RICHEMONT

Consolidated Financial Statements

31 March 2021

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, its subsidiaries and equity-accounted investments (together, 'the Group') for the year ended 31 March 2021. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 2021 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 142 to 146.

Further information on the Group's activities during the year under review is given in the financial review on pages 31 to 37.

Consolidated financial statements

Company financial statements

Consolidated balance sheet
at 31 March

	Notes	2021 €m	2020 €m
Assets			
Non-current assets			
Property, plant and equipment	*6*	**2 583**	2 774
Goodwill	*7*	**3 456**	3 465
Other intangible assets	*8*	**2 436**	2 623
Right of use assets	*9*	**3 339**	3 164
Investment property	*10*	**220**	282
Equity-accounted investments	*11*	**187**	180
Deferred income tax assets	*12*	**614**	600
Financial assets held at fair value through profit or loss	*36*	**506**	10
Financial assets held at fair value through other comprehensive income	*36*	**377**	115
Other non-current assets	*13*	**435**	447
		14 153	13 660
Current assets			
Inventories	*14*	**6 319**	6 658
Trade receivables and other current assets	*15*	**1 369**	1 246
Derivative financial instruments	*16*	**12**	44
Financial assets held at fair value through profit or loss	*36*	**5 550**	4 362
Assets held for sale	*17*	**79**	29
Cash at bank and on hand	*18*	**7 877**	4 462
		21 206	16 801
Total assets		**35 359**	30 461
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital	*31*	**334**	334
Treasury shares	*31*	**(490)**	(539)
Hedge and share option reserves	*31*	**419**	368
Cumulative translation adjustment reserve		**2 626**	3 133
Retained earnings	*31*	**14 885**	13 840
		17 774	17 136
Non-controlling interests	*41*	**110**	123
Total equity		**17 884**	17 259
Liabilities			
Non-current liabilities			
Borrowings	*19*	**5 937**	3 951
Lease liabilities	*9*	**2 927**	2 702
Deferred income tax liabilities	*12*	**258**	351
Employee benefit obligations	*20*	**65**	168
Provisions	*21*	**55**	56
Other long-term financial liabilities	*22*	**97**	99
		9 339	7 327
Current liabilities			
Trade payables and other current liabilities	*23*	**2 537**	2 047
Current income tax liabilities		**550**	446
Borrowings	*19*	**–**	1
Lease liabilities	*9*	**590**	612
Derivative financial instruments	*16*	**114**	30
Provisions	*21*	**248**	262
Bank overdraft	*18*	**4 097**	2 477
		8 136	5 875
Total liabilities		**17 475**	13 202
Total equity and liabilities		**35 359**	30 461

The notes on pages 79 to 134 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 March

	Notes	2021 €m	2020 €m
Revenue	*24*	**13 144**	14 238
Cost of sales		**(5 283)**	(5 627)
Gross profit		**7 861**	8 611
Selling and distribution expenses		**(3 241)**	(3 512)
Communication expenses		**(1 030)**	(1 415)
Fulfilment expenses		**(356)**	(352)
Administrative expenses		**(1 484)**	(1 560)
Other operating expenses	*25*	**(272)**	(254)
Operating profit		**1 478**	1 518
Finance costs	*29*	**(295)**	(504)
Finance income	*29*	**320**	167
Share of post-tax results of equity-accounted investments	*11*	**12**	17
Profit before taxation		**1 515**	1 198
Taxation	*12*	**(226)**	(267)
Profit for the year		**1 289**	931
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial gains/(losses)	*20*	**118**	(81)
Tax on defined benefit plan actuarial gains/(losses)	*12*	**(15)**	10
Fair value changes on financial assets held at fair value through other comprehensive income		**202**	(272)
		305	(343)
Items that are or may be reclassified subsequently to profit or loss			
Currency translation adjustments			
– movement in the year		**(517)**	568
– reclassification to profit or loss		**9**	–
Cash flow hedging			
– reclassification to profit or loss, net of tax		**4**	3
		(504)	571
Other comprehensive income, net of tax		**(199)**	228
Total comprehensive income		**1 090**	1 159
Profit attributable to:			
Owners of the parent company		**1 301**	933
Non-controlling interests		**(12)**	(2)
		1 289	931
Total comprehensive income attributable to:			
Owners of the parent company		**1 103**	1 162
Non-controlling interests		**(13)**	(3)
		1 090	1 159
Earnings per ‘A’ share/10 ‘B’ shares attributable to owners of the parent company during the year (expressed in € per share)			
Basic	*30*	**2.302**	1.651
Diluted	*30*	**2.296**	1.646

The notes on pages 79 to 134 are an integral part of these consolidated financial statements.

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

		Equity attributable to owners of the parent company							
	Notes	Share capital €m	Treasury shares €m	Other reserves €m	Cumulative translation adjustment reserve €m	Retained earnings €m	Total €m	Non-controlling interests €m	Total equity €m
Balance at 1 April 2019		334	(560)	324	2 564	14 289	16 951	88	17 039
Comprehensive income									
Profit for the year		–	–	–	–	933	933	(2)	931
Other comprehensive income		–	–	3	569	(343)	229	(1)	228
		–	–	3	569	590	1 162	(3)	1 159
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*31*	–	21	–	–	(8)	13	–	13
Employee share option plan		–	–	41	–	–	41	–	41
Tax on share option plan	*12*	–	–	–	–	–	–	–	–
Changes in non-controlling interests		–	–	–	–	5	5	38	43
Initial recognition of put options over non-controlling interests		–	–	–	–	(19)	(19)	–	(19)
Dividends paid	*32*	–	–	–	–	(1 017)	(1 017)	–	(1 017)
		–	21	41	–	(1 039)	(977)	38	(939)
Balance at 31 March 2020		**334**	**(539)**	**368**	**3 133**	**13 840**	**17 136**	**123**	**17 259**
Comprehensive income									
Profit for the year		**–**	**–**	**–**	**–**	**1 301**	**1 301**	**(12)**	**1 289**
Other comprehensive income		**–**	**–**	**4**	**(507)**	**305**	**(198)**	**(1)**	**(199)**
		–	**–**	**4**	**(507)**	**1 606**	**1 103**	**(13)**	**1 090**
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*31*	**–**	**49**	**–**	**–**	**(17)**	**32**	**–**	**32**
Acquisition of warrants on own equity	*31*	**–**	**–**	**–**	**–**	**(15)**	**(15)**	**–**	**(15)**
Employee share option plan		**–**	**–**	**43**	**–**	**–**	**43**	**–**	**43**
Tax on share option plan	*12*	**–**	**–**	**4**	**–**	**–**	**4**	**–**	**4**
Warrants issued on own equity	*31*	**–**	**–**	**–**	**–**	**76**	**76**	**–**	**76**
Warrants distributed to shareholders	*31*	**–**	**–**	**–**	**–**	**(76)**	**(76)**	**–**	**(76)**
Dividends paid	*32*	**–**	**–**	**–**	**–**	**(529)**	**(529)**	**–**	**(529)**
		–	**49**	**47**	**–**	**(561)**	**(465)**	**–**	**(465)**
Balance at 31 March 2021		**334**	**(490)**	**419**	**2 626**	**14 885**	**17 774**	**110**	**17 884**

The notes on pages 79 to 134 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 March

	Notes	2021 €m	2020 €m
Cash flows from operating activities			
Operating profit		**1 478**	1 518
Adjustment for non-cash items	*34*	**1 554**	1 606
Changes in working capital	*34*	**529**	(327)
Cash flow generated from operations		**3 561**	2 797
Interest received		**83**	109
Interest paid		**(179)**	(181)
Dividends from equity-accounted investments	*11*	**–**	3
Dividends from other investments		**1**	15
Taxation paid		**(248)**	(373)
Net cash generated from operating activities		**3 218**	2 370
Cash flows from investing activities			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	*39*	**(33)**	(245)
Acquisition of equity-accounted investments		**–**	(1)
Proceeds from disposal of, and capital distributions from, equity-accounted investments		**50**	–
Acquisition of property, plant and equipment		**(386)**	(570)
Proceeds from disposal of property, plant and equipment		**14**	2
Payments capitalised as right of use assets		**–**	(2)
Acquisition of intangible assets		**(127)**	(165)
Acquisition of investment property		**(1)**	(4)
Investment in money market and externally managed funds		**(11 430)**	(8 422)
Proceeds from disposal of money market and externally managed funds		**10 085**	8 600
Acquisition of other non-current assets and investments		**(379)**	(30)
Proceeds from disposal of other non-current assets and investments		**12**	11
Net cash used in investing activities		**(2 195)**	(826)
Cash flows from financing activities			
Proceeds from borrowings	*35*	**2 072**	–
Corporate bond issue transaction costs	*35*	**(8)**	–
Repayment of borrowings	*35*	**(85)**	(365)
Dividends paid		**(529)**	(1 017)
Proceeds from sale of treasury shares		**32**	13
Acquisition of warrants on own equity		**(15)**	–
Contributions received from non-controlling interests		**–**	34
Lease payments – principal	*35*	**(561)**	(588)
Net cash used in financing activities		**906**	(1 923)
Net change in cash and cash equivalents		**1 929**	(379)
Cash and cash equivalents at the beginning of the year		**1 985**	2 347
Exchange (losses)/gains on cash and cash equivalents		**(134)**	17
Cash and cash equivalents at the end of the year	*18*	**3 780**	1 985

The notes on pages 79 to 134 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
at 31 March 2021

1. General information

Compagnie Financière Richemont SA ('the Company'), its subsidiaries and equity-accounted investments (together 'Richemont' or 'the Group') is one of the world's leading luxury goods groups. The Group's interests encompass several of the most prestigious names in the luxury industry including Cartier, Van Cleef & Arpels, Buccellati, A. Lange & Söhne, Baume & Mercier, IWC Schaffhausen, Jaeger-LeCoultre, Panerai, Piaget, Roger Dubuis, Vacheron Constantin, Watchfinder, YOOX NET-A-PORTER ('YNAP'), Alaïa, Chloé, Montblanc, Peter Millar, Purdey, Serapian and AZ Factory.

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

These consolidated financial statements have been approved by the Board of Directors of the Company ('the Board') for issue on 20 May 2021 and are subject to approval at the shareholders' general meeting due to be held on 8 September 2021.

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 IFRS Interpretations Committee interpretations (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 or other comprehensive income.

Except as described in note 2.2 below, the policies set out in notes 2.3 to 2.6 have been consistently applied to the periods presented.

2.2. Adoption of new accounting standards

Other than the accounting standards mentioned below, no other amendments to IFRS effective for the financial year ended 31 March 2021 have a material impact on the Group.

Amendment to IFRS 16, *Covid-19 related rent concessions*

On 1 April 2020, the Group has early adopted the amendments to IFRS 16, *Covid-19 related rent concessions*. As a result, rent concessions agreed with landlords since 1 April 2020 as a direct result of the Covid-19 pandemic have not been treated as a lease modification. This amendment applies to all concessions related to lease payments originally due on or before 30 June 2021, extended to 30 June 2022 by a further amendment. The amount recognised in profit or loss for the year ended 31 March 2021 as a result of this practical expedient is € 67 million.

2.3. 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 net assets of equity-accounted investments.

(a) Subsidiary undertaking

Subsidiary undertakings are defined as those undertakings that are controlled by the Group and are consolidated from the date control commences until the date control ceases. Control of an undertaking exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its powers over the entity. The accounts of subsidiary undertakings are drawn up at 31 March of each year. Uniform accounting policies have been adopted.

(b) Associates and joint ventures

Associated undertakings are defined as those undertakings, not classified as subsidiary undertakings, where the Group is able to exercise a significant influence. Significant influence is presumed to exist where the Group holds between 20% and 50% of the voting rights of another entity. Joint ventures are those arrangements where the Group has joint control and rights to the net assets of the arrangement.

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.

(c) Group companies

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, expenses and cash flows of foreign operations are translated to euro at the average exchange rates.

All resulting foreign exchange differences 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.

2.5. Impairment of non-financial assets
All non-financial assets are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be fully recoverable, with the exception of intangible assets that have an indefinite useful life which are not subject to amortisation and so are tested annually for impairment. The Group has identified goodwill as the only category of intangible asset with an indefinite life.

Assets which do not generate cash flows independently of other assets are allocated to a cash-generating unit ('CGU') for impairment testing. The CGUs are made up of assets grouped at the lowest levels for which there are separately identifiable cash flows, subject to an operating segment ceiling. An impairment loss is recognised, if necessary, for the amount by which a CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a CGU's fair value, less costs of disposal, and its value-in-use.

2.6. Other accounting policies
Details of the other accounting policies adopted by the Group can be found in the note to the financial statements to which they relate.

2.7. New standards and interpretations not yet adopted
Certain new accounting standards and amendments issued by the IASB and interpretations issued by the IFRS Interpretations Committee are not yet effective and have not been applied in preparing these consolidated financial statements. None are expected to have a significant impact on the Group's consolidated financial statements.

3. Risk assessment

The Company has a risk management process which considers both strategic and operational risks. All identified risks are modelled according to their probability of occurrence and potential impact and subsequently prioritised by Group management. A consolidated risk report, which includes risk mitigation plans prepared by the Group executive directly responsible for addressing the risk, is reviewed annually by the Audit Committee and the Board of Directors. For further details, refer to page 55 of the Group's annual report.

For any risks identified which relate to accounting and financial reporting, and to reduce the risk to the financial statements arising from material misstatement, whether due to fraud or error, the Group's internal control system framework defines relevant control measures which are implemented across the Group and appropriately monitored.

4. Critical accounting estimates and assumptions

The Group is required to make estimates and assumptions that affect the reported amount of certain asset, liability, income and expense items and certain disclosures regarding contingencies, and to make judgments in the process of applying its accounting policies. Estimates and assumptions 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 involving significant estimates, assumptions or judgments relate in particular to:

(a) Inventories
The Group records a provision against its inventories for damaged and slower-moving items. This provision is based on estimates made by management taking into consideration various factors including historical experience, estimated future demand, discontinuations and product development.

The provision is assessed at each reporting date by the respective Maison or subsidiary company and is adjusted accordingly. Details of the movements in the provision are provided in note 14.

(b) Taxation
The Group is subject to income taxes in a number of jurisdictions due to its wide geographical presence. There are a number of transactions and calculations on which the ultimate tax determination is uncertain. Management exercises judgment, within a strict and objective process framework, in determining the adequate current income tax provision including amounts in relation to uncertain tax positions. The amounts accrued are based on management's interpretation of the specific tax law and on adherence to internationally accepted rules and practice. New information may become available that causes the Group to change its assessment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Details of the Group's tax liabilities are given in note 12.

(c) Recoverable amount of cash-generating units for goodwill impairment testing
Goodwill is tested annually for impairment. The recoverable amounts of CGUs are determined based either on the value-in-use of the CGU, or on its fair value less costs of disposal. In both cases, these calculations require the use of estimates for sales growth, EBITDA margins, other future cash flows, discount rates and terminal growth rates.

Details of the goodwill impairment testing done in the year are given in note 7.

4. Critical accounting estimates and assumptions continued

(d) Impact of the Covid-19 outbreak

During the year ended 31 March 2021, the Covid-19 pandemic led to a significant slow-down of the global economy, temporary closures of the Group's sales network and distribution centres and an almost complete halt in international travel.

At the date of these financial statements, the impact and duration of the outbreak and the related measures taken to control it remain uncertain. In preparing these financial statements, these uncertainties have been considered throughout. Inventory provisions have been updated where necessary; given the nature of the Group's inventories, additional provisions were limited. The impact of reduced levels of production has been excluded from the valuation of inventory. In assessing the carrying value of its non-current assets, the Group has performed its annual impairment testing of CGUs. This testing was based on updated cash flow forecasts which consider current assumptions on the timing and scale of the economic recovery from the Covid-19 pandemic, including that online retail would recover faster than the retail and wholesale channels. Additional impairment testing of the Group's extensive boutique network was performed wherever indicators of impairment were identified. The Group has sufficient liquidity to meet its obligations, supplemented by the issue of € 2 billion corporate bonds in May 2020 (see note 19), and the credit risk arising from trade receivables is not considered to have significantly increased.

The Group's position remains that, despite a significant short-term impact, long-term market conditions remain unlikely to change. It continues to monitor on a regular basis the evolution of the pandemic and the related responses and to update its expectations when necessary.

5. 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 or distributor. These operating segments have been aggregated into reportable segments as follows:

- **Jewellery Maisons** – businesses whose heritage is in the design, manufacture and distribution of jewellery products; these comprise Buccellati, 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 A. Lange & Söhne, Baume & Mercier, IWC Schaffhausen, Jaeger-LeCoultre, Panerai, Piaget, Roger Dubuis and Vacheron Constantin.
- **Online Distributors** – businesses whose primary activity is the online sale of luxury goods. This group comprises Watchfinder and YNAP.

In order to determine which operating segments share similar economic characteristics and thus meet the criteria for aggregation, management has focused on the distribution network, product mix and gross margin structure of the Maisons.

Other operating segments include Alaïa, Chloé, dunhill, Montblanc, Peter Millar, Purdey, Serapian, AZ Factory, investment property companies and other manufacturing entities. None of these segments meet the quantitative thresholds for determining reportable segments.

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

The non-separable costs of operating multi-brand regional functions 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, unallocated valuation adjustments on acquisitions, 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.

5. Segment information continued

(a) Information on reportable segments continued

Revenue by business area is as follows:

Year to 31 March 2021	Jewellery Maisons €m	Specialist Watchmakers €m	Online Distributors €m	Other €m	Eliminations €m	Total Revenue €m
Revenue						
External revenue	**7 456**	**2 239**	**2 197**	**1 252**	**–**	**13 144**
Inter-segment revenue	**3**	**8**	**–**	**93**	**(104)**	**–**
	7 459	**2 247**	**2 197**	**1 345**	**(104)**	**13 144**

Year to 31 March 2020	Jewellery Maisons €m	Specialist Watchmakers €m	Online Distributors €m	Other €m	Eliminations €m	Total Revenue €m
Revenue						
External revenue	7 215	2 856	2 427	1 740	–	14 238
Inter-segment revenue	2	3	–	48	(53)	–
	7 217	2 859	2 427	1 788	(53)	14 238

The operating result by business area is as follows:

	2021 €m	2020 €m
Operating result		
Jewellery Maisons	**2 309**	2 077
Specialist Watchmakers	**132**	304
Online Distributors	**(223)**	(241)
Other	**(241)**	(141)
	1 977	1 999
Elimination of internal transactions	**(6)**	(2)
Impact of valuation adjustments on acquisitions	**(197)**	(196)
Unallocated corporate costs	**(296)**	(283)
Consolidated operating profit before finance and tax	**1 478**	1 518
Finance costs	**(295)**	(504)
Finance income	**320**	167
Share of post-tax results of equity-accounted investments	**12**	17
Profit before taxation	**1 515**	1 198
Taxation	**(226)**	(267)
Profit for the year	**1 289**	931

	2021 €m	2020 €m
Depreciation and amortisation costs included within the segment operating results		
Jewellery Maisons	**520**	488
Specialist Watchmakers	**252**	260
Online Distributors	**186**	171
Other	**194**	206
Unallocated	**370**	367
	1 522	1 492

In the year to 31 March 2021, impairment charges were included within Specialist Watchmakers and Other segments of € 2 million and € 2 million respectively. A further charge of € 10 million is included within unallocated corporate costs (2020: € 45 million was included in 'Other' segment).

5. Segment information continued

(a) Information on reportable segments continued

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

	2021 €m	2020 €m
Segment assets		
Jewellery Maisons	**3 561**	3 506
Specialist Watchmakers	**1 539**	1 616
Online Distributors	**955**	1 006
Other	**951**	1 050
	7 006	7 178
Eliminations	**(49)**	(17)
	6 957	7 161

	2021 €m	2020 €m
Total segment assets	**6 957**	7 161
Property, plant and equipment	**2 583**	2 774
Goodwill	**3 456**	3 465
Other intangible assets	**2 436**	2 623
Right of use assets	**3 339**	3 164
Investment property	**220**	282
Equity-accounted investments	**187**	180
Deferred income tax assets	**614**	600
Financial assets at fair value through profit or loss	**6 056**	4 372
Financial assets at fair value through other comprehensive income	**377**	115
Other non-current assets	**435**	447
Other receivables	**731**	743
Derivative financial instruments	**12**	44
Cash at bank and on hand	**7 877**	4 462
Assets held for sale	**79**	29
Total assets	**35 359**	30 461

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

	2021 €m	2020 €m
Additions to non-current assets:		
Property, plant and equipment, other intangible assets and investment property		
Jewellery Maisons	**266**	309
Specialist Watchmakers	**64**	99
Online Distributors	**113**	172
Other	**44**	89
Unallocated	**47**	124
	534	793

5. Segment information continued

(b) Information about geographical areas

Each operating segment operates on a worldwide basis. External sales presented in the four main geographical areas where the Group's operating segments operate are as follows:

	2021 €m	2020 represented €m
Europe	**2 955**	4 298
United Kingdom	**646**	1 024
France	**411**	739
Italy	**411**	582
Switzerland	**254**	464
Other Europe	**1 233**	1 489
Middle East and Africa	**924**	930
Asia	**6 877**	6 204
China	**4 366**	3 085
– of which mainland China	***3 633***	*1 797*
– of which Hong Kong SAR and Macau SAR	***733***	*1 288*
Japan	**940**	1 212
South Korea	**653**	818
Other Asia	**918**	1 089
Americas	**2 388**	2 806
United States	**2 136**	2 457
Other Americas	**252**	349
	13 144	14 238

Sales are allocated based on the location of the wholesale customer, the boutique or the shipping address for online transactions. Prior period amounts have been re-presented for consistency with the current period presentation; specifically, sales for Germany and Spain are now included within Other Europe and sales for Italy are presented separately.

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:

	2021 €m	2020 €m
Italy	**4 295**	4 374
United Kingdom	**2 030**	2 082
Switzerland	**1 837**	1 960
United States	**1 133**	1 152
France	**1 123**	996
Rest of the world	**2 106**	2 232
	12 524	12 796

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

5. Segment information continued

(c) Information about products

External sales by product are as follows:

	2021 €m	2020 €m
Jewellery	**5 553**	5 205
Watches	**4 085**	4 816
Clothing	**1 636**	1 792
Leather goods and accessories	**1 129**	1 415
Writing instruments	**308**	383
Other	**433**	627
	13 144	14 238

(d) Major customers

Sales to no single customer represented more than 10% of total revenue.

6. Property, plant and equipment

Accounting policy

All property, plant and equipment is shown at cost less accumulated depreciation and impairment. Depreciation on property, plant and equipment is calculated using the straight-line method over the asset's estimated useful life, up to the following limits:

- Buildings 40 years
- Plant and machinery 20 years
- Fixtures, fittings, tools and equipment 15 years

Residual values and useful lives are reviewed annually and adjusted if appropriate. Neither assets under construction nor land are depreciated.

	Land and buildings €m	Plant and machinery €m	Fixtures, fittings, tools and equipment €m	Assets under construction €m	Total €m
1 April 2019					
Cost	1 413	950	3 125	199	5 687
Depreciation	(475)	(610)	(1 874)	–	(2 959)
Net book value at 1 April 2019	938	340	1 251	199	2 728
Exchange adjustments	40	11	7	1	59
Acquisition through business combinations	2	1	4	–	7
Additions	14	54	379	166	613
Disposals	(1)	(1)	(8)	(2)	(12)
Depreciation charge	(62)	(69)	(384)	–	(515)
Impairment charge	–	(2)	(37)	–	(39)
Reclassified to right of use assets	(39)	–	(17)	–	(56)
Reclassified to assets held for sale	11	–	(22)	–	(11)
Transfers and reclassifications	37	10	104	(151)	–
31 March 2020					
Cost	1 505	1 035	3 349	213	6 102
Depreciation	(565)	(691)	(2 072)	–	(3 328)
Net book value at 31 March 2020	940	344	1 277	213	2 774

6. Property, plant and equipment continued

	Land and buildings €m	Plant and machinery €m	Fixtures, fittings, tools and equipment €m	Assets under construction €m	Total €m
1 April 2020					
Cost	**1 505**	**1 035**	**3 349**	**213**	**6 102**
Depreciation	**(565)**	**(691)**	**(2 072)**	**–**	**(3 328)**
Net book value at 1 April 2020	**940**	**344**	**1 277**	**213**	**2 774**
Exchange adjustments	**(32)**	**(8)**	**(34)**	**(5)**	**(79)**
Acquisition through business combinations (note 39)	**1**	**–**	**1**	**–**	**2**
Additions	**10**	**30**	**190**	**176**	**406**
Disposals	**(4)**	**–**	**(7)**	**(11)**	**(22)**
Depreciation charge	**(67)**	**(67)**	**(361)**	**–**	**(495)**
Impairment charge	**–**	**–**	**(4)**	**–**	**(4)**
Reclassified to assets held for sale (note 17)	**4**	**–**	**(3)**	**–**	**1**
Transfers and reclassifications	**10**	**3**	**102**	**(115)**	**–**
31 March 2021					
Cost	**1 472**	**1 026**	**3 311**	**258**	**6 067**
Depreciation	**(610)**	**(724)**	**(2 150)**	**–**	**(3 484)**
Net book value at 31 March 2021	**862**	**302**	**1 161**	**258**	**2 583**

Land and buildings comprise mainly manufacturing facilities, retail boutiques, offices and distribution centres.

Impairment charges of € 4 million are included in selling and distribution expenses (2020: € 39 million included in other expenses).

Committed capital expenditure not reflected in these financial statements amounted to € 99 million at 31 March 2021 (2020: € 23 million).

7. Goodwill

Accounting policy
Goodwill is allocated to the CGUs' for the purpose of impairment testing that are expected to benefit from the business combination in which the goodwill arose, subject to an operating segment ceiling. It is tested annually for impairment and carried at cost less accumulated impairment losses.

	€m
Cost at 1 April 2019	3 354
Exchange adjustments	9
Goodwill arising on business combinations	103
Impairment charge	(1)
Cost at 31 March 2020	**3 465**
Exchange adjustments	**(7)**
Adjustment to goodwill arising from prior year business combinations	**4**
Impairment charge	**(6)**
Cost at 31 March 2021	**3 456**

The goodwill balance arising from the Buccellati acquisition in the prior year has been adjusted since 31 March 2020 following definitive completion of the acquisition, which led to an increase in consideration paid and in goodwill of € 4 million. No changes were made to the value of the net assets acquired in this business combination. IFRS 3 allows a twelve month measurement period from acquisition date to complete the initial accounting; as the adjustment is not significant in terms of the total goodwill balance, the prior period has not been restated.

7. Goodwill continued

Impairment testing for goodwill

The Group considers its Maisons and individual Online Distributors to be the appropriate CGUs for goodwill allocation. The balance at 31 March is allocated as follows:

	2021 €m	2020 €m
Jewellery Maisons	**1 134**	1 135
Specialist Watchmakers	**432**	443
Online Distributors	**1 715**	1 709
Other Maisons	**175**	178
	3 456	3 465

Cartier and YNAP CGUs each have an allocation of goodwill which is considered significant when compared to the total goodwill balance.

The Cartier CGU includes goodwill of € 820 million (2020: € 824 million). The discounted cash flow model on which the value-in-use calculation is based includes five years of cash flows and assumes sales and EBITDA growth of 1% (2020: 1%) and a terminal growth rate of 2.2% (2020: 2.2%), with operating margins remaining stable over the period. The growth rate is based on conservative assumptions given the significant level of headroom in prior years. The pre-tax discount rate used is 7.46% (2020: 7.07%).

Goodwill allocated to the YNAP CGU amounts to € 1 549 million (2020: € 1 549 million). The discounted cash flow model on which the fair value less cost of disposal calculation is based includes ten years of cash flows, based on the long-term nature of the investment, and assumes sales growth of between 15% and 23% per annum, or 18.5% CAGR (2020: 17% CAGR), based on management forecasts and external industry analysis and a terminal growth rate of 2.25% (2020: 2.25%), with EBITDA margins expected to improve over the period to a level consistent with expected performance of an online luxury retailer. The pre-tax discount rate used is 10.44% (2020: 8.88%). The valuation was confirmed by using comparable multiples for other listed groups in the luxury e-commerce industry. It is classified as Level 3 in the IFRS fair value hierarchy.

A reasonably possible change in key assumptions at 31 March 2021 used for the Cartier CGU would not cause the carrying amount to exceed the recoverable amount. With respect to the YNAP CGU, the estimated recoverable amount of the CGU exceeded its carrying value by € 1 789 million. The following reasonably possible changes to key assumptions would lead to the recoverable value equalling the carrying amount.

	Key assumption	Change
Terminal growth	**2.25%**	-5.55 ppt
Discount rate	**10.4%**	+2.28 ppt
Revenue growth (CAGR)	**18.5%**	-4.55 ppt
Long-term EBITDA margin	**15.0%**	-20.9%

No other CGU has an allocation of goodwill which is significant in comparison with the total carrying amount. For the majority of the Group’s CGUs, representing a total goodwill allocation of € 559 million, the recoverable value is calculated using value-in-use. For each CGU, the discounted cash flow model used for impairment testing considers five years of cash flows and a long-term growth rate based on the long-term inflation rate. Sales growth projections are based on Maison and Online Distributor management forecasts and growth rates which are fixed at the low end of the Group’s past experience. EBITDA margins are assumed to remain stable compared to the margin achieved by the CGU in the current year unless there are Maison-specific reasons to assume otherwise. For certain Maisons or Online Distributors that are at the beginning of significant expansion or realignment, the calculation of the recoverable value, which may be based on fair value less cost of disposal where appropriate, includes ten years of cash flows, with sales growth projections including input from independent external analysis on the luxury industry, supplemented by CGU-specific adjustments when deemed necessary, or on historic growth rates experienced by peers.

7. Goodwill continued

As a result of this impairment testing, two CGUs were identified (Buccellati and Watchfinder) for which reasonably possible changes to key assumptions would lead to the recoverable value equalling the carrying amount. The goodwill allocated to these CGUs amounts to €107 million and € 166 million respectively. The estimated recoverable value for these CGUs exceeded the carrying value by € 84 million and € 46 million respectively. The following reasonably possible changes to key assumptions would lead to the recoverable value equalling the carrying amount:

	Key assumption	Change
Buccellati CGU		
Terminal growth	**2.25%**	-3.15 ppt
Discount rate	**9.0%**	+1.39 ppt
Revenue growth (CAGR)	**22.7%**	-4.87 ppt
Long-term EBITDA margin	**35.0%**	-19.3%
Watchfinder CGU		
Terminal growth	**2.25%**	-2.90 ppt
Discount rate	**10.9%**	+1.23 ppt
Revenue growth (CAGR)	**19.0%**	-3.02 ppt
Long-term EBITDA margin	**10.0%**	-14.0%

In all cases, the expected impact of the Covid-19 pandemic is reflected in the forecast cash flows for each CGU. The Group's assumption remains that despite the short-term impact, long-term market conditions remain broadly unchanged, with online retail recovering more quickly than traditional distribution channels.

At 31 March 2021, goodwill impairments totalling € 6 million have been identified arising from one CGU included within 'Specialist Watchmakers' for segmental reporting (note 5) (2020: € 45 million arising from three CGUs, of which € 1 million related to goodwill). Impairment charges are included in Other operating expenses.

8. Other intangible assets

Accounting policy

Other intangible assets are shown at cost less accumulated amortisation and impairment. Amortisation of other intangible assets is calculated using the straight-line method over the asset's estimated useful life, or contractual life if applicable, up to the following limits:

- Software and related licences 15 years
- Development costs 10 years
- Intellectual property-related 50 years
- Distribution rights 5 years
- Leasehold rights 20 years

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. Costs associated with maintaining software are expensed as incurred.

Leasehold rights represent premiums paid to parties other than the lessor at the inception of operating leases and are amortised over their expected useful lives or, if shorter, the lease period.

Costs incurred on development projects, including internally generated costs, 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. These assets are amortised from the commencement of commercial production of the product. Other development expenditures and research expenditures are expensed as incurred.

	Intellectual property related €m	Leasehold and distribution rights €m	Computer software and related licences €m	Development costs €m	Total €m
1 April 2019					
Cost	2 455	268	596	218	3 537
Amortisation	(258)	(155)	(236)	(131)	(780)
Net book value at 1 April 2019	2 197	113	360	87	2 757
Exchange adjustments	(33)	1	–	4	(28)
Acquisition through business combinations	107	6	1	–	114
Additions:					
– internally developed	–	–	45	33	78
– other	13	1	84	–	98
Disposals	(33)	–	(1)	(2)	(36)
Amortisation charge	(162)	(25)	(145)	(23)	(355)
Impairments	(2)	–	(3)	–	(5)
31 March 2020					
Cost	2 496	256	677	165	3 594
Amortisation	(409)	(160)	(336)	(66)	(971)
Net book value at 31 March 2020	2 087	96	341	99	2 623

8. Other intangible assets continued

	Intellectual property related €m	Leasehold and distribution rights €m	Computer software and related licences €m	Development costs €m	Total €m
1 April 2020					
Cost	**2 496**	**256**	**677**	**165**	**3 594**
Amortisation	**(409)**	**(160)**	**(336)**	**(66)**	**(971)**
Net book value at 1 April 2020	**2 087**	**96**	**341**	**99**	**2 623**
Exchange adjustments	**39**	**(1)**	**–**	**(4)**	**34**
Acquisition through business combinations (note 36)	**10**	**3**	**–**	**–**	**13**
Additions:					
– internally developed	**–**	**–**	**39**	**33**	**72**
– other	**1**	**–**	**54**	**–**	**55**
Disposals	**–**	**–**	**–**	**(1)**	**(1)**
Amortisation charge	**(161)**	**(24)**	**(151)**	**(24)**	**(360)**
Transfers and reclassifications	**–**	**–**	**1**	**(1)**	**–**
31 March 2021					
Cost	**2 553**	**241**	**713**	**165**	**3 672**
Amortisation	**(577)**	**(167)**	**(429)**	**(63)**	**(1 236)**
Net book value at 31 March 2021	**1 976**	**74**	**284**	**102**	**2 436**

Other intangible assets at 31 March 2021 includes intellectual property-related assets, specifically the trading names 'NET-A-PORTER' and 'YOOX', which have a carrying value of € 1 563 million (2020: € 1 610 million). The assets have a remaining useful life of 17 years. No other individual intangible assets are material to the Group.

Amortisation of € 24 million (2020: € 23 million) is included in cost of sales; € 28 million (2020: € 25 million) is included in selling and distribution expenses; € 116 million (2020: € 112 million) is included in administration expenses; and € 192 million (2020: € 195 million) is included in other expenses.

Committed capital expenditure not reflected in these financial statements amounted to € 23 million at 31 March 2021 (2020: € 25 million).

9. Leases

Accounting policy

The Group leases various boutiques, offices, warehouses and manufacturing facilities under non-cancellable lease arrangements.

A right of use asset and corresponding lease liability is recognised with respect to all lease agreements in which the Group is the lessee, except for short-term leases (where the lease term is 12 months or less), leases with variable rentals not based on an observable index and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by the incremental borrowing rate, which is based on the rate at which the Group would be able to borrow funds in the same jurisdiction over the same term as the lease agreement. The lease liability is subsequently measured using the effective interest rate method.

The right of use asset is based on the initial measurement of the lease liability, adjusted for any payments made at or before the commencement date and for initial direct costs, including key money. It is subsequently measured at cost less accumulated depreciation and impairment charges. Depreciation is charged on a straight-line basis over the lease term.

The lease term used to determine the lease liability and the useful life of the right of use asset is based on the lease agreement, excluding renewal options unless these options are contractual, the specific terms of the additional rental period are included in the initial lease agreement and the Group has a reasonable expectation of exercising the option. Termination options are ignored unless the Group already has the intention to exercise the option at the commencement date.

Lease concessions agreed after 1 April 2020 for lease payments due before 30 June 2022 as a direct result of the Covid-19 pandemic are not treated as a lease modification. Any change resulting from such an agreement is recorded in profit and loss for the period.

The Group has a number of commitments under non-cancellable lease contracts relating to boutiques, offices and manufacturing facilities. Leases are negotiated on an individual basis and may contain escalation clauses, renewal rights and termination options, depending on standard practices in the local market and on the Group's desire to maintain flexibility in its asset base.

Right of use assets at 31 March are as follows:

	Land and buildings €m	Other assets €m	Total €m
1 April 2019			
Carrying amount at date of initial application	3 022	23	3 045
Net book value at 1 April 2019	3 022	23	3 045
Exchange adjustments	20	–	20
Acquisition through business combinations	62	–	62
Additions	629	15	644
Depreciation charge	(606)	(12)	(618)
Remeasurement	7	–	7
Transfers	3	–	3
31 March 2020			
Gross value	3 743	44	3 787
Depreciation	(606)	(17)	(623)
Net book value at 31 March 2020	3 137	27	3 164

Notes to the consolidated financial statements continued

9. Leases continued

	Land and buildings €m	Other assets €m	Total €m
1 April 2020			
Gross value	**3 743**	**44**	**3 787**
Depreciation	**(606)**	**(17)**	**(623)**
Net book value at 1 April 2020	**3 137**	**27**	**3 164**
Exchange adjustments	**(85)**	**(1)**	**(86)**
Acquisition through business combinations (note 39)	**19**	**–**	**19**
Additions	**700**	**16**	**716**
Depreciation charge	**(650)**	**(13)**	**(663)**
Impairment charge	**(4)**	**–**	**(4)**
Remeasurement	**193**	**–**	**193**
31 March 2021			
Gross value	**4 499**	**58**	**4 557**
Depreciation	**(1 189)**	**(29)**	**(1 218)**
Net book value at 31 March 2021	**3 310**	**29**	**3 339**

'Other assets' includes plant & machinery, fixtures, fittings, tools and equipment.

Total lease liabilities are as follows:

	31 March 2021 €m	31 March 2020 €m
Non-current lease liabilities	**(2 927)**	(2 702)
Current lease liabilities	**(590)**	(612)
	(3 517)	(3 314)

The maturity of the Group's lease liabilities is as follows:

31 March 2021	2021 Carrying value €m	2021 Contractual cash flows €m	2020 Carrying value €m	2020 Contractual cash flows €m
Less than one year	**(590)**	**(642)**	(612)	(669)
Between 1-2 years	**(512)**	**(555)**	(595)	(650)
Between 2-3 years	**(429)**	**(463)**	(411)	(447)
Between 3-4 years	**(349)**	**(377)**	(346)	(376)
Between 4-5 years	**(267)**	**(301)**	(282)	(306)
More than 5 years	**(1 370)**	**(1 543)**	(1 068)	(1 238)
	(3 517)	**(3 881)**	(3 314)	(3 686)

9. Leases continued

Included within operating profit are the following expenses, which are not reflected in the lease liabilities:

	2021 €m	2020 €m
Short-term leases	**59**	83
Low-value asset leases	**11**	24
Variable rental payments	**400**	368
Other	**1**	–
	471	475

Interest charges recognised during the period amounted to € 65 million (2020: € 74 million) (note 29).

The Group has applied the practical expedient permitted by IFRS 16 (paragraph 46B) and, as a result, rent concessions agreed with landlords since 1 April 2020 as a direct result of the Covid-19 pandemic have not been treated as a lease modification. The amount recognised in profit or loss for the year ended 31 March 2021 as a result of this practical expedient is € 67 million.

Certain boutique leases contain a variable element, based most commonly on percentage of sales, which links rental payments to boutique revenue. Cash outflows arising from variable rental contracts for the period amounted to € 383 million (2020: € 368 million), which represented 36% of the total rental payments made (2020: 32%). Variable rentals are not reflected in the lease liabilities above. In addition, some lease agreements contain extension clauses, which would allow the Group to extend the lease for a specific additional period. Cash flows under such clauses are generally included in the lease liabilities above if the lease terms of the extended period are specified in the original lease agreement.

The total cash outflow for leases for the period amounted to € 1 070 million (2020: € 1 129 million).

At 31 March 2021, the Group had commitments totalling € 102 million for lease agreements which had not yet commenced (2020: € 340 million).

10. Investment property

Accounting policy

Investment property consists of land and buildings held to earn rental income or for capital appreciation, or both, and not for use in the operating or administrative activities of the Group. Where only an insignificant portion of the whole property is for own use the entire property is recognised as an investment property. Otherwise the part of the property used internally is recognised within property, plant and equipment.

Investment property is measured at cost less accumulated depreciation and impairment. Depreciation is calculated using the straight-line method over the asset's expected useful life, up to a maximum of 40 years. Land is not depreciated.

	€m
1 April 2019	
Cost	287
Depreciation	(5)
Net book value at 1 April 2019	282
Additions:	
– subsequent expenditure	4
Depreciation	(4)
31 March 2020	
Cost	291
Depreciation	(9)
Net book value at 31 March 2020	282

	€m
1 April 2020	
Cost	**291**
Depreciation	**(9)**
Net book value at 1 April 2020	**282**
Exchange adjustments	**1**
Additions:	
– subsequent expenditure	**1**
Depreciation	**(4)**
Transfer to assets held for sale	**(60)**
31 March 2021	
Cost	**231**
Depreciation	**(11)**
Net book value at 31 March 2021	**220**

The Group owns investment properties located in Canada, France and Denmark. During the year, a property with carrying value of € 60 million was transferred to assets held for sale (note 17).

Independent property valuers performed market valuations of the Group's properties as at 31 March 2021. These independent property valuers hold appropriate recognised professional qualifications and have recent experience in the location and category of properties being valued. The fair value of the properties was determined using the income approach considering recent market transactions, supported by market knowledge and the current and future rental income potential arising from the existing leases.

10. Investment property continued

The fair value is considered as Level 3 in the fair value hierarchy as described in IFRS. The most significant inputs considered in the valuation were the capitalisation rates of between 3.00% and 4.50% and the current and future level of rental income per square metre. The fair value of the Group's investment properties was determined to be € 240 million at 31 March 2021 (2020: € 339 million for four properties).

Investment properties with a net book value of € 36 million are pledged as security for long-term liabilities at 31 March 2021 (2020: € 35 million).

There was no committed capital expenditure on investment properties which is not reflected in the balance sheet (2020: € 1 million).

The Group leases out its investment properties. Rental income of € 2 million was received in the year to 31 March 2021 and included as other operating income (2020: € 2 million). The minimum rental payments under non-cancellable leases receivable at 31 March are not significant. Repairs and maintenance expenses of € 3 million (2020: € 5 million) related to income-generating properties are included as other operating expenses.

11. Equity-accounted investments

Accounting policy

Associated undertakings and joint ventures ('equity-accounted investments') are accounted for using the equity method.

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

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the investment, the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investment.

Goodwill arising on the acquisition of equity-accounted investments is included in the carrying value of the equity-accounted investment and is tested for impairment whenever events or changes in circumstance indicate that the carrying amount of the investment may not be fully recoverable.

	€m
At 1 April 2019	182
Exchange adjustments	(2)
Acquisition of equity-accounted investments	1
Disposal of equity-accounted investments	(7)
Dividend received	(3)
Share of post-tax results	9
Share of other comprehensive income	–
At 31 March 2020	**180**
Exchange adjustments	**3**
Disposal of equity-accounted investments	**(1)**
Share of post-tax results	**5**
Share of other comprehensive income	**–**
At 31 March 2021	**187**

Notes to the consolidated financial statements continued

11. Equity-accounted investments continued

The value of equity-accounted investments at 31 March 2021 includes goodwill of € 43 million (2020: € 43 million).

The Group's share of post-tax results of equity-accounted investments includes the gain on disposal of the investments in E_Lite SpA of € 5 million and a loss on deemed disposal of the investment in Montblanc India Retail Private Limited of € 1 million.

The Group's principal equity-accounted investments at 31 March 2021 are as follows:

		2021 interest held (%)	2020 interest held (%)	Country of incorporation	Country of operation
Associates					
Greubel Forsey SA	Watchmaker	**20**	20	Switzerland	Switzerland
Rouages SA	Watch component manufacturer	**35**	35	Switzerland	Switzerland
Schwab-Feller AG	Watch component manufacturer	**20**	20	Switzerland	Switzerland
Kering Eyewear SpA	Eyewear manufacturer/distributor	**30**	30	Italy	Worldwide
Joint ventures					
Laureus World Sports Awards Limited	Sports Awards	**50**	50	United Kingdom	Worldwide
DPS Beaune SAS	Jewellery manufacturer	**33**	33	France	France
New Bond Street JV Jersey Unit Trust	Investment entity	**48**	48	United Kingdom	United Kingdom
New Bond Street JV II Unit Trust	Investment entity	**46**	46	United Kingdom	United Kingdom
Montblanc India Retail Private Limited [1]	Distributor	**100**	51	India	India

1. Montblanc India Retail Private Limited was classified as a joint venture due to the terms of the agreement between the Group and the joint venture partner.

During the period, the Group acquired the remaining share capital of Montblanc India Retail Private Limited. This entity is now fully consolidated and no longer classified as a joint venture. As a result of this transaction, the existing shareholding was remeasured to fair value prior to the deemed disposal.

12. Taxation

Accounting policy

Current tax is the expected tax payable or receivable on the taxable profits/(losses) of Group companies, calculated using local tax rates enacted or substantively enacted at the reporting date, and includes adjustments in respect of previous years, where applicable.

Deferred tax is provided using the liability method in accordance with IAS 12 and is determined using the tax rates and laws enacted or substantively enacted when the deferred tax is realised or settled.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and equity-accounted investments, 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.

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 which case the related tax effect is also recognised directly in equity or in other comprehensive income.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

12.1. Deferred income tax

Deferred income tax assets

	1 April 2019 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2020 €m
Depreciation	39	(1)	3	–	1	42
Provision for inventories	95	1	(23)	–	5	78
Provision for impairment of receivables	3	–	3	–	–	6
Employee benefit obligations	27	–	3	10	–	40
Unrealised gross margin elimination	458	3	(31)	–	5	435
Tax losses carried forward	93	–	51	–	1	145
Equity-settled share plans	10	–	(5)	–	–	5
Leases	–	2	19	–	14	35
Other	146	–	(12)	7	25	166
	871	5	8	17	51	952
Offset against deferred tax liabilities for entities settling on a net basis	(277)					(352)
	594					600

	1 April 2020 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2021 €m
Depreciation	**42**	**–**	**11**	**–**	**6**	**59**
Provision for inventories	**78**	**(3)**	**(9)**	**–**	**6**	**72**
Provision for impairment of receivables	**6**	**–**	**(3)**	**–**	**–**	**3**
Employee benefit obligations	**40**	**–**	**3**	**(15)**	**–**	**28**
Unrealised gross margin elimination	**435**	**(10)**	**(21)**	**–**	**4**	**408**
Tax losses carried forward	**145**	**1**	**94**	**–**	**1**	**241**
Equity-settled share plans	**5**	**–**	**7**	**4**	**–**	**16**
Leases	**35**	**(18)**	**13**	**–**	**6**	**36**
Other	**166**	**(3)**	**33**	**–**	**(18)**	**178**
	952	**(33)**	**128**	**(11)**	**5**	**1 041**
Offset against deferred tax liabilities for entities settling on a net basis	**(352)**					**(427)**
	600					**614**

€ 558 million of deferred tax assets are expected to be recovered after more than twelve months (2020: € 433 million).

Notes to the consolidated financial statements continued

12. Taxation continued

12.1. Deferred income tax continued

Deferred income tax liabilities

	1 April 2019 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2020 €m
Depreciation	(46)	(1)	(5)	–	(1)	(53)
Provision for inventories	(82)	(3)	1	–	(2)	(86)
Undistributed retained earnings	(41)	–	(2)	–	–	(43)
Intangible assets recognised on acquisition	–	3	22	–	(472)	(447)
Leases	–	(3)	(5)	–	(14)	(22)
Other	(466)	3	(3)	(3)	417	(52)
	(635)	(1)	8	(3)	(72)	(703)
Offset against deferred tax assets for entities settling on a net basis	277					352
	(358)					(351)

	1 April 2020 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2021 €m
Depreciation	**(53)**	**2**	**5**	**–**	**(5)**	**(51)**
Provision for inventories	**(86)**	**3**	**29**	**–**	**(10)**	**(64)**
Undistributed retained earnings	**(43)**	**–**	**(9)**	**–**	**–**	**(52)**
Intangible assets recognised on acquisition	**(447)**	**(8)**	**44**	**–**	**(1)**	**(412)**
Leases	**(22)**	**16**	**(10)**	**–**	**(6)**	**(22)**
Other	**(52)**	**2**	**(50)**	**–**	**16**	**(84)**
	(703)	**15**	**9**	**–**	**(6)**	**(685)**
Offset against deferred tax assets for entities settling on a net basis	**352**					**427**
	(351)					**(258)**

€ 621 million of deferred tax liabilities are expected to be settled after more than twelve months (2020: € 617 million).

Unrecognised deferred tax assets and liabilities

Deferred tax assets are recognised for losses carried forward when it is considered likely that the losses will be utilised against future taxable profits, based on estimated future profitability in the relevant tax jurisdiction. The Group has not recognised a deferred tax asset in respect of tax losses of €3 119 million (2020: € 839 million). The majority of these losses relate to transactions in previous years, often with no impact on the Group's consolidated profit or loss as reported under IFRS; in the current period, developments within certain legal entities resulted in a change to management's judgement of the potential and prospective recoverability of losses associated with those entities. A significant portion of these losses relate to entities in which the majority of income is taxable at 0%. € 1 224 million of the unrecognised tax losses can be carried forward in the applicable jurisdiction of the reporting entity with no expiry dates (2020: € 771 million). The remainder of the unrecognised tax losses have maximum expiration dates of between five and seventeen years.

Additionally, the Group has not recognised deferred tax liabilities in relation to unremitted earnings from its subsidiaries which are not expected to be distributed in the foreseeable future amounting to € 213 million (2020: € 182 million).

12. Taxation continued

12.2. Taxation charge

Taxation charge for the year:

	2021 €m	2020 €m
Current tax	**363**	283
Deferred tax charge/(credit)	**(137)**	(16)
	226	267

The average effective tax rate is calculated in respect of profit before taxation but excluding the share of post-tax results of equity-accounted investments. The rates for the years ended 31 March 2021 and 2020 were 15.1% and 22.6% respectively.

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

	2021 €m	2020 €m
Profit before taxation	**1 515**	1 198
Share of post-tax results of equity-accounted investments	**(12)**	(17)
Adjusted profit before taxation	**1 503**	1 181
Tax on adjusted profit calculated at statutory tax rate	**210**	165
Difference in tax rates	**(56)**	91
Non-taxable income	**(20)**	(9)
Non-deductible expenses net of other permanent differences	**9**	1
Utilisation and recognition of prior year tax losses	**(2)**	(3)
Non-recognition of current year tax losses	**29**	28
Withholding and other income taxes	**57**	8
Prior year adjustments	**(1)**	(14)
Taxation charge	**226**	267

The statutory tax rate applied of 14% (2020: 14%) reflects the average rate applicable to the main Swiss-based operating companies.

13. Other non-current assets

Accounting policy
Included within other non-current assets is the Group's collection of heritage pieces, held primarily for presentation purposes to promote the Maisons and their history and not intended for sale. These assets are held at cost less any impairment in value. The residual values of such pieces are generally equal to or in excess of cost.

	2021 €m	2020 €m
Maisons' collections	**285**	288
Lease deposits	**125**	133
Loans and receivables	**7**	6
Other assets	**18**	20
	435	447

At 31 March 2021, non-current loans and receivables included a receivable due from equity-accounted investments of € 2 million (2020: € nil).

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

14. Inventories

Accounting policy

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. For inventories sold through the fashion division of YNAP, cost is determined in accordance with the average cost methodology by product category, which includes acquisition costs and costs incurred to bring inventories to their current location and condition.

	2021 €m	2020 €m
Raw materials and work in progress	**1 963**	2 096
Finished goods	**5 179**	5 379
	7 142	7 475
Provision for inventories	**(823)**	(817)
	6 319	6 658

The cost of inventories recognised as an expense and included in cost of sales amounted to € 4 672 million (2020: € 5 043 million).

The Group reversed € 92 million (2020: € 106 million) of previous inventory write-downs 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 € 276 million (2020: € 221 million) of write-down of inventories within cost of sales.

15. Trade receivables and other current assets

Accounting policy

The carrying value of trade receivables represents the original invoice amount, being the fair value at initial recognition, less provision for impairment. Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group applies the simplified approach to measuring expected credit losses ('ECL') based on lifetime ECL, as permitted by IFRS 9. A provision for impairment is established when there is evidence, based on historic experience and knowledge of the Group's customer base, that the counterparty is credit impaired or that the Group will not be able to collect all amounts due, according to the original terms of the receivables. Impairment losses are recognised in profit or loss for the period. Other receivables include credit card receivables.

	2021 €m	2020 €m
Trade receivables	**661**	533
Less: provision for impairment	**(23)**	(30)
Trade receivables – net	**638**	503
Other receivables	**308**	280
Current financial assets	**946**	783
Sales return asset	**54**	50
Current income tax asset	**57**	61
Prepayments and other	**312**	352
	1 369	1 246

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

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of internationally dispersed customers. The maximum exposure to credit risk is equal to the carrying value.

15. Trade receivables and other current assets continued

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

	2021 €m	2020 €m
Balance at 1 April of prior year	**(30)**	(21)
Provision charged to profit or loss	**(14)**	(23)
Utilisation of provision	**6**	3
Reversal of unutilised provision	**13**	11
Exchange differences	**2**	–
Balance at 31 March	**(23)**	(30)

At 31 March 2021, trade and other receivables of € 34 million (2020: € 36 million) were impaired.

Receivables past due but not impaired:

	2021 €m	2020 €m
Up to three months past due	**30**	58
Three to six months past due	**3**	6
Over six months past due	**3**	12
	36	76

16. Derivative financial instruments

The Group uses currency forwards, being commitments to purchase or sell foreign currencies.

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

	Nominal amount		Fair value assets		Fair value liabilities	
	2021 €m	2020 €m	2021 €m	2020 €m	2021 €m	2020 €m
Currency forwards	**3 477**	4 399	**12**	44	**(114)**	(30)

The contractual maturity of the nominal value of derivative instruments held is as follows:

	Less than 6 months		Between 6 and 12 months		After 12 months	
	2021 €m	2020 €m	2021 €m	2020 €m	2021 €m	2020 €m
Currency forwards	**1 820**	2 800	**1 657**	1 599	**–**	–

Nominal amount

Nominal amount represents the sum of all contract volumes outstanding at the year end.

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

Notes to the consolidated financial statements continued

17. Assets held for sale

At 31 March 2021, assets with net book value of € 79 million are presented as Held for Sale, including an investment property with net book value of € 60 million located in Paris. The sale of these assets, which are not allocated to operating segments in note 5, are expected to be completed in the coming financial year.

18. Cash and cash equivalents

	2021 €m	2020 €m
Cash at bank and on hand	**7 877**	4 462
Bank overdrafts	**(4 097)**	(2 477)
	3 780	1 985

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.

The effective interest rate on cash at bank was 0.6% (2020: 1.0%). The effective interest rate on bank overdrafts was 0.7% (2020: 0.9%).

19. Borrowings

Accounting policy
Borrowings, including corporate bonds, are recognised initially at fair value, net of transaction costs incurred and 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.

	2021 €m	2020 €m
Non-current:		
Corporate bonds	**5 922**	3 935
Secured bank borrowings	**15**	16
	5 937	3 951
Current:		
Unsecured bank borrowings	**–**	1
	–	1
Total borrowings	**5 937**	3 952

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

	2021 €m	2020 €m
Euro	**5 922**	3 937
Other	**15**	15
	5 937	3 952

The Group's borrowings are all subject to fixed interest rates.

19. Borrowings continued

Other than the corporate bonds, the Group has fixed rate DKK borrowings totalling € 15 million for which the rates of 0.79% are fixed until September 2021. The DKK loans are secured on the Group's investment property located in Copenhagen. The fair values of these fixed rate borrowings are not significantly different to the carrying value.

The following corporate bonds, which are listed on the Luxembourg Stock Exchange, have been issued by a subsidiary of the Group based in Luxembourg, Richemont International Holding SA.

	2021 €m	2020 €m
1.00% € 1 500 million bond maturing in 2026 issued at 98.784%	**1 485**	1 482
1.50% € 1 250 million bond maturing in 2030 issued at 98.701%	**1 234**	1 232
2.00% € 1 000 million bond maturing in 2038 issued at 97.805%	**976**	975
2.00% € 250 million bond maturing in 2038 issued at 98.557%	**246**	246
0.75% € 500 million bond maturing in 2028 issued at 99.884%	**496**	–
1.125% € 850 million bond maturing in 2032 issued at 99.732%	**846**	–
1.625% € 650 million bond maturing in 2040 issued at 98.387%	**639**	–
	5 922	3 935

20. Employee benefit obligations

Accounting policy

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 balance sheet 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. 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. Remeasurements, comprising actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest) are charged or credited to other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension 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 employees have rendered services entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Switzerland

The Group's largest retirement plan – the RISA Foundation – is in Switzerland, covering over 85% of the Group's defined benefit retirement obligations and assets. The Group expects to contribute € 70 million in the year ended 31 March 2022 (year ended March 2021: € 71 million).

Each employee has a personal retirement account which receives contributions in line with the Foundation rules, based on a percentage of salary. The Foundation Board determines the level of interest to apply to retirement accounts each year. At retirement, employees can receive their retirement account as a lump sum or as a lifetime pension. The weighted average duration of the expected benefit payments is 16 years.

Assets are held separately from the Group. Although the Foundation Board has built up an asset buffer as a contingency against asset values falling, any surplus is not deemed recoverable by the Group as all Foundation assets will ultimately all be used to provide benefits to members. Similarly, unless the assets are insufficient to cover minimum statutory benefits, the Group does not expect to make any deficit contributions.

The Foundation invests in a diversified portfolio of assets which targets a long-term return sufficient to provide increases to employee retirement accounts over time, whilst being exposed to a low level of risk in order to do so.

20. Employee benefit obligations continued

Other plans

The Group sponsors several other retirement plans, a mixture of defined benefit and defined contribution plans, in some countries where the Group operates. The Group also operates a worldwide Long Service Award scheme, which is accounted for as a defined benefit plan and included within this category. The Group expects to contribute € 16 million in the year ended 31 March 2022 (year ended March 2021: € 15 million) to the defined benefit plans.

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

	Switzerland		Rest of the world		Total	
	2021 €m	2020 €m	2021 €m	2020 €m	2021 €m	2020 €m
Present value of funded obligations	**(1 727)**	(1 725)	**(204)**	(184)	**(1 931)**	(1 909)
Fair value of plan assets	**1 903**	1 620	**209**	184	**2 112**	1 804
Net funded obligations	**176**	(105)	**5**	–	**181**	(105)
Present value of unfunded obligations	**–**	–	**(68)**	(63)	**(68)**	(63)
Amount not recognised due to asset limit	**(176)**	–	**(2)**	–	**(178)**	–
Net liabilities	**–**	(105)	**(65)**	(63)	**(65)**	(168)

	Switzerland		Rest of the world		Total	
	2021 €m	2020 €m	2021 €m	2020 €m	2021 €m	2020 €m
Expense charged in:						
Cost of sales	**36**	37	**4**	3	**40**	40
Net operating expenses	**50**	48	**12**	11	**62**	59
	86	85	**16**	14	**102**	99

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

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

	Switzerland		Rest of the world		Total	
	2021 €m	2020 €m	2021 €m	2020 €m	2021 €m	2020 €m
Balance at 1 April of prior year	**1 620**	1 514	**184**	525	**1 804**	2 039
Exchange differences	**(76)**	83	**(3)**	1	**(79)**	84
Interest on plan assets	**10**	9	**2**	3	**12**	12
Actual return on plan assets less interest on plan assets	**320**	(37)	**21**	(1)	**341**	(38)
Assets distributed on settlements	**–**	–	**–**	(348)	**–**	(348)
Contributions paid by employer	**71**	69	**15**	16	**86**	85
Contributions paid by plan participants	**53**	52	**–**	–	**53**	52
Benefits paid	**(93)**	(68)	**(10)**	(12)	**(103)**	(80)
Administrative expenses	**(2)**	(2)	**–**	–	**(2)**	(2)
Balance at 31 March	**1 903**	1 620	**209**	184	**2 112**	1 804

20. Employee benefit obligations continued

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

	Switzerland		Rest of the world		Total	
	2021 €m	2020 €m	2021 €m	2020 €m	2021 €m	2020 €m
Balance at 1 April of prior year	**(1 725)**	(1 506)	**(247)**	(590)	**(1 972)**	(2 096)
Exchange differences	**73**	(86)	**2**	(2)	**75**	(88)
Current service cost (employer part)	**(85)**	(83)	**(14)**	(16)	**(99)**	(99)
Contributions by plan participants	**(53)**	(52)	**–**	–	**(53)**	(52)
Interest on benefit obligations	**(10)**	(9)	**(3)**	(3)	**(13)**	(12)
Actuarial (losses)/gains	**(20)**	(57)	**(19)**	6	**(39)**	(51)
Past service cost	**–**	–	**(1)**	–	**(1)**	–
Liabilities extinguished on settlements	**–**	–	**–**	348	**–**	348
Liabilities acquired in a business combination	**–**	–	**(1)**	(2)	**(1)**	(2)
Benefits paid	**93**	68	**11**	12	**104**	80
Balance at 31 March	**(1 727)**	(1 725)	**(272)**	(247)	**(1 999)**	(1 972)

Changes in the amount not recognised due to the asset limit are as follows:

	Switzerland		Rest of the world		Total	
	2021 €m	2020 €m	2021 €m	2020 €m	2021 €m	2020 €m
Balance at 1 April of prior year	**–**	(8)	**–**	(1)	**–**	(9)
Change in surplus/(deficit)	**(181)**	8	**(2)**	1	**(183)**	9
Exchange differences	**5**	–	**–**	–	**5**	–
Balance at 31 March	**(176)**	–	**(2)**	–	**(178)**	–

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

	Switzerland		Rest of the world		Total	
	2021 €m	2020 €m	2021 €m	2020 €m	2021 €m	2020 €m
Equities	**691**	481	**37**	31	**728**	512
Government bonds	**547**	503	**54**	51	**601**	554
Corporate bonds	**41**	31	**100**	90	**141**	121
Property	**402**	384	**1**	1	**403**	385
Cash	**43**	45	**3**	5	**46**	50
Insurance policies and other assets	**179**	176	**14**	6	**193**	182
Fair value of plan assets	**1 903**	1 620	**209**	184	**2 112**	1 804

The plan assets are held primarily within instruments with quoted market prices in active markets with the exception of the property and insurance policy holdings.

The RISA Foundation owns a property valued at € 20 million (2020: € 20 million) which the Group currently leases from the RISA Foundation. With the exception of this holding, the plans do not invest directly in property occupied by the Group or in financial securities issued by the Group.

20. Employee benefit obligations continued

The principal actuarial assumptions used for accounting purposes reflect market conditions in each of the countries in which the Group operates.

	Switzerland		Rest of the world	
	2021	2020	2021	2020
Discount rate	**0.4%**	0.6%	**0.7%**	1.4%
Interest credit rate	**1.0%**	1.0%	**0.5%**	0.4%
Future pension increases	**–**	–	**1.8%**	1.7%
Swiss technical rate	**2.0%**	2.0%	**–**	–
Life expectancy of 60-year-old	**27.6**	27.6	**various**	various

Assumptions are the weighted average of rates adopted by plans in the rest of the world.

For the RISA Foundation, changes in the assumptions are likely to impact the values of the obligations.

- Discount rate – A decrease of 0.5% per annum would increase obligations by € 142 million (2020: € 151 million), although this is also likely to have an impact on the Foundation's assets.
- Interest credit rate – A 0.5% per annum decrease in the interest credit rate leads to a € 69 million (2020: € 70 million) decrease in obligations.
- Future technical rate for conversion of lump sum to pension – A decrease of 0.5% would decrease obligations by € 40 million (2020: € 40 million).
- Life expectancy – A one-year increase would increase obligations by € 27 million (2020: € 29 million).

The above sensitivities are calculated assuming other assumptions are held constant. In practice, any increase in obligations from the above assumptions is likely to be partially offset by a reduction in the assumption for future interest credit.

For the Group's other arrangements, a fall in the average discount rate of 0.5% per annum would increase the obligations by approximately € 15 million (2020: € 11 million).

21. Provisions

	Warranties and sales-related €m	Employee benefits €m	Other €m	Total €m
At 1 April 2020	**217**	**70**	**31**	**318**
Acquisition through business combinations (note 39)	**–**	**–**	**–**	**–**
Charged/(credited) to profit or loss:				
– additional provisions	**759**	**41**	**15**	**815**
– unused amounts reversed	**(90)**	**(10)**	**(4)**	**(104)**
Net charge	**669**	**31**	**11**	**711**
Utilised during the year	**(668)**	**(41)**	**(10)**	**(719)**
Exchange adjustments	**(6)**	**–**	**(1)**	**(7)**
At 31 March 2021	**212**	**60**	**31**	**303**

	2021 €m	2020 €m
Total provisions at 31 March:		
– non-current	**55**	56
– current	**248**	262
	303	318

21. 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 € 212 million (2020: € 217 million) has been recognised for expected sales returns and warranty claims. It is expected that € 193 million (2020: € 198 million) of this provision will be used within the following twelve months and that the remaining € 19 million (2020: € 19 million), which relates solely to potential warranty claims, will be utilised over the remainder of the expected warranty period of the products.

Employee benefits provisions

These include obligations arising under the Group's long-term incentive plans and the social security costs on the Group's share option plan. An amount of € 33 million (2020: € 45 million) is expected to be utilised in the coming twelve months. The remainder will be utilised in the next two to eight years.

Other provisions

Other provisions include provisions for certain legal claims brought against the Group during the ordinary course of business and provisions for the Group's obligations arising from committed restructuring activities. Restructuring provisions include lease termination penalties and employee termination payments and are recognised when a detailed, formal plan has been established and communicated to those parties directly affected by the plan. Provisions for legal claims represent management's best estimate of the likely outcome of the claim at the balance sheet date. It is not expected that the outcomes of legal claims will give rise to any material losses beyond the amounts provided at 31 March 2021. The Group's restructuring provision is expected to be utilised in the coming year.

22. Other long-term financial liabilities

	2021 €m	2020 €m
Other lease liabilities	**42**	30
Other long-term financial liabilities	**55**	69
	97	99

23. Trade and other current liabilities

	2021 €m	2020 €m
Trade payables	**675**	600
Other payables	**887**	709
Accruals	**742**	543
Current financial liabilities	**2 304**	1 852
Other current non-financial liabilities	**233**	195
	2 537	2 047

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.

24. Revenue

Accounting policy

The Group sells jewellery, watches, leather goods, clothing, writing instruments and other luxury goods on a worldwide basis through its retail, online retail and wholesale distribution channels and provides after-sales service for its products.

Revenue is recognised when the customer obtains control of the goods. For retail sales, which take place in the Group's network of internal boutiques, control generally passes when the customer takes physical possession of goods, at which time the Group has a right to receive payment for the asset and it is implicit that the customer has accepted it. In the case of online retail sales made directly to the end customer, sales are recorded when the goods are delivered to the customer, as the Group remains in control of, and is subject to the related risks of, the delivery process. Wholesale sales are made to distributors, wholesalers or external franchisees. For these sales, revenue is recognised when the wholesaler takes delivery of the shipment, in most cases after customs formalities have been cleared in the destination country. At this point, the customer is able to control the future use of the product, in terms of where and how it will be sold, and assumes the risk of obsolescence and loss. Revenue relating to after-sales services is recognised when the service has been completed.

The Group also receives royalty income arising from the use of its intellectual property by third parties, which is recognised over time. Sales-based royalties are recognised in line with sales made by the third-party licensee, with all other royalties recognised on a straight-line basis over the term of the licence agreement.

Revenue is measured net of value-added tax, duties, other sales taxes, rebates and trade discounts. Goods sold to wholesale customers are often sold with volume discounts based on total sales over a twelve-month period or other similar criteria. Revenue from such contracts is recorded net of the estimated discount, based on the accumulated experience of the Group, using the expected value method, and recognised up to an amount beyond which a significant reversal is not expected to occur. The Group does not have any contracts where the period between recognition of revenue and payment by the customer exceeds one year. As a consequence, the Group does not adjust the transaction price for the time value of money.

Where there is a practice of agreement to customer returns, or where we are obliged by local legal requirements, accumulated experience is used to estimate and provide for such returns at the time of sale.

The Group provides a standard warranty against manufacturing defects, and recognises its obligation for repairs under this warranty as a provision.

	2021 €m	2020 €m
Revenue from contracts with customers	**13 111**	14 195
Royalty income	**33**	43
	13 144	14 238

24. Revenue continued

Analysis of revenue by geographical area and by reporting segment is as follows:

Year to 31 March 2021	Asia €m	Europe €m	Americas €m	Japan €m	Middle East & Africa €m	Total €m
Jewellery Maisons	**3 765**	**1 055**	**1 271**	**620**	**748**	**7 459**
Specialist Watchmakers	**1 547**	**365**	**195**	**133**	**7**	**2 247**
Online Distributors	**259**	**1 184**	**553**	**82**	**119**	**2 197**
Other	**375**	**403**	**402**	**112**	**53**	**1 345**
	5 946	**3 007**	**2 421**	**947**	**927**	**13 248**
Intersegment eliminations	**(9)**	**(52)**	**(33)**	**(7)**	**(3)**	**(104)**
	5 937	**2 955**	**2 388**	**940**	**924**	**13 144**

Year to 31 March 2020	Asia €m	Europe €m	Americas €m	Japan €m	Middle East & Africa €m	Total €m
Jewellery Maisons	2 881	1 671	1 293	771	601	7 217
Specialist Watchmakers	1 392	820	304	210	133	2 859
Online Distributors	294	1 239	700	84	110	2 427
Other	432	589	529	150	88	1 788
	4 999	4 319	2 826	1 215	932	14 291
Intersegment eliminations	(7)	(21)	(20)	(3)	(2)	(53)
	4 992	4 298	2 806	1 212	930	14 238

25. Other operating (expense)/income

	2021 €m	2020 €m
Royalty expenses	**(3)**	(4)
Investment property rental income	**2**	2
Investment property costs	**(28)**	(5)
Amortisation of intangible assets acquired on business combinations	**(203)**	(200)
Other expense	**(40)**	(47)
	(272)	(254)

26. Operating profit

Operating profit includes the following items of expense/(income):

	2021 €m	2020 €m
Depreciation of property, plant and equipment (note 6)	**495**	515
Impairment of property, plant and equipment (note 6)	**4**	39
Amortisation of other intangible assets (note 8)	**360**	355
Impairment of other intangible assets (note 8)	**–**	5
Impairment of goodwill (note 7)	**6**	1
Depreciation of right of use assets (note 9)	**663**	618
Impairment of right of use assets (note 9)	**4**	–
Write-down of asset held for sale	**4**	–
Variable lease payments (note 9)	**400**	368
Sub-lease rental income (non-investment property)	**(3)**	(4)
Research and development costs	**65**	88
Loss on disposal of property, plant and equipment	**8**	8
Loss on disposal of other intangible assets	**2**	3
Restructuring charges	**–**	3

27. Employee benefits expense

Accounting policies

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.

Incentive plans

The Group recognises a liability and an expense for incentive plans when contractually obliged or where there is a past practice that has created a constructive obligation.

	2021 €m	2020 €m
Wages and salaries including termination benefits of € 24 million (2020: € 16 million)	**2 198**	2 226
Social security costs	**344**	360
Share-based compensation expense (note 33)	**43**	28
Long-term employee benefits	**15**	26
Pension costs – defined contribution plans	**77**	80
Pension costs – defined benefit plans (note 20)	**102**	99
	2 779	2 819

Wages and salaries are presented net of government assistance received to support employment during the period.

28. Government grants

Amounts receivable for government grants or other assistance are recognised only when the conditions associated to qualify for the payment are met. During the year ended 31 March 2021, the Group received € 146 million (2020: € 23 million) in government assistance, primarily from schemes to compensate employees for partial employment as a result of the Covid-19 pandemic. These amounts are included in operating expenses, within the same caption as the underlying salaries are recorded (€ 60 million in Cost of Sales, € 46 million in Selling and Distribution expenses, with the remainder in Administrative expenses).

29. Finance costs and income

	2021 €m	2020 €m
Finance costs:		
Interest expense:		
– bank borrowings	**(26)**	(29)
– corporate bonds	**(90)**	(69)
– other financial expenses	**(34)**	(20)
– lease liabilities	**(65)**	(74)
Net foreign exchange losses on monetary items	**–**	(245)
Mark-to-market adjustment in respect of hedging activities	**(80)**	–
Net loss in fair value of financial instruments at fair value through profit or loss:		
– held for trading	**–**	(67)
Finance costs	**(295)**	(504)
Finance income:		
Interest income:		
– from financial assets at amortised cost (including bank and other deposits)	**47**	48
– from financial assets held at fair value through profit or loss	**35**	57
– other financial income	**1**	3
Dividend income from financial assets held at fair value through other comprehensive income	**–**	15
Net foreign exchange gains on monetary items	**49**	–
Net gain in fair value of financial instruments at fair value through profit or loss:		
- held for trading	**188**	–
Mark-to-market adjustment in respect of hedging activities	**–**	44
Finance income	**320**	167
Net finance income/(costs)	**25**	(337)

30. Earnings per share

30.1. Basic

Basic earnings per ‘A’ share/10 ‘B’ shares 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 Group and held in treasury. 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 the ‘A’ shareholders.

	2021	2020
Total attributable to owners of the parent company (€ millions)	**1 301**	933
Weighted average number of shares in issue (millions)	**565.2**	565.0
Total basic earnings per ‘A’ share/10 ‘B’ shares	**2.302**	1.651

30. Earnings per share continued

30.2. Diluted

Diluted earnings per 'A' share/10 'B' shares is calculated adjusting the weighted average number of shares outstanding, which assumes conversion of all dilutive potential shares. The Group has three categories of dilutive potential shares: share options, restricted share units and shareholder warrants.

The calculation is performed for all potential shares 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 the outstanding instruments. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the instrument.

For the year ended 31 March 2021, a total of 6 472 387 options granted to employees are not dilutive and so are excluded from the calculation of diluted EPS (2020: 7 835 228 options).

	2021	2020
Total profit attributable to owners of the parent company (€ millions)	**1 301**	933
Weighted average number of shares in issue (millions)	**565.2**	565.0
Adjustment for dilutive potential shares (millions)	**1.4**	1.8
Weighted average number of shares for diluted earnings per share (millions)	**566.6**	566.8
Total diluted earnings per 'A' share/10 'B' shares	**2.296**	1.646

30.3. Headline earnings per 'A' share/10 'B' shares

The presentation of headline earnings per 'A' share/10 'B' shares as an alternative measure to earnings per share is required under the JSE listing requirements.

	2021 €m	2020 €m
Profit attributable to owners of the parent company	**1 301**	933
Loss on disposal of non-current assets	**10**	11
Impairment of non-current assets	**14**	45
Gain on disposal of an associate	**(5)**	(5)
Write-down of assets held for sale	**4**	–
Gain on disposal of investment property after tax and costs to sell	**–**	–
Loss on deemed disposal of equity-accounted investments	**1**	–
Currency exchange (gains)/losses reclassified from currency translation adjustment reserve	**(9)**	–
Headline earnings	**1 316**	984

	2021 millions	2020 millions
Weighted average number of shares:		
– Basic	**565.2**	565.0
– Diluted	**566.6**	566.8
	€ per share	€ per share
Headline earnings per 'A' share/10 'B' shares:		
– Basic	**2.328**	**1.742**
– Diluted	**2.322**	**1.736**

31. Equity

31.1. Share capital

Accounting policy
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.

	2021 €m	2020 €m
Authorised, issued and fully paid:		
522 000 000 'A' registered 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 the 'A' shareholders.

Conditional capital

In connection with the warrants described in note 31.5, shareholders approved the creation of a conditional capital amounting to 22 million 'A' shares and 22 million 'B' shares, which potentially will be used to issue the corresponding number of shares upon exercise of the warrants in November 2023.

31.2. Treasury shares

Accounting policy
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.

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 2019	9.4	560
Sold	(0.3)	(21)
Balance at 31 March 2020	**9.1**	**539**
Sold	**(0.6)**	**(49)**
Balance at 31 March 2021	**8.5**	**490**

The Company has given a pledge over 2 919 871 Richemont 'A' shares as security for vested warrants granted under the Group's share option plan (2020: 2 331 393 Richemont 'A' shares).

During the year under review the Group did not acquire any treasury shares (2020: none).

In the same period the Group delivered 0.6 million treasury shares for proceeds of € 33 million, in settlement of options exercised in the period and traded options exercised in previous periods (2020: 0.3 million shares for proceeds of € 13 million). The cost of the 0.6 million shares (2020: 0.3 million) sold during the year to plan participants who exercised their options was € 49 million (2020: € 21 million). The loss realised on shares sold during the year amounted to € 17 million (2020: loss of € 8 million) which was recognised directly in retained earnings.

The market value of the 8.5 million shares (2020: 9.1 million) held by the Group at the year end, based on the closing price at 31 March 2021 of CHF 90.74 (2020: CHF 53.06), amounted to € 702 million (2020: € 456 million).

At 31 March 2021, the Group also holds 106.8 million warrants issued under the equity-based loyalty scheme described at note 31.5. During the year, it received 17.8 million warrants at no cost in respect of treasury shares held on the date of issue, in accordance with the rules of the warrant scheme. It further purchased 89.0 million warrants at a total cost of € 15 million (2020: nil). The cost of these warrants is recorded in Retained Earnings (see note 31.4). These warrants will be used, together with the treasury shares, to provide a comprehensive hedge of the Group's potential obligations arising under its share option and restricted share unit plans.

31. Equity continued

31.3. Other reserves

Other reserves include the hedge reserve and the share-based payments reserve.

	2021 €m	2020 €m
Balance at 1 April of prior year	**368**	324
Movement in hedge reserve		
– recycled to profit and loss, net of tax	**4**	3
Movement in equity-based compensation reserve		
– equity-based compensation expense	**43**	41
– tax on equity-based compensation expense	**4**	–
Balance at 31 March	**419**	368

31.4. Retained earnings

	2021 €m	2020 €m
Balance at 1 April of prior year	**13 840**	14 289
Profit for the year	**1 301**	933
Other comprehensive income:		
– defined benefit plan actuarial gains/(losses)	**118**	(81)
– tax on defined benefit plan actuarial gains/(losses)	**(15)**	10
– fair value changes on assets held at FVTOCI	**202**	(272)
– share of other comprehensive income of associates, net of tax	**–**	–
Dividends paid (note 32)	**(529)**	(1 017)
Warrants issued on own equity	**76**	–
Warrants distributed to shareholders	**(76)**	–
Acquisition of warrants	**(15)**	–
Initial recognition of put options over non-controlling interests	**–**	(19)
Changes in non-controlling interests	**–**	5
Loss on sale of treasury shares	**(17)**	(8)
Balance at 31 March	**14 885**	13 840

31.5. Shareholder warrants

In November 2020, shareholders were granted tradeable warrants, which can either be traded or used to acquire new shares at a potentially beneficial price after three years in November 2023. Each ‘A’ shareholder received two ‘A’ warrants and each ‘B’ shareholder received two ‘B’ warrants. On the exercise date, 67 ‘A’ warrants must be exercised to acquire one ‘A’ share (67 ‘B’ warrants to acquire one ‘B’ share). The exercise price of the warrants was set at CHF 1 per warrant (being CHF 67 per newly issued share). The ‘A’ warrants are listed on the SIX Swiss Exchange. The fair value of the distributed warrants is € 76 million, being the intrinsic value of the warrants on issue, classified as Level 2 in the IFRS fair value hierarchy.

32. Dividends

Accounting policy
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.

In September 2020 a dividend of CHF 1.00 per 'A' share and CHF 0.10 per 'B' share was paid (September 2019: CHF 2.00 and CHF 0.20 respectively).

In addition, shareholders were granted tradeable warrants, which can either be traded or used to acquire new shares at a potentially beneficial price after three years in November 2023 (note 31.5).

33. Share-based payment

Accounting policy
The Group operates equity-settled share-based compensation plans based on options and restricted share units granted in respect of Richemont 'A' shares. The fair value of the employee services received in exchange for the grant of options or restricted shares 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 option or share granted. At each reporting date, the Group revises its estimate of the number of options or shares 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 with a corresponding adjustment to equity.

Equity-settled share option plan

The Group has a long-term share-based compensation plan whereby executives are awarded options to acquire Richemont 'A' shares at the market price on the date of grant. Awards under the share option plan vest over periods of three 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 between 2008 and 2016 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 option awards granted to executives is as follows:

	Weighted average exercise price in CHF per share	Number of options
Balance at 1 April 2019	78.98	10 839 223
Granted	82.86	697 761
Exercised	65.26	(1 173 803)
Expired	90.05	(5 166)
Lapsed	82.32	(310 038)
Balance at 31 March 2020	**80.75**	**10 047 977**
Granted	**75.84**	**653 758**
Exercised	**72.79**	**(2 301 985)**
Expired	**77.71**	**(9 500)**
Lapsed	**82.54**	**(213 074)**
Balance at 31 March 2021	**82.55**	**8 177 176**

Of the total options outstanding at 31 March 2021, options in respect of 2 590 852 shares (2020: 3 143 190 shares) had vested and were exercisable.

The weighted average share price at the date of exercise for options exercised during the year was CHF 86.26 (2020: CHF 85.09).

33. Share-based payment continued

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

	Exercise price	Number of options	Weighted average remaining contractual life
31 March 2021	**CHF 57.45**	**74 932**	**0.2 years**
	CHF 90.11	**274 472**	**1.2 years**
	CHF 94.00	**720 533**	**2.2 years**
	CHF 83.80	**706 645**	**3.2 years**
	CHF 56.55	**979 274**	**4.2 years**
	CHF 80.20	**1 548 015**	**5.2 years**
	CHF 92.00	**2 570 350**	**6.2 years**
	CHF 82.86	**652 372**	**7.3 years**
	CHF 75.84	**650 583**	**8.7 years**
31 March 2020	CHF 54.95	170 549	0.2 years
	CHF 57.45	641 864	1.2 years
	CHF 90.11	806 369	2.2 years
	CHF 94.00	961 407	3.2 years
	CHF 83.80	997 928	4.2 years
	CHF 56.55	1 400 336	5.2 years
	CHF 80.20	1 730 130	6.2 years
	CHF 92.00	2 655 200	7.2 years
	CHF 82.86	684 194	8.3 years

The per unit fair value of options granted during the year determined using the Binomial model was CHF 20.34. The significant inputs to the model were the share price of CHF 75.84 at the grant date, the exercise price shown above, a standard deviation of expected share price returns of 28%, an expected option life of five years, a dividend yield of 1.3% and a 0% risk-free interest rate. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past five years.

Restricted share units

A further share-based compensation plan was introduced in the prior year whereby executives are awarded Restricted Share Units ('RSU'). Awards under this plan that vest over periods of three to five years from the date of grant. On vesting, the executive will receive an 'A' share in the Company. Awards granted to senior executives are also subject to performance conditions which may reduce the number of shares vesting (Performance Share Units, or 'PSU'). Executives are not entitled to dividends during the vesting period.

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

	Number of shares
Balance at 1 April 2019	–
Granted	1 397 403
Lapsed	(30 118)
Balance at 31 March 2020	**1 367 285**
Granted	**809 889**
Lapsed	**(55 946)**
Balance at 31 March 2021	**2 121 228**

The per unit fair value of RSU and PSU granted during the year was CHF 71.53. The significant inputs to the model were the share price of CHF 75.48 at the grant date and a dividend yield of 1.3%.

Share-based compensation expense

The amount recognised in profit or loss before social security and taxes for equity-settled share-based compensation transactions was € 43 million (2020: € 41 million).

The fair value of options and PSU awarded to members of the Senior Executive Committee ('SEC') is fixed on the date of approval of SEC remuneration by the shareholders of the Company. The award date value in June 2019 of CHF 17.66 per share option and CHF 74.49 per PSU was revalued following the AGM in September 2020 at CHF 7.48 per share option and CHF 55.47 per PSU. The estimated fair value of options and PSU awarded to members of the SEC in the year ended 31 March 2021 is based on the valuation at the award date of December 2020. Changes in the fair value of these options and PSU between the award date and 31 March 2021 are not significant to the Group. The final fair value will be fixed in September 2021 following approval by shareholders.

34. Cash flow generated from operations

	2021 €m	2020 €m
Depreciation of property, plant and equipment	**495**	515
Depreciation of right of use assets	**663**	618
Depreciation of investment property	**4**	4
Amortisation of other intangible assets	**360**	355
Impairment of property, plant and equipment	**4**	39
Impairment of right of use assets	**4**	–
Impairment of goodwill	**6**	1
Impairment of other intangible assets	**–**	5
Loss on disposal of property, plant and equipment	**8**	8
Loss on disposal of intangible assets	**2**	3
Profit on disposal of investment properties	**(1)**	(3)
Profit on lease remeasurement	**(2)**	(3)
Fixed rent concessions linked to Covid-19	**(67)**	–
Increase in non-current provisions	**18**	9
Increase in retirement benefit obligations	**17**	14
Other non-cash items	**43**	41
Adjustments for non-cash items	**1 554**	1 606

	2021 €m	2020 €m
Decrease/(increase) in inventories	**184**	(196)
(Increase)/decrease in trade receivables	**(141)**	181
(Increase)/decrease in other current assets	**(41)**	103
Increase/(decrease) in current liabilities	**487**	(348)
Increase/(decrease) in non-current liabilities	**1**	(16)
Increase/(decrease) in derivative financial instruments	**39**	(51)
Changes in working capital	**529**	(327)

35. Liabilities arising from financing activities

	Corporate bonds €m	Fixed and floating rate borrowings €m	Lease liabilities €m	Total €m
At 1 April 2019	3 929	376	3 157	7 462
Acquisition through business combinations	–	3	66	69
Additions to lease liabilities	–	–	648	648
Amortised interest costs	6	–	74	80
Exchange adjustments	–	3	29	32
Non-cash movements	6	6	817	829
Repayment of borrowings	–	(365)	–	(365)
Interest element of lease payments	–	–	(72)	(72)
Capital element of lease payments	–	–	(588)	(588)
Net cash paid	–	(365)	(660)	(1 025)
At 31 March 2020	3 935	17	3 314	7 266
Total liabilities arising from financing activities at 31 March:				
– current	–	1	612	613
– non-current	3 935	16	2 702	6 653
At 31 March 2020	3 935	17	3 314	7 266

35. Liabilities arising from financing activities continued

	Corporate bonds €m	Fixed and floating rate borrowings €m	Lease liabilities €m	Total €m
At 1 April 2020	**3 935**	**17**	**3 314**	**7 266**
Acquisition through business combinations (note 39)	**–**	**2**	**19**	**21**
Additions to lease liabilities	**–**	**–**	**710**	**710**
Amortised interest costs	**8**	**–**	**67**	**75**
Remeasurement of lease liabilities	**–**	**–**	**123**	**123**
Exchange adjustments	**–**	**(4)**	**(90)**	**(94)**
Non-cash movements	**8**	**(2)**	**829**	**835**
Proceeds from borrowings	**1 987**	**85**	**–**	**2 072**
Corporate bond issue transaction costs	**(8)**	**–**	**–**	**(8)**
Repayment of borrowings	**–**	**(85)**	**–**	**(85)**
Interest element of lease payments	**–**	**–**	**(65)**	**(65)**
Capital element of lease payments	**–**	**–**	**(561)**	**(561)**
Net cash received/(paid)	**1 979**	**–**	**(626)**	**1 353**
At 31 March 2021	**5 922**	**15**	**3 517**	**9 454**
Total liabilities arising from financing activities at 31 March:				
– current	**–**	**–**	**590**	**590**
– non-current	**5 922**	**15**	**2 927**	**8 864**
At 31 March 2021	**5 922**	**15**	**3 517**	**9 454**

36. Financial instruments: fair values and risk management

Accounting policy

The classification of financial assets depends on the underlying business model of the investment and the characteristics of its contractual cash flows. The Group classifies its financial assets as follows:

(a) Financial assets held at fair value through other comprehensive income

A financial asset is classified in this category if it is a strategic investment, meaning that it is long-term in nature and has not been undertaken with the objective of maximising short-term profits or dividends. The Group has designated certain investments in listed entities at Fair value through comprehensive income. Investments are initially recognised at cost excluding transaction costs, which represents fair value. Fair value adjustments are included in other comprehensive income in the period in which they arise.

(b) Financial assets at amortised cost

This category includes non-derivative financial assets held in order to collect contractual cash flows. These primarily include trade and other receivables. Assets are initially recorded at fair value, including directly attributable transaction costs, and subsequently measured at amortised cost.

(c) Financial assets at fair value through profit or loss

All financial assets not included in one of the above-mentioned categories are classified as Fair value through profit or loss. This includes investments in derivative assets, as well as investments in externally managed bond funds and money market funds. Investments 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. Interest income is excluded from the calculation of the fair value gain or loss.

All financial assets are assessed for impairment at each balance sheet date.

The Group's financial liabilities are classified at amortised cost, with the exception of derivative liabilities which are classified at Fair value through profit or loss.

36. Financial instruments: fair values and risk management continued

36.1. Fair value estimation

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their level in the fair value hierarchy defined by IFRS.

	Carrying amount					Fair value			
31 March 2021	Fair value through profit or loss €m	Fair value through OCI (equity) €m	Assets at amortised cost €m	Liabilities at amortised cost €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Listed investments	**50**	**377**	**–**	**–**	**427**	**427**			**427**
Unlisted investments	**456**	**–**	**–**	**–**	**456**		**446**	**10**	**456**
Non-current assets measured at fair value	**506**	**377**	**–**	**–**	**883**				
Investments in externally managed funds	**5 388**	**–**	**–**	**–**	**5 388**	**5 388**			**5 388**
Investments in money market funds	**162**	**–**	**–**	**–**	**162**		**162**		**162**
Derivatives	**12**	**–**	**–**	**–**	**12**		**12**		**12**
Current assets measured at fair value	**5 562**	**–**	**–**	**–**	**5 562**				
	6 068	**377**	**–**	**–**	**6 445**				
Financial assets not measured at fair value									
Non-current loans and receivables (note 13)	**–**	**–**	**7**	**–**	**7**				
Non-current lease deposits (note 13)	**–**	**–**	**125**	**–**	**125**				
Trade and other receivables (note 15)	**–**	**–**	**946**	**–**	**946**				
Cash at bank and on hand	**–**	**–**	**7 877**	**–**	**7 877**				
	–	**–**	**8 955**	**–**	**8 955**				
Financial liabilities measured at fair value									
Derivatives	**(114)**	**–**	**–**	**–**	**(114)**		**(114)**		**(114)**
Financial liabilities not measured at fair value									
Fixed rate borrowings (note 19)	**–**	**–**	**–**	**(5 937)**	**(5 937)**	**(6 554)**			**(6 554)**
Lease liabilities (note 9)	**–**	**–**	**–**	**(3 517)**	**(3 517)**				
Other non-current financial liabilities	**–**	**–**	**–**	**(97)**	**(97)**				
Trade and other payables (note 23)	**–**	**–**	**–**	**(2 304)**	**(2 304)**				
Bank overdrafts	**–**	**–**	**–**	**(4 097)**	**(4 097)**				
	–	**–**	**–**	**(15 952)**	**(15 952)**				

Unlisted investments at 31 March 2021 includes an investment in convertible notes issued by Farfetch Limited. Listed investments at fair value through profit or loss include convertible bonds issued by Dufry SA, which are listed on SIX Swiss Exchange.

36. Financial instruments: fair values and risk management continued

36.1. Fair value estimation continued

	Carrying amount					Fair value			
31 March 2020	Fair value through profit or loss €m	Fair value through OCI (equity) €m	Assets at amortised cost €m	Liabilities at amortised cost €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Listed investments	–	115	–	–	115	115			115
Unlisted investments	10	–	–	–	10			10	10
Non-current assets measured at fair value	10	115	–	–	125				
Investments in externally managed funds	4 236	–	–	–	4 236	4 236			4 236
Investments in money market funds	126	–	–	–	126		126		126
Derivatives	44	–	–	–	44		44		44
Current assets measured at fair value	4 406	–	–	–	4 406				
	4 416	115	–	–	4 531				
Financial assets not measured at fair value									
Non-current loans and receivables (note 13)	–	–	6	–	6				
Non-current lease deposits (note 13)	–	–	133	–	133				
Trade and other receivables (note 15)	–	–	783	–	783				
Cash at bank and on hand	–	–	4 462	–	4 462				
	–	–	5 384	–	5 384				
Financial liabilities measured at fair value									
Derivatives	(30)	–	–	–	(30)		(30)		(30)
Financial liabilities not measured at fair value									
Fixed rate borrowings (note 19)	–	–	–	(3 952)	(3 952)	(3 895)			(3 895)
Lease liabilities (note 9)	–	–	–	(3 314)	(3 314)				
Other non-current financial liabilities	–	–	–	(99)	(99)				
Trade and other payables (note 23)	–	–	–	(1 852)	(1 852)				
Bank overdrafts	–	–	–	(2 477)	(2 477)				
	–	–	–	(11 694)	(11 694)				

The Group does not disclose the fair value for financial instruments where the carrying value is a reasonable approximation of the fair value.

36. Financial instruments: fair values and risk management continued

36.1. Fair value estimation continued

Valuation techniques

The fair value of financial instruments traded in active markets 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. These instruments are included in Level 1 and comprise investments in externally managed funds made up of listed bonds.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, maximising the use of observable market data, where available, and relying as little as possible on entity-specific estimates. If all significant inputs are observable the instrument is included as Level 2; if one or more of the significant inputs is not based on observable market data then the instrument is included as Level 3.

Specific valuation techniques used for Level 2 financial instruments include:

- interest rate swaps are valued on the basis of discounted cash flows. The variable flows are determined for each payment date using forward interest rate curves;
- fixed rate cross-currency swaps are valued on the basis of discounted cash flows;
- currency forwards are measured based on observable spot exchange rates, the term interest rates of the respective currencies and the currency basis spread between the respective currencies;
- the Farfetch convertible note is valued using the Black-Scholes model, with key inputs being the market price of the Farfetch share on the date of the valuation of $ 53.02, the risk-free rate of 0.3% and the expected volatility of the underlying equity instrument of 51.3%. The value of the underlying bond is determined using a Discounted Cash Flow model with a credit spread of 2.7%. As the note is convertible at any time into Farfetch shares, its valuation is closely correlated to the evolution of the Farfetch share price.

The nominal value of the investments in money market funds approximates the fair value, as the maximum average life is 120 days and the maximum weighted average maturity is 60 days. These instruments are included in Level 2.

Level 3 financial instruments consist entirely of small investments in unlisted equities. During the year to 31 March 2021 the carrying amount remained unchanged at € 10 million.

36.2. 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)(i) Market risk: 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 and euro against US dollar, HK dollar, Chinese yuan, Japanese yen, UAE dirham and Singapore dollar. 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. This arises principally from the retranslation impact of euro and USD-denominated investments in money market and managed bond funds held in an entity with a Swiss franc functional currency. Changes in foreign exchange rates also impact the repricing of derivative contracts.

The Group's financial risk management policy is to hedge up to 70% of forecast net cash flow exposure arising in currencies including US dollars, HK dollars, Chinese yuan, Japanese yen, UAE dirham and Singapore dollar for the subsequent twelve months. Group Treasury undertakes the management of the net position in each foreign currency by using external currency derivatives.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from these net assets of the Group's foreign operations is not systematically hedged.

36. Financial instruments: fair values and risk management continued

36.2. Financial risk factors continued

The sensitivity analysis presented in the following tables shows the pre-tax increase/(decrease) in profit or loss that would result from the noted percentage change in listed exchange rates, all other factors remaining constant. There is no impact in other comprehensive income. The analysis is performed on the same basis as for 2020.

	Change in rate		Profit or loss	
	2021 %	2020 %	2021 €m	2020 €m
USD strengthening vs CHF	**7%**	7%	**138**	156
JPY strengthening vs CHF	**7%**	7%	**(23)**	(26)
HKD strengthening vs CHF	**6%**	7%	**(42)**	(85)
SGD strengthening vs CHF	**6%**	6%	**(21)**	(27)
CHF strengthening vs EUR	**9%**	11%	**(78)**	(120)
AED strengthening vs CHF	**6%**	8%	**(9)**	(20)
CNY strengthening vs EUR	**7%**	9%	**(71)**	(54)
CNY strengthening vs CHF	**7%**	9%	**43**	22

	Change in rate		Profit or loss	
	2021 %	2020 %	2021 €m	2020 €m
USD weakening vs CHF	**7%**	7%	**(138)**	(156)
JPY weakening vs CHF	**7%**	7%	**23**	26
HKD weakening vs CHF	**6%**	7%	**42**	85
SGD weakening vs CHF	**6%**	6%	**21**	27
CHF weakening vs EUR	**9%**	11%	**78**	120
AED weakening vs CHF	**6%**	8%	**9**	20
CNY weakening vs EUR	**7%**	9%	**71**	54
CNY weakening vs CHF	**7%**	9%	**(43)**	(22)

(a)(ii) Market risk: price risk

The Group is exposed to commodity price risk, marketable 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.

- Marketable securities' price risk

The Group is exposed to marketable securities' price risk in respect of investments in AAA rated money market and externally managed funds with a weighted average rating of AA+ and the Farfetch convertible note. These are classified in the consolidated statement of financial position as financial assets and liabilities held at fair value through profit or loss.

The price risk associated with the investments in AAA rated money market funds held by the Group at 31 March 2021 and 2020 is considered to be minimal, due to the high credit quality of the underlying investments. A 1% increase/(decrease) in the share price of Farfetch Ltd would increase/(decrease) profit for the year by € 4 million respectively.

(a)(iii) Market risk: interest rate risk

- Fair value interest rate risk

The Group is exposed to fair value interest rate risk linked to its fixed rate loan commitment (details of the Group's borrowings are presented in note 19). The risk is considered to be the difference between current levels of interest rates and the committed rates.

The Group records its fixed rate borrowings at amortised cost using the effective interest method. Therefore a change in interest rates at 31 March 2021 would not affect the profit for the year.

An increase/(decrease) in the risk-free rate used in the valuation of the Farfetch convertible note of 1% would (decrease)/increase profit for the year by € 2 million.

- Cash flow interest rate risk

The Group is also exposed to future cash flow fluctuation risk due to changes in variable market interest rates. The cash flow risk associated with net cash is such that an (decrease)/increase of 100 basis points in interest rates at the reporting date would have impacted profit for the year by plus/(minus) € 18 million (2020: plus/(minus) € 15 million), all other variables remaining constant. The analysis is performed on the same basis as for 2020.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has established credit check policies that ensure the high credit-worthiness of its customers. A short-term credit rating of minimum A1/P1 is applied to cash deposits with financial counterparties. A minimum money market fund rating of AAA is applied to euro-denominated money market funds. A weighted average portfolio rating of AA+ is applied to externally managed funds.

At 31 March 2021, the Group had € 5 550 million invested in money market and externally managed funds denominated in various currencies, including euro, CHF and USD (2020: € 4 362 million) and € 7 877 million held as cash at bank (2020: € 4 462 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 using the Group overlay cash pool.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements. Derivative assets are excluded. Contractual maturities of lease liabilities are presented in note 9.

36. Financial instruments: fair values and risk management continued

36.2. Financial risk factors continued

			Contractual cash flows			
31 March 2021	Carrying amount €m	Total €m	6 months or less €m	Between 6-12 months €m	Between 1-3 years €m	More than 3 years €m
Non-derivative financial liabilities						
Borrowings	**5 937**	**6 963**	**24**	**59**	**160**	**6 720**
Other non-current financial liabilities	**97**	**97**	**–**	**–**	**34**	**63**
Trade and other payables	**2 304**	**2 305**	**2 305**	**–**	**–**	**–**
Bank overdrafts	**4 097**	**4 097**	**4 097**	**–**	**–**	**–**
	12 435	**13 462**	**6 426**	**59**	**194**	**6 783**
Derivative financial liabilities						
Currency forwards	**114**	**2 973**	**1 363**	**1 610**	**–**	**–**
	114	**2 973**	**1 363**	**1 610**	**–**	**–**

			Contractual cash flows			
31 March 2020	Carrying amount €m	Total €m	6 months or less €m	Between 6-12 months €m	Between 1-3 years €m	More than 3 years €m
Non-derivative financial liabilities						
Borrowings	3 952	4 680	1	59	178	4 442
Other non-current financial liabilities	99	99	–	–	27	72
Trade and other payables	1 852	1 852	1 852	–	–	–
Bank overdrafts	2 477	2 477	2 477	–	–	–
	8 380	9 108	4 330	59	205	4 514
Derivative financial liabilities						
Currency forwards	30	2 977	2 077	900	–	–
	30	2 977	2 077	900	–	–

36.3. 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 remeasured at their fair value.

In previous periods, the Group was party to a EUR-denominated interest rate swap contract which was used to hedge the Group’s corporate bond issue. Cash flow hedge accounting was applied to the transaction, and as a result the loss realised on this interest rate swap was deferred in equity. This loss is recycled to the income statement over the life of the related bond.

The Group does not apply hedge accounting to any of its other hedging activities.

The fair values of various derivative instruments are disclosed in note 16.

36. Financial instruments: fair values and risk management continued

36.4. Offsetting financial assets and financial liabilities

The following financial assets and liabilities are subject to offsetting, as a current legally enforceable right to set-off the recognised amounts exists and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

	Gross amount of recognised asset/ (liability) subject to set-off €m	Gross amount of set-off €m	Net amount presented €m	Related amounts not set-off €m	Total €m
At 31 March 2021					
Trade receivables	**69**	**(12)**	**57**	**–**	**57**
Cash at bank and on hand	**7 877**	**–**	**7 877**	**(4 057)**	**3 820**
Derivative assets	**12**	**–**	**12**	**(12)**	**–**
	7 958	**(12)**	**7 946**	**(4 069)**	**3 877**
Trade payables	**(148)**	**12**	**(136)**	**–**	**(136)**
Bank overdrafts	**(4 097)**	**–**	**(4 097)**	**4 057**	**(40)**
Derivative liabilities	**(114)**	**–**	**(114)**	**12**	**(102)**
	(4 359)	**12**	**(4 347)**	**4 069**	**(278)**

	Gross amount of recognised asset/ (liability) subject to set-off €m	Gross amount of set-off €m	Net amount presented €m	Related amounts not set-off €m	Total €m
At 31 March 2020					
Trade receivables	39	(11)	28	–	28
Cash at bank and on hand	4 462	–	4 462	(2 383)	2 079
Derivative assets	44	–	44	(24)	20
	4 545	(11)	4 534	(2 407)	2 127
Trade payables	(126)	11	(115)	–	(115)
Bank overdrafts	(2 477)	–	(2 477)	2 383	(94)
Derivative liabilities	(30)	–	(30)	24	(6)
	(2 633)	11	(2 622)	2 407	(215)

The Group is subject to a number of master netting arrangements specific to cash pooling and derivative contract arrangements. These arrangements allow for net settlement of the relevant financial assets and financial liabilities when both parties elect to settle on a net basis. In certain circumstances, such as a default event as defined in the relevant agreement, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. These agreements do not meet the criteria for offsetting in the statement of financial position. The right to set-off is legally enforceable only following certain specified events. In addition, the Group and the counterparties do not intend to settle on a net basis.

36.5. 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, maintaining a balance between business returns and a secure capital position. 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 shareholders, as well as the net cash position of the Group. At 31 March 2021, the net cash position of the Group was € 3 393 million (2020: € 2 395 million).

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

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

37. Financial commitments and contingent liabilities

At 31 March 2021, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which no material losses are anticipated. Details of the Group's commitments in respect of financial derivatives are given in note 16, in respect of property, plant and equipment in note 6 and in respect of intangible assets in note 8. The Group has commitments of € 20 million with respect to its short-term leases (2020: € 33 million).

The Group has also committed to invest $250 million in Farfetch China, as announced in November 2020, and will take a stake of 12.5% in a new joint venture which will include Farfetch's marketplace operations in the China region. This investment is expected to be concluded in the coming financial year.

38. Related-party transactions

The Group has a number of transactions and relationships with related parties, as defined by IAS 24, *Related Party Disclosures*.

At 31 March 2021 Compagnie Financière Rupert, Bellevue, Switzerland, Geneva holds 5 221 000 'A' shares and 522 000 000 'B' registered shares representing an interest in 51% of the Company's voting rights. 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 2021, representing 0.3% of the Company's voting rights.

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

- Richemont's equity-accounted investments (see note 11);
- Richemont foundations (employee and others);
- Various entities under the common control of the Rupert family's interests or which are controlled or jointly controlled by a member of key management.

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 equity-accounted investments

	2021 €m	2020 €m
Goods and services bought from and other transactions with its equity-accounted investments:		
Rouages SA – purchase of watch components	**(6)**	(7)
Schwab-Feller AG – purchase of watch components	**(2)**	(3)
Kering Eyewear SpA – purchase of finished goods	**(19)**	(14)
E_Lite SpA – purchase of services	**–**	(3)
Services provided to equity-accounted investments:		
Laureus Sports Awards Limited – sponsorship	**(5)**	(1)
Laureus Sports for Good Foundation – donations	**(1)**	(5)
Goods and services sold to and other transactions with equity-accounted investments:		
Montblanc India Retail Private Limited – sale of finished goods	**1**	4
Kering Eyewear SpA – sale of finished goods	**–**	1
Kering Eyewear SpA – royalties	**23**	17
E_Lite SpA – commissions received	**–**	41
E_Lite SpA – other services	**–**	9
Payables outstanding at 31 March:		
E_Lite SpA – trading	**–**	(8)
Kering Eyewear SpA – trading	**(1)**	(8)
Laureus World Sports Awards Limited – sponsorship	**–**	–
Receivables outstanding at 31 March:		
Kering Eyewear SpA – trading	**4**	6
E_Lite SpA – trading	**–**	2
Laureus Sports Awards Limited – sponsorship	**–**	–
Montblanc India Retail Private Limited – trading	**–**	–

Transactions with Montblanc India Retail Private Limited refer to the period prior to acquisition.

38. Related-party transactions continued

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

	2021 €m	2020 €m
Services bought from and other transactions with entities under common control:		
Entities under common control of the Rupert family's interests	**(5)**	(7)
Services provided to and other transactions with entities under common control:		
Entities under common control of the Rupert family's interests	**–**	1
Receivables outstanding at 31 March :		
Entities under common control of the Rupert family's interests	**–**	–
Payables outstanding at 31 March:		
Entities under common control of the Rupert family's interests	**(1)**	(1)

The Group has paid € 0.7 million during the year ended 31 March 2021 for the lease of a property owned by its post-employment benefit foundation in Switzerland, a related party.

An entity controlled by the Rupert family's interests has an investment in a Group company, resulting in the recognition of a total non-controlling interest on the balance sheet. At 31 March 2021, the non-controlling interest related to this investment amounts to € 62 million (2020: € 63 million).

(c) Individuals

During the year, the Group gave donations of € 0.2 million (2020: € 0.2 million) to the Fondazione Giuliano e Maria Carmen Magnoni, a charitable organisation supporting initiatives for young people in disadvantaged conditions. Mr Ruggero Magnoni, a non-executive director of the Company, is vice-chairman of the Fondazione.

Maître Jean-Blaise Eckert, a non-executive director, is a partner of the Swiss legal firm Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling € 1.2 million (2020: € 0.4 million) from Group companies for advice on legal and taxation matters.

In the prior year, M&M Capital Limited, a company in which Mr Ruggero Magnoni is Chairman and shareholder, received a fee of € 2.3 million. No fees were paid in the current period.

Mr Gary Saage and Mr Nikesh Arora provided consultancy services to the Group in addition to their duties as non-executive directors. During the year to 31 March 2021, Mr Saage received € 0.6 million and Mr Arora received € 0.2 million (2020: € 0.7 million and € 0.6 million respectively) for the services provided. These fees are included in the individual disclosures of key management compensation as short-term employee benefits.

(d) Key management compensation

	2021 €m	2020 €m
Salaries and short-term employee benefits	**14**	16
Short-term incentives	**3**	9
Long-term benefits	**–**	–
Post-employment benefits	**1**	1
Share-based compensation expense	**7**	8
Employer social security	**2**	1
	27	35

38. Related-party transactions continued

(d) Key management compensation continued

Key management comprises the Board of Directors of Compagnie Financière Richemont SA and the Senior Executive Committee, as detailed below.

The Ordinance against Excessive Compensation requires that the Board identifies the corporate body to which management has been delegated by the Board of Directors for the day-to-day management of the organisation. This is deemed to be the Senior Executive Committee, which is chaired by the Chairman of the Board, the members of which are listed below. Members of this Committee are considered to be subject to the various disclosure and approval requirements imposed by the regulations.

Board of Directors	
Johann Rupert	Chairman
Josua Malherbe	Non-executive Deputy Chairman
Nicolas Bos	President & Chief Executive Officer Van Cleef & Arpels
Burkhart Grund	Chief Finance Officer
Sophie Guieysse[1]	Group Human Resources Director
Jérôme Lambert	Group Chief Executive Officer
Cyrille Vigneron	President & Chief Executive Officer Cartier
Nikesh Arora	Non-executive Director
Clay Brendish	Independent Lead Director
Jean-Blaise Eckert	Non-executive Director
Keyu Jin	Non-executive Director
Wendy Luhabe[2]	Non-executive Director
Ruggero Magnoni	Non-executive Director
Jeff Moss	Non-executive Director
Vesna Nevistic	Non-executive Director
Guillaume Pictet	Non-executive Director
Alan Quasha	Non-executive Director
Maria Ramos	Non-executive Director
Anton Rupert	Non-executive Director
Jan Rupert	Non-executive Director
Gary Saage	Non-executive Director
Members of the Senior Executive Committee	
Nicolas Bos	President & Chief Executive Officer Van Cleef & Arpels
Burkhart Grund	Chief Finance Officer
Sophie Guieysse[1]	Group Human Resources Director
Jérôme Lambert	Group Chief Executive Officer
Emmanuel Perrin	Head of Specialist Watchmakers Distribution
Philippe Fortunato[3]	Head of Fashion & Accessories
Cyrille Vigneron	President & Chief Executive Officer Cartier
Frank Vivier	Chief Transformation Officer

1. Until 12 June 2020 (Senior Executive Committee) and 9 September 2020 (Board of Directors).
2. From 9 September 2020.
3. From 1 September 2020.

38. Related-party transactions continued

(d) Key management compensation continued

Share option plan

The Group operates a long-term share-based compensation plan whereby executives are awarded options to acquire Richemont 'A' 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 under the plan are as follows:

	Number of options							
	1 April 2020	Granted in year	Exercised in year	Forfeited in year	31 March 2021	Weighted average grant price CHF	Earliest exercise period	Latest expiry date
Board of Directors								
Nicolas Bos	247 013	17 988	–	–	**265 001**	84.23	Apr 2021-Dec 2025	June 2029
Burkhart Grund	247 582	14 881	20 000	–	**242 463**	82.66	Apr 2021-Dec 2025	June 2029
Jérôme Lambert	259 987	18 849	–	–	**278 836**	84.47	Apr 2021-Dec 2025	June 2029
Cyrille Vigneron	283 571	18 482	–	–	**302 053**	84.14	Apr 2021-Dec 2025	June 2029
Gary Saage	715 000	–	280 000	–	**435 000**	79.61	Apr 2021-Jul 2021	June 2025
Senior Executive Committee								
Senior Executives	286 079	29 763	13 334	–	**302 508**	85.36	Apr 2021-Dec 2025	June 2029
	2 039 232	99 963	313 334	–	**1 825 861**			

The options held by Mr Gary Saage, Non-executive Director, were awarded in his previous role as an executive director of the Company.

Performance Share Unit plan

The Group operates a RSU plan. Awards under this plan also vest over periods of three to six years from the date of grant. On vesting, the executive will receive a share in the Company. Awards granted to senior executives are also subject to performance conditions which may reduce the number of shares vesting (Performance Share Units, or 'PSU'). Executives are not entitled to dividends during the vesting period.

	Number of units					
	1 April 2020	Granted in year	Vested in year	Cancelled in year	31 March 2021	Earliest vesting date
Board of Directors						
Nicolas Bos	43 208	10 793	–	–	**54 001**	Aug 2022-Dec 2025
Burkhart Grund	40 549	8 929	–	–	**49 478**	Aug 2022-Dec 2025
Jérôme Lambert	47 629	11 310	–	–	**58 939**	Aug 2022-Dec 2025
Cyrille Vigneron	46 809	11 089	–	–	**57 898**	Aug 2022-Dec 2025
Senior Executive Committee						
Senior Executives	67 314	17 857	–	–	**85 171**	Aug 2022-Dec 2025
	245 509	59 978	–	–	**305 487**	

38. Related-party transactions continued

(d) Key management compensation continued

Share ownership

As at 31 March 2021, members of the Board and parties closely linked to them owned a total of 39 072 Richemont ‘A’ shares. Mr Johann Rupert is the General Managing Partner of Compagnie Financière Rupert, which holds 5 221 000 ‘A’ shares and 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 2021. The interest of individual directors and members of the Senior Executive Committee in Richemont ‘A’ shares is as follows:

	at 31 March 2021	at 31 March 2020
Board of Directors		
Clay Brendish	**2 010**	2 010
Jean-Blaise Eckert	**75**	75
Jérôme Lambert	**1 148**	1 148
Ruggero Magnoni	**2 000**	2 000
Jeff Moss	**2 400**	2 400
Guillaume Pictet	**5 535**	5 535
Alan Quasha	**1 000**	1 000
Maria Ramos	**1 404**	1 404
Jan Rupert	**3 000**	3 000
Gary Saage	**8 000**	8 000
Cyrille Vigneron	**12 500**	12 500
	39 072	39 072

Following the decision of the annual general meeting on 9 September 2020 to pay dividends of CHF 1.00 per ‘A’ registered share and CHF 0.10 per ‘B’ registered share, dividends of CHF 60 296 836 were paid to shareholders who were members of the Board or the Senior Executive Committee, or parties closely linked to them, at the date the dividend was paid. A total of 16.2 million ‘A’ warrants and 1 044 million ‘B’ warrants were distributed to members of the Board or Senior Executive Committee (note 31.5).

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 201 100 ‘A’ shares or ‘A’ share equivalents at 31 March 2021.

Mr Jan Rupert, a non-executive director, and members of his family, are beneficiaries of certain companies and trusts that have acquired and currently hold 1 226 628 ‘A’ shares. In addition Mr Rupert is also a director of companies and a trustee of trusts that collectively hold 1 581 943 ‘A’ shares but he is not in a position to control the investment decisions or to control the exercise of voting rights.

Mr Alan Quasha, a non-executive director, and members of his family, are beneficiaries of certain companies and trusts that have acquired and currently hold 10 000 ‘A’ shares but he is not in a position to control the investment decisions or to control the exercise of voting rights.

Loans to members of governing bodies

As at 31 March 2021, there were no loans or other credits outstanding to any current or former executive or non-executive directors, or members of the Senior Executive Committee. The Group policy is not to extend loans to directors or members of the Senior Executive 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 Senior Executive Committee.

39. Business combinations

Accounting policy

The Group applies the acquisition method to account for business combinations. The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred 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. 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.

On acquisition, non-controlling interests are measured as a percentage of the net assets of the acquiree.

Any contingent consideration is measured at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

During the period, the Group completed several business combinations, including the acquisition of the remaining shareholding in Montblanc India Retail Private Limited (note 11) and the operations of external boutiques and distributors in strategic markets. The impact of these acquisitions on the financial position and performance of the Group is not significant, and as such these acquisitions are presented in aggregate below.

	Total €m
Property, plant and equipment	**2**
Intangible assets	**13**
Right of use assets	**19**
Other non-current assets	**1**
Inventories	**13**
Cash and cash equivalents	**2**
Trade and other receivables	**1**
Trade and other payables	**(1)**
Short-term borrowings	**(2)**
Current and deferred tax	**(2)**
Lease liabilities	**(19)**
Non-current liabilities	**(1)**
Net assets acquired	**26**
Fair value of net assets acquired	**26**
Fair value of previous shareholding	**(1)**
Goodwill	**4**
Total consideration paid	**29**
Cash and cash equivalents acquired	**(2)**
Payment of amounts deferred in prior periods	**6**
Cash outflow on acquisitions	**33**

The fair value of these assets is provisional, pending finalisation of valuation work. Goodwill represents certain intangible assets that do not qualify for separate recognition, including an integrated workforce and technical know-how relating to jewellery creation. None of the goodwill is expected to be deductible for tax purposes.

39. Business combinations continued

In the period since acquisition, the businesses contributed € 2 million to sales and a profit of € 1 million to net profit. Had the acquisitions been made on 1 April 2020, the contribution to sales and to net profit for the full period would have been € 6 million and a loss of € 1 million respectively.

Acquisition-related transaction costs of € 2 million were expensed in the year to 31 March 2021.

Contingent consideration
At 31 March 2021, the Group has a total provision of € 36 million related to contingent consideration payable as a result of business combinations in prior periods (2020: € 35 million). The fair value of the contingent consideration is estimated by calculating the present value of future expected cash flows, based on latest forecasts and budgets, and is updated at each reporting date. The estimates are based on a discount rate which reflects the risk profile of the investment and probability adjusted sales and operating profit figures. As this valuation is based on unobservable inputs, it is classified as a Level 3 in the IFRS fair value hierarchy. Re-assessment of the expected future cash flows, based on the methodology described above, resulted in a charge to the income statement of € 3 million (2020: credit of € 1 million) of which € 2 million is included within Other income/(expenses) and the remainder in Finance costs. The only other movement in this balance during the year, other than for payments made as described above, was due to exchange rate movements.

40. Ultimate parent company

The directors regard Compagnie Financière Rupert, Bellevue, Geneva, Switzerland to be the Group's controlling party, as 51% of the voting rights of the Company are held by that entity.

41. Principal Group companies

Details of the Group's principal subsidiary companies, determined to be those entities with external revenue of more than € 10 million equivalent or total assets of more than € 50 million equivalent, are disclosed below:

Country of incorporation	Location	Name of company	Effective interest	Share capital (currency 000's)
Subsidiary undertakings				
Australia	Sydney	Richemont Australia Pty Limited	100.0%	AUD 4 500
Brazil	São Paulo	RLG do Brasil Varejo Ltda.	100.0%	BRL 412 015
Canada	Ottawa	Richemont Canada Inc.	100.0%	CAD 25 000
France	Paris	Azfashion S.A.S.	70.0%	€ –
	Paris	Azzedine Alaïa SAS	100.0%	€ 250
	Paris	Cartier et Compagnie	100.0%	€ 4 000
	Paris	Cartier Joaillerie International SAS	100.0%	€ 28 755
	Paris	Cartier Parfums SAS	100.0%	€ 4 168
	Paris	Chloé SAS	100.0%	€ 5 455
	Paris	Les Ateliers VCA SAS	100.0%	€ 149 370
	Paris	Montblanc France SAS	100.0%	€ 325
	Paris	Richemont Holding France SAS	100.0%	€ 600 250
	Paris	RLG Property France SAS	100.0%	€ 107 864
	Paris	SCI 275 Saint Honore	100.0%	€ 25 172
	Paris	Société Cartier SAS	100.0%	€ 30 000
Germany	Glashütte	Lange Uhren GmbH	100.0%	€ 550
	Hamburg	Montblanc Deutschland GmbH	100.0%	€ 103
	Hamburg	Montblanc International GmbH	100.0%	€ 1 775
	Hamburg	Montblanc International Holding GmbH	100.0%	€ 4 099
	Hamburg	Montblanc-Simplo GmbH	100.0%	€ 1 724
	Munich	Richemont Northern Europe GmbH	100.0%	€ 13 070
Hong Kong SAR, China	Hong Kong	Richemont Asia Pacific Limited	100.0%	HK$ 4 162 500
	Hong Kong	The Net-A-Porter Group Asia Pacific Limited	100.0%	HK$ 200 000
	Hong Kong	Yoox Asia Limited	100.0%	HK$ 1 000
India	New Delhi	Richemont India Private Limited	100.0%	INR 2 463
Italy	Milan	Buccellati Holding Italia S.p.A	100.0%	€ 22 941
	Milan	Montblanc Italia Srl	100.0%	€ 47
	Milan	PGI SpA	100.0%	€ 520
	Milan	Richemont Italia SpA	100.0%	€ 10 000
	Milan	YOOX NET-A-PORTER GROUP SpA	100.0%	€ 1 384
Japan	Tokyo	Richemont Japan Limited	100.0%	JPY 250 000
	Tokyo	Yoox Japan	100.0%	JPY 10 000
Jersey	St Helier	Richemont Employee Benefits Limited	100.0%	CHF –
	St Helier	Richemont Luxury Group Limited	100.0%	CHF 4 722 900
	St Helier	RLG NBS Limited	100.0%	£ 78 500
	St Helier	RLG Property Ltd.	100.0%	€ 288 979
	St Helier	RLG Real Estate Partners LP	85.8%	€ 380 484

41. Principal Group companies continued

Country of incorporation	Location	Name of company	Effective interest	Share capital (currency 000's)
Luxembourg	Luxembourg	Richemont International Holding SA	100.0%	€ 603 435
	Luxembourg	RLG Property Holdings 2 Sarl	100.0%	€ 1 041
Malaysia	Kuala Lumpur	Richemont Luxury (Malaysia) SDN BHD	100.0%	MYR 1
Mexico	Mexico City	Richemont de Mexico SA de CV	100.0%	MXN 597 757
Monaco	Monte Carlo	RLG Monaco SA	100.0%	€ 239
Netherlands	Amsterdam	RLG Europe BV	100.0%	€ 18
People's Republic of China	Shanghai	Feng Mao Trading	100.0%	CNY 380 000
	Shanghai	Mishang Trading (Shanghai) Co., Ltd.	100.0%	€ 6 000
	Shanghai	Richemont Commercial Company Limited	100.0%	CNY 2 982 700
Russia	Moscow	Richemont Luxury Goods, LLC (RLG LLC)	100.0%	RUR 50 000
Saudi Arabia	Riyadh	Richemont Saudi Arabia LLC	75.0%	SAR 26 667
Singapore	Singapore	Richemont Luxury (Singapore) Pte Ltd.	100.0%	SGD 100 000
South Africa	Bryanston	RLG Africa (Pty) Ltd	100.0%	ZAR 4 000
South Korea	Seoul	Richemont Korea Limited	100.0%	KRW 5 887 560
Spain	Madrid	Montblanc Iberia S.L.	100.0%	€ 1 000
	Madrid	Richemont Iberia S.L.	100.0%	€ 6 005
Switzerland	Villars-sur-Glâne	Richemont International SA	100.0%	CHF 1 007 500
	Villars-sur-Glâne	Richemont Suisse SA	100.0%	CHF 4 850
	Delémont	Varinor SA	100.0%	CHF 28 900
Thailand	Bangkok	Richemont Luxury (Thailand) Limited	100.0%	THB 409 000
Turkey	Istanbul	Richemont Istanbul Luks Esya Dagitim AS	100.0%	TRY 73 959
Ukraine	Kiev	RLG Ukriane	100.0%	€ 500
United Arab Emirates	Dubai	Richemont (Dubai) FZE	100.0%	AED 9 000
	Dubai	YNAP Middle East General Trading LLC	66.6%	AED 300
United Kingdom	London	Da Vinci Holdings Limited	51.0%	CNY 86
	London	James Purdey & Sons Limited	100.0%	£ 49 403
	London	Alfred Dunhill Limited	100.0%	£ 698 315
	London	Richemont Holdings (UK) Limited	100.0%	£ 280 672
	London	Richemont Investments	100.0%	£ –
	London	Richemont UK Limited	100.0%	£ 15 776
	London	The Net-A-Porter Group Limited	100.0%	£ 40 006
	London	Watchfinder.co.uk Limited	100.0%	£ 12
United States of America	New York	Buccellati, Inc.	100.0%	US$ 30
	Wilmington	Peter Millar Inc.	100.0%	US$ 122 465
	Wilmington	Richemont Latin America and Caribbean Inc.	100.0%	US$ 2 990
	Wilmington	Richemont North America Holdings Inc.	100.0%	US$ 318 631
	Wilmington	Richemont North America Inc.	100.0%	US$ 117 649
	New York	YNAP Corporation	100.0%	US$ 42 002

Details of the Group's associates and joint ventures are provided in note 11.

Notes to the consolidated financial statements continued

41. Principal Group companies continued

Non-controlling interests in subsidiaries

The Group has no material non-controlling interests. The information that follows is the aggregate total for all subsidiaries with a non-controlling interest. The information is presented before elimination of intra-Group transactions and balances.

Balance sheet

	2021 €m	2020 €m
Non-current assets	**325**	333
Current assets	**306**	245
Non-current liabilities	**(33)**	(25)
Current liabilities	**(60)**	(29)
Intra-Group balances	**232**	239
	770	763
Carrying amount of non-controlling interests	**(110)**	(123)

Statement of comprehensive income

	2021 €m	2020 €m
Revenue	**379**	190
Profit/(loss)	**(31)**	(11)
Profit/(loss) allocated to non-controlling interests	**(12)**	(2)

Cash flow statement

	2021 €m	2020 €m
Cash flows from operating activities	**15**	8
Cash flows from investing activities	**(51)**	(35)
Cash flows from financing activities	**13**	89

42. Events after the reporting date

Dividend

A dividend of CHF 2.00 per share is proposed for approval at the annual general meeting of the Company, to be held on 8 September 2021. 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 2022.

Dufry convertible bond

On 8 April 2021, the Group's investment in convertible bonds issued by Dufry, presented at 31 March 2021 within Financial Assets held at fair value through profit or loss, has been converted into listed shares. As a result of this conversion, the Group has received 848 484 shares in Dufry SA, which will be presented as Financial assets held at fair value through other comprehensive income, consistent with its existing investment in Dufry shares.

Report of the statutory auditor

to the General Meeting of Compagnie Financière Richemont SA

Bellevue, Switzerland

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Compagnie Financière Richemont SA and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 March 2021 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 75 to 134) give a true and fair view of the consolidated financial position of the Group as at 31 March 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

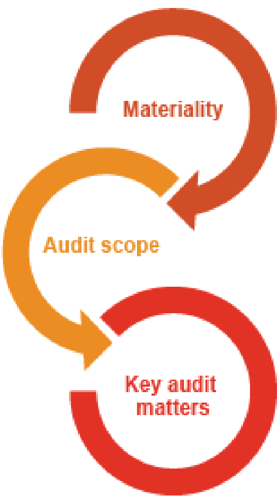
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: € 65 million

We conducted a full scope audit at 34 reporting units, which resulted in a coverage of 82% of total revenue.

As key audit matters the following areas of focus have been identified:

- Goodwill impairment assessment for Yoox Net-à-Porter ("YNAP")
- Taxation
- Inventory provisions

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	€ 65'000'000
How we determined it	0.5% of total revenues rounded
Rationale for the materiality benchmark applied	Given the exceptional nature of the situation under COVID-19 that has impacted profitability measures, we have applied this revenue benchmark based on our analysis of the drivers of the business and its key performance indicators as defined by management and stakeholders of the Group.

We agreed with the Audit Committee that we would report to them misstatements above € 3’200’000(SUM) identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Due to the nature of its business and its organization, the Group has a decentralized structure and operates in more than 30 countries over four main regions (Asia, Europe, Americas and Middle East). Local full scope audit teams based in 14 different territories audit the business transactional operations and report to us on their audit results, in response to the instructions we sent to them. We, as group auditor, then ensure quality of their work by means of planning presentations with all teams, detailed review of their audit plan and final memorandum, and closing calls with teams of all significant entities. Procedures performed at group level include analytical procedures on entities not covered by group reporting requirements to ensure that any material risk is identified and addressed. We also assess the appropriateness of Group accounting policies, assess accounting treatment of material or unusual transactions when prepared centrally and audit the consolidation, which includes the central consolidation adjustments, amongst others share based compensation, tax, equity and intercompany eliminations and business combination accounting when applicable. We finally validate the compliance of the consolidated financial statements with IFRS and Swiss law.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill impairment assessment for Yoox Net-à-Porter ("YNAP")

Key audit matter	How our audit addressed the key audit matter
The goodwill allocated to the YNAP CGU amounts to €1'549 million per 31 March 2021. The assessment of the recoverability of the YNAP goodwill balance is dependent on the estimation of future cash flows. The discounted cash flow model is based on the fair value less cost of disposal methodology based on a 10-year plan. Judgement is required to determine the assumptions relating to the future business results, the growth rate after the forecasted period and the discount rate applied to the forecasted cash flows. Refer to note 4 – Critical accounting estimates and assumptions and note 7 – Goodwill.	We obtained the Group's impairment assessment for the YNAP CGU and ● tested the mathematical accuracy of the model and assessed the overall appropriateness of the model used with regard to IAS 36 requirements; ● assessed the quality of the cash flow projections by comparing the actual results to prior year budget in order to identify in retrospect whether any of the assumptions might have been too optimistic; ● reconciled the 10-year projections to the model that was subject to scrutiny and approval by management; ● challenged management to substantiate its key assumptions in the cash flow projections during the forecasted period by comparing them to analysts' reports of the industry and peer companies; ● tested, with the support of our valuation experts, the reasonableness of the cash flows growth after the forecast period assumption of 2.25% and the discount rate of 10.44%; ● obtained corroborative external evidence that market participant would use a 10-year period cash flow model to value a company operating on a fast-growing industry like Online Luxury. We obtained the Group's sensitivity analysis around key assumptions to ascertain the effect of changes to those assumptions to the fair value less cost of disposal and re-calculated the sensitivity. We assessed the adequacy of the disclosures included in Note 7 on goodwill. Based on the procedures performed, we concluded that management's impairment assessment of the YNAP goodwill was supportable.

Taxation

Key audit matter	How our audit addressed the key audit matter
The Group is subject to taxation in many jurisdictions and management makes judgements about the incidence and quantum of tax liabilities that are subject to the future outcome of assessments by the relevant tax authorities. Accordingly, the calculation of tax expense and the related liability are subject to inherent uncertainty. To make those judgements, management follows an established and structured process whereby they systematically monitor and assess tax risks existence, development and settlement in each of their jurisdictions. The Group's main tax risks are transfer pricing being outside an arm's length benchmark range and potential adverse results for ongoing tax audits. In accordance with this methodology, provisions for uncertain tax positions are calculated and accounted for and included within current income tax liabilities (€550 million as at 31 March 2021). Refer to note 4 - Critical accounting estimates and assumptions and note 12 - Taxation.	We have confirmed the Group's exposure in various countries through inquiry with local and group management, audited management's process to assess the risk of tax payments in the different jurisdictions because of potential challenges to the tax returns or positions as well as the measurement and timing of recognition of the provision when applicable. We tested transactions with transfer pricing risks and risks of an adverse tax audit result for selected entities to assess that an appropriate level of provision including related penalty and interest is recorded. With the support of our internal tax experts, we examined the documentation outlining the matters in dispute or at risk and the benchmarks relied upon for transfer pricing and used our knowledge of the tax laws and other similar taxation matters to assess the available evidence, management's judgmental processes and the provisions. Based on the procedures performed, we concluded that management's tax estimates were reasonable.

Inventory provisions

Key audit matter	How our audit addressed the key audit matter
Inventory provisions totaled € 823 million at 31 March 2021. The need for provisions pertaining to slow moving or identified for destruction finished goods is assessed centrally at the Maison level headquarters. Each Maison marketing and strategic functions classify their finished goods in product life cycle stages and a provision rate is determined for each stage based on both the selling out forecasts and the estimated recoverable value. Inventory provisions also include other provisions on finished goods (e.g. damage) and provisions on raw materials and work-in-progress. Each Maison has specific provision rules and computes independently their provision rates. Maison provision rules and final provision values are assessed for consistency and approved by Group management. Refer to note 4 – Critical accounting estimates and assumptions and note 14 – Inventories.	We coordinated specific tailored work and reporting for each Maison's material provisions on finished goods at the Maison headquarters. The procedures consisted of checking the Maisons' policies were correctly and consistently applied, were compliant with the Group accounting policies and the respective provision balances were correctly reflected in the accounting records via central adjustment. We also assessed the appropriateness of key assumptions, which include the recoverable value after destruction and selling out assumptions. We also tested the appropriateness of other provisions on finished goods, raw materials and work in progress by reconciling significant inputs of the calculation file to the supporting documentation and testing the mathematical accuracy. We executed additional independent analytical reviews procedures at consolidated level and corroborated the results with management. We assessed the principles of the inventory provision rules and concluded that these were consistent between Maisons. In cooperation with the local audit teams, we have considered the impact of the current COVID-19 pandemic on the inventory by assessing the need for additional inventory provision. As a result of our procedures performed, we determined that management's conclusions with respect to the carrying value of the inventory provision were reasonable.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of Compagnie Financière Richemont SA and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

Guillaume Nayet

Audit expert
Auditor in charge

Louise Rolland

Genève, 20 May 2021

Company financial statements

Income statement

for the year ended 31 March

	Notes	2021 CHFm	2020 CHFm
Operating income			
Dividend income		**535.1**	1 208.7
		535.1	1 208.7
Operating expense			
General expenses	*3,4*	**12.2**	12.3
		12.2	12.3
Operating profit		**522.9**	1 196.4
Non-operating income/(expense)			
Financial income	*5*	**39.6**	36.1
Financial expenses	*5*	**(12.9)**	(7.5)
		26.7	28.6
Profit before taxes		**549.6**	1 225.0
Direct taxes		**(3.4)**	0.2
Net profit		**546.2**	1 225.2

Compagnie Financière Richemont SA

Company financial statements

Balance sheet

at 31 March

	Notes	2021 CHFm	2020 CHFm
Current assets			
Cash and cash equivalents		**443.3**	291.9
Other receivables		**1.2**	0.5
Taxation		**–**	6.0
Current accounts receivable from Group companies		**2 597.1**	2 613.1
		3 041.6	2 911.5
Long-term assets			
Long-term loans receivable from a Group company		**164.9**	168.9
Investments	*6*	**4 782.1**	4 560.7
		4 947.0	4 729.6
Total assets		**7 988.6**	7 641.1
Current liabilities			
Bank overdraft		**362.4**	–
Current accounts payable to Group companies		**2.1**	2.2
Taxation		**3.7**	–
Accounts payable and accrued expenses		**1.1**	0.8
		369.3	3.0
Shareholders' equity			
Share capital	*7*	**574.2**	574.2
Statutory legal reserve	*8*	**117.7**	117.6
Reserve for own shares	*9*	**689.8**	742.6
Retained earnings	*10*	**6 237.6**	6 203.7
		7 619.3	7 638.1
Total equity and liabilities		**7 988.6**	7 641.1

Compagnie Financière Richemont SA

Notes to the Company financial statements

at 31 March 2021

Note 1 – General

Compagnie Financière Richemont SA ('the Company') is a limited liability company (société anonyme) with registered office at 50 Chemin de la Chênaie, 1293 Bellevue, Geneva, Switzerland. The main activity of the Company is the holding of investments in the luxury goods sector. The Company employs fewer than ten full-time equivalent employees.

Basis of preparation of the financial statements

The financial statements represent the financial position of Compagnie Financière Richemont SA at 31 March 2021 and the results of its operations for the year then ended, prepared in accordance with Swiss law and the Company's Articles of Incorporation.

Note 2 – Significant accounting policies

Current accounts receivable from Group companies

Current accounts receivable from Group companies are stated at their nominal value. Impairment charges are calculated for these assets on an individual basis.

Investments

Investments in subsidiary companies are stated at cost less amounts written off for diminutions in value which are considered to be of a durable nature.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Swiss francs at year-end exchange rates, with the exception of investments in subsidiaries which are translated using historical exchange rates.

Foreign currency transactions are translated using the actual exchange rates prevailing during the year. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 3 – General expenses

General expenses include personnel costs of CHF 3.5 million (2020: CHF 3.6 million).

Note 4 – Board and executive compensation disclosures

Details of compensation required by the Swiss Code of Obligations, art. 663 and following, can be found in note 38 to the consolidated financial statements and in the Compensation Report.

Note 5 – Financial income/Financial expenses

Financial expenses includes CHF 4.1 million of exchange losses incurred on loans receivable from a Group company. In 2020, financial expenses included CHF 5.3 million of exchange losses incurred on loans receivable from a Group company.

Note 6 – Investments

Company	Domicile	Purpose	% capital/voting rights	2021 CHFm	2020 CHFm
Richemont Holdings AG	Switzerland	Investment holding company	100%	**770.7**	770.7
Richemont International Holding SA	Luxembourg	Investment holding company	100%	**3 392.9**	3 171.5
Richemont International SA	Switzerland	Operating company	100%	**387.4**	387.4
Richemont Luxury Group Ltd	Jersey	Investment holding company	100%	**231.0**	231.0
Richemont Securities SA	Switzerland	Depository/issuer of Richemont South African Depository Receipts	100%	**0.1**	0.1
				4 782.1	4 560.7

In addition, a list of significant direct and indirect subsidiaries can be found in note 41 to the consolidated financial statements.

Notes to the Company financial statements continued

Note 7 – Share capital

	2021 CHFm	2020 CHFm
522 000 000 ‘A’ registered shares with a par value of CHF 1.00 each, fully paid	**522.0**	522.0
522 000 000 ‘B’ registered shares with a par value of CHF 0.10 each, fully paid	**52.2**	52.2
	574.2	574.2

Shareholder warrants

In November 2020, shareholders were granted tradeable warrants, which can either be traded or used to acquire new shares at a potentially beneficial price after three years in November 2023. Each ‘A’ shareholder received two ‘A’ warrants and each ‘B’ shareholder received two ‘B’ warrants. On the exercise date, 67 ‘A’ warrants must be exercised to acquire one ‘A’ share (67 ‘B’ warrants to acquire one ‘B’ share). The exercise price of the warrants was set at CHF 1 per warrant (being CHF 67 per newly issued share). The warrants are listed on the SIX Swiss Exchange.

Conditional capital

In connection with the warrants described above, shareholders approved the creation of a conditional capital amounting to 22 million ‘A’ shares and 22 million ‘B’ shares, which will be used to issue the corresponding number of shares upon exercise of the warrants.

Note 8 – Statutory legal reserve

The legal reserve of CHF 117.6 million (2020: CHF 117.6 million) is not available for distribution.

Note 9 – Reserve for own shares

The reserve is created in respect of Richemont ‘A’ shares purchased by Richemont Employee Benefits Limited (‘REBL’), a subsidiary company.

During the year 556 126 ‘A’ shares (2020: 251 931 ‘A’ shares) were sold to executives under the Richemont share option plan by REBL and a further 9 500 ‘A’ shares (2020: 5 217 ‘A’ shares) were sold to a third party following the exercise of over-the-counter call options linked to the hedging programme.

At 31 March 2021, following these transactions, REBL held 8 553 036 Richemont ‘A’ shares (2020: 9 118 662 ‘A’ shares) with a cost of CHF 689.8 million (2020: CHF 742.6 million). In terms of the reserve for own shares established in respect of purchased shares, a net amount of CHF 52.8 million has been transferred from the reserve (2020: CHF 23.6 million from the reserve) during the year.

During 2019, share options were granted under the Richemont share option plan to certain executives resident in the US, of which 94 850 were granted by the Company. Each option entitles the executive to purchase one Richemont ‘A’ share. These options have an exercise price of CHF 92, vest over periods of three to five years and expire on 30 June 2027.

In order to hedge the obligations in respect of these options, the Company has entered into an arrangement to purchase, from REBL, an equivalent number of call options on the same terms and conditions as those granted to executives.

REBL also holds warrants that were issued under the equity-based loyalty scheme described in Note 7. During the year, it received 17 818 444 ‘A’ warrants at no cost in respect of the ‘A’ shares it held on the record date as defined under the loyalty scheme. REBL further purchased 89 010 294 ‘A’ warrants in the open market during the year for a cost of CHF 16.5 million.

At 31 March 2021, following these transactions, REBL held 106 828 738 ‘A’ warrants.

Assuming market conditions are favourable, REBL will exercise the ‘A’ warrants upon expiry in November 2023, according to the terms defined in the loyalty scheme.

Note 10 – Retained earnings

	2021 CHFm	2020 CHFm
Balance at 1 April	**6 203.7**	6 084.9
Dividend paid	**(565.1)**	(1 130.0)
Net transfer from reserve for own shares	**52.8**	23.6
Net profit	**546.2**	1 225.2
Balance at 31 March	**6 237.6**	6 203.7

Compagnie Financière Richemont SA

Notes to the Company financial statements continued

Note 11 – Commitments and contingencies

At 31 March 2021, the Company had issued guarantees in favour of Group companies for credit facilities up to a maximum of CHF 6 907.0 million (2020: CHF 4 499.8 million).

The directors believe that there are no other contingent liabilities.

Note 12 – Significant shareholders

Compagnie Financière Rupert

Compagnie Financière Rupert, a Swiss partnership limited by shares, holds 5 221 000 Richemont 'A' shares and 522 000 000 Richemont 'B' registered shares, representing 10% of the equity of the Company and controlling 51% of the Company's voting rights. Mr Johann Rupert, Chairman of Richemont, is the sole General Managing Partner of Compagnie Financière Rupert. Mr Ruggero Magnoni and Mr Anton Rupert, non-executive directors of the Company, are partners of Compagnie Financière Rupert.

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 2021.

Other significant shareholders

Richemont Securities SA, a subsidiary of the Company, acts as depository in respect of Richemont South African Depository Receipts ('DRs'), which are traded on the Johannesburg Stock Exchange operated by JSE Limited. DRs trade in the ratio of ten DRs to each Richemont 'A' share. In its capacity as depository and on behalf of the holders of DRs, Richemont Securities SA is the registered holder of one 'A' share in safe custody for every ten DRs in issue. Richemont Securities SA's interest in Richemont 'A' shares is non-beneficial in nature.

All dividends attributable to the 'A' shares held in safe custody are remitted by Richemont Securities SA individually to holders of DRs. Richemont Securities SA, as registered holder of 'A' shares, votes those shares at general meetings of shareholders of the Company. DR holders may provide Richemont Securities SA with voting instructions as to their holdings of DRs and Richemont Securities SA may only vote on behalf of those DR holders from whom it has received such instructions.

At 31 March 2021, Richemont Securities SA held 62 417 496 Richemont 'A' shares (2020: 66 600 769 shares), representing some 12% (2020: 13%) of the 'A' shares, in safe custody in respect of DRs in issue.

Proposal of the Board of Directors for the appropriation of retained earnings

At 31 March 2021

	CHFm
Available retained earnings	
Balance at 1 April 2020	**6 203.7**
Dividend paid	**(565.1)**
Net transfer from reserve for own shares	**52.8**
Net profit	**546.2**
Balance at 31 March 2021	**6 237.6**

Proposed appropriation

The proposed ordinary dividend payable to Richemont shareholders will be CHF 2.00 per Richemont share. This is equivalent to CHF 2.00 per 'A' registered share in the Company and CHF 0.20 per 'B' registered share in the Company. It will be payable to Richemont shareholders in September 2021, free of charges but subject to Swiss withholding tax at 35%, at the banks designated as paying agents.

The available retained earnings remaining after deduction of the dividend amount will be carried forward to the following business year.

The Board of Directors
Geneva, 20 May 2021

Report of the statutory auditor

to the General Meeting of Compagnie Financière Richemont SA

Bellevue, Switzerland

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Compagnie Financière Richemont SA, which comprise the income statement, balance sheet as at 31 March 2021 and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 142 to 146) as at 31 March 2021 comply with Swiss law and the company's articles of incorporation.

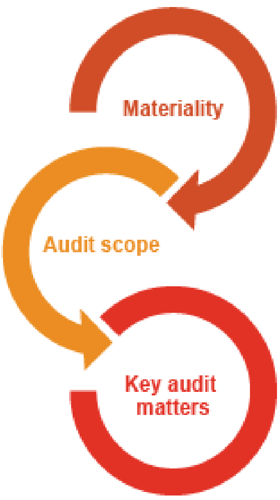
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 40 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

We have determined that there are no key audit matters to communicate in our report.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

• **Overall materiality**	CHF 40'000'000
• **How we determined it**	0.5% of total assets, rounded
• **Rationale for the materiality benchmark applied**	We chose total assets as the benchmark to determine our overall audit materiality, because, in our view, this metric is the most relevant factor when assessing a holding company which has limited operating activities and which holds mainly investments in subsidiaries and intra-group loans.

We agreed with the Audit Committee that we would report to them misstatements above CHF 4 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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 financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Guillaume Nayet

Audit expert
Auditor in charge

Louise Rolland

Genève, 20 May 2021

Five-year record

Summary income statement	2017 €m	2018 re-presented* €m	2019 €m	2020 €m	**2021 €m**
Sales	10 647	11 013	13 989	14 238	**13 144**
Cost of sales	(3 848)	(3 829)	(5 344)	(5 627)	**(5 283)**
Gross profit	6 799	7 184	8 645	8 611	**7 861**
Net operating expenses	(5 035)	(5 340)	(6 702)	(7 093)	**(6 383)**
Operating profit	1 764	1 844	1 943	1 518	**1 478**
Net finance (costs)/income	(160)	(150)	(183)	(337)	**25**
Share of post-tax results of equity-accounted investments	(34)	(41)	1 408	17	**12**
Profit before taxation	1 570	1 653	3 168	1 198	**1 515**
Taxation	(360)	(432)	(381)	(267)	**(226)**
Profit for the year	1 210	1 221	2 787	931	**1 289**

Gross profit margin	63.9%	65.2%	61.8%	60.5%	**59.8%**
Operating profit margin	16.6%	16.7%	13.9%	10.7%	**11.2%**

Sales by business area					
Jewellery Maisons	5 927	6 452	7 083	7 217	**7 459**
Specialist Watchmakers	2 879	2 714	2 980	2 859	**2 247**
Online Distributors	–	–	2 105	2 427	**2 197**
Other	1 841	1 847	1 881	1 788	**1 345**
Eliminations	–	–	(60)	(53)	**(104)**
	10 647	11 013	13 989	14 238	**13 144**

Sales by geographic region					
Asia Pacific	3 903	4 352	5 243	4 992	**5 937**
Europe	3 068	3 019	4 118	4 298	**2 955**
Americas	1 781	1 806	2 551	2 806	**2 388**
Japan	1 010	980	1 148	1 212	**940**
Middle East and Africa	885	856	929	930	**924**
	10 647	11 013	13 989	14 238	**13 144**

Sales by distribution channel					
Retail	6 389	6 758	7 320	7 338	**7 248**
Wholesale and royalty income	4 258	4 099	4 407	4 254	**3 102**
Online retail	–	156	2 262	2 646	**2 794**
	10 647	11 013	13 989	14 238	**13 144**

Sales by product line					
Jewellery	4 160	4 537	5 061	5 205	**5 553**
Watches	4 340	4 368	4 930	4 816	**4 085**
Leather goods	779	780	1 402	1 415	**1 129**
Writing instruments	396	394	414	383	**308**
Readywear and other	972	934	2 182	2 419	**2 069**
	10 647	11 013	13 989	14 238	**13 144**

* 2018 was re-presented to include royalty income received within total sales.

Five-year record continued

Operating results	2017 €m	2018 €m	2019 re-presented* €m	2020 €m	2021 €m
Jewellery Maisons	1 682	1 926	2 229	2 077	**2 309**
Specialist Watchmakers	226	262	381	304	**132**
Online Distributors	–	–	(99)	(241)	**(223)**
Other	110	(65)	(95)	(141)	**(241)**
Operating contribution	2 018	2 123	2 416	1 999	**1 977**
Elimination of internal transactions	–	–	2	(2)	**(6)**
Impact of valuation adjustments on acquisition	–	–	(173)	(196)	**(197)**
Unallocated corporate costs	(254)	(279)	(302)	(283)	**(296)**
Operating profit	1 764	1 844	1 943	1 518	**1 478**

Free cash flow	2017	2018	2019	2020	2021
Operating profit	1 764	1 844	1 943	1 518	**1 478**
Depreciation, amortisation and other non-cash items	161	645	918	1 606	**1 554**
Lease related payments	–	–	–	(660)	**(626)**
Increase in working capital	(29)	234	(530)	(327)	**529**
Other operating activities	11	7	1	18	**(30)**
Taxation paid	(288)	(346)	(306)	(373)	**(248)**
Net acquisition of non-current assets	(592)	(1 294)	(880)	(758)	**(867)**
Free cash flow	1 027	1 090	1 146	1 024	**1 790**

Net cash	2017	2018	2019	2020	2021
Cash at bank and on hand	4 450	8 401	5 060	4 462	**7 877**
Investments in externally managed and money market funds	3 481	5 057	4 528	4 362	**5 550**
Borrowings	(455)	(4 292)	(4 347)	(3 952)	**(5 937)**
Bank overdrafts	(1 685)	(3 897)	(2 713)	(2 477)	**(4 097)**
	5 791	5 269	2 528	2 395	**3 393**

Per share information (IFRS)	2017	2018	2019	2020	2021
Diluted earnings per share	€ 2.141	€ 2.158	€ 4.927	€ 1.646	**€ 2.296**
Headline earnings per share	€ 1.913	€ 2.373	€ 2.600	€ 1.742	**€ 2.328**

	2017	2018	2019	2020	2021
Ordinary dividend per share	CHF 1.80	CHF 1.90	CHF 2.00	CHF 1.00	**CHF 2.00**
Closing market price:					
Highest price	CHF 79.20	CHF 92.25	CHF 99.02	CHF 87.12	**CHF 92.58**
Lowest price	CHF 53.50	CHF 77.50	CHF 60.92	CHF 49.40	**CHF 49.96**

Exchange rates	2017	2018	2019	2020	2021
Average rates					
€ : CHF	1.0830	1.1354	1.1463	1.0962	**1.0759**
€ : CNY	7.3774	7.7446	7.7654	7.7379	**7.8987**
€ : JPY	118.75	129.66	128.34	120.81	**123.68**
€ : US$	1.0971	1.1705	1.1578	1.1112	**1.1667**

Average number of employees	2017	2018	2019	2020	2021
Switzerland	8 270	8 214	8 434	7 867	**7 882**
Rest of the world	20 310	20 526	27 206	26 861	**26 878**
	28 580	28 740	35 640	34 728	**34 760**

* 2019 is re-presented to show the impact of valuation adjustments on acquisition separately.