

Consolidated financial statements

Directors' Report

The Board of Directors of Compagnie Financière Richemont SA ('Richemont' or 'the Company') is pleased to submit its report on the activities of the Company and its subsidiaries and associated undertakings (together, 'the Group') for the year ended 31 March 2011. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 2011 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 7 September 2011, is set out on page 116.

Further information on the Group's activities during the year under review is given in the Financial Review on pages 28 to 34.

Consolidated financial statements

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Consolidated statement of financial position at 31 March

	Notes	2011 € m	2010 re-presented € m	2009 re-presented € m
Assets				
Non-current assets				
Property, plant and equipment	7	1 267	1 160	1 169
Goodwill	8	441	164	155
Other intangible assets	9	314	225	231
Investments in associated undertakings	10	7	24	14
Deferred income tax assets	11	349	315	305
Financial assets held at fair value through profit or loss	12	70	88	143
Other non-current assets	13	211	187	172
		2 659	2 163	2 189
Current assets				
Inventories	14	2 789	2 260	2 422
Trade and other receivables	15	597	626	672
Derivative financial instruments	16	148	13	18
Prepayments		119	84	80
Assets of disposal groups held for sale		–	–	11
Financial assets held at fair value through profit or loss	12	2 154	1 339	–
Cash at bank and on hand	17	1 227	1 258	2 032
		7 034	5 580	5 235
Total assets		9 693	7 743	7 424
Equity and liabilities				
Equity attributable to owners of the parent company				
Share capital	18	334	334	334
Treasury shares	18	(325)	(248)	(195)
Hedge and share option reserves	18	305	194	90
Cumulative translation adjustment reserve		892	423	124
Retained earnings		5 774	4 956	4 480
		6 980	5 659	4 833
Non-controlling interest		12	2	3
Total equity		6 992	5 661	4 836
Liabilities				
Non-current liabilities				
Borrowings	19	120	340	90
Deferred income tax liabilities	11	35	27	78
Retirement benefit obligations	21	38	39	39
Provisions	22	137	54	39
Other long-term financial liabilities	23	158	17	34
		488	477	280
Current liabilities				
Trade and other payables	24	825	574	545
Current income tax liabilities		260	230	172
Borrowings	19	1	3	188
Derivative financial instruments	16	36	79	123
Provisions	22	126	105	117
Accruals and deferred income		294	242	218
Short-term loans	19	101	54	276
Bank overdrafts	17	570	318	669
		2 213	1 605	2 308
Total liabilities		2 701	2 082	2 588
Total equity and liabilities		9 693	7 743	7 424

The notes on pages 58 to 106 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 March

	Notes	2011 € m	2010 € m
Sales	6	6 892	5 176
Cost of sales		(2 498)	(1 985)
Gross profit		4 394	3 191
Selling and distribution expenses		(1 654)	(1 277)
Communication expenses		(699)	(506)
Administrative expenses		(656)	(545)
Other operating (expense)/income	25	(30)	(33)
Operating profit		1 355	830
Finance costs	28	(292)	(161)
Finance income	28	111	24
Share of post-tax profit of associated undertakings	10	101	4
Profit before taxation		1 275	697
Taxation	11	(196)	(94)
Profit from continuing operations	26	1 079	603
Discontinued operations (net of tax)		–	(3)
Profit for the year		1 079	600
Other comprehensive income:			
Currency translation adjustments			
– movement in the year		459	299
– reclassification to profit or loss		11	–
Cash flow hedges			
– net gains		81	27
– reclassification to profit or loss		(13)	13
Tax on cash flow hedges		(11)	(2)
Share of other comprehensive income of associated undertakings		–	1
Other comprehensive income, net of tax		527	338
Total comprehensive income		1 606	938
Profit attributable to:			
Owners of the parent company		1 090	599
Non-controlling interest		(11)	1
		1 079	600
Total comprehensive income attributable to:			
Owners of the parent company		1 616	937
Non-controlling interest		(10)	1
		1 606	938
Earnings per share attributable to owners of the parent company during the year (expressed in € per share)			
Basic:			
– from continuing operations	29	1.977	1.088
– from discontinued operations	29	–	(0.005)
		1.977	1.083
Diluted:			
– from continuing operations	29	1.925	1.076
– from discontinued operations	29	–	(0.005)
		1.925	1.071

The notes on pages 58 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 owners of the parent company					Non-controlling interest	Total equity	
		Share capital € m	Treasury shares € m	Hedge and share option reserves € m	Cumulative translation adjustment reserve € m	Retained earnings re-presented € m	Total re-presented € m	Re-presented € m	
Balance at 31 March 2009		334	(195)	90	124	4 479	4 832	3	4 835
Adoption of IAS 17 (amendment)	2.1	–	–	–	–	1	1	–	1
Balance at 1 April 2009		334	(195)	90	124	4 480	4 833	3	4 836
Comprehensive income									
Profit for the year		–	–	–	–	599	599	1	600
Other comprehensive income		–	–	38	299	1	338	–	338
		–	–	38	299	600	937	1	938
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	18	–	(53)	–	–	(15)	(68)	–	(68)
Employee share option plan	18	–	–	39	–	–	39	–	39
Tax on share option plan	18	–	–	27	–	–	27	–	27
Dividends paid	30	–	–	–	–	(109)	(109)	(1)	(110)
		–	(53)	66	–	(124)	(111)	(1)	(112)
Changes in ownership of non-controlling interests		–	–	–	–	–	–	(1)	(1)
Balance at 31 March 2010		334	(248)	194	423	4 956	5 659	2	5 661
Comprehensive income									
Profit for the year		–	–	–	–	1 090	1 090	(11)	1 079
Other comprehensive income		–	–	57	469	–	526	1	527
		–	–	57	469	1 090	1 616	(10)	1 606
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	18	–	(77)	–	–	(2)	(79)	–	(79)
Employee share option plan	18	–	–	30	–	–	30	–	30
Tax on share option plan	18	–	–	24	–	–	24	–	24
Dividends paid	30	–	–	–	–	(141)	(141)	–	(141)
Initial recognition of put options over non-controlling interests		–	–	–	–	(129)	(129)	–	(129)
		–	(77)	54	–	(272)	(295)	–	(295)
Non-controlling interest in business combinations	33	–	–	–	–	–	–	20	20
Balance at 31 March 2011		334	(325)	305	892	5 774	6 980	12	6 992

The notes on pages 58 to 106 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 March

	Notes	2011 € m	2010 € m
Cash flows from operating activities			
Cash flow generated from operations	31	1 696	1 464
Interest received		17	15
Interest paid		(22)	(26)
Other investment income		4	6
Dividends from associated undertaking		–	1
Taxation paid		(202)	(82)
Net cash generated from operating activities		1 493	1 378
Cash flows from investing activities			
Proceeds from disposal of subsidiary undertakings and other businesses, net of cash disposed		(3)	1
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	33	(246)	(22)
Acquisition of associated undertakings	10	–	(5)
Acquisition of property, plant and equipment		(285)	(151)
Proceeds from disposal of property, plant and equipment		3	4
Acquisition of intangible assets		(41)	(29)
Proceeds from disposal of intangible assets		–	1
Investment in short-term bond funds		(2 284)	(1 240)
Proceeds from disposal of short-term bond funds		1 489	861
Acquisition of other non-current assets		(22)	(16)
Proceeds from disposal of other non-current assets		32	77
Net cash used in investing activities		(1 357)	(519)
Cash flows from financing activities			
Proceeds from borrowings		81	264
Repayment of borrowings		(270)	(417)
Dividends paid		(141)	(110)
Payment for treasury shares		(112)	(158)
Proceeds from sale of treasury shares		28	59
Capital element of finance lease payments		(2)	(3)
Net cash used in financing activities		(416)	(365)
Net change in cash and cash equivalents			
		(280)	494
Cash and cash equivalents at beginning of year		940	1 363
Reclassification of short-term bond funds		–	(956)
Exchange (losses)/gains on cash and cash equivalents		(3)	39
Cash and cash equivalents at end of year	17	657	940

The notes on pages 58 to 106 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

at 31 March 2011

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, Azzedine Alaïa and NET-A-PORTER.COM

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.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company ('the Board') on 18 May 2011 and are subject to approval at the shareholders' general meeting on 7 September 2011.

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').

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.

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

The Group has adopted IFRS 3 (revised), *Business Combinations*, which changes the accounting for business combinations applicable for all business combinations occurring in the financial year starting 1 April 2010. The changes are applied prospectively.

The impact of the revised standard has been:

- to allow a choice on an acquisition by acquisition basis to measure any non-controlling interest in the acquired business at either fair value or proportionate share of net assets;
- to measure contingent considerations at fair value on the acquisition date, with subsequent changes being recognised through profit or loss;
- to measure any previously held equity interest in the acquired entity to fair value and recognise any gain or loss in profit or loss; and
- to expense all acquisition related costs.

In the current period the revised standard was applied to the acquisition of Net-a-Porter Limited ('Net-a-Porter') (see note 33).

The Group has also adopted IAS 27 (revised), *Consolidated and Separate Financial Statements*. The standard requires:

- the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control with no impact on goodwill or profit or loss; and
- total comprehensive income to be attributed to the owners of the parent company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The transaction with the non-controlling interest of Net-a-Porter during the current period has been accounted for within equity in accordance with IAS 27 (revised). There has been no significant impact of adopting IAS 27 (revised) on the current period in respect of non-controlling interest with deficit balances.

IAS 17, *Leases*, was amended as part of the Improvements to IFRSs (2009). Prior to the amendment, land leases with an indefinite life were generally classified as operating leases. Following the amendment, leases of land are classified as either operating or finance leases in accordance with the general principles of the standard. These amendments are effective for accounting periods beginning on or after 1 January 2010 and are applied retrospectively.

Accordingly, the classification for certain of the Group's leases of land has changed from operating leases to finance leases. The effect of the change is tabulated below.

	31 March 2011 € m	31 March 2010 € m	31 March 2009 € m
Property, plant and equipment	24	22	21
Other non-current assets	(8)	(8)	(8)
Retained earnings	(1)	(1)	(1)
Borrowings	(16)	(14)	(13)
Provisions	1	1	1

The net impact on profit and earnings per share for the years to 31 March 2011 and 2010 was insignificant.

The Group has also adopted the amendment to the appendix of IAS 18, *Revenue*, in respect of the further guidance for identifying principals and agents in a relationship. There has been no impact on the current period upon the adoption of this amendment as the Group's accounting policy had previously considered similar guidance.

Other, less significant, changes to enacted guidance are not detailed here and have had no impact on 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 are included in the consolidated financial statements from the date control commences until the date control ceases. The Group's share of profit or loss and other comprehensive income of associated undertakings and joint ventures are included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

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 % 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 the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the cost of acquisition, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree 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 profit or loss for the period.

Acquisition related costs are expensed in the period in which they are incurred.

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's share of its associated undertakings' movements in other comprehensive income is recognised in other comprehensive income.

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 non-controlling interests as transactions with equity owners of the Group.

2.3. Segment reporting

Details on the Group's operating segments can be found under note 6. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

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'). The functional currency of the Company is Swiss francs. 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 profit or loss, except where hedge accounting is applied as explained in note 3.2.

(c) Subsidiary and associated undertakings

The assets and liabilities of foreign operations that have a functional currency different from the presentation currency are translated to euro at the closing exchange rates at the reporting date.

The income and expenses of foreign operations are translated to euro at the average exchange rates.

All resulting foreign exchange differences are recognised in other comprehensive income.

Exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in profit or loss 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 owned 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 profit or loss 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 following limits:

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

Assets under construction are not depreciated. Land acquired under finance lease arrangements is depreciated over the lease term. All other land is 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 profit or loss for the period. 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. Goodwill and other 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 recognised separately. 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. An allocation is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose and which are identified according to operating segments.

(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 other intangible assets and amortised using the straight-line method over their useful lives, not exceeding a period of 5 years. Licences are amortised over their contractual lives to a maximum period of 15 years. 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 other 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. Separately acquired patents and trademarks are recognised at cost. Those acquired in a business combination are recognised at fair value at the acquisition date.

Amortisation is calculated using the straight-line method to allocate the cost of each asset over its estimated useful life up to the limit of 50 years.

(d) Leasehold rights and distribution rights

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.

Distribution rights are shown at cost less subsequent amortisation and impairment. Those acquired in a business combination are initially recognised at fair value at the acquisition date. Amortisation is calculated on a straight-line basis over the useful life of the distribution rights.

2.7. Impairment of non-financial assets

Intangible 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 intangible asset with an indefinite life.

All other fixed 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 profit or loss 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.

(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 depreciated cost less any impairment in value. The residual values of such pieces are generally equal to or in excess of cost.

2.10. Inventories

Inventories are stated at the lower of cost and 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 profit or loss for the period.

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 reporting 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 profit or loss 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 reporting date.

2.15. Current and deferred income tax

The tax expense comprises current and deferred tax.

Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. In such cases the tax is also recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Notes to the consolidated financial statements continued

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 reporting 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.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or on different tax entities where there is an intention to settle the balances on a net basis.

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.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligations at the reporting date less the fair values of plan assets, together with adjustments for unrecognised actuarial gains or losses, past service costs and limits on the assets recognisable. 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 reporting dates on high-quality corporate or government bonds (in countries with no deep corporate bond market) 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 profit or loss, 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 % of the value of plan assets or 10 % of the defined benefit obligations are charged or credited to profit or loss 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) Incentive plans

The Group recognises a liability and an expense for incentive plans 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 reporting 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 profit or loss over the remaining vesting period and a corresponding adjustment to equity.

The Group also operates a cash-settled share-based compensation plan based on options granted over the shares of subsidiary entities.

The fair value of the estimated amount payable is determined using a pricing model, taking into account the terms and conditions of the issued instrument, and is expensed on a straight-line basis over the vesting period. The fair value is re-measured at each reporting date with changes being recognised in profit or loss.

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 reporting 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

Sales revenue comprises the fair value of the sale of goods, 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 profit or loss on the straight-line method over the lease term. Sub-lease income (net of any incentives given) is credited to profit or loss 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 and fair value of the leased item. In cases where land and buildings are acquired under finance leases, separate values of the land and buildings are established. All property, plant and equipment so recognised is depreciated over the shorter of the asset's expected useful life or the lease term.

2.20. Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

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 statement of comprehensive income 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 consolidated financial statements in the period in which the dividends are approved by the shareholders of the Company.

2.22. New standards and interpretations not yet adopted

Certain new accounting standards, amendments to standards issued by IASB and interpretations issued by IFRIC are not yet effective for the year ended 31 March 2011 and have not been early adopted in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9, *Financial Instruments*, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Notes to the consolidated financial statements continued

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.

Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury undertakes the management of the net position in each foreign currency by using external currency forwards and accrual style option forwards.

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 % of anticipated net cash flow exposure arising in US dollars, HK dollars, SG dollars, Chinese yuan 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.

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 other comprehensive income 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 repricing of derivative contracts. The analysis is performed on the same basis as for 2010.

	Change in rate		Other comprehensive income		Profit or loss	
	2011 %	2010 %	2011 € m	2010 € m	2011 € m	2010 € m
USD strengthening vs CHF	12%	11%	(18)	(23)	(35)	1
JPY strengthening vs CHF	14%	15%	(16)	(16)	(11)	–
HKD strengthening vs CHF	12%	11%	(42)	(34)	(20)	–
HKD strengthening vs EUR	12%	12%	–	–	(25)	(24)
JPY strengthening vs EUR	16%	14%	–	–	(21)	(15)
USD strengthening vs EUR	12%	12%	–	–	(44)	(32)
CHF strengthening vs EUR	10%	5%	–	–	(260)	(91)

	Change in rate		Other comprehensive income		Profit or loss	
	2011 %	2010 %	2011 € m	2010 € m	2011 € m	2010 € m
USD weakening vs CHF	12%	11%	14	18	33	(1)
JPY weakening vs CHF	14%	15%	12	12	8	–
HKD weakening vs CHF	12%	11%	33	27	16	–
HKD weakening vs EUR	12%	12%	–	–	13	19
JPY weakening vs EUR	16%	14%	–	–	10	11
USD weakening vs EUR	12%	12%	–	–	35	25
CHF weakening vs EUR	10%	5%	–	–	260	91

(ii) Price risk

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

• 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 statement of financial position as financial assets and liabilities held at fair value through profit or loss.

At 31 March 2011 the Group held a number of listed investments with a total market value of € 66 million (2010: € 83 million). These investments are primarily listed in the UK and Luxembourg. Movements of plus/(minus) 19 % and 35 % based on the one-year 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) € 14 million (2010: movement plus/(minus) 20 %, and 35 % based on the one-year UK and Luxembourg listed equities volatilities; profit before tax impact plus/(minus) € 34 million).

The Group also holds a portfolio of unlisted equities. 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.

The Group has recognised liabilities in respect of options granted to executives over shares in equities listed in the UK and Luxembourg. Movements of plus/(minus) 19 % and 35 % based on the one-year historic 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 € 13 million, minus € 14 million (2010: movements plus/(minus) 20 %, and 35 % based on the one-year UK and Luxembourg equities volatilities; profit before tax impact plus € 31 million, minus € 34 million).

- **Other price risk**

The Group is exposed to price risk related to the put options written over the equity shares of subsidiary entities held by non-controlling interests. The fair value of the put options initially recognised through equity with subsequent changes being recognised through profit or loss, is determined using accepted company valuation techniques.

A movement of plus/(minus) 10 % in the projected EBITDA of the subsidiary would have a pre-tax impact of plus/(minus) € 22 million. A movement of plus/(minus) 100 basis points on the weighted average cost of capital would have had a pre-tax impact of minus € 15 million and plus € 18 million, all other variables kept constant.

(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 profit for the year by plus/(minus) € 26 million (2010: plus/(minus) € 19 million), all other variables remaining constant. The analysis is performed on the same basis as for 2010.

(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 derivative 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 2011 the Group had € 2 154 million invested in AAA rated euro-denominated bond funds (2010: € 1 339 million) and € 1 227 million held as cash at bank (2010: € 1 258 million).

(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.

See note 20 for further disclosure on liquidity risk.

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 16. Movements in the hedge reserve in shareholders' equity are shown in note 18.3.

The fair value of a non-trading derivative is classified as non-current when the remaining maturity is more than twelve months from the reporting date and is classified as current when the remaining maturity is less than twelve months. Trading derivatives are classified as current.

(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 other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in equity are recycled to profit or loss 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 ultimately impacts profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

Notes to the consolidated financial statements continued

(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 profit or loss.

3.3. Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the reporting date. The quoted market price 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 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 reporting date.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar 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 reporting date; and
- other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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.

The table below analyses financial instruments carried at fair value by valuation method.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (that is derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 € m	Level 2 € m	Level 3 € m	Total € m
31 March 2011				
Listed investments	66	–	–	66
Unlisted investments	–	–	4	4
Investment in bond funds	–	2 154	–	2 154
Derivative financial assets	–	148	–	148
	66	2 302	4	2 372
Derivative financial liabilities				
	–	(36)	–	(36)
	–	(36)	–	(36)
31 March 2010				
Listed investments	83	–	–	83
Unlisted investments	–	–	5	5
Investment in bond funds	–	1 339	–	1 339
Derivative financial assets	–	13	–	13
	83	1 352	5	1 440
Derivative financial liabilities				
	–	(79)	–	(79)
	–	(79)	–	(79)

The following table presents the changes in Level 3 instruments.

	Unlisted investments € m	Total € m
Balance 1 April 2009	12	12
Additions	1	1
Losses recognised in profit or loss	(8)	(8)
Balance at 31 March 2010	5	5
Losses recognised in profit or loss	(1)	(1)
Balance at 31 March 2011	4	4

Total losses for the year included in net finance costs for assets and liabilities recognised at 31 March 2011 was € 1 million (2010: nil).

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 non-controlling 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 share buy-backs, in excess of 15 %.

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

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

4. Risk assessment

The Company has a 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 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 asset, liability, income and expense 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, judgement and estimates 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;
- (e) the measurement of the recoverable amounts of cash generating units containing goodwill;
- (f) the assessment and recording of liabilities in respect of executive long-term incentive plans; and
- (g) the valuation of the put option liabilities over non-controlling interests.

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.

6. Segment information

(a) Information on reportable segments

Management has determined the operating segments based on the reports regularly reviewed by the chief operating decision maker ('CODM') in making strategic decisions. Each operating segment is managed separately by a dedicated Chief Executive Officer and management team allowing management to maintain and develop the specific identity of each Maison. These operating segments have been aggregated into four reportable segments 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;
- Montblanc Maison – a business whose primary activity includes the design, manufacture and distribution of writing instruments; and
- Other – other operations mainly comprise Alfred Dunhill, Lancel, Chloé, NET-A-PORTER.COM, textile brands and other manufacturing entities.

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.

The non-separable costs of operating multi-brand regional platforms are allocated to individual operating segments using allocation keys most relevant to the nature of the expense being allocated.

Unallocated corporate costs represent the costs of the Group's corporate operations which are not attributed to the segments.

Performance measurement is based on segment contribution before corporate costs, interest and tax, as management believes that such information is most relevant in evaluating the results of segments relative to other entities that operate within similar markets.

Inter-segment transactions between different fiscal entities are transacted at prices that reflect the risk and rewards transferred and are entered into under normal commercial terms and conditions. Inter-segment transactions within the same fiscal entity are transacted at cost. All such transactions are eliminated in the reports reviewed by the CODM.

Notes to the consolidated financial statements continued

6. Segment information continued

(a) Information on reportable segments continued

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

	2011 € m	2010 € m
External sales		
Jewellery Maisons	3 479	2 688
Specialist Watchmakers	1 774	1 353
Montblanc Maison	672	552
– impact of discontinued operations	–	(1)
Other	967	584
	6 892	5 176
	2011 € m	2010 € m
Operating result from continuing operations		
Jewellery Maisons	1 062	742
Specialist Watchmakers	379	231
Montblanc Maison	109	79
Other	(34)	(36)
Operating profit from reportable segments	1 516	1 016
Unallocated corporate costs	(161)	(186)
Consolidated operating profit before finance and tax	1 355	830
Finance costs	(292)	(161)
Finance income	111	24
Share of post-tax profit of associated undertakings	101	4
Profit before taxation	1 275	697
Taxation	(196)	(94)
Profit from continuing operations	1 079	603
Discontinued operations	–	(3)
Profit for the year	1 079	600

An impairment charge of € 1 million is included within each of the Jewellery Maisons and the Other reportable segment for 2011 (2010: € 6 million included within unallocated corporate costs).

6. Segment information continued

(a) Information on reportable segments continued

The segment assets which are reviewed by the CODM comprise inventories and trade debtors.

	2011 € m	2010 re-presented € m
Segment assets		
Jewellery Maisons	1 590	1 376
Specialist Watchmakers	956	834
Montblanc Maison	307	288
Other	328	243
	3 181	2 741
Total assets for reportable segments	3 181	2 741
Property, plant and equipment	1 267	1 160
Goodwill	441	164
Other intangible assets	314	225
Investments in associated undertakings	7	24
Deferred income tax assets	349	315
Financial assets at fair value through profit or loss	2 224	1 427
Other non-current assets	211	187
Other receivables	205	145
Derivative financial instruments	148	13
Prepayments	119	84
Cash at bank and on hand	1 227	1 258
Total assets	9 693	7 743

The CODM also reviews additions to property, plant and equipment, and other intangible assets as follows:

	2011 € m	2010 € m
Additions to non-current assets:		
Property, plant and equipment, and other intangible assets		
Jewellery Maisons	125	77
Specialist Watchmakers	65	45
Montblanc Maison	24	14
Other	60	26
Unallocated	34	17
	308	179

Notes to the consolidated financial statements continued

6. Segment information continued

(b) Information about geographical areas

Each reporting segment operates on a world-wide basis. External sales presented in the three main geographical areas where the Group's reportable segments operate are as follows:

	2011 € m	2010 € m
Europe	2 588	2 099
France	551	437
Switzerland	303	248
Germany, Italy and Spain	606	539
Other Europe	1 128	875
Asia	3 306	2 365
China/Hong Kong	1 645	1 135
Japan	737	625
Other Asia	924	605
Americas	998	712
USA	758	515
Other Americas	240	197
	6 892	5 176

Sales are allocated based on the location of the wholesale customer, the boutique or the shipping address for on-line transactions.

The total non-current assets other than financial instruments and deferred tax assets located in Switzerland, the Company's domicile, and the rest of the world are as follows:

	2011 € m	2010 re-presented € m
Switzerland	1 056	956
Rest of the world	1 104	735
	2 160	1 691

Segment assets are allocated based on where the assets are located.

(c) Information about products

External sales by product are as follows:

	2011 € m	2010 € m
Watches	3 320	2 483
Jewellery	1 685	1 333
Leather goods	602	483
Writing instruments	359	296
Clothing and other	926	581
	6 892	5 176

(d) Major customers

Sales to no single customer represented more than 10 % of total revenue. Given the local nature of the luxury goods wholesale and retail businesses, there are no major customer relationships.

7. Property, plant and equipment

	Land and buildings re-presented € m	Plant and machinery € m	Fixtures, fittings, tools and equipment € m	Assets under construction € m	Total re-presented € m
31 March 2009					
Cost	540	402	1 099	81	2 122
Adoption of IAS 17 (amendment)	21	–	–	–	21
1 April 2009					
Depreciation	(133)	(260)	(581)	–	(974)
Net book value at 1 April 2009	428	142	518	81	1 169
Exchange adjustments	19	7	9	–	35
Additions	10	16	86	37	149
Disposals	–	–	(4)	(3)	(7)
Depreciation charge	(20)	(30)	(131)	–	(181)
Impairments	–	–	(6)	–	(6)
Transfers and reclassifications	28	6	40	(73)	1
31 March 2010					
Cost	622	423	1 169	42	2 256
Depreciation	(157)	(282)	(657)	–	(1 096)
Net book value at 31 March 2010	465	141	512	42	1 160
1 April 2010					
Cost	622	423	1 169	42	2 256
Depreciation	(157)	(282)	(657)	–	(1 096)
Net book value at 1 April 2010	465	141	512	42	1 160
Exchange adjustments	33	12	3	–	48
Acquisition through business combinations	–	–	8	–	8
Additions	14	32	161	58	265
Disposals	–	(1)	(7)	–	(8)
Depreciation charge	(24)	(32)	(155)	–	(211)
Impairments	–	–	(2)	–	(2)
Transfers and reclassifications	6	19	34	(52)	7
31 March 2011					
Cost	685	483	1 323	48	2 539
Depreciation	(191)	(312)	(769)	–	(1 272)
Net book value at 31 March 2011	494	171	554	48	1 267

Included above is property, plant and equipment held under finance leases with a net book value of € 26 million (2010: € 58 million) comprising land and building € 24 million (2010: € 55 million), plant and machinery € 2 million (2010: € 1 million), fixtures, fittings, tools and equipment nil (2010: € 2 million).

Borrowing costs capitalised during the current and prior years were immaterial.

Committed capital expenditure not reflected in these financial statements amounted to € 14 million at 31 March 2011 (2010: € 5 million).

The impairment charges in respect of boutique assets were determined with reference to the value-in-use of the assets which was less than their book value. The impairment losses are recognised in other operating expenses.

Notes to the consolidated financial statements continued

8. Goodwill

Goodwill is the only intangible asset with an indefinite life.

	€ m
Cost at 1 April 2009	155
Exchange adjustments	9
Cost at 31 March 2010	164
Exchange adjustments	16
Goodwill arising on business combinations (note 33)	261
Cost at 31 March 2011	441

Impairment testing for goodwill

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

A summary of goodwill by reporting segment is presented below.

	2011 € m	2010 € m
Jewellery Maisons	42	38
Specialist Watchmakers	123	113
Other	276	13
Total	441	164

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 operations of the Maison to which the goodwill is attributable, applying the following key assumptions:

- pre-tax cash flows are based on an estimated or approved 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 11.4 %.

For the Jewellery Maisons and the Specialist Watchmakers, the recoverable amount significantly exceeds the carrying amount. Management considers that it is not reasonably possible for future cash flows to change so significantly as to eliminate the excess.

For one operating segment within the reportable segment 'Other', the estimated recoverable amount of € 18 million exceeds the carrying amount of € 17 million. An increase of 0.5 % in the discount rate or a 5 % decrease in planned revenue would remove the remaining excess.

For all other operating segments within the reportable segment 'Other', the recoverable amount significantly exceeds the carrying amount.

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.

9. Other intangible assets

	Intellectual property related € m	Leasehold and distribution rights € m	Computer software and related licences € m	Development costs € m	Total € m
1 April 2009					
Cost	184	119	72	61	436
Amortisation	(53)	(88)	(42)	(22)	(205)
Net book value at 1 April 2009	131	31	30	39	231
Exchange adjustments	5	1	1	2	9
Acquisition through business combinations	–	9	–	–	9
Additions:					
– internally developed	–	–	5	16	21
– other	5	4	–	–	9
Disposals	(1)	–	(1)	(1)	(3)
Amortisation charge	(25)	(8)	(9)	(10)	(52)
Transfers	–	–	1	–	1
31 March 2010					
Cost	189	127	77	75	468
Amortisation	(74)	(90)	(50)	(29)	(243)
Net book value at 31 March 2010	115	37	27	46	225
	Intellectual property related € m	Leasehold and distribution rights € m	Computer software and related licences € m	Development costs € m	Total € m
1 April 2010					
Cost	189	127	77	75	468
Amortisation	(74)	(90)	(50)	(29)	(243)
Net book value at 1 April 2010	115	37	27	46	225
Exchange adjustments	9	2	2	4	17
Acquisition through business combinations	–	113	–	2	115
Additions:					
– internally developed	–	–	–	25	25
– other	3	3	12	–	18
Disposals	–	–	–	(1)	(1)
Amortisation charge	(19)	(32)	(10)	(17)	(78)
Transfers	(7)	–	–	–	(7)
31 March 2011					
Cost	178	223	91	98	590
Amortisation	(77)	(100)	(60)	(39)	(276)
Net book value at 31 March 2011	101	123	31	59	314

Amortisation of € 19 million (2010: € 20 million) is included in cost of sales; € 12 million (2010: € 11 million) is included in selling and distribution expenses; € 10 million (2010: € 6 million) is included in administration expenses and € 37 million (2010: € 15 million) is included in other expenses.

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

Notes to the consolidated financial statements continued

10. Investments in associated undertakings

	€ m
At 1 April 2009	14
Exchange adjustments	1
Share of post-tax profit	4
Dividends received	(1)
Acquisition of associated undertakings	5
Share of other comprehensive income of associated undertakings	1
At 31 March 2010	24
Exchange adjustments	2
Share of post-tax profit (including fair value gain on deemed disposal, see note 33)	101
Deemed disposal (note 33)	(120)
At 31 March 2011	7

Investments in associated undertakings at 31 March 2011 include goodwill of € 6 million (2010: € 4 million).

The Group's principal associated undertakings are as follows:

	% interest held	Country of incorporation
Lancel Japan Limited	30.0	Japan
Greubel Forsey SA	20.0	Switzerland
Rouages SA	34.7	Switzerland

Summary financial information for equity-accounted associates not adjusted for the percentage ownership held by the Group:

	2011 € m	2010 € m
Revenue	25	154
Total assets	28	94
Total liabilities	(21)	(48)
	7	46

11. Taxation

11.1. Deferred income tax

(a) Deferred income tax assets

	1 April 2009 € m	Exchange adjustments € m	(Charge)/credit for year € m	Recognised directly in equity € m	Acquisition in business combinations and transfer € m	31 March 2010 € m
Depreciation	34	1	1	–	–	36
Provision on inventories	23	1	–	–	–	24
Bad debt reserves	3	–	–	–	–	3
Retirement benefits	12	–	–	–	–	12
Unrealised gross margin elimination	134	–	(8)	–	57	183
Tax losses carried forward	7	–	6	–	–	13
Deferred tax on option plan	4	–	16	27	–	47
Other	88	(4)	7	–	(57)	34
	305	(2)	22	27	–	352
Offset against deferred tax liabilities for entities settling on a net basis						(37)
						315

	1 April 2010 € m	Exchange adjustments € m	(Charge)/credit for year € m	Recognised directly in equity € m	Acquisition/ disposal of businesses and transfers € m	31 March 2011 € m
Depreciation	36	–	6	–	–	42
Provision on inventories	24	2	4	–	–	30
Bad debt reserves	3	–	(1)	–	–	2
Retirement benefits	12	–	1	–	–	13
Unrealised gross margin elimination	183	(3)	4	–	–	184
Tax losses carried forward	13	1	5	–	(1)	18
Deferred tax on option plan	47	5	(1)	24	–	75
Other	34	5	9	(11)	2	39
	352	10	27	13	1	403
Offset against deferred tax liabilities for entities settling on a net basis	(37)					(54)
	315					349

€ 189 million of deferred tax assets are expected to be recovered after more than twelve months.

Notes to the consolidated financial statements continued

11. Taxation continued

11.1. Deferred income tax continued

(b) Deferred income tax liabilities

	1 April 2009 € m	Exchange adjustments € m	(Charge)/credit for year € m	Recognised directly in equity € m	Acquisition in business combinations and transfer € m	31 March 2010 € m
Depreciation	(22)	(1)	5	–	–	(18)
Provision on inventories	(13)	(1)	6	–	–	(8)
Other	(43)	5	2	(2)	–	(38)
	(78)	3	13	(2)	–	(64)
Offset against deferred tax assets for entities settling on a net basis						37
						(27)

	1 April 2010 € m	Exchange adjustments € m	(Charge)/credit for year € m	Recognised directly in equity € m	Acquisition/ disposal of businesses and transfers € m	31 March 2011 € m
Depreciation	(18)	(3)	6	–	(30)	(45)
Provision on inventories	(8)	(2)	(3)	–	–	(13)
Other	(38)	(3)	2	–	8	(31)
	(64)	(8)	5	–	(22)	(89)
Offset against deferred tax assets for entities settling on a net basis	37					54
	(27)					(35)

€ 76 million of deferred tax liabilities are expected to be settled after more than twelve months.

(c) Unrecognised deferred tax assets

	2011 € m	2010 € m
Tax losses – gross value	443	392
Deductible temporary differences	–	22
	443	414

€ 199 million of the tax losses can be carried forward in the applicable jurisdiction of the reporting entity with no expiry dates (2010: € 194 million).

11.2. Taxation charge

Taxation charge for the year:

	2011 € m	2010 € m
Current tax	228	129
Deferred tax credit	(32)	(35)
	196	94

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 2011 and 2010 were 16.7 % and 13.7 % respectively.

11. Taxation continued

11.2. Taxation charge 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:

	2011 € m	2010 € m
Profit before taxation from continuing operations	1 275	697
Less: share of post-tax profit of associated undertakings	(101)	(4)
Loss before taxation from discontinued operations	–	(3)
Adjusted profit before taxation	1 174	690
Tax on adjusted profit calculated at statutory tax rate	246	145
Difference in tax rates	(52)	(65)
Non-taxable income	(12)	(1)
Non-deductible expenses	7	8
Utilisation and recognition of prior year tax losses	(13)	(14)
Non-recognition of current year tax losses	9	15
Withholding and other taxes	16	12
Prior year adjustments	(5)	(6)
Taxation charge	196	94

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

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

	2011 € m	2010 € m
Non-current:		
Investments in listed undertakings	66	83
Investments in unlisted undertakings	4	5
Total non-current	70	88
Current:		
Investments in bond funds	2 154	1 339
Total current	2 154	1 339
Total financial assets held at fair value through profit or loss	2 224	1 427

All of the above assets were designated as held at fair value through profit or loss on initial recognition. These assets 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.

13. Other non-current assets

	2011 € m	2010 re-presented € m
Maisons' collections	120	105
Lease deposits	74	60
Loans and receivables	6	9
Other assets	11	13
	211	187

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.

Notes to the consolidated financial statements continued

14. Inventories

	2011 € m	2010 € m
Raw materials and work in progress	1 067	740
Finished goods	1 722	1 520
	2 789	2 260

The cost of inventories recognised as an expense and included in cost of sales amounted to € 2 307 million (2010: € 1 703 million).

The Group reversed € 58 million (2010: € 40 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 € 122 million (2010: € 158 million) in the write-down of inventory as a charge to cost of sales.

15. Trade and other receivables

	2011 € m	2010 € m
Trade receivables	413	507
Less: provision for impairment	(21)	(26)
Trade receivables – net	392	481
Loans and receivables	174	109
Other receivables	31	36
	597	626

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 € 80 million (2010: € 69 million) and cash balances as disclosed in note 17 which are considered to be loans and receivables.

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

	2011 € m	2010 € m
Europe	224	286
France	55	70
Switzerland	43	39
Germany, Italy and Spain	79	96
Other Europe	47	81
Asia	114	134
China/Hong Kong	45	64
Japan	46	49
Other Asia	23	21
Americas	54	61
USA	40	47
Other Americas	14	14
	392	481

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

	2011 € m	2010 € m
Wholesale customers	322	392
Retail customers	70	89
	392	481

The Group's most significant wholesale customer in Hong Kong accounts for € 8 million of the total trade receivables carrying amount at March 2011 (2010: € 14 million for a Chinese wholesaler).

15. Trade and other receivables continued

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:

	2011 € m	2010 € m
Balance at 1 April of prior year	(26)	(26)
Provision charged to profit or loss	(8)	(13)
Utilisation of provision	5	11
Reversal of unutilised provision	8	2
Balance at 31 March	(21)	(26)

At 31 March 2011, trade receivables of € 36 million (2010: € 36 million) were impaired.

Receivables past due but not impaired:

	2011 € m	2010 € m
Up to three months past due	59	81
Three to six months past due	10	38
Over six months past due	13	28
	82	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.

Trade receivables are denominated in the functional currency of the selling entity.

16. 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;
- 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 18); and
- Derivative share options: options granted to certain Richemont executives giving them the right to acquire shares in listed equities at pre-determined prices.

Notes to the consolidated financial statements continued

16. Derivative financial instruments continued

The nominal amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the reporting 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 reporting 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 reporting date.

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

	Nominal amount		Fair value assets		Fair value liabilities	
	2011 € m	2010 € m	2011 € m	2010 € m	2011 € m	2010 € m
Derivatives designated as cash flow hedges						
Qualifying cash flow hedges						
Currency forwards	693	633	80	9	–	(7)
Non-hedge derivatives						
Accrual style option forwards	85	87	11	2	–	(5)
Interest rate swap derivatives	35	37	–	–	–	(1)
Currency forwards	772	559	54	2	(1)	(26)
Derivative share options	66	83	–	–	(35)	(40)
Currency options	33	12	3	–	–	–
	1 684	1 411	148	13	(36)	(79)

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 5 years	
	2011 € m	2010 € m	2011 € m	2010 € m	2011 € m	2010 € m
Derivatives designated as cash flow hedges						
Qualifying cash flow hedges						
Currency forwards	364	319	329	314	–	–
Non-hedge derivatives						
Accrual style option forwards	66	60	19	27	–	–
Interest rate swap derivatives	35	–	–	–	–	37
Currency forwards	391	253	381	306	–	–
Derivative share options	66	83	–	–	–	–
Currency options	–	–	33	12	–	–
	922	715	762	659	–	37

16. 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;
- 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 € 85 million and € 151 million;
- 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 share option plan; and
- currency options: the sum of the amounts underlying the options outstanding at the year-end.

Foreign currency amounts have been translated to euros using the exchange rates prevailing at the reporting 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 2011 the weighted average interest charge was 2.9 % (2010: 2.9 %).

17. Cash and cash equivalents

	2011 € m	2010 € m
Cash at bank and on hand	1 227	1 258
Bank overdrafts	(570)	(318)
	657	940

The effective interest rate on bank overdrafts was 1.1 % (2010: 2.4 %). The effective interest rate on cash at bank was 0.6 % (2010: 0.3 %).

18. Equity

18.1. Share capital

	2011 € m	2010 € 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

Holders of 'A' and 'B' shares enjoy the same dividend rights, but due to the differing par values of the two classes of shares, 'B' shareholders receive one tenth of the dividend per share paid to holders of the 'A' shares.

Notes to the consolidated financial statements continued

18. Equity continued

18.2. 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:

	Shares millions	€ m
Balance at 1 April 2009	20.5	195
Purchased	7.1	119
Sold	(7.3)	(66)
Balance at 31 March 2010	20.3	248
Purchased	4.7	103
Sold	(2.5)	(26)
Balance at 31 March 2011	22.5	325

The Company has given a pledge in favour of a creditor of 8 836 657 Richemont 'A' shares as security for warrants exercised under the Group's share option plan.

The cost value of the 2.5 million shares (2010: 7.3 million shares) sold during the year to plan participants who exercised their options was € 26 million (2010: € 66 million).

During the year under review the Group acquired 1.5 million treasury shares in the open market, and a further 3.2 million treasury shares through the exercise of over-the-counter purchased call options ('OTC options') with a third party, at a total cost of € 103 million. These treasury shares together with outstanding OTC options provide a comprehensive hedge of the Group's potential obligations arising under the share option plan.

The costs of the call options together with the loss realised on shares sold during the year to plan participants amounted to € 2 million (2010: € 15 million) and were recognised directly in retained earnings.

The market value of the 22.5 million shares (2010: 20.3 million shares) held by the Group at the year-end, based on the closing price at 31 March 2011 of CHF 53.05 (2010: CHF 40.83), amounted to € 915 million (2010: € 581 million).

18.3. Hedge and share option reserves

	Hedge reserve € m	Share option reserve € m	Total € m
Balance at 1 April 2009	(27)	117	90
Movements in hedge reserve			
– fair value gains	27	–	27
– recycle to profit or loss	13	–	13
Movement in employee share option reserve			
– expense recognised in the year	–	39	39
Tax on items recognised directly in equity	(2)	27	25
Balance at 31 March 2010	11	183	194
Movements in hedge reserve			
– fair value gains	81	–	81
– recycle to profit or loss	(13)	–	(13)
Movement in employee share option reserve			
– equity-settled share option expense	–	30	30
Tax on items recognised directly in equity	(11)	24	13
Balance at 31 March 2011	68	237	305

18.4. Legal reserves

Legal reserves amounting to € 95 million (2010: € 95 million) are included in the reserves of Group companies but are not available for distribution.

Notes to the consolidated financial statements continued

20. 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.

All outstanding derivative share options are fully vested and have expiry dates from June 2011 to June 2015. The Group holds equity investments which fully hedge the obligations under the share option plans.

31 March 2011

Non-derivative financial liabilities

				6 months or less € m	Contractual cash flow € m	Carrying amount € m
Current financial liabilities						
Other short-term loans				101	101	101
Trade and other payables				825	825	825
Bank overdrafts				570	570	570
				1 496	1 496	1 496
	Within 1 year € m	Between 1-2 years € m	Between 2-3 years € m	After more than 3 years € m	Contractual cash flow € m	Carrying amount € m
Non-current financial liabilities						
Long-term borrowings (including current portion)	7	98	4	86	195	121
Other long-term liabilities	–	–	–	175	175	158
	7	98	4	261	370	279
Current derivative financial liabilities						
Currency forwards				23	23	1
Accrual style option forwards				11	11	–
Derivative share options				66	66	35
				100	100	36
					Contractual cash flow € m	Carrying amount € m
Total financial liabilities					1 966	1 811

20. Liquidity risk continued

31 March 2010

Non-derivative financial liabilities

				6 months or less € m	Contractual cash flow € m	Carrying amount € m	
Current financial liabilities							
Other short-term loans				54	54	54	
Trade and other payables				574	574	574	
Bank overdrafts				318	318	318	
				946	946	946	
	Within 1 year re-presented € m	Between 1-2 years re-presented € m	Between 2-3 years re-presented € m	After more than 3 years re-presented € m	Contractual cash flow re-presented € m	Carrying amount re-presented € m	
Non-current financial liabilities							
Long-term borrowings (including current portion)	14	112	225	84	435	343	
Other long-term liabilities	–	–	–	17	17	17	
	14	112	225	101	452	360	
				6 months or less € m	Between 6-12 months € m	Contractual cash flow € m	Carrying amount € m
Current derivative financial liabilities							
Currency forwards			251	491	742	33	
Accrual style option forwards			21	23	44	5	
Interest rate swap			–	–	–	1	
Derivative share options			83	–	83	40	
			355	514	869	79	
					Contractual cash flow re-presented € m	Carrying amount re-presented € m	
Total financial liabilities					2 267	1 385	

21. Retirement benefit obligations

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

	2011 € m	2010 € m
Present value of funded obligations	(950)	(836)
Fair value of plan assets	947	807
Net funded obligations	(3)	(29)
Present value of unfunded obligations	(47)	(45)
Unrecognised actuarial loss	27	37
Amount not recognised due to asset limit	(15)	(2)
Net liabilities	(38)	(39)

Notes to the consolidated financial statements continued

21. Retirement benefit obligations continued

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

	2011 € m	2010 € m
Balance at 1 April of prior year	(881)	(673)
Exchange adjustments	(57)	(36)
Current service cost	(48)	(34)
Contributions by plan participants	(23)	(20)
Interest cost	(34)	(30)
Actuarial gains/(losses)	4	(109)
Past service costs	(1)	(1)
Liabilities extinguished on settlements	2	1
Benefits paid	41	21
Balance at 31 March	(997)	(881)
Present value of funded obligations	(950)	(836)
Present value of unfunded obligations	(47)	(45)
	(997)	(881)

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

	2011 € m	2010 € m
Balance at 1 April of prior year	807	618
Exchange adjustments	56	36
Expected return on plan assets	42	33
Actuarial gains	8	74
Assets distributed on settlements	(1)	–
Contributions paid by employer	53	47
Contributions paid by plan participants	23	20
Benefits paid	(41)	(21)
Balance at 31 March	947	807

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

	2011 € m	2010 € m
Equities	314	313
Bonds	380	330
Property	119	91
Other assets, including insurance policies	134	73
Fair value of plan assets	947	807

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 4.5 % (2010: 4.9 %). 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 reporting 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 gain of € 50 million (2010: gain of € 107 million).

21. Retirement benefit obligations continued

The amounts recognised in profit or loss in respect of such plans are as follows:

	2011 € m	2010 € m
Current service cost	48	34
Interest cost	34	30
Expected return on plan assets	(42)	(33)
Net actuarial losses recognised in the year	–	13
Adjustment to recognise the effect of asset limit	13	2
Past service costs	–	1
Gains on curtailment and/or settlement	(1)	–
	52	47
	2011 € m	2010 € m
Expense charged in:		
Cost of sales	24	21
Net operating expenses	28	26
	52	47

Total pension costs are included in employee benefits expense (note 27).

Changes in the net liabilities recognised are as follows:

	2011 € m	2010 € m
Balance at 1 April of prior year	(39)	(39)
Total expense	(52)	(47)
Contributions paid	53	47
Balance at 31 March	(38)	(39)

The Group expects to contribute € 56 million (actual paid in 2011: € 53 million) to such plans in the coming twelve months.

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:

	2011 Range	Weighted average	2010 Range	Weighted average
Discount rate	1.8% to 5.5%	3.4%	2.0% to 6.0%	3.5%
Expected return on plan assets	2.7% to 5.5%	4.5%	2.8% to 6.0%	4.9%
Future salary increases	1.9% to 5.0%	2.8%	1.8% to 5.2%	2.7%
Future pension increases	2.2% to 3.4%	3.1%	2.2% to 3.6%	3.2%

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. However, under IAS 19, *Employee Benefits*, the foundation is accounted for as a defined benefit plan on account of underlying benefit guarantees. For 2011, the expense recognised in the Group's consolidated profit 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 profit or loss.

Notes to the consolidated financial statements continued

21. Retirement benefit obligations continued

In July 2010 the UK Government announced its intention that future statutory minimum pension indexation would be measured by the Consumer Prices Index, rather than the Retail Prices Index. This has been reflected in the Group's assumptions for the UK plan and a gain of € 7 million has been recognised as a result.

In Germany, although the 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 statement of financial position.

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:

	2011 € m	2010 € m	2009 € m	2008 € m	2007 € m
Present value of defined benefit obligation	(997)	(881)	(673)	(673)	(663)
Fair value of plan assets	947	807	618	723	642
(Deficit)/surplus in plan	(50)	(74)	(55)	50	(21)
Experience adjustments on plan liabilities	4	(109)	53	44	9
Experience adjustments on plan assets	8	74	(178)	(45)	1

22. Provisions

	Warranties and sales related € m	Restructuring and property related re-presented € m	Employee benefits € m	Other € m	Total re-presented € m
At 31 March 2010	74	34	39	13	160
Adoption of IAS 17 (amendment)	–	(1)	–	–	(1)
At 1 April 2010	74	33	39	13	159
Acquisition through business combinations	2	–	–	–	2
Charged/(credited) to profit or loss:					
– additional provisions	73	24	93	4	194
– unused amounts reversed	(8)	(1)	(6)	(3)	(18)
Net charge	65	23	87	1	176
Utilised during the year	(46)	(10)	(8)	(4)	(68)
Transfers and reclassifications	(1)	–	(5)	1	(5)
Exchange adjustments	2	(2)	(1)	–	(1)
At 31 March 2011	96	44	112	11	263
				2011 € m	2010 re-presented € m
Total provisions at 31 March:					
– non-current				137	54
– current				126	105
				263	159

22. Provisions continued

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 € 96 million (2010: € 74 million) has been recognised for expected sales returns and warranty claims. It is expected that € 88 million (2010: € 67 million) of this provision will be used within the following twelve months and that the remaining € 8 million (2010: € 7 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 plans and the social costs on the Group's share option plan. An amount of € 21 million (2010: € 17 million) is expected to be utilised in the coming twelve months. The remainder will be utilised 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 2011.

23. Other long-term financial liabilities

	2011 € m	2010 € m
Put option on non-controlling interests	133	–
Other long-term financial liabilities	25	17
	158	17

24. Trade and other payables

	2011 € m	2010 € m
Trade creditors	441	284
Other creditors	384	290
	825	574

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

25. Other operating (expense)/income

	2011 € m	2010 € m
Royalty income – net	20	18
Amortisation of other intangible assets acquired on business combinations	(36)	(15)
Other expenses	(14)	(36)
	(30)	(33)

Notes to the consolidated financial statements continued

26. Profit from continuing operations

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

	2011 € m	2010 € m
Depreciation of property, plant and equipment (note 7)	211	181
Impairment of property, plant and equipment (note 7)	2	6
Amortisation of other intangible assets (note 9)	78	52
Operating lease rentals:		
– minimum lease rental	285	249
– contingent rental	193	150
Sub-lease rental income	(2)	(2)
Cash flow hedge – transfer from other comprehensive income	(13)	13
Research and development costs	33	23
Loss on disposal of property, plant and equipment	5	5
Loss on disposal of other intangible assets	1	1
Restructuring charges	1	5

27. Employee benefits expense

	2011 € m	2010 € m
Wages and salaries including termination benefits € 3 million (2010: € 7 million)	1 120	914
Social security costs	201	172
Share option expense (note 35)	75	36
Long-term employee benefits	29	9
Pension costs – defined contribution plans	17	12
Pension costs – defined benefit plans (note 21)	52	47
	1 494	1 190

	2011 number	2010 number
Average number of employees:		
Switzerland	6 823	6 237
Rest of the world	14 564	12 900
	21 387	19 137

28. Net finance (costs)/income

	2011 € m	2010 € m
Finance costs:		
Interest expense:		
– bank borrowings	(21)	(26)
– other financial expenses	(6)	(1)
Net loss in fair value of financial assets at fair value through profit or loss	(14)	(2)
Net foreign exchange losses on monetary items	(251)	(132)
Finance costs	(292)	(161)
Finance income:		
Interest income on bank and other deposits	17	15
Dividend income on financial assets at fair value through profit or loss	4	7
Mark-to-market adjustment in respect of hedging activities	85	2
Net gain on disposal of subsidiary undertaking	5	–
Finance income	111	24
Net finance (costs)/income	(181)	(137)

Foreign exchange gains resulting from effective hedge derivative instruments of € 13 million (2010: losses of € 14 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.

29. Earnings per share

29.1. Basic

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

	2011	2010
Profit attributable to owners of the parent company (€ millions)	1 090	602
Discontinued operations attributable to owners of the parent company (€ millions)	–	(3)
	1 090	599
Weighted average number of shares in issue (millions)	551.3	553.0

29.2. 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.

	2011	2010
Profit attributable to owners of the parent company (€ millions)	1 090	602
Discontinued operations attributable to owners of the parent company (€ millions)	–	(3)
	1 090	599
Weighted average number of shares in issue (millions)	551.3	553.0
Adjustment for share options (millions)	14.8	6.5
Weighted average number of shares for diluted earnings per share (millions)	566.1	559.5

Notes to the consolidated financial statements continued

29. Earnings per share continued

29.3. Headline earnings per share

The presentation of headline earnings per share as an alternative measure to earnings per share is required under the JSE listing requirements.

	2011 € m	2010 € m
Profit attributable to owners of the parent company (€ millions)	1 090	599
Loss on disposal of non-current assets	6	6
Impairment of assets	2	6
Gain on re-measurement to fair value of associated undertaking deemed disposed of	(102)	–
Currency exchange losses reclassified from currency translation adjustment reserve	11	–
Gain on disposal of subsidiary undertaking	(5)	–
Headline earnings	1 002	611
	2011 millions	2010 millions
Weighted average number of shares		
– Basic	551.3	553.0
– Diluted	566.1	559.5
	€ per share	€ per share
Headline earnings per share		
– Basic	1.818	1.105
– Diluted	1.770	1.092

30. Dividends

In September 2010 a dividend of CHF 0.35 per share was paid (September 2009: CHF 0.30).

31. Cash flow generated from operations

	2011 € m	2010 € m
Operating profit	1 355	827
Depreciation and impairment of property, plant and equipment	213	187
Amortisation and impairment of other intangible assets	78	52
Loss on disposal of property, plant and equipment	5	5
Loss on disposal of intangible assets	1	1
Increase in provisions	92	18
Decrease in retirement benefit obligations	(2)	–
Non-cash items	18	51
(Increase)/decrease in inventories	(350)	240
Decrease in trade debtors	83	42
(Increase)/decrease in other receivables and prepayments	(67)	13
Increase in current liabilities	267	29
Increase/(decrease) in long-term liabilities	3	(1)
Cash flow generated from operations	1 696	1 464

32. Financial commitments and contingent liabilities

At 31 March 2011 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 16 and in respect of property, plant and equipment in note 7.

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	
	2011 € m	2010 re-presented € m	2011 € m	2010 € m	2011 € m	2010 re-presented € m
Within one year	272	244	8	8	280	252
Between two and five years	587	510	11	9	598	519
Thereafter	168	168	1	–	169	168
	1 027	922	20	17	1 047	939

33. Business combinations

On 1 April 2010 the Group obtained effective control of 93.0 % of the voting rights of Net-a-Porter Limited ('Net-a-Porter'), a successful luxury fashion on-line retailer, by acquiring the additional 62.5 % not previously owned for a net cash consideration of € 245 million.

The gross amount settled to shareholders of Net-a-Porter of € 381 million was offset by the receipt of € 120 million from the deemed disposal of the Group's previously held interest and a € 16 million capital contribution received from the sale of shares in the acquiring entity.

Immediately prior to gaining control, the Group held an interest of 30.5 % and accounted for Net-a-Porter as an associated undertaking applying the equity accounting method. The investment in the associated undertaking was re-measured to fair value of € 120 million, resulting in a fair value gain of € 102 million recognised in share of post-tax profit of associated undertakings.

Goodwill represents certain intangible assets that do not qualify for separate recognition including:

- a knowledgeable and integrated workforce;
- technical know-how; and
- a potential distribution platform for Richemont Fashion and Accessories Maisons.

None of the goodwill is deductible for tax purposes.

The gross contractual amount of trade and other receivables is € 16 million and settlement is expected in full.

Acquisition related transaction costs of € 7 million were expensed in the year to 31 March 2010 as other income/expenses.

During the period the Group also acquired the operations of external boutiques and agents in strategic markets, mostly in Asia. The impact of those acquisitions on the financial position and performance is not significant.

Notes to the consolidated financial statements continued

33. Business combinations continued

Net assets acquired

	Net-a-Porter		Other business operations		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	16	16	1	1	17	17
Intangible assets	103	2	12	–	115	2
Inventories	37	37	10	10	47	47
Trade and other receivables	16	16	–	–	16	16
Cash and cash equivalents	18	18	–	–	18	18
Deferred and current tax	(25)	3	–	–	(25)	3
Current and long-term liabilities	(41)	(41)	–	–	(41)	(41)
Net assets acquired	124	51	23	11	147	62
Fair value of net assets acquired	124		23		147	
Attributable to non-controlling interest	(20)		–		(20)	
Fair value of previous holding	(120)		–		(120)	
Goodwill	261		–		261	
Total purchase consideration	245		23		268	
Payable due to parent	–		(8)		(8)	
Consideration deferred to future periods	–		(11)		(11)	
Payment of amounts deferred in prior periods	–		15		15	
Purchase consideration – cash paid	245		19		264	
Cash acquired	(18)		–		(18)	
Cash outflow on acquisitions	227		19		246	

In the year to 31 March 2011, Net-a-Porter contributed revenue of € 281 million and an operating loss of € 23 million.

Incorporation of new holding company

The acquisition of Net-a-Porter was transacted through Largenta Limited ('Largenta'), a UK holding company set up with the sole purpose of acquiring the business.

The ordinary shares of Largenta were subscribed 95.9 % by Richemont and 4.1 % by an executive of Net-a-Porter.

In addition to the ordinary shares the executive of Net-a-Porter acquired 'B' non-voting shares in Largenta.

Together, the ordinary and the 'B' shares carry an economic entitlement equivalent to 14.1 % of the increase in equity value of Net-a-Porter over the period to 31 March 2015. This is achieved through two separate put and call option arrangements. The arrangements give Richemont the right to acquire and the shareholder the right to sell all, but not part, of the shareholding on 1 April 2015.

Transactions involving the shares of Net-a-Porter

Ordinary 'C' shares

Largenta offered, and certain ordinary shareholders of Net-a-Porter accepted, the opportunity to retain an interest in the ordinary shares, representing approximately 3.0 % of Net-a-Porter. This interest is in the form of ordinary 'C' shares which have the same voting and dividend rights as the ordinary shares.

The Group has entered into put and call option arrangements with the holders of the ordinary 'C' shares. The arrangements give Richemont the right to acquire and the holders of the ordinary 'C' shares the right to sell all, but not part, of their shareholding between 1 April and 30 September 2015 at a value equal to the higher of the fair value at the date of exercise and £ 10.1 million (less any share of capital distributions).

Transactions with management

During the current period, Net-a-Porter sold 'B' shares to their senior executive team. The 'B' shares entitle the holders to an economic interest in the growth in Net-a-Porter above a threshold value.

The 'B' shares carry a put right entitling the holders to sell all, but not some, of their 'B' shares to Richemont on 31 March 2015 at the fair market value at the date of exercise (less threshold value). There is an equivalent call right for Richemont to acquire the 'B' shares at the same price.

33. Business combinations continued

In the year ended 31 March 2010, the following business combinations were made:

Net assets acquired

	Business operations acquired	
	Fair value € m	Acquirees' carrying amount € m
Property, plant and equipment and other long-term assets	1	1
Intangible assets	9	–
Inventories	15	15
Net assets acquired	25	16
Net assets acquired	25	
Attributable to non-controlling interests	(1)	
Fair value of net assets acquired	24	
Receivable due to parent	(2)	
Purchase consideration – cash paid	22	
Cash outflow on acquisitions	22	

No individual transaction was considered material.

The impact of the acquisitions on sales and operating profit was not significant either from the date of acquisition or on a full year basis.

34. Related-party transactions

Compagnie Financière Rupert, Bellevue, Geneva holds 522 000 000 'B' registered shares representing an interest in 50 % of the Company's voting rights. In addition, Compagnie Financière Rupert has advised that parties related to it held a total of 2 836 664 Richemont 'A' bearer shares, or the equivalent thereof in the form of Depository Receipts, as at 31 March 2011, representing 0.3 % of the Company's voting rights.

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 and the Group Management Committee ('key management'), the Group has identified the following other related parties:

- Richemont's associated undertakings (see note 10);
- Richemont's joint venture interests (see note 36);
- Reinet Investments SCA ('Reinet'), a public company incorporated in Luxembourg;
- Remgro Limited, a public company incorporated in South Africa; and
- Richemont foundations (employee and others).

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

	2011 € m	2010 € m
Rouages SA – purchase of watch components	(1)	(1)
Sales to Net-a-Porter	–	1
Net-a-Porter – dividend income	–	1

Notes to the consolidated financial statements continued

34. Related-party transactions continued

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

	2011 € m	2010 € m
Goods and services bought from and other transactions with entities under common control:		
Ventek International – acquisition of IT services and equipment	(2)	(1)
Falconair Limited – provision of aviation services and reimbursement of third party expenses	(2)	(2)
Montblanc Kulturstiftung – donation	(1)	(1)
Services sold to and other transactions with entities under common control:		
Reinet and its related Group companies	–	6

There were no amounts payable to or receivable from entities under common control at 31 March 2011 nor at 31 March 2010.

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

	2011 € m	2010 € m
Services provided and other income from:		
Laureus World Sports Awards Limited – sponsorship	(4)	(4)
Goods and services sold to and other transactions with its joint ventures:		
Ralph Lauren Watch and Jewelry Company Sàrl	3	3
Receivables outstanding at 31 March:		
Ralph Lauren Watch and Jewelry Company Sàrl	2	–

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

	2011 € m	2010 € m
Receivables outstanding at 31 March:		
Luxe International Inc.	2	2

34. Related-party transactions continued

(e) Individuals

During the year the Group gave donations of € 0.9 million (2010: € 0.4 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 non-executive director of the Company, is the President of the Foundation. The Group also made donations of € 0.1 million to the Fondazione Giuliano e Maria Carmen Magnoni, a charitable organisation supporting initiatives for young people in disadvantaged conditions. Mr Ruggero Magnoni is vice-chairman of the Foundation.

Maitre Jean-Paul Aeschmann, the Deputy Chairman to 7 September 2010, and Maitre Dominique Rochat, a non-executive director from 8 September 2010, are respectively counsel to and a partner of the Swiss legal firm, Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling € 0.4 million (2010: € 0.3 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 (2010: € 0.1 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.

Dr Franco Cologni and Mr Alain Dominique Perrin provided consultancy services to the Group in addition to their duties as non-executive directors. During the year to 31 March 2011 Dr Cologni received € 0.1 million and Mr Perrin € 1.6 million for the services provided. These fees are included in the individual disclosures of key management compensation as short-term employee benefits.

In accordance with the terms of the modification to the Group's share option plan, in October 2008 certain executive directors and members of the Group Management Committee received vested options over shares in British American Tobacco plc ('BAT') and Reinet. At 31 March 2011 the Group recognised a liability of € 24 million (2010: € 24 million) in respect of its obligation to deliver shares on exercise of the vested options. The Group holds shares in BAT and Reinet which fully hedge the liability.

(f) Key management compensation

	2011 € m	2010 € m
Salaries and short-term employee benefits	18	18
Short-term incentives	10	5
Long-term benefits	3	–
Post-employment benefits	3	3
Stock option expense	8	14
	42	40

Notes to the consolidated financial statements continued

34. Related-party transactions continued

(f) Key management compensation continued

Key management

Key management comprises the Board of Directors of Compagnie Financière Richemont SA and the Group Management Committee as detailed below at 31 March

	2011	2010
Board of Directors of Compagnie Financière Richemont SA		
Johann Rupert	Executive Chairman & Chief Executive Officer	Executive Chairman
Jean-Paul Aeschimann	Non-Executive Deputy Chairman (until 7 September 2010)	Non-Executive Deputy Chairman
Yves-André Istel	Non-Executive Deputy Chairman (from 8 September 2010)	Non-Executive Director
Richard Lepeu	Deputy Chief Executive Officer	Group Finance Director
Gary Saage	Chief Financial Officer (from 8 September 2010)	–
Franco Cologni	Non-Executive Director (from 1 April 2010)	Senior Executive Director
Lord Douro	Non-Executive Director	Non-Executive Director
Ruggero Magnoni	Non-Executive Director	Non-Executive Director
Josua Malherbe	Non-Executive Director (from 8 September 2010)	–
Frederick Mostert	Chief Legal Counsel (from 8 September 2010)	–
Simon Murray	Non-Executive Director	Non-Executive Director
Alain Dominique Perrin	Non-Executive Director (from 1 April 2010)	Executive Director
Guillaume Pictet	Non-Executive Director (from 8 September 2010)	–
Norbert Platt	Non-Executive Director (from 1 April 2010)	Group Chief Executive Officer
Alan Quasha	Non-Executive Director	Non-Executive Director
Lord Renwick	Lead Independent Director	Lead Independent Director
Dominique Rochat	Non-Executive Director (from 8 September 2010)	–
Jan Rupert	Manufacturing Director	Manufacturing Director
Jürgen Schrempp	Non-Executive Director	Non-Executive Director
Martha Wikstrom	Chief Executive Officer, Richemont Fashion & Accessories	Chief Executive Officer, Richemont Fashion & Accessories
Members of Group Management Committee		
Johann Rupert	Executive Chairman & Chief Executive Officer	Executive Chairman
Norbert Platt	–	Group Chief Executive Officer
Richard Lepeu	Deputy Chief Executive Officer	Group Finance Director
Gary Saage	Chief Financial Officer (from 8 September 2010)	–
Frederick Mostert	Chief Legal Counsel	Chief Legal Counsel
Jan Rupert	Manufacturing Director	Manufacturing Director
Martha Wikstrom	Chief Executive Officer, Richemont Fashion & Accessories	Chief Executive Officer, Richemont Fashion & Accessories
Giampiero Bodino	Group Art Director	Group Art Director
Pilar Boxford	Group Public Relations Director	Group Public Relations Director
Bernard Fornas	Chief Executive of Cartier	Chief Executive of Cartier
Alan Grieve	Director of Corporate Affairs	Director of Corporate Affairs
Albert Kaufmann	General Counsel	General Counsel
Thomas Lindemann	Group Human Resources Director	Group Human Resources Director
Eloy Michotte	Corporate Finance Director	Corporate Finance Director

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.

34. Related-party transactions continued

(f) Key management compensation continued

Key management compensation for the year ended 31 March 2011

	Salary and short-term employee benefits €	Short-term incentives €	Long-term benefits €	Post- employment benefits €	Stock option cost* €	Total €
Board of Directors of Compagnie Financière Richemont SA						
Johann Rupert	1 522 863	–	–	1 562 282	852 229	3 937 374
Jean-Paul Aeschimann	59 979	–	–	–	–	59 979
Yves-André Istel	119 958	–	–	–	–	119 958
Richard Lepeu	2 793 847	1 382 826	257 202	88 769	1 292 754	5 815 398
Gary Saage**	964 758	547 411	98 923	59 765	134 533	1 805 390
Franco Cologni	246 298	–	–	–	–	246 298
Lord Douro	191 019	–	–	–	–	191 019
Ruggero Magnoni***	–	–	–	–	–	–
Josua Malherbe	59 979	–	–	–	–	59 979
Frederick Mostert****	542 988	386 966	186 481	233 273	486 669	1 836 377
Simon Murray	89 969	–	–	–	–	89 969
Alain Dominique Perrin***	1 605 342	–	–	–	–	1 605 342
Guillaume Pictet	44 984	–	–	–	–	44 984
Norbert Platt	180 634	–	–	–	–	180 634
Alan Quasha	89 969	–	–	–	–	89 969
Lord Renwick	119 958	–	–	–	–	119 958
Dominique Rochat	44 984	–	–	–	–	44 984
Jan Rupert	772 571	1 142 630	178 063	67 682	1 100 464	3 261 410
Jürgen Schrempp	89 969	–	–	–	–	89 969
Martha Wikstrom	1 193 729	802 187	127 428	247 378	–	2 370 722
Total	10 733 798	4 262 020	848 097	2 259 149	3 866 649	21 969 713
Group Management Committee	6 730 993	5 888 777	2 500 958	1 132 249	3 903 448	20 156 425
Total key management compensation	17 464 791	10 150 797	3 349 055	3 391 398	7 770 097	42 126 138

* 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 35.

** Compensation for the period from 8 September 2010, being the date of appointment to the Board, to 31 March 2011.

*** Since their appointment to the Board as non-executive directors, Mr Ruggero Magnoni and Mr Alain Dominique Perrin have formally waived their entitlement to receive any fees or compensation in respect of their duties as non-executive directors.

**** Compensation for the period from 8 September 2010, being the date of appointment to the Board, to 31 March 2011. The compensation of Dr Mostert for the period to 7 September 2010 is included in the total for Group Management Committee.

Notes to the consolidated financial statements continued

34. Related-party transactions continued

(f) Key management compensation continued

Key management compensation for the year ended 31 March 2010

	Salary and short-term employee benefits €	Short-term incentives €	Long-term benefits €	Post-employment benefits €	Stock option cost* €	Total €
Board of Directors of Compagnie Financière Richemont SA						
Johann Rupert	1 562 672	–	–	1 649 010	1 586 162	4 797 844
Jean-Paul Aeschimann	106 525	–	–	–	–	106 525
Norbert Platt**	2 957 730	1 331 390	–	75 260	4 871 115	9 235 495
Richard Lepeu	1 892 838	905 664	–	70 487	1 396 833	4 265 822
Franco Cologni	520 346	–	–	8 955	–	529 301
Lord Douro	182 480	–	–	–	–	182 480
Yves-André Istel	109 854	–	–	–	–	109 854
Ruggero Magnoni***	–	–	–	–	–	–
Simon Murray	79 893	–	–	–	–	79 893
Alain Dominique Perrin	1 519 239	–	–	–	–	1 519 239
Alan Quasha	79 893	–	–	–	–	79 893
Lord Renwick	106 525	–	–	–	–	106 525
Jan Rupert	585 919	488 105	–	54 497	1 185 878	2 314 399
Jürgen Schrempp	79 893	–	–	–	–	79 893
Martha Wikstrom****	854 316	297 020	–	194 812	–	1 346 148
Total	10 638 123	3 022 179	–	2 053 021	9 039 988	24 753 311
Group Management Committee	7 488 596	1 877 099	457 500	855 397	4 949 942	15 628 534
Total key management compensation	18 126 719	4 899 278	457 500	2 908 418	13 989 930	40 381 845

* 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 35.

** In addition to these costs, an amount of € 2 million has been recorded in the year ended 31 March 2011 which relates to the accelerated vesting of Mr Platt's options to 31 March 2010.

*** Since being appointed to the Board as a non-executive director, Mr Ruggero Magnoni has formally waived his entitlement to receive any fees or compensation in respect of his duties as a non-executive director.

**** Ms Wikstrom served as a non-executive director to May 2009. During this period she received fees of € 13 316.

During the year to 31 March 2010 certain members of key management provided services to the Reinet Group of entities which are regarded as entities under common control. € 1.7 million of total compensation costs disclosed above was in respect of these services and has been reimbursed by the Reinet Group. With effect from 1 April 2010 those members of key management who provide services to Reinet entities do so through separate contracts.

34. Related-party transactions continued

(f) Key management compensation continued

Share 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 share option plan have been made to persons serving as non-executive directors. Details of options held by executive directors and members of the Group Management Committee under the plan are as follows:

at 31 March 2011

	Number of options		Weighted average grant price CHF	Earliest vesting period	Latest expiry date	
	1 April 2010 or date of appointment	Exercised in year 31 March 2011				
Board of Directors of Compagnie Financière Richemont SA						
Johann Rupert	5 626 841	–	5 626 841	12.41	Apr 2011-Jul 2013	June 2015
Richard Lepou	1 599 313	(90 000)	1 509 313	21.17	Apr 2011-Jul 2014	June 2017
Frederick Mostert	786 723	(164 522)	622 201	25.15	Apr 2011-Jul 2014	June 2017
Jan Rupert	1 236 343	–	1 236 343	20.71	Apr 2011-Jul 2014	June 2017
Gary Saage	146 941	(15 282)	131 659	25.42	Jul 2011-Jul 2015	June 2018
Group Management Committee						
Giampiero Bodino	586 145	(234 958)	351 187	24.74	Jul 2011-Jul 2014	June 2017
Pilar Boxford	104 973	(26 722)	78 251	24.55	Jul 2011-Jul 2014	June 2017
Bernard Fornas	695 722	(229 044)	466 678	24.23	Jul 2011-Jul 2014	June 2017
Alan Grieve	426 571	(161 274)	265 297	23.80	Apr 2011-Jul 2014	June 2017
Albert Kaufmann	1 176 420	(90 000)	1 086 420	22.35	Apr 2011-Jul 2014	June 2017
Thomas Lindemann	345 457	(68 713)	276 744	25.03	Jul 2011-Jul 2014	June 2017
Eloy Michotte	461 981	–	461 981	20.36	Apr 2011-Jul 2014	June 2017

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 € 7 215 911, which was in respect of Mr Bernard Fornas, Chief Executive of Cartier.

Compensation of advisory committees

The Board has established a number of advisory committees. These committees comprise both executive and non-executive directors of the Board. 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 (2010: € 0.1 million) from the Group for services provided to an entity in which the Group is a joint venture partner.

Notes to the consolidated financial statements continued

34. Related-party transactions continued

(f) Key management compensation continued

Share ownership

As at 31 March 2011, members of the Board and parties closely linked to them owned a total of 197 665 Richemont 'A' shares. Members of the Group Management Committee and parties closely linked to them held a total of 31 670 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 Company. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 2 836 664 'A' shares or 'A' share equivalents at 31 March 2011. The interest of individual directors and members of the Group Management Committee in Richemont 'A' shares is as follows:

	at 31 March 2011	at 31 March 2010
Board of Directors of Compagnie Financière Richemont SA		
Franco Cologni	75 000	75 000
Lord Douro	18 000	18 000
Yves-André Istel	16 000	16 000
Alain Dominique Perrin	74 000	100 000
Guillaume Pictet	10 265	–
Lord Renwick	4 000	4 000
Dominique Rochat	400	–
	197 665	213 000
Group Management Committee		
Alan Grieve	30 000	50 000
Albert Kaufmann	1 670	1 670
	229 335	264 670

Following the decision of the Annual General Meeting on 8 September 2010 to pay dividends of CHF 0.35 per 'A' bearer share and CHF 0.035 per 'B' registered share, dividends of CHF 19 350 450 were paid to the owners of the shares described in the paragraphs above.

Mr Jan Rupert, Group Manufacturing Director, is a director of a company which holds 2 375 005 '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 '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 'A' shares.

Mr Jan Rupert has no beneficial interest in Compagnie Financière Rupert and shares referred to in the above 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 Chief Executive Officer and a cousin of Mr Jan Rupert, is not a director of the company referred to in the paragraph above 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.

Mr Josua Malherbe, a non-executive director, does not hold any 'A' shares or 'A' share equivalents. Members of Mr Malherbe's family have acquired and currently hold 14 067 'A' share equivalents and are beneficiaries of trusts holding 210 002 'A' shares or 'A' share equivalents at 31 March 2011.

Mr Alain Dominique Perrin, a non-executive director during the year under review, also has an indirect holding of 819 779 'A' 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 9 855 099 '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 2011 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.

35. Share-based payment

Equity-settled 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 share option plan vest over periods of four to six years and have expiry dates, the date after which unexercised options lapse, of nine 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.

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 2009	18.88	42 807 424
Awarded	22.07	3 453 680
Exercised	13.23	(8 695 693)
Lapsed	24.15	(763 188)
Balance at 31 March 2010	20.41	36 802 223
Exercised	19.45	(6 710 918)
Lapsed	24.04	(379 808)
Expired	17.17	(11)
Balance at 31 March 2011	20.58	29 711 486

Of the total options outstanding at 31 March 2011, options in respect of 10 624 732 shares had vested and were exercisable (2010: 11 253 748 shares).

The weighted average share price at the date of exercise for options exercised during the year was CHF 45.89 (2010: CHF 29.04).

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 2011	CHF 8.73 – 10.59	CHF 9.08	1 436 143	1.2 years
	CHF 12.7 – 14.45	CHF 13.25	6 650 311	2.6 years
	CHF 18.01	CHF 18.01	4 911 701	3.2 years
	CHF 23.18	CHF 23.18	5 257 855	4.2 years
	CHF 32.79	CHF 32.79	4 345 282	5.2 years
	CHF 21.20	CHF 21.20	4 278 894	6.2 years
	CHF 23.55	CHF 23.55	2 831 300	7.2 years
31 March 2010	CHF 8.73 – 10.59	CHF 9.18	2 106 597	2.2 years
	CHF 12.7 – 14.45	CHF 13.39	7 632 038	3.2 years
	CHF 18.01	CHF 18.01	7 319 802	4.2 years
	CHF 23.18	CHF 23.18	6 958 930	5.2 years
	CHF 32.79	CHF 32.79	5 040 166	6.2 years
	CHF 21.20	CHF 21.20	4 838 385	7.2 years
	CHF 23.55	CHF 23.55	2 906 305	8.2 years

No options were awarded during the year.

The amount recognised in profit or loss before social security and taxes for equity-settled share-based payment transactions was € 30 million (2010: € 36 million).

Notes to the consolidated financial statements continued

35. Share-based payment continued

Modification during the year under review

In March 2011, the Compensation Committee approved a modification to the vesting and expiry dates of a number of unvested options as follows:

	Number of options	Vesting date	Expiry date	Weighted average strike price in CHF
Original terms	1 284 939	1 July 2011	30 June 2013	12.895
Modified terms	1 284 939	1 July 2013	30 June 2015	12.895

The fair value of the options immediately before and after the modification was calculated using the binomial model. The significant inputs into the model were the share price of CHF 51.45 at the date of modification; a standard deviation of expected share price returns of 45 % and a risk-free rate of return of 0.4 % to 0.9 %.

The fair value of the options immediately before the modification exceeded the fair value immediately after. There is therefore no incremental fair value to recognise.

Cash-settled option plan

During the year 'B' shares of Net-a-Porter Limited (Net-a-Porter) were sold to the senior executive team of Net-a-Porter. The awards entitle the holders to an economic interest in the growth of Net-a-Porter above a threshold value. The shares carry a put right entitling the holders to sell all, but not some, of their 'B' shares on 31 March 2015 at the fair market value at the date of exercise (less the threshold value). There is an equivalent call right for Richemont to acquire the 'B' shares at the same price.

The shares have been valued using a discounted cash flow model, based on management forecasts and projections beyond the forecast period. The projections assume no change in the level of EBITDA as a percentage of sales, capital expenditure or working capital movements from management's last forecast. Sales are assumed to grow by 7.5 % per annum.

The amount recognised in profit or loss before social security and taxes for cash-settled share-based payment transactions was € 45 million (2010: nil).

A liability of € 43 million (2010: nil) is recognised as a long-term provision.

36. Joint ventures

The Group has the following interests in joint ventures:

- Richemont holds an interest of 50 % 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; and
- Richemont is a 50 % 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.

The following amounts represent the Group's share of the assets and liabilities and results of the joint ventures and are included in the statement of financial position and profit for the year. The figures are before elimination of intra-Group transactions and balances.

	2011 € m	2010 € m
Statement of financial position		
Non-current assets	1	–
Current assets	17	14
Current liabilities	(19)	(13)
Non-current liabilities	(6)	(3)
	(7)	(2)
	2011 € m	2010 € m
Statement of income		
Revenue	8	10
Operating loss	(5)	(2)
Loss for the year	(5)	(2)

37. Ultimate parent company

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

38. Events after the reporting period

A dividend of CHF 0.45 per share is proposed for approval at the Annual General Meeting of the Company, to be held on 7 September 2011. These financial statements do not reflect this dividend payable, which will be accounted for as an appropriation of retained earnings to be effected during the year ending 31 March 2012.

Notes to the consolidated financial statements continued

39. 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 682 700
France	Paris	Chloé International	100.0%	€ 6 000
	Paris	Lancel Sogedi	100.0%	€ 27 520
	Paris	Société Cartier	100.0%	€ 25 334
	Paris	Van Cleef & Arpels Holding France	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%	CHF 4 722 900
Luxembourg	Luxembourg	Richemont International Holding SA	100.0%	CHF 911 971
Netherlands	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
	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 SA	100.0%	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	Net-a-Porter Limited	93.0%	£ 6 090
	London	Richemont Holdings (UK) Limited	100.0%	£ 248 672
United States of America	Delaware	Richemont North America Inc.	100.0%	US\$ 117 159
Joint venture				
Switzerland	Vernier	Ralph Lauren Watch and Jewelry Company Sàrl	50.0%	CHF 18 000

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 statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity and notes (pages 54 to 106) for the year ended 31 March 2011.

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 judgment, 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 2011 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

Guillaume Nayet
Audit expert

Geneva, 18 May 2011