives are awarded options to acquire shares at the market price on the date of grant. No awards under the stock option plan have been made to non-executive directors. Details of options held by executive directors and members of the management board under the plan are as follows:

At 31 March 2009

	Number of options					Weighted average grant price CHF	Exercise period	Latest expiry date
	1 April 2008	Granted in year	Exercised in year	Impact of option plan modifications (note 34)	31 March 2009			
Board of Directors of Compagnie Financière Richemont SA								
Johann Rupert	6 104 000	–	–	2 171 841	8 275 841	11.83	Apr 2009-Jul 2011	June 2013
Norbert Platt	924 666	429 375	–	967 835	2 321 876	22.64	Apr 2009-Jul 2014	June 2017
Richard Lepeu	995 000	257 625	–	541 987	1 794 612	19.75	Apr 2009-Jul 2014	June 2017
Jan Rupert	570 000	214 689	–	451 654	1 236 343	20.71	Apr 2009-Jul 2014	June 2017
Group Management Committee								
Giampiero Bodino	240 000	68 700	–	277 445	586 145	22.22	Apr 2009-Jul 2014	June 2017
Pilar Boxford	80 233	17 175	(18 567)	79 575	158 416	20.76	Apr 2009-Jul 2014	June 2017
Bernard Fornas	503 000	8 589	–	516 177	1 027 766	20.42	Apr 2009-Jul 2014	June 2017
Alan Grieve	206 000	51 525	–	169 046	426 571	20.17	Apr 2009-Jul 2014	June 2017
Albert Kaufmann	560 000	171 750	(1 670)	494 670	1 224 750	20.96	Apr 2009-Jul 2014	June 2017
Thomas Lindemann	137 000	85 875	(5 500)	169 693	387 068	23.41	Jul 2009-Jul 2014	June 2017
Eloy Michotte	225 555	85 875	–	150 551	461 981	20.36	Apr 2009-Jul 2014	June 2017
Frederick Mostert	296 666	171 750	–	318 307	786 723	23.17	Apr 2009-Jul 2014	June 2017

Notes to the consolidated financial statements continued

33. Related-party transactions continued

Since his appointment to the Board of Compagnie Financière Richemont SA in September 2006, Mr Ruggero Magnoni has formally waived his entitlement to receive any fees or compensation in respect of his duties as a non-executive director.

The Group Management Committee (formerly the Board of Richemont SA, Luxembourg until 20 October 2008) comprises, in addition to the Executive Chairman, the Group Chief Executive Officer, the Group Finance Director and the Manufacturing Director, the following members:

Giampiero Bodino <i>Group Art Director</i>	Albert Kaufmann <i>General Counsel</i>
Pilar Boxford <i>Group Public Relations Director</i>	Thomas Lindemann <i>Group Human Resources Director</i>
Bernard Fornas <i>Chief Executive of Cartier</i>	Eloy Michotte <i>Corporate Finance Director</i>
Alan Grieve <i>Director of Corporate Affairs</i>	Frederick Mostert <i>Lead Counsel and Chief Intellectual Property Counsel</i>

Highest paid compensation to a member of the management board

The total level of compensation of the highest paid member of the Group Management Committee was € 7 359 924, which was in respect of Mr Norbert Platt, Group Chief Executive Officer. Mr Platt's compensation is disclosed as a member of the Board of Compagnie Financière Richemont SA. It is therefore excluded from the total compensation of the Group Management Committee.

Compensation of advisory committees

The Board of Compagnie Financière Richemont SA has established a number of advisory committees. These committees comprise both executive and non-executive directors of the Board of Compagnie Financière Richemont SA. The compensation of the individual members of these committees is disclosed above.

Compensation for former executive directors

During the year under review, a former executive director (who is not a current member of the Group Management Committee) received € 0.1 million (2008: € 0.1 million) from the Group for services provided to an entity in which the Group is a joint venture partner.

Share ownership

As at 31 March 2009, members of the Board and parties closely linked to them owned a total of 60 500 Richemont 'A' shares. Members of the management committee and parties closely linked to them held a total of 51 670 Richemont 'A' shares at that date. Mr Johann Rupert is the General Managing Partner of Compagnie Financière Rupert, which holds the 522 000 000 'B' registered shares in the Group. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 162 664 'A' shares or 'A' share equivalents at 31 March 2009. The interest of individual directors and members of the Group Management Committee in Richemont 'A' shares is as follows:

	At 31 March 2009	At 31 March 2008
Board of Directors of Compagnie Financière Richemont SA		
Lord Douro	18 000	18 000
Yves-André Istel	16 000	16 000
Simon Murray	7 500	7 500
Alain Dominique Perrin	15 000	–
Lord Renwick	4 000	4 000
	60 500	45 500
Group Management Committee		
Alan Grieve	50 000	90 000
Albert Kaufmann	1 670	–
	112 170	135 500

Mr Jan Rupert, Group Manufacturing Director, is a director of a company which holds 2 375 005 Richemont 'A' shares. He is also one of a group of family members who are beneficiaries of certain trusts which are, directly or indirectly, shareholders in that company and which hold Richemont 'A' shares and 'A' share equivalents in their own right. Mr Jan Rupert is a trustee of certain of these trusts but is not in a position to control their investment decisions or to control the exercise of voting rights by those trusts. In addition, members of Mr Rupert's family are also beneficiaries of certain companies that have acquired and currently hold 20 000 Richemont 'A' shares.

33. Related-party transactions continued

Mr Jan Rupert has no beneficial interest in Compagnie Financière Rupert and shares referred to in the preceding paragraph do not form part of the interest held by Compagnie Financière Rupert and its associated parties. For the avoidance of doubt, Mr Johann Rupert, Group Executive Chairman and a cousin of Mr Jan Rupert, is not a director of the company referred to in the preceding paragraph and has no interest in its holding of 'A' shares. He is neither a trustee of the trusts referred to in the preceding paragraph nor a beneficiary of those trusts. Details of the holding of Compagnie Financière Rupert and parties associated with Mr Johann Rupert are given in the corporate governance report.

Mr Alain Dominique Perrin, an executive director, also has an indirect holding of 720 779 'A' shares. This indirect holding followed the redemption during the year of indirect holdings of derivative instruments linked to 720 779 underlying shares.

Mr Alan Grieve, a member of the Group Management Committee, also serves as a director of certain private companies established when the Group was founded and linked to former investors in Compagnie Financière Rupert. These companies hold in total 9 791 954 Richemont 'A' shares. Mr Grieve has no beneficial interest in those companies or in the 'A' shares that they hold. These companies have no current connection with Compagnie Financière Rupert and are not associated in any way with Mr Johann Rupert.

Loans to members of governing bodies

As at 31 March 2009, there were no loans or other credits outstanding to any current or former executive or non-executive director, or member of the Group Management Committee. The Group policy is not to extend loans to directors or members of the Group Management Committee. There were also no non-business related loans or credits granted to relatives of any executive or non-executive director, or member of the Group Management Committee.

34. Share-based payment

Stock option plan

The Group has a long-term share-based compensation plan whereby executives are awarded options to acquire shares at the market price on the date of grant. Awards under the stock option plan vest over periods of three to eight years and have expiry dates, the date after which unexercised options lapse, of between five and 13 years from the date of grant. The executive must remain in the Group's employment until vesting. The options granted as from 2008 onwards include a performance condition correlated to other luxury goods companies upon which vesting is conditional.

Stock option plan at 31 March 2009

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

	Weighted average exercise price in CHF per share	Number of options
Balance at 1 April 2007	33.10	24 059 523
Awarded	75.10	2 368 400
Exercised	25.97	(2 697 893)
Lapsed	37.81	(550 413)
Balance at 31 March 2008	38.11	23 179 617
Exercised	26.47	(705 657)
Lapsed	48.66	(217 001)
Balance at 20 October 2008	38.37	22 256 959
Balance at 21 October 2008	18.54	38 281 276
Awarded	21.20	5 069 241
Exercised	11.03	(265 521)
Lapsed	21.74	(277 572)
Balance at 31 March 2009	18.88	42 807 424

In the detail that follows, the comparative information has not been re-presented to reflect the modification that occurred from the Group's restructuring during the year. Information prior to 20 October 2008 is presented on a unit basis and has not been re-presented for the impact of the de-twinning.

Of the total options outstanding at 31 March 2009, options in respect of 10 087 258 shares had vested and were exercisable (2008: 7 337 178 units).

The weighted average share price at the date of exercise for options exercised during the year was CHF 54.92 before the de-twinning and CHF 18.55 after the de-twinning (2008: CHF 76.42).

Notes to the consolidated financial statements continued

34. Share-based payment continued

The following information applies to options outstanding at the end of each year:

	Exercise Price	Weighted average exercise price	Number of options	Weighted average remaining contractual life
31 March 2009	CHF 8.73-10.59	CHF 9.86	6 004 278	1.9 years
	CHF 12.70-14.45	CHF 13.65	10 302 997	4.3 years
	CHF 18.01	CHF 18.01	8 987 014	5.2 years
	CHF 23.18	CHF 23.18	7 228 975	6.2 years
	CHF 32.79	CHF 32.79	5 255 458	7.2 years
	CHF 21.20	CHF 21.20	5 028 702	8.2 years
31 March 2008	CHF 20.00-24.25	CHF 22.50	6 563 849	2.9 years
	CHF 29.10-33.10	CHF 31.51	6 981 768	5.3 years
	CHF 41.25	CHF 41.25	4 031 600	6.2 years
	CHF 53.10	CHF 53.10	3 248 500	7.2 years
	CHF 75.10	CHF 75.10	2 353 900	8.2 years

The average fair value of options granted during the period determined using a Monte Carlo model was CHF 8.48 (2008: Black Scholes model; value CHF 27.38). The significant inputs into the model were the share price of CHF 21.20 (2008: CHF 73.40) at the grant date, the exercise prices shown above, a standard deviation of expected share price returns of 41 per cent (2008: 34.0 and 33.0 per cent), an expected option life of seven to nine years, a dividend yield of 2.00 per cent (2008: 1.46 per cent) and a risk-free interest rate of 1.3 per cent to 1.7 per cent (2008: 3.0 per cent to 3.1 per cent). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last six years.

The amount recognised in the income statement before social security and taxes for equity-settled share-based payment transactions was € 31 million (2008: € 31 million).

Modification during the year under review

On 20 October 2008, the Company split its luxury goods businesses from its other interests resulting in the de-twinning of the then existing Richemont units. The de-twinning process impacted the value and the number of stock options awarded to executives. Richemont unit options, which had vested but were not yet exercised at the date of the restructuring, have been converted into options over Richemont 'A' shares, options over BAT shares and options over Reinet shares. The exchange ratio used, determined at market prices at close of business on the date of the de-twinning, was calculated to preserve the economic benefits of the Richemont option holders. Richemont unit options which had not vested at the date of the restructuring were converted in their entirety into options over Richemont 'A' shares.

The fair value of the outstanding options immediately before and after the modification was recalculated using the binomial model. The significant inputs into the model were the risk-free interest rates set as at the date of the modification, the dividend yield based on historical values ignoring any special dividends (a zero dividend yield and an estimated share price were used for Reinet), an expected option life between zero and seven years and an early exercise assumption based on expected rational behaviour, and the seniority of the management and the relative values of the BAT share price (£ 17.14) and the Richemont unit price (CHF 42.90) at the date of modification. The volatility for BAT was based on a historic six-year average. The historic volatility and estimated price of the new Richemont share was determined by decomposing the Richemont unit price into the component parts of the luxury goods businesses, and BAT and other assets. The volatility of Reinet was based on nine comparative listed companies.

	Expected volatility	Expected dividends	Risk-free interest rate
Richemont (unit)	31%	2.8%	1.1% – 3.3%
Richemont (share)	41%	6.4%	1.1% – 3.3%
BAT	20%	4.1%	3.0% – 4.2%
Reinet	40%	–	2.7% – 3.9%

As a consequence of the restructuring, the incremental fair value granted amounts to € 5.8 million. The increase in fair value related to vested options amounts to € 0.4 million and has been fully recognised in the year. The increase in fair value related to unvested options of € 5.4 million will be recognised over the period from 20 October 2008 until the vesting dates which remain unchanged after the de-twinning process.

35. Joint ventures

The Group has the following interests in joint ventures:

- Richemont holds an interest of 50 per cent in Laureus World Sports Awards Limited, a company registered in the UK. The company manages the Laureus World Sports Awards, which honour the achievements of the world's greatest sportsmen and women on an annual basis and contributes to the Laureus Sport for Good Foundation, a charity registered in the UK which oversees the activities of Laureus Sport for Good Foundations around the world. The Group's partner in Laureus World Sports Awards Limited is Daimler AG.
- Richemont is a 50 per cent owner of Ralph Lauren Watch and Jewelry Company Sàrl. The joint venture entity designs and creates luxury watches and fine jewellery. The Group's partner is Polo Ralph Lauren Inc., New York.
- Until 20 October 2008, Richemont held a 19.5 per cent interest in BAT through the joint venture R&R Holdings SA incorporated in Luxembourg. As part of the Group restructuring, the assets of R&R Holdings SA, being namely the BAT shares, were transferred to Reinet and R&R Holdings SA was liquidated.

The following amounts represent the Group's share of the assets and liabilities and results of the joint ventures and are included in the consolidated balance sheet and income statement. The figures are before elimination of intra-Group transactions and balances.

	2009 € m	2008 € m
Balance sheet		
Investments in associated undertaking	–	2 998
Non-current assets	1	–
Current assets	12	7
Current liabilities	(14)	(1 362)
Non-current liabilities	(3)	(1)
	(4)	1 642
	2009 € m	2008 € m
Income statement		
Continuing operations		
Revenue	3	–
Operating loss	(2)	(4)
Finance income	4	4
Taxation	–	(1)
Profit/(loss) from continuing operations	2	(1)
Profit from discontinued operations (net of tax)	355	609
Net profit	357	608

36. Ultimate parent company

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

37. Post balance sheet events

A dividend of CHF 0.30 per share is proposed for approval at the Annual General Meeting of the Company, to be held on 9 September 2009. These financial statements do not reflect these dividends payable, which will be accounted for as an appropriation of retained earnings to be effected during the year ending 31 March 2010.

Notes to the consolidated financial statements continued

38. Principal Group companies

Details of principal companies within the Group:

Country of incorporation	Location	Name of company	Effective interest	Share capital (currency 000's)
Subsidiary undertakings				
China	Shanghai	Alfred Dunhill (Shanghai) Trading Company Limited	100.0%	US\$ 650
	Shanghai	Montblanc Commercial (China) Co. Limited	100.0%	CNY 40 000
	Shanghai	Richemont Commercial Company Limited	100.0%	CNY 282 700
France	Paris	Cartier SA	100.0%	€ 24 392
	Paris	Chloé International SAS	100.0%	€ 6 000
	Paris	Lancel Sogedi SA	100.0%	€ 27 520
	Paris	Van Cleef & Arpels Holding France SAS	100.0%	€ 17 519
Germany	Glashütte	Lange Uhren GmbH	100.0%	€ 550
	Hamburg	Montblanc – Simplo GmbH	100.0%	€ 1 724
	Munich	Richemont Northern Europe GmbH	100.0%	€ 13 070
Hong Kong	Hong Kong	Richemont Asia Pacific Limited	100.0%	HK\$ 2 500
India	Mumbai	Richemont India Private Limited	100.0%	INR 18 000
Italy	Milan	Officine Panerai Marketing e Comunicazione Srl	100.0%	€ 90
	Milan	Richemont Italia SpA	100.0%	€ 10 000
Japan	Tokyo	Richemont F&A Japan Limited	100.0%	JPY 110 000
	Tokyo	Richemont Japan Limited	100.0%	JPY 250 000
Jersey	Jersey	Richemont Luxury Group Limited	100.0%	€ 3 000 000
Luxembourg	Luxembourg	Richemont Finance SA	100.0%	€ 350 000
	Luxembourg	Richemont International Holding SA	100.0%	€ 603 435
Netherlands	Amsterdam	Montblanc International BV	100.0%	€ 2 886
	Amsterdam	RLG Europe BV	100.0%	€ 17 700
Russia	Moscow	Limited Liability Company RLG	100.0%	RUR 50 000
Spain	Madrid	Richemont Iberia, SL	100.0%	€ 6 005
Switzerland	Bellevue	Baume & Mercier SA	100.0%	CHF 100
	Geneva	Cartier International SA Genève	100.0%	CHF 500
	Geneva	Cartier SA	100.0%	CHF 1 000
	Schaffhausen	IWC International Watch Co. AG	100.0%	CHF 100
	Le Sentier	Manufacture Jaeger-LeCoultre SA	100.0%	CHF 100
	Meyrin	Manufacture Roger Dubuis SA	60.0%	CHF 10 000
	Le Locle	Montblanc Montre SA	100.0%	CHF 250
	La Côte-aux-Fées	Piaget SA	100.0%	CHF 128
	Villars-sur-Glâne	Richemont International SA	100.0%	CHF 1 007 500
	Bellevue	Richemont Securities AG	50.0%	CHF 100
	Villars-sur-Glâne	Richemont Suisse SA	100.0%	CHF 4 850
	Geneva	Vacheron & Constantin SA	100.0%	CHF 100
	Villars-sur-Glâne	Van Cleef & Arpels SA	100.0%	CHF 31 387
Turkey	Istanbul	Richemont Istanbul Luks Esya Dagitim A.S.	100.0%	TRY 8 800
United Arab Emirates	Dubai	Richemont (Dubai) FZE	100.0%	AED 9 000
United Kingdom	London	Alfred Dunhill Limited	100.0%	£ 235 421
	London	Cartier Limited	100.0%	£ 4 200
	London	James Purdey & Sons Limited	100.0%	£ 9 635
	London	Richemont Holdings (UK) Limited	100.0%	£ 248 672
United States of America	Delaware	Richemont North America Inc.	100.0%	US\$ 127 179
Joint venture				
Switzerland	Vernier	Ralph Lauren Watch and Jewelry Company Sàrl	50.0%	CHF 2 000

Report of the Group auditors

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

As statutory auditor, we have audited the consolidated financial statements of Compagnie Financière Richemont SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 56 to 106) for the year ended 31 March 2009.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 March 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards ('IFRS') and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act ('AOA') and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers SA

David Mason
Audit expert
Auditor in charge

Adriana Konca

Geneva, 13 May 2009