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 2020. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 2020 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 141 to 145.

Further information on the Group's activities during the year under review is given in the financial review on pages 30 to 35.

Consolidated financial statements

Company financial statements

Consolidated balance sheet
at 31 March

	Notes	2020 €m	2019 €m
Assets			
Non-current assets			
Property, plant and equipment	*7*	**2 774**	2 728
Goodwill	*8*	**3 465**	3 354
Other intangible assets	*9*	**2 623**	2 757
Right of use assets	*10*	**3 164**	–
Investment property	*11*	**282**	282
Equity-accounted investments	*12*	**180**	182
Deferred income tax assets	*13*	**600**	594
Financial assets held at fair value through profit or loss		**10**	10
Financial assets held at fair value through other comprehensive income		**115**	378
Other non-current assets	*14*	**447**	476
		13 660	10 761
Current assets			
Inventories	*15*	**6 658**	6 186
Trade receivables and other current assets	*16*	**1 246**	1 470
Derivative financial instruments	*17*	**44**	15
Financial assets held at fair value through profit or loss		**4 362**	4 528
Assets held for sale	*37*	**29**	19
Cash at bank and on hand	*18*	**4 462**	5 060
		16 801	17 278
Total assets		**30 461**	28 039
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital	*19*	**334**	334
Treasury shares	*19*	**(539)**	(560)
Hedge and share option reserves	*19*	**368**	324
Cumulative translation adjustment reserve		**3 133**	2 564
Retained earnings	*19*	**13 840**	14 289
		17 136	16 951
Non-controlling interests	*41*	**123**	88
Total equity		**17 259**	17 039
Liabilities			
Non-current liabilities			
Borrowings	*20*	**3 951**	3 984
Lease liabilities	*10*	**2 702**	–
Deferred income tax liabilities	*13*	**351**	358
Employee benefit obligations	*21*	**168**	66
Provisions	*22*	**56**	65
Other long-term financial liabilities	*23*	**99**	224
		7 327	4 697
Current liabilities			
Trade payables and other current liabilities	*24*	**2 047**	2 341
Current income tax liabilities		**446**	515
Borrowings	*20*	**1**	363
Lease liabilities	*10*	**612**	–
Derivative financial instruments	*17*	**30**	84
Provisions	*22*	**262**	287
Bank overdraft	*18*	**2 477**	2 713
		5 875	6 303
Total liabilities		**13 202**	11 000
Total equity and liabilities		**30 461**	28 039

The notes on pages 76 to 132 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 March

	Notes	2020 €m	2019 €m
Revenue	*6*	**14 238**	13 989
Cost of sales		**(5 627)**	(5 344)
Gross profit		**8 611**	8 645
Selling and distribution expenses		**(3 512)**	(3 433)
Communication expenses		**(1 415)**	(1 338)
Fulfilment expenses		**(352)**	(229)
Administrative expenses		**(1 560)**	(1 422)
Other operating expenses	*25*	**(254)**	(280)
Operating profit		**1 518**	1 943
Finance costs	*28*	**(504)**	(294)
Finance income	*28*	**167**	111
Share of post-tax results of equity-accounted investments	*12*	**17**	1 408
Profit before taxation		**1 198**	3 168
Taxation	*13*	**(267)**	(381)
Profit for the year		**931**	2 787
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial (losses)/gains	*21*	**(81)**	15
Tax on defined benefit plan actuarial (losses)/gains	*13*	**10**	(3)
Fair value changes on financial assets held at fair value through other comprehensive income		**(272)**	(72)
Share of other comprehensive income of equity-accounted investments	*12*	**–**	–
		(343)	(60)
Items that are or may be reclassified subsequently to profit or loss			
Currency translation adjustments			
– movement in the year		**568**	670
– reclassification to profit or loss		**–**	3
Cash flow hedging			
– reclassification to profit or loss, net of tax		**3**	3
Share of other comprehensive income of equity-accounted investments	*12*	**–**	1
		571	677
Other comprehensive income, net of tax		**228**	617
Total comprehensive income		**1 159**	3 404
Profit attributable to:			
Owners of the parent company		**933**	2 784
Non-controlling interests		**(2)**	3
		931	2 787
Total comprehensive income attributable to:			
Owners of the parent company		**1 162**	3 400
Non-controlling interests		**(3)**	4
		1 159	3 404
Earnings per 'A' share/10 'B' shares attributable to owners of the parent company during the year (expressed in € per share)			
From profit for the year			
Basic	*29*	**1.651**	4.934
Diluted	*29*	**1.646**	4.927

The notes on pages 76 to 132 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						Non-controlling interests	Total equity
	Notes	Share capital €m	Treasury shares €m	Other reserves €m	Cumulative translation adjustment reserve €m	Retained earnings €m	Total €m	€m	€m
Balance at 1 April 2018		334	(520)	302	1 892	12 623	14 631	7	14 638
Comprehensive income									
Profit for the year		–	–	–	–	2 784	2 784	3	2 787
Other comprehensive income		–	–	3	672	(59)	616	1	617
		–	–	3	672	2 725	3 400	4	3 404
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*19*	–	(40)	–	–	(34)	(74)	–	(74)
Employee share option plan		–	–	24	–	–	24	–	24
Tax on share option plan	*13*	–	–	(5)	–	–	(5)	–	(5)
Changes in non-controlling interests		–	–	–	–	(99)	(99)	77	(22)
Dividends paid	*30*	–	–	–	–	(926)	(926)	–	(926)
		–	(40)	19	–	(1 059)	(1 080)	77	(1 003)
Balance at 31 March 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	*19*	–	21	–	–	(8)	13	–	13
Employee share option plan		–	–	41	–	–	41	–	41
Tax on share option plan	*13*	–	–	–	–	–	–	–	–
Changes in non-controlling interests		–	–	–	–	5	5	38	43
Initial recognition of put options over non-controlling interests		–	–	–	–	(19)	(19)	–	(19)
Dividends paid	*30*	–	–	–	–	(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

The notes on pages 76 to 132 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 March

	Notes	2020 €m	2019 €m
Cash flows from operating activities			
Cash flow generated from operations	*32*	**2 797**	2 331
Interest received		**109**	90
Interest paid		**(181)**	(139)
Dividends from equity-accounted investments	*12*	**3**	37
Dividends from other investments		**15**	13
Taxation paid		**(373)**	(306)
Net cash generated from operating activities		**2 370**	2 026
Cash flows from investing activities			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	*36*	**(245)**	(2 650)
Proceeds from disposal of subsidiary undertakings, net of cash		**–**	(44)
Acquisition of equity-accounted investments		**(1)**	–
Proceeds from disposal of, and capital distributions from, equity-accounted investments		**–**	21
Acquisition of property, plant and equipment		**(570)**	(657)
Proceeds from disposal of property, plant and equipment		**2**	24
Payments capitalised as right of use assets		**(2)**	–
Acquisition of intangible assets		**(165)**	(169)
Proceeds from disposal of intangible assets		**–**	4
Acquisition of investment property		**(4)**	(63)
Investment in money market and externally managed funds		**(8 422)**	(6 177)
Proceeds from disposal of money market and externally managed funds		**8 600**	6 892
Acquisition of other non-current assets and investments		**(30)**	(44)
Proceeds from disposal of other non-current assets and investments		**11**	25
Net cash used in investing activities		**(826)**	(2 838)
Cash flows from financing activities			
Proceeds from borrowings	*33*	**–**	11
Repayment of borrowings	*33*	**(365)**	(323)
Dividends paid		**(1 017)**	(926)
Acquisition of treasury shares		**–**	(180)
Proceeds from sale of treasury shares		**13**	106
Contributions received from non-controlling interests		**34**	57
Acquisition of non-controlling interests in a subsidiary		**–**	(195)
Lease payments – principal	*33*	**(588)**	–
Capital element of finance lease payments	*33*	**–**	(6)
Net cash used in financing activities		**(1 923)**	(1 456)
Net change in cash and cash equivalents		**(379)**	(2 268)
Cash and cash equivalents at the beginning of the year		**2 347**	4 504
Exchange gains/(losses) on cash and cash equivalents		**17**	111
Cash and cash equivalents at the end of the year	*18*	**1 985**	2 347

The notes on pages 76 to 132 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
at 31 March 2020

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, Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Panerai, IWC Schaffhausen, Baume & Mercier, Roger Dubuis, YOOX NET-A-PORTER ('YNAP'), Watchfinder, Montblanc, dunhill, Chloé, Peter Millar, Alaïa, Serapian and Purdey.

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 14 May 2020 and are subject to approval at the shareholders' general meeting due to be held on 9 September 2020.

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 IFRSs effective for the financial year ended 31 March 2020 have a material impact on the Group.

IFRS 16, *Leases*

The Group has adopted IFRS 16 for the first time in the year ending 31 March 2020. This standard eliminates the distinction between operating and finance leases for lessees, and results in the recognition of a right of use asset and corresponding lease liabilities for the Group's lease contracts.

The Group has applied the 'modified retrospective' method for transition, according to the provisions of IFRS 16 C5(b), which allows the cumulative effect of transition to be recognised on the date of initial application, being 1 April 2019. For each lease agreement, the right of use asset is measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments recorded in the balance sheet immediately prior to initial application. As a result, there is no impact on retained earnings as a result of the adoption of IFRS 16.

Further details of the impact of first time adoption of this standard can be found in note 10.

Amendment to IFRS 3, *Business combinations*

The Group has early adopted the amendments to IFRS 3, *Business combinations* which relate to the definition of a business for the first time in the year ending 31 March 2020.

Certain acquisitions by the Group of the operations of external boutiques and distribution agents no longer fall within the scope of the standard as a result. The amendments are applied prospectively from 1 April 2019. There is no significant impact on the net assets of the Group, nor on its result for the period, as a result of these amendments.

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.

2. Summary of significant accounting policies continued

2.3. Basis of consolidation continued

(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 gives consideration to 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 action 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 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 15.

(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 13.

(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 8.

(d) Impact of the Covid-19 outbreak
At the date of these financial statements, the impact and duration of the current Covid-19 outbreak and the related measures taken to control it, including the likelihood of a global recession, are unknown. In preparing these financial statements, the short-term impact on items such as inventory and sales return provisions has been fully considered. The valuations of financial assets and liabilities carried at fair value reflect inputs at the balance sheet date. In assessing the carrying value of its other non-current assets, the Group has assumed that, despite a significant short-term impact, long-term market conditions remain unchanged, as the timing and scale of the economic impact and luxury market recovery remain uncertain.

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 Cartier, Van Cleef & Arpels and Buccellati.
- **Specialist Watchmakers** – businesses whose primary activity includes the design, manufacture and distribution of precision timepieces. The Group's Specialist Watchmakers comprise Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Panerai, IWC Schaffhausen, Baume & Mercier and Roger Dubuis.
- **Online Distributors** – businesses whose primary activity is the online sale of luxury goods. This group comprises YNAP and Watchfinder.

Buccellati is presented as part of Jewellery Maisons for the first time following its recent acquisition (note 36).

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 Montblanc, dunhill, Chloé, Peter Millar, Alaïa, Serapian, Purdey, 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.

5. Segment information continued

(a) Information on reportable segments continued

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, 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.

Revenue by business area is as follows:

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**

Year to 31 March 2019	Jewellery Maisons €m	Specialist Watchmakers €m	Online Distributors €m	Other €m	Eliminations €m	Total Revenue €m
Revenue						
External revenue	7 082	2 978	2 105	1 824	–	13 989
Inter-segment revenue	1	2	–	57	(60)	–
	7 083	2 980	2 105	1 881	(60)	13 989

The operating result by business area is as follows:

	2020 €m	2019 re-presented €m
Operating result		
Jewellery Maisons	**2 077**	2 229
Specialist Watchmakers	**304**	381
Online Distributors	**(241)**	(99)
Other	**(141)**	(95)
	1 999	2 416
Elimination of internal transactions	**(2)**	2
Impact of valuation adjustments on acquisitions	**(196)**	(173)
Unallocated corporate costs	**(283)**	(302)
Consolidated operating profit before finance and tax	**1 518**	1 943
Finance costs	**(504)**	(294)
Finance income	**167**	111
Share of post-tax results of equity-accounted investments	**17**	1 408
Profit before taxation	**1 198**	3 168
Taxation	**(267)**	(381)
Profit for the year	**931**	2 787

	2020 €m	2019 re-presented €m
Depreciation and amortisation costs included within the segment operating results		
Jewellery Maisons	**488**	204
Specialist Watchmakers	**260**	139
Online Distributors	**171**	104
Other	**206**	99
Unallocated	**367**	266
	1 492	812

5. Segment information continued

(a) Information on reportable segments continued

In the year to 31 March 2020 an impairment charge of € 45 million was included in the 'Other' segment (2019: € 1 million).

Prior year comparatives have been re-presented following a change in the presentation of the amortisation of intangible assets and inventory adjustments made on acquisition, as presented to the CODM. This change primarily impacts the Online Distributor segments, and results in a reduction of losses for that business area of € 165 million for the prior year. The CODM believes that this presentation provides a better reflection of the underlying financial performance of the Maisons and Online Distributors.

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

	2020 €m	2019 €m
Segment assets		
Jewellery Maisons	**3 506**	3 381
Specialist Watchmakers	**1 616**	1 534
Online Distributors	**1 006**	902
Other	**1 050**	1 075
	7 178	6 892
Eliminations	**(17)**	(21)
	7 161	6 871

Total segment assets	**7 161**	6 871
Property, plant and equipment	**2 774**	2 728
Goodwill	**3 465**	3 354
Other intangible assets	**2 623**	2 757
Right of use assets	**3 164**	–
Investment property	**282**	282
Equity-accounted investments	**180**	182
Deferred income tax assets	**600**	594
Financial assets at fair value through profit or loss	**4 372**	4 538
Financial assets at fair value through other comprehensive income	**115**	378
Other non-current assets	**447**	476
Other receivables	**743**	785
Derivative financial instruments	**44**	15
Cash at bank and on hand	**4 462**	5 060
Assets held for sale	**29**	19
Total assets	**30 461**	28 039

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

	2020 €m	2019 €m
Additions to non-current assets:		
Property, plant and equipment, other intangible assets and investment property		
Jewellery Maisons	**309**	292
Specialist Watchmakers	**99**	107
Online Distributors	**172**	198
Other	**89**	164
Unallocated	**124**	129
	793	890

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:

	2020 €m	2019 €m
Europe	**4 298**	4 118
United Kingdom	**1 024**	879
Germany, Italy and Spain	**1 171**	1 138
France	**739**	772
Switzerland	**464**	482
Other Europe	**900**	847
Middle East and Africa	**930**	929
Asia	**6 204**	6 391
China	**3 085**	3 480
– of which mainland China	***1 797***	*1 571*
– of which Hong Kong SAR and Macau SAR	***1 288***	*1 909*
Japan	**1 212**	1 148
South Korea	**818**	707
Other Asia	**1 089**	1 056
Americas	**2 806**	2 551
United States	**2 457**	2 191
Other Americas	**349**	360
	14 238	13 989

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

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

	2020 €m	2019 €m
Italy	**4 374**	4 039
United Kingdom	**2 082**	1 917
Switzerland	**1 960**	1 795
United States	**1 152**	385
France	**996**	497
Rest of the world	**2 232**	975
	12 796	9 608

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:

	2020 €m	2019 €m
Jewellery	**5 205**	5 061
Watches	**4 816**	4 930
Clothing	**1 792**	1 553
Leather goods and accessories	**1 415**	1 402
Writing instruments	**383**	414
Other	**627**	629
	14 238	13 989

(d) Major customers

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

6. 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.

	2020 €m	2019 €m
Revenue from contracts with customers	**14 195**	13 950
Royalty income	**43**	39
	14 238	13 989

6. Revenue continued

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

Year to 31 March 2020	Asia €m	Europe €m	Americas €m	Japan €m	Middle East and 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**

Year to 31 March 2019	Asia €m	Europe €m	Americas €m	Japan €m	Middle East and Africa €m	Total €m
Jewellery Maisons	2 974	1 573	1 221	723	592	7 083
Specialist Watchmakers	1 508	829	302	185	156	2 980
Online Distributors	264	1 106	563	85	87	2 105
Other	507	633	488	157	96	1 881
	5 253	4 141	2 574	1 150	931	14 049
Intersegment eliminations	(10)	(23)	(23)	(2)	(2)	(60)
	5 243	4 118	2 551	1 148	929	13 989

7. 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. Assets under construction are not depreciated.

Land is not depreciated.

	Land and buildings €m	Plant and machinery €m	Fixtures, fittings, tools and equipment €m	Assets under construction €m	Total €m
1 April 2018					
Cost	1 287	780	2 757	171	4 995
Depreciation	(411)	(553)	(1 706)	–	(2 670)
Net book value at 1 April 2018	876	227	1 051	171	2 325
Exchange adjustments	40	10	52	7	109
Acquisition through business combinations	30	52	50	38	170
Additions	33	63	407	155	658
Disposals	(2)	(1)	(26)	(3)	(32)
Depreciation charge	(57)	(63)	(362)	–	(482)
Impairment charge	–	–	(1)	–	(1)
Reclassified to assets held for sale (note 37)	(19)	–	–	–	(19)
Transfers and reclassifications	37	52	80	(169)	–
31 March 2019					
Cost	1 413	950	3 125	199	5 687
Depreciation	(475)	(610)	(1 874)	–	(2 959)
Net book value at 31 March 2019	938	340	1 251	199	2 728

7. 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 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 (note 36)	**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 (note 10)	**(39)**	**–**	**(17)**	**–**	**(56)**
Reclassified to assets held for sale (note 37)	**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**

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

Impairment charges of € 39 million (2019: € 1 million) are included in selling and distribution expenses.

Committed capital expenditure not reflected in these financial statements amounted to € 23 million at 31 March 2020 (2019: € 35 million).

8. 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 2018	297
Exchange adjustments	18
Goodwill arising on business combinations	3 039
Cost at 31 March 2019	**3 354**
Exchange adjustments	**9**
Goodwill arising on business combinations (note 36)	**103**
Impairment charge	**(1)**
Cost at 31 March 2020	**3 465**

8. 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:

	2020 €m	2019 €m
Jewellery Maisons	**1 135**	1 026
Specialist Watchmakers	**443**	437
Online Distributors	**1 709**	1 713
Other Maisons	**178**	178
	3 465	3 354

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 € 824 million (2019: € 819 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% (2019: 3%) and a terminal growth rate of 2.2% (2019: 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 7.07% (2019: 8.90%).

Goodwill allocated to the YNAP CGU amounts to € 1 549 million (2019: € 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 13% and 24% per annum, or 17% CAGR (2019: 19% CAGR), based on management forecasts and external industry analysis and a terminal growth rate of 2.25% (2019: 3%), with operating 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 8.88% (2019: 9.86%). 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 fair value hierarchy.

A reasonably possible change in key assumptions at 31 March 2020 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 € 486 million. The following reasonably possible changes to key assumptions would lead to the recoverable value equalling the carrying amount.

	Key assumption	Change
Terminal growth	**2.3%**	-0.53 ppt
Discount rate	**8.9%**	+0.49 ppt
Revenue growth (CAGR)	**17.5%**	-0.55 ppt
EBITDA margin	**0.2% - 12.4%**	-2.7%

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 € 688 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.

At 31 March 2020, impairments totalling € 45 million have been identified (2019: € 1 million) arising from three CGUs included within 'Other' for segmental reporting (note 5). This impairment includes € 1 million of goodwill (2019: nil). Following the guidance of IAS 36, the recoverable value has been forecast to be nil. Impairment charges are included in Other operating expenses.

Impairment tests were performed in February 2020 following the Group's well-established impairment testing processes. As mentioned in note 4, the impact of the Covid-19 outbreak, and the related economic impacts, were uncertain at the date of this report and remain so in the period prior to issue; however, the long-term prospects of the luxury industry – including luxury e-commerce – are assumed to remain unchanged. Management has performed additional sensitivity testing on its CGUs based on the assumption of a significant impact in the short-term, with long-term market conditions unchanged, and concluded that in this scenario no further impairment charges were required.

9. 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	5 years
• Software 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 2018					
Cost	215	283	171	201	870
Amortisation	(110)	(150)	(129)	(111)	(500)
Net book value at 1 April 2018	105	133	42	90	370
Exchange adjustments	34	3	3	5	45
Acquisition through business combinations	2 204	6	294	–	2 504
Additions:					
– internally developed	–	–	35	26	61
– other	–	3	105	–	108
Disposals	–	(2)	–	(3)	(5)
Amortisation charge	(146)	(30)	(119)	(31)	(326)
31 March 2019					
Cost	2 455	268	596	218	3 537
Amortisation	(258)	(155)	(236)	(131)	(780)
Net book value at 31 March 2019	2 197	113	360	87	2 757

9. 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 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 (note 36)	**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**

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

Other intangible assets at 31 March 2020 includes intellectual property-related assets, specifically the trading names 'NET-A-PORTER' and 'YOOX', which have a carrying value of € 1 610 million (2019: € 1 732 million). The assets have a remaining useful life of 18 years. No other individual intangible assets are material to the Group.

Amortisation of € 23 million (2019: € 32 million) is included in cost of sales; € 25 million (2019: € 28 million) is included in selling and distribution expenses; € 112 million (2019: € 88 million) is included in administration expenses; and € 195 million (2019: € 178 million) is included in other expenses.

Committed capital expenditure not reflected in these financial statements amounted to € 25 million at 31 March 2020 (2019: € 39 million).

10. Leases

The Group adopted IFRS 16, *Leases* for the first time from 1 April 2019. For further details of the adoption of this new standard, refer to note 2.2.

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.

In the comparative period, the Group applied the requirements of IAS 17, *Leases*.

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 2020 and on the date of initial application 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**
	3 022	**23**	**3 045**
Exchange adjustments	**20**	**–**	**20**
Acquisition through business combinations (note 36)	**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**

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

10. Leases continued

Total lease liabilities at 31 March 2020 and on the date of initial application are as follows:

	31 March 2020 €m	1 April 2019 €m
Non-current lease liabilities	**(2 702)**	(2 631)
Current lease liabilities	**(612)**	(526)
	(3 314)	(3 157)

At 31 March 2020, the maturity of the Group's lease liabilities is as follows:

31 March 2020	Carrying value €m	Contractual cash flows €m
Less than one year	**(612)**	(669)
Between 1-2 years	**(595)**	(650)
Between 2-3 years	**(411)**	(447)
Between 3-4 years	**(346)**	(376)
Between 4-5 years	**(282)**	(306)
More than 5 years	**(1 068)**	(1 238)
	(3 314)	(3 686)

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

	2020 €m
Short-term leases	**83**
Low-value asset leases	**24**
Variable rental payments	**368**
	475

Interest charges recognised during the period amounted to €74 million (note 28).

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 € 368 million, which represented 32% of the total rental payments made. 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 € 1 129 million.

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

10. Leases continued

Transition to IFRS 16

The Group applied the modified retrospective approach, under which the impact of transition to the new standard is recognised on the date of initial application. In applying IFRS 16 for the first time, the Group used the following practical expedients:

- Operating leases with a remaining lease term of less than 12 months as at 1 April 2019 are treated as short-term leases and excluded from the calculation of lease liabilities.
- Initial direct costs were excluded from the measurement of right of use assets at 1 April 2019.
- The Group used hindsight to determine the lease term in cases where the contract contained options to extend or terminate the lease.
- The Group relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review.

The following table illustrates the adjustments made to the opening balance sheet.

	31 March 2019 as reported €m	Adoption of IFRS 16 €m	1 April 2019 post-transition €m
Assets			
Non-current assets			
Property, plant and equipment	**2 728**	**(56)**	**2 672**
Right of use assets	**–**	**3 045**	**3 045**
Deferred income tax assets	**594**	**525**	**1 119**
Other non-current assets	**476**	**(23)**	**453**
Current assets			
Trade receivables and other current assets	**1 470**	**(22)**	**1 448**
Liabilities			
Non-current liabilities			
Borrowings	**3 984**	**(36)**	**3 948**
Lease liabilities	**–**	**2 631**	**2 631**
Deferred income tax liabilities	**358**	**525**	**883**
Provisions	**65**	**(1)**	**64**
Other long-term financial liabilities	**224**	**(141)**	**83**
Current liabilities			
Trade payables and other current liabilities	**2 341**	**(28)**	**2 313**
Borrowings	**363**	**(6)**	**357**
Lease liabilities	**–**	**526**	**526**
Provisions	**287**	**(1)**	**286**

Deferred tax assets and liabilities in the table above are presented gross. As the deferred tax asset and deferred tax liability arising from a lease contract are related to taxes levied by the same tax jurisdiction and within the same legal entity, these amounts are presented net in note 13.

10. Leases continued

On transition, the Group recognised lease liabilities for leases which had previously been classified as operating leases under IAS 17, *Leases*. These liabilities are measured at the present value of the remaining lease payments on the date of initial application, discounted using the incremental borrowing rate on 1 April 2019. The weighted average incremental borrowing rate applied was 2.3%. The reconciliation of opening lease liabilities to lease commitments disclosed in the prior year is as follows:

	€m
Operating lease commitments at 31 March 2019	**3 667**
Short-term leases	**(75)**
Low-value asset leases	**(1)**
Leases committed but not yet commenced at 1 April 2019	**(285)**
Change in determination of lease term	**184**
Impact of discounting	**(382)**
Other	**7**
Lease liability at 1 April 2019	**3 115**
Leases capitalised as finance leases under IAS 17	**42**
Total lease liability at 1 April 2019	**3 157**

11. 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 2018	
Cost	224
Depreciation	(2)
Net book value at 1 April 2018	222
Exchange adjustments	1
Additions:	
– new property	63
Depreciation	(4)
31 March 2019	
Cost	287
Depreciation	(5)
Net book value at 31 March 2019	282

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

The Group owns investment properties located in Canada, France and Denmark. Independent property valuers performed market valuations of the Group's properties as at 31 March 2020. 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.

11. 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 2.75% and 4.25% 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 € 339 million at 31 March 2020 (2019: € 322 million). These valuations do not fully reflect the impact of the Covid-19 outbreak, as the extent of the outbreak was uncertain as at 31 March 2020 and continues to be uncertain between the year end and the date of issue of these financial statements. Due to the headroom shown in these valuations, however, the investment properties are not considered to be impaired.

Investment properties with a net book value of € 35 million are pledged as security for long-term liabilities at 31 March 2020 (2019: € 31 million).

Committed capital expenditure on investment properties not reflected in the balance sheet amounted to € 1 million (2019: € 7 million).

The Group leases out its investment properties. The minimum rental payments under non-cancellable leases receivable at 31 March are not significant.

Rental income of € 2 million was received in the year to 31 March 2020 and included as other operating income (2019: € 2 million). Repairs and maintenance expenses of € 5 million (2019: € 7 million) related to income-generating properties are included as other operating expenses.

Investment properties are leased out for use as retail or office space with the longest dated contract terms expiring in 2022. The lease terms are comparable with the market for retail or office space in the appropriate location, recognising the commencement date of the lease. These include a mix of fixed base rent and fixed annual increases.

12. 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 2018	1 308
Exchange adjustments	2
Acquisition through business combinations	1
Capital distribution from equity-accounted investments	(20)
Disposal of equity-accounted investments	(2 481)
Dividend received	(37)
Share of post-tax results	1 408
Share of other comprehensive income	1
At 31 March 2019	**182**
Exchange adjustments	**(2)**
Acquisition of equity-accounted investments	**1**
Disposal of equity-accounted investments	**(7)**
Dividends received	**(3)**
Share of post-tax results	**9**
Share of other comprehensive income	**–**
At 31 March 2020	**180**

12. Equity-accounted investments continued

The value of equity-accounted investments at 31 March 2020 includes goodwill of € 43 million (2019: € 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 and of Ralph Lauren Watch & Jewelry Company of € 8 million. In the prior year, this amount included the revaluation gain on € 1 381 million recorded on the deemed disposals of the existing shareholding of YNAP Group, following completion of the voluntary tender offer, and of Dalloz Pre-Setting SAS.

The Group's principal equity-accounted investments at 31 March 2020 are as follows:

		2020 interest held (%)	2019 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
E_Lite SpA	Luxury e-commerce	**–**	49	Italy	Worldwide
Joint ventures					
Laureus World Sports Awards Limited	Sports Awards	**50**	50	United Kingdom	Worldwide
Ralph Lauren Watch & Jewelry Company Sàrl[2]	Watchmaker	**–**	50	Switzerland	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	**51**	51	India	India

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

2. In liquidation since March 2018.

During the period, the majority shareholder of E_Lite SpA exercised a call option over the Group's shareholding in that entity.

13. 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.

13.1. Deferred income tax

(a) Deferred income tax assets

	1 April 2018 €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 2019 €m
Depreciation	29	1	4	–	5	39
Provision for inventories	44	2	39	–	10	95
Provision for impairment of receivables	2	–	1	–	–	3
Employee benefit obligations	22	–	7	(3)	1	27
Unrealised gross margin elimination	437	18	3	–	–	458
Tax losses carried forward	7	1	27	–	58	93
Equity-settled share plans	16	1	(2)	(5)	–	10
Other	148	6	(28)	–	20	146
	705	29	51	(8)	94	871
Offset against deferred tax liabilities for entities settling on a net basis	(101)					(277)
	604					594

	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**
Deferred tax on equity-settled option plan	**10**	**–**	**(5)**	**–**	**–**	**5**
Leases (IFRS 16)	**–**	**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**

€ 433 million of deferred tax assets are expected to be recovered after more than twelve months (2019: € 315 million).

13. Taxation continued

13.1. Deferred income tax continued

(b) Deferred income tax liabilities

	1 April 2018 €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 2019 €m
Depreciation	(37)	(3)	(2)	–	(4)	(46)
Provision for inventories	(16)	(2)	(64)	–	–	(82)
Undistributed retained earnings	(34)	–	(7)	–	–	(41)
Other	(22)	(7)	37	–	(474)	(466)
	(109)	(12)	(36)	–	(478)	(635)
Offset against deferred tax assets for entities settling on a net basis	101					277
	(8)					(358)

	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 (IFRS 16)	**–**	**(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)**

€ 617 million of deferred tax liabilities are expected to be settled after more than twelve months (2019: € 553 million).

In the prior year, Other deferred tax liabilities included an amount of € 437 million in relation to deferred taxes arising on the intangible assets recognised on the acquisitions. This amount has been reclassified during the current year and is now presented separately.

(c) 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 € 839 million (2019: € 697 million). € 771 million of the unrecognised tax losses can be carried forward in the applicable jurisdiction of the reporting entity with no expiry dates (2019: € 646 million). The remainder of the unrecognised tax losses have maximum expiration dates of between five and ten years. Additionally, the Group has not recognised a deferred tax asset in respect of other temporary differences of € 0 million (2019: € 51 million) and 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 € 182 million (2019: € 168 million).

13. Taxation continued

13.2. Taxation charge from continuing operations

Taxation charge for the year:

	2020 €m	2019 €m
Current tax	**283**	396
Deferred tax (credit)/charge	**(16)**	(15)
	267	381

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 2020 and 2019 were 22.6% and 21.6% respectively.

The reform of federal and cantonal taxes in Switzerland has led to a reduction in the tax rate applicable to the Group's Swiss subsidiaries. This has resulted in a lower current tax charge, as well as a re-assessment of deferred tax assets and liabilities. The total impact is not considered to be material to the Group.

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:

	2020 €m	2019 €m
Profit before taxation	**1 198**	3 168
Share of post-tax results of equity-accounted investments	**(17)**	(1 408)
Adjusted profit before taxation	**1 181**	1 760
Tax on adjusted profit calculated at statutory tax rate	**165**	369
Difference in tax rates	**91**	(113)
Non-taxable income	**(9)**	(16)
Non-deductible expenses net of other permanent differences	**1**	31
Utilisation and recognition of prior year tax losses	**(3)**	77
Non-recognition of current year tax losses	**28**	29
Withholding and other taxes	**8**	22
Prior year adjustments	**(14)**	(18)
Taxation charge	**267**	381

The statutory tax rate applied of 14% (2019: 21%) reflects the average rate applicable to the main Swiss-based operating companies. The reduction in the statutory tax rate arose following the reform of corporate taxes in Switzerland, which took place during the year.

14. 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.

	2020 €m	2019 €m
Maisons' collections	**288**	261
Lease deposits	**133**	165
Loans and receivables	**6**	6
Other assets	**20**	44
	447	476

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.

15. 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.

	2020 €m	2019 €m
Raw materials and work in progress	**2 096**	1 930
Finished goods	**5 379**	5 068
	7 475	6 998
Provision for inventories	**(817)**	(812)
	6 658	6 186

The cost of inventories recognised as an expense and included in cost of sales amounted to € 5 043 million (2019: € 4 746 million).

The Group reversed € 106 million (2019: € 76 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 € 221 million (2019: € 262 million) of write-down of inventories within cost of sales.

16. 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.

	2020 €m	2019 €m
Trade receivables	**533**	706
Less: provision for impairment	**(30)**	(21)
Trade receivables – net	**503**	685
Loans and other receivables	**280**	351
Current financial assets	**783**	1 036
Sales return asset	**50**	61
Prepayments and other	**413**	373
	1 246	1 470

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

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

In addition to the amounts above there are non-current assets amounting to € 139 million (2019: € 171 million) and cash balances as disclosed in note 18 which are considered to be loans and receivables.

Provision for impairment

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

	2020 €m	2019 €m
Balance at 1 April of prior year	**(21)**	(21)
Provision charged to profit or loss	**(23)**	(12)
Utilisation of provision	**3**	3
Reversal of unutilised provision	**11**	9
Balance at 31 March	**(30)**	(21)

At 31 March 2020, trade and other receivables of € 36 million (2019: € 26 million) were impaired.

Receivables past due but not impaired:

	2020 €m	2019 €m
Up to three months past due	**58**	64
Three to six months past due	**6**	9
Over six months past due	**12**	7
	76	80

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

17. Derivative financial instruments

The Group uses the following derivative instruments:

(a) currency forwards: representing commitments to purchase or sell foreign currencies; and

(b) interest rate swaps (including forward-starting interest rate swaps) and currency swap derivatives: commitments to exchange one set of cash flows for another. Interest rate swaps result in an economic exchange of interest rates (for example, fixed for floating). No exchange of principal takes place. The Group's credit exposure represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligation.

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	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Currency forwards	**4 399**	3 493	**44**	5	**(30)**	(69)
Currency swap derivatives	**–**	1 142	**–**	10	**–**	–
Interest rate swap derivatives	**–**	356	**–**	–	**–**	(15)
	4 399	4 991	**44**	15	**(30)**	(84)

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	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Currency forwards	**2 800**	1 792	**1 599**	1 701	**–**	–
Currency swap derivatives	**–**	964	**–**	178	**–**	–
Interest rate swap derivatives	**–**	–	**–**	–	**–**	356
	2 800	2 756	**1 599**	1 879	**–**	356

Nominal amount

Nominal amounts represent the following:

- Currency forwards: the sum of all contract volumes outstanding at the year end.
- Interest rate and currency swap derivatives: the notional principal amount on which the exchanged interest payments are based.

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

18. Cash and cash equivalents

	2020 €m	2019 €m
Cash at bank and on hand	**4 462**	5 060
Bank overdrafts	**(2 477)**	(2 713)
	1 985	2 347

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 1.0% (2019: 0.8%). The effective interest rate on bank overdrafts was 0.9% (2019: 1.0%).

19. Equity

19.1. 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.

	2020 €m	2019 €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.

19.2. 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 2018	9.6	520
Purchased	2.3	180
Sold	(2.5)	(140)
Balance at 31 March 2019	**9.4**	**560**
Sold	**(0.3)**	**(21)**
Balance at 31 March 2020	**9.1**	**539**

The Company has given a pledge over 2 331 393 Richemont ‘A’ shares as security for vested warrants granted under the Group’s share option plan (2019: 1 410 254 Richemont ‘A’ shares).

19. Equity continued

19.2. Treasury shares continued

These treasury shares provide a comprehensive hedge of the Group's potential obligations arising under its share option and restricted share unit plans. During the year under review the Group did not acquire any treasury shares (2019: 2.3 million shares acquired at a total cost of € 180 million).

In the same period the Group delivered 0.3 million treasury shares for proceeds of € 13 million, in settlement of options exercised in the period and traded options exercised in previous periods (2019: 2.5 million shares for proceeds of € 106 million). The cost of the 0.3 million shares (2019: 2.5 million) sold during the year to plan participants who exercised their options was €21 million (2019: € 140 million). The loss realised on shares sold during the year amounted to € 8 million (2019: gain of € 34 million) which was recognised directly in retained earnings.

The market value of the 9.1 million shares (2019: 9.4 million) held by the Group at the year end, based on the closing price at 31 March 2020 of CHF 53.06 (2019: CHF 72.54), amounted to € 456 million (2019: € 609 million).

19.3. Other reserves

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

	2020 €m	2019 €m
Balance at 1 April of prior year	**324**	302
Movement in hedge reserve		
– recycled to profit and loss, net of tax	**3**	3
Movement in equity-based compensation reserve		
– equity-based compensation expense	**41**	24
– tax on equity-based compensation expense	**–**	(5)
Balance at 31 March	**368**	324

19.4. Retained earnings

	2020 €m	2019 €m
Balance at 1 April of prior year	**14 289**	12 623
Profit for the year	**933**	2 784
Other comprehensive income:		
– defined benefit plan actuarial gains/(losses)	**(81)**	15
– tax on defined benefit plan actuarial gains/(losses)	**10**	(3)
– fair value changes on assets held at FVTOCI	**(272)**	(72)
– share of other comprehensive income of associates, net of tax	**–**	1
Dividends paid (note 30)	**(1 017)**	(926)
Initial recognition of put options over non-controlling interests	**(19)**	–
Changes in non-controlling interests	**5**	(99)
(Loss)/gain on sale of treasury shares	**(8)**	(34)
Balance at 31 March	**13 840**	14 289

20. 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.

	2020 €m	2019 €m
Non-current:		
Corporate bonds	**3 935**	3 929
Secured bank borrowings	**16**	16
Unsecured bank borrowings	**–**	3
Finance lease obligations	**–**	36
	3 951	3 984
Current:		
Unsecured bank borrowings	**1**	357
Finance lease obligations	**–**	6
	1	363
Total borrowings	**3 952**	4 347

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

	2020 €m	2019 €m
Euro	**3 937**	3 946
US dollar	**–**	358
Swiss franc	**–**	24
Other	**15**	19
	3 952	4 347

The Group's borrowings are subject to interest rates as follows:

	2020 €m	2019 €m
Fixed rate borrowings	**3 952**	4 305
Floating rate borrowings	**–**	–
Finance lease obligations	**–**	42
	3 952	4 347

The Group has two fixed rate borrowings other than the corporate bonds; fixed rate DKK borrowings totalling € 15 million for which the rates of 0.88% are fixed until September 2020. The DKK loans are secured on the Group's investment property located in Copenhagen. A USD-denominated fixed rate borrowing of € 358 million matured in 2019. The fair values of these fixed rate borrowings are not significantly different to the carrying value.

20. Borrowings continued

In March 2018, a subsidiary of the Group based in Luxembourg, Richemont International Holding SA, issued the following corporate bonds which are listed on the Luxembourg Stock Exchange:

	2020 €m	2019 €m
1.00% € 1 500 million bond maturing in 2026 issued at 98.784%	**1 482**	1 479
1.50% € 1 250 million bond maturing in 2030 issued at 98.701%	**1 232**	1 230
2.00% € 1 000 million bond maturing in 2038 issued at 97.805%	**975**	974
2.00% € 250 million bond maturing in 2038 issued at 98.557%	**246**	246
	3 935	3 929

21. 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 € 72 million in the year ended 31 March 2021 (year ended March 2020: € 65 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 17 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.

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 expects to contribute € 15 million in the year ended 31 March 2021 (year ended March 2020: € 14 million) to the defined benefit plans.

21. Employee benefit obligations continued

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	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Present value of funded obligations	**(1 725)**	(1 506)	**(184)**	(532)	**(1 909)**	(2 038)
Fair value of plan assets	**1 620**	1 514	**184**	525	**1 804**	2 039
Net funded obligations	**(105)**	8	**–**	(7)	**(105)**	1
Present value of unfunded obligations	**–**	–	**(63)**	(58)	**(63)**	(58)
Amount not recognised due to asset limit	**–**	(8)	**–**	(1)	**–**	(9)
Net liabilities	**(105)**	–	**(63)**	(66)	**(168)**	(66)

	Switzerland		Rest of the world		Total	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Expense charged in:						
Cost of sales	**37**	32	**3**	3	**40**	35
Net operating expenses	**48**	47	**11**	8	**59**	55
	85	79	**14**	11	**99**	90

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	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Balance at 1 April of prior year	**1 514**	1 386	**525**	524	**2 039**	1 910
Exchange differences	**83**	72	**1**	–	**84**	72
Interest on plan assets	**9**	13	**3**	11	**12**	24
Actual return on plan assets less interest on plan assets	**(37)**	50	**(1)**	3	**(38)**	53
Assets distributed on settlements	**–**	–	**(348)**	–	**(348)**	–
Contributions paid by employer	**69**	63	**16**	16	**85**	79
Contributions paid by plan participants	**52**	46	**–**	–	**52**	46
Benefits paid	**(68)**	(114)	**(12)**	(29)	**(80)**	(143)
Administrative expenses	**(2)**	(2)	**–**	–	**(2)**	(2)
Balance at 31 March	**1 620**	1 514	**184**	525	**1 804**	2 039

21. Employee benefit obligations continued

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

	Switzerland		Rest of the world		Total	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Balance at 1 April of prior year	**(1 506)**	(1 333)	**(590)**	(591)	**(2 096)**	(1 924)
Exchange differences	**(86)**	(70)	**(2)**	(1)	**(88)**	(71)
Current service cost (employer part)	**(83)**	(69)	**(16)**	(15)	**(99)**	(84)
Contributions by plan participants	**(52)**	(46)	**–**	–	**(52)**	(46)
Interest on benefit obligations	**(9)**	(12)	**(3)**	(12)	**(12)**	(24)
Actuarial (losses)/gains	**(57)**	(81)	**6**	(1)	**(51)**	(82)
Past service cost	**–**	(9)	**–**	1	**–**	(8)
Liabilities extinguished on settlements	**–**	–	**348**	–	**348**	–
Liabilities acquired in a business combination	**–**	–	**(2)**	–	**(2)**	–
Benefits paid	**68**	114	**12**	29	**80**	143
Balance at 31 March	**(1 725)**	(1 506)	**(247)**	(590)	**(1 972)**	(2 096)

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

	Switzerland		Rest of the world		Total	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Balance at 1 April of prior year	**(8)**	(53)	**(1)**	(1)	**(9)**	(54)
Change in surplus/(deficit)	**8**	47	**1**	1	**9**	48
Exchange differences	**–**	(2)	**–**	(1)	**–**	(3)
Balance at 31 March	**–**	(8)	**–**	(1)	**–**	(9)

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

	Switzerland		Rest of the world		Total	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Equities	**481**	487	**31**	34	**512**	521
Government bonds	**503**	469	**51**	47	**554**	516
Corporate bonds	**31**	29	**90**	85	**121**	114
Property	**384**	336	**1**	1	**385**	337
Cash	**45**	40	**5**	3	**50**	43
Insurance policies and other assets	**176**	153	**6**	355	**182**	508
Fair value of plan assets	**1 620**	1 514	**184**	525	**1 804**	2 039

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 (2019: € 19 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.

21. 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	
	2020	2019	2020	2019
Discount rate	**0.6%**	0.6%	**1.4%**	1.2%
Interest credit rate	**1.0%**	1.0%	**0.4%**	0.4%
Future pension increases	**–**	–	**1.7%**	1.7%
Swiss technical rate	**2.0%**	2.0%	**n/a**	n/a
Life expectancy of 60 year old	**27.6**	27.4	**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% pa would increase obligations by € 151 million (2019: € 130 million), although this is also likely to have an impact on the Foundation's assets.
- Interest credit rate – A 0.5% pa decrease in the interest credit rate leads to a € 70 million (2019: € 60 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 (2019: € 35 million).
- Life expectancy – A one-year increase would increase obligations by € 29 million (2019: € 25 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% pa would increase the obligations by approximately € 11 million (2019: € 10 million).

22. Provisions

	Warranties and sales-related €m	Employee benefits €m	Other €m	Total €m
At 1 April 2019 represented	**234**	**75**	**41**	**350**
Acquisition through business combinations (note 36)	**–**	**–**	**11**	**11**
Charged/(credited) to profit or loss:				
– additional provisions	**773**	**47**	**16**	**836**
– unused amounts reversed	**(41)**	**(8)**	**(13)**	**(62)**
Net charge	**732**	**39**	**3**	**774**
Utilised during the year	**(752)**	**(46)**	**(26)**	**(824)**
Exchange adjustments	**3**	**2**	**2**	**7**
At 31 March 2020	**217**	**70**	**31**	**318**

	2020 €m	2019 €m
Total provisions at 31 March:		
– non-current	**56**	65
– current	**262**	287
	318	352

Refer to notes 2.2 and 10 for details of the re-presentation of opening balances following adoption of IFRS 16, *Leases*.

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 € 217 million (2019: € 234 million) has been recognised for expected sales returns and warranty claims. It is expected that € 198 million (2019: € 220 million) of this provision will be used within the following twelve months and that the remaining € 19 million (2019: € 14 million), which relates solely to potential warranty claims, will be utilised over the remainder of the expected warranty period of the products.

22. Provisions continued

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 € 45 million (2019: € 40 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 2020. The Group's restructuring provision is expected to be utilised in the coming year.

23. Other long-term financial liabilities

	2020 €m	2019 €m
Other lease liabilities	**30**	172
Other long-term financial liabilities	**69**	52
	99	224

24. Trade and other current liabilities

	2020 €m	2019 €m
Trade payables	**600**	760
Other payables	**709**	735
Accruals	**543**	658
Current financial liabilities	**1 852**	2 153
Other current non-financial liabilities	**195**	188
	2 047	2 341

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

25. Other operating (expense)/income

	2020 €m	2019 €m
Royalty expenses	**(4)**	(3)
Investment property rental income	**2**	2
Investment property costs	**(5)**	(7)
Amortisation of intangible assets acquired on business combinations	**(200)**	(177)
Other expense	**(47)**	(95)
	(254)	(280)

26. Operating profit

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

	2020 €m	2019 €m
Depreciation of property, plant and equipment (note 7)	**515**	482
Impairment of property, plant and equipment (note 7)	**39**	1
Amortisation of other intangible assets (note 9)	**355**	326
Impairment of other intangible assets (note 9)	**5**	–
Impairment of goodwill (note 8)	**1**	–
Depreciation of right of use assets (note 10)	**618**	–
Variable lease payments	**368**	–
Operating lease rentals:		
– minimum lease rental		703
– contingent rental		357
Sub-lease rental income (non-investment property)	**(4)**	(4)
Research and development costs	**88**	90
Loss on disposal of property, plant and equipment	**8**	6
Loss on disposal of other intangible assets	**3**	1
Restructuring charges	**3**	12

For details of rental costs in the year ended 31 March 2020, following the adoption of IFRS 16, *Leases* (note 2.2), refer to note 10.

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.

	2020 €m	2019 €m
Wages and salaries including termination benefits of € 16 million (2019: € 28 million)	**2 226**	2 075
Social security costs	**360**	335
Share-based compensation expense (note 31)	**28**	28
Long-term employee benefits	**26**	27
Pension costs – defined contribution plans	**80**	70
Pension costs – defined benefit plans (note 21)	**99**	90
	2 819	2 625

28. Finance costs and income

	2020 €m	2019 €m
Finance costs:		
Interest expense:		
– bank borrowings	**(29)**	(49)
– corporate bonds	**(69)**	(69)
– other financial expenses	**(20)**	(33)
– lease liabilities	**(74)**	–
Net foreign exchange losses on monetary items	**(245)**	(12)
Mark-to-market adjustment in respect of hedging activities	**–**	(112)
Net loss in fair value of financial instruments at fair value through profit or loss:		
– held for trading	**(67)**	(19)
Finance costs	**(504)**	(294)
Finance income:		
Interest income:		
– from financial assets at amortised cost (including bank and other deposits)	**48**	46
– from financial assets held at fair value through profit or loss	**57**	43
– other financial income	**3**	9
Dividend income from financial assets held at fair value through other comprehensive income	**15**	13
Mark-to-market adjustment in respect of hedging activities	**44**	–
Finance income	**167**	111
Net finance costs	**(337)**	(183)

29. Earnings per share

29.1. 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.

	2020	2019
Total attributable to owners of the parent company (€ millions)	**933**	2 784
Weighted average number of shares in issue (millions)	**565.0**	564.3
Total basic earnings per ‘A’ share/10 ‘B’ shares	**1.651**	4.934

29.2. 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 two categories of dilutive potential shares: share options and restricted share units.

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

29. Earnings per share continued

29.2. Diluted continued

For the year ended 31 March 2020, a total of 7 835 228 options granted to employees are not dilutive and so are excluded from the calculation of diluted EPS (2019: 7 720 669 options).

	2020	2019
Total profit attributable to owners of the parent company (€ millions)	**933**	2 784
Weighted average number of shares in issue (millions)	**565.0**	564.3
Adjustment for share options (millions)	**1.8**	0.8
Weighted average number of shares for diluted earnings per share (millions)	**566.8**	565.1
Total diluted earnings per 'A' share/10 'B' shares	**1.646**	4.927

29.3. 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.

	2020 €m	2019 €m
Profit attributable to owners of the parent company	**933**	2 784
Loss on disposal of non-current assets	**11**	7
Impairment of non-current assets	**45**	1
Gain on disposal of an associate	**(5)**	–
Loss on disposal of subsidiary undertaking	**–**	59
Gain on deemed disposal of equity-accounted investments	**–**	(1 381)
Currency exchange (gains)/losses reclassified from currency translation adjustment reserve	**–**	(3)
Headline earnings	**984**	1 467

	2020 millions	2019 millions
Weighted average number of shares:		
– Basic	**565.0**	564.3
– Diluted	**566.8**	565.1
	€ per share	€ per share
Headline earnings per 'A' share/10 'B' shares:		
– Basic	**1.742**	**2.600**
– Diluted	**1.736**	**2.596**

30. 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 2019 a dividend of CHF 2.00 per 'A' share and CHF 0.20 per 'B' share was paid (September 2018: CHF 1.90 and CHF 0.19 respectively).

31. Share-based payment

Accounting policy

The Group operates equity-settled share-based compensation plans based on options and restricted shares 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.

An additional, cash-settled plan was operated for certain employees during the prior year, based on options granted over the shares of a subsidiary company. The fair value of the estimated amount payable was expensed on a straight-line basis over the vesting period. The fair value was remeasured at each reporting date with changes recognised in profit or loss. During the year ended 31 March 2020, this option plan was cancelled and replaced with a cash plan which pays cash bonuses to certain employees after a vesting period in line with the original option plan. The liability for this new cash plan is included in note 22.

Equity-settled 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 2018	71.59	9 356 592
Granted	92.00	2 818 150
Exercised	46.61	(964 187)
Lapsed	75.57	(371 332)
Balance at 31 March 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**

Of the total options outstanding at 31 March 2020, options in respect of 3 143 190 shares (2019: 2 749 189 shares) had vested and were exercisable.

The weighted average share price at the date of exercise for options exercised during the year was CHF 85.09 (2019: CHF 87.13).

31. 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 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**	**8.2 years**
31 March 2019	CHF 54.95	581 170	1.2 years
	CHF 57.45	851 984	2.2 years
	CHF 90.11	936 170	3.2 years
	CHF 94.00	1 097 573	4.2 years
	CHF 83.80	1 098 526	5.2 years
	CHF 56.55	1 685 400	6.2 years
	CHF 80.20	1 801 750	7.2 years
	CHF 92.00	2 786 650	8.2 years

The per unit fair value of options granted during the year determined using the Binomial model was CHF 17.66. The significant inputs to the model were the share price of CHF 82.86 at the grant date, the exercise price shown above, a standard deviation of expected share price returns of 26%, an expected option life of five years, a dividend yield of 2.3% 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 current period whereby executives are awarded Restricted Share Units ('RSU'). Awards under this plan also vest over periods of three to five 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.

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 31 March 2019	–
Granted	**1 397 403**
Lapsed	**(30 118)**
Balance at 31 March 2020	**1 367 285**

The per unit fair value of RSU and PSU granted during the year was CHF 74.49. The significant inputs to the model were the share price of CHF 82.42 at the grant date and a dividend yield of 2.4%.

Share-based compensation expense

The amount recognised in profit or loss before social security and taxes for equity-settled share-based payment transactions was € 41 million (2019: € 24 million), together with a € 3 million reversal (2019: € 4 million charge) for cash-settled share-based payment transactions. Following cancellation of the cash-settled plan, the remaining liability of € 10 million was released; however, a separate provision for the cash plan which replaced it has been created (note 22).

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 2018 of CHF 19.37 per share option was revalued following the AGM in September 2019 at CHF 13.65 per share option. The estimated fair value of options and PSU awarded to members of the SEC in the year ended 31 March 2020 is based on the valuation at the award date of June 2019. Changes in the fair value of these options and PSU between the award date and 31 March 2020 are not significant to the Group. The final fair value will be fixed in September 2020 following approval by shareholders.

32. Cash flow generated from operations

	2020 €m	2019 €m
Operating profit	**1 518**	1 943
Depreciation of property, plant and equipment	**515**	482
Depreciation of right of use assets	**618**	–
Depreciation of investment property	**4**	4
Amortisation of other intangible assets	**355**	326
Impairment of property, plant and equipment	**39**	1
Impairment of goodwill	**1**	–
Impairment of other intangible assets	**5**	–
Loss on disposal of property, plant and equipment	**8**	6
Loss on disposal of intangible assets	**3**	1
Profit on disposal of investment properties	**(3)**	–
Profit on lease remeasurement	**(3)**	–
Increase in non-current provisions	**9**	15
Increase in retirement benefit obligations	**14**	12
Non-cash items	**41**	71
Increase in inventories	**(196)**	(278)
Decrease/(increase) in trade receivables	**181**	(53)
Decrease in other current assets	**103**	24
Decrease in current liabilities	**(348)**	(99)
(Decrease)/increase in long-term liabilities	**(16)**	4
Decrease in derivative financial instruments	**(51)**	(128)
	2 797	2 331

33. Liabilities arising from financing activities

	Corporate bonds €m	Fixed and floating rate borrowings €m	Finance leases €m	Total €m
At 1 April 2018	3 922	344	26	4 292
Acquisition through business combinations	–	312	10	322
Additions to finance leases	–	–	11	11
Amortised interest costs	7	–	–	7
Exchange adjustments	–	32	1	33
Non-cash movements	7	344	22	373
Proceeds from borrowings	–	11	–	11
Repayment of borrowings	–	(323)	–	(323)
Capital element of finance lease payments	–	–	(6)	(6)
Net cash (paid)/received	–	(312)	(6)	(318)
At 31 March 2019	3 929	376	42	4 347
Total liabilities arising from financing activities at 31 March:				
– current	–	357	6	363
– non-current	3 929	19	36	3 984
At 31 March 2019	3 929	376	42	4 347

33. Liabilities arising from financing activities continued

	Corporate bonds €m	Fixed and floating rate borrowings €m	Lease liabilities €m	Total €m
At 1 April 2019 re-presented	**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**

Refer to notes 2.2. and 10 for details of the re-presentation of opening balances following adoption of IFRS 16, *Leases*.

34. 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.

34. Financial instruments: fair values and risk management continued

34.1. 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 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 14)	–	–	**6**	–	**6**				
Non-current lease deposits (note 14)	–	–	**133**	–	**133**				
Trade and other receivables (note 16)	–	–	**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 20)	–	–	–	**(3 952)**	**(3 952)**	**(3 895)**			**(3 895)**
Lease liabilities (note 10)	–	–	–	**(3 314)**	**(3 314)**				
Other long-term financial liabilities	–	–	–	**(99)**	**(99)**				
Trade and other payables (note 24)	–	–	–	**(1 852)**	**(1 852)**				
Bank overdrafts	–	–	–	**(2 477)**	**(2 477)**				
	–	–	–	**(11 694)**	**(11 694)**				

34. Financial instruments: fair values and risk management continued

34.1. Fair value estimation continued

31 March 2019	Carrying amount: 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	Fair value: Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Listed investments	–	378	–	–	378	378			378
Unlisted investments	10	–	–	–	10			10	10
Non-current assets measured at fair value	10	378	–	–	388				
Investments in externally managed funds	4 462	–	–	–	4 462	4 462			4 462
Investments in money market funds	66	–	–	–	66		66		66
Derivatives	15	–	–	–	15		15		15
Current assets measured at fair value	4 543	–	–	–	4 543				
	4 553	378	–	–	4 931				
Financial assets not measured at fair value									
Non-current loans and receivables (note 14)	–	–	6	–	6				
Non-current lease deposits (note 14)	–	–	165	–	165				
Trade and other receivables (note 16)	–	–	1 036	–	1 036				
Cash at bank and on hand	–	–	5 060	–	5 060				
	–	–	6 267	–	6 267				
Financial liabilities measured at fair value									
Derivatives	(84)	–	–	–	(84)		(84)		(84)
Financial liabilities not measured at fair value									
Fixed rate borrowings (note 20)	–	–	–	(4 305)	(4 305)	(4 587)			(4 587)
Finance lease obligations (note 20)	–	–	–	(42)	(42)				
Other long-term financial liabilities	–	–	–	(224)	(224)				
Trade and other payables (note 24)	–	–	–	(2 153)	(2 153)				
Bank overdrafts	–	–	–	(2 713)	(2 713)				
	–	–	–	(9 437)	(9 437)				

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

34. Financial instruments: fair values and risk management continued

34.1. 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 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 2020 the carrying amount decreased to € 10 million due to the disposal of an unlisted investment.

34.2. 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, 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 managed primarily through borrowings denominated in the relevant foreign currencies.

The sensitivity analysis presented in the following tables shows the pre-tax increase/(decrease) in 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 2019.

	Change in rate		Profit or loss	
	2020 %	2019 %	2020 €m	2019 €m
USD strengthening vs CHF	**7%**	6%	**156**	109
JPY strengthening vs CHF	**7%**	6%	**(26)**	(23)
HKD strengthening vs CHF	**7%**	6%	**(85)**	(43)
SGD strengthening vs CHF	**6%**	5%	**(27)**	(23)
CHF strengthening vs EUR	**11%**	8%	**(120)**	(88)
AED strengthening vs CHF	**8%**	7%	**(20)**	(22)
CNY strengthening vs CHF	**9%**	8%	**22**	(38)

	Change in rate		Profit or loss	
	2020 %	2019 %	2020 €m	2019 €m
USD weakening vs CHF	**7%**	6%	**(156)**	(109)
JPY weakening vs CHF	**7%**	6%	**26**	20
HKD weakening vs CHF	**7%**	6%	**85**	37
SGD weakening vs CHF	**6%**	5%	**27**	21
CHF weakening vs EUR	**11%**	8%	**120**	69
AED weakening vs CHF	**8%**	7%	**20**	19
CNY weakening vs CHF	**9%**	8%	**(22)**	30

34. Financial instruments: fair values and risk management continued

34.2. Financial risk factors continued

(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. 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 and government bond funds held by the Group at 31 March 2020 and 2019 is considered to be minimal, due to the high credit quality of the underlying investments.

(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 20). 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 2020 would not affect the profit for the year.

During the year ended 31 March 2020, the Group's forward-starting USD-denominated interest rate swap contract was terminated. No further interest rate swaps have been entered into by the Group at the date of this report.

- 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) € 15 million (2019: plus/(minus) € 20 million), all other variables remaining constant. The analysis is performed on the same basis as for 2019.

(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 rating of AA is applied to externally managed funds.

At 31 March 2020, the Group had € 4 362 million invested in money market and externally managed funds denominated in various currencies, including euro, CHF and USD (2019: € 4 528 million) and € 4 462 million held as cash at bank (2019: € 5 060 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 10.

34. Financial instruments: fair values and risk management continued

34.2. Financial risk factors continued

31 March 2020	Carrying amount €m	Total €m	Contractual cash flows 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 long-term 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**	**–**	**–**

31 March 2019	Carrying amount €m	Total €m	Contractual cash flows 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	4 347	5 292	4	427	128	4 733
Other long-term financial liabilities	224	224	–	–	80	144
Trade and other payables	2 153	2 153	2 153	–	–	–
Bank overdrafts	2 713	2 713	2 713	–	–	–
	9 437	10 382	4 870	427	208	4 877
Derivative financial liabilities						
Currency forwards	69	3 258	1 706	1 552	–	–
Forward-starting interest rate swap	15	15	15	–	–	–
	84	3 273	1 721	1 552	–	–

34.3. 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.

During the year to 31 March 2018, 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 17.

34. Financial instruments: fair values and risk management continued

34.4. 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 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)**

	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 2019					
Trade receivables	98	(18)	80	–	80
Cash at bank and on hand	5 060	–	5 060	(2 691)	2 369
Derivative assets	15	–	15	(9)	6
	5 173	(18)	5 155	(2 700)	2 455
Trade payables	(125)	18	(107)	–	(107)
Bank overdrafts	(2 713)	–	(2 713)	2 691	(22)
Derivative liabilities	(84)	–	(84)	9	(75)
	(2 922)	18	(2 904)	2 700	(204)

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.

34.5. 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 2020, the net cash position of the Group was € 2 395 million (2019: € 2 528 million).

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

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

35. Financial commitments and contingent liabilities

At 31 March 2020, 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 17, in respect of property, plant and equipment in note 7 and in respect of intangible assets in note 9. The Group has commitments of € 33 million with respect to its short-term leases.

36. 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.

Buccellati

On 26 September 2019, the Group completed the acquisition of 100% of the share capital and voting rights of Buccellati Italia Holding S.p.A ('Buccellati') for a total consideration of € 230 million. Buccellati is a jewellery designer, creator and retailer registered in Italy and the offer was intended to strengthen the Group's presence in the jewellery sector through the acquisition of a Maison that is complementary to the Group's existing jewellery Maisons, in terms of style, heritage and craftsmanship. The results of Buccellati are consolidated into those of the Group with effect from 30 September 2019.

36. Business combinations continued

Other business combinations

During the period, the Group also acquired the operations of external boutiques and distributors in strategic markets, mostly in the Middle East. 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.

	Buccellati €m	Other €m	Total €m
Property, plant and equipment	**7**	–	**7**
Intangible assets	**108**	**6**	**114**
Right of use assets	**62**	–	**62**
Other non-current assets	**3**	–	**3**
Inventories	**60**	**15**	**75**
Cash and cash equivalents	**2**	–	**2**
Trade and other receivables	**11**	–	**11**
Trade and other payables	**(74)**	–	**(74)**
Current and deferred tax	**(20)**	–	**(20)**
Lease liabilities	**(66)**	–	**(66)**
Non-current liabilities	**(3)**	–	**(3)**
Net assets acquired	**90**	**21**	**111**
Fair value of net assets acquired	**90**	**21**	**111**
Goodwill	**103**	–	**103**
Total consideration paid	**193**	**21**	**214**
Assignment of loans	**37**	–	**37**
Consideration deferred to future periods	–	**(6)**	**(6)**
Purchase consideration – cash paid	**230**	**15**	**245**
Cash and cash equivalents acquired	**(2)**	–	**(2)**
Payment of amounts deferred in prior periods	–	**2**	**2**
Cash outflow on acquisitions	**228**	**17**	**245**

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 in terms of jewellery creation. None of the goodwill is expected to be deductible for tax purposes.

The gross contractual value of receivables acquired was € 5 million, all of which is considered to be recoverable.

In the period since acquisition, the businesses contributed € 21 million to sales and a loss of € 8 million to net profit. Had the acquisitions been made on 1 April 2019, the contribution to sales and to net profit for the full period would have been € 44 million and a loss of € 15 million respectively.

Acquisition-related transaction costs of € 7 million were expensed in the year to 31 March 2020.

Contingent consideration

At 31 March 2020, the Group has a total provision of € 35 million related to contingent consideration payable as a result of business combinations in the current and prior periods (2019: € 36 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 fair value hierarchy. Re-assessment of the expected future cash flows, based on the methodology described above, resulted in a credit to the income statement of € 1 million (2019: credit of € 1 million) which is included within Other income/(expenses). The only other movement in this balance during the year, other than for payments made as described above, was due to exchange rate movements.

37. Assets held for sale

At 31 March 2020, assets with a net book value of € 29 million are presented as Held for Sale. 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.

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 2020 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 2020, 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 12).
- 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

	2020 €m	2019 €m
Goods and services bought from and other transactions with its equity-accounted investments:		
Rouages SA – purchase of watch components	**(7)**	(5)
Ralph Lauren Watch & Jewelry Company Sàrl – purchases of finished goods	**–**	(2)
Schwab-Feller AG – purchase of watch components	**(3)**	(2)
Kering Eyewear SpA – purchase of finished goods	**(14)**	(10)
E_Lite SpA – purchase of services	**(3)**	(2)
Services provided to equity-accounted investments:		
Laureus Sports Awards Limited – sponsorship	**(1)**	(2)
Laureus Sports for Good Foundation – donations	**(5)**	(4)
Goods and services sold to and other transactions with equity-accounted investments:		
YOOX NET-A-PORTER SpA – sale of finished goods	**–**	1
Montblanc India Retail Private Limited – sale of finished goods	**4**	5
Kering Eyewear SpA – sale of finished goods	**1**	4
Kering Eyewear SpA – royalties	**17**	6
E_Lite SpA – commissions received	**41**	20
E_Lite SpA – other services	**9**	3
Ralph Lauren Watch & Jewelry Company Sàrl	**–**	11
Payables outstanding at 31 March:		
E_Lite SpA – trading	**(8)**	(10)
Kering Eyewear SpA – trading	**(8)**	(3)
Laureus World Sports Awards Limited – sponsorship	**–**	(6)
Receivables outstanding at 31 March:		
Kering Eyewear SpA – trading	**6**	13
E_Lite SpA – trading	**2**	1
Laureus Sports Awards Limited – sponsorship	**–**	5
Montblanc India Retail Private Limited – trading	**–**	1

Sales of finished goods to YOOX NET-A-PORTER SpA 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

	2020 €m	2019 €m
Services bought from and other transactions with entities under common control:		
Entities under common control of the Rupert family's interests	**(7)**	(6)
Services provided to and other transactions with entities under common control:		
Entities under common control of the Rupert family's interests	**1**	–

	2020 €m	2019 €m
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 2020 for the lease of a property owned by its post-employment benefit foundation in Switzerland, a related party.

In the year to 31 March 2019, an entity controlled by the Rupert family's interests increased its investment in a Group company, resulting in the recognition of a total non-controlling interest on the balance sheet of € 63 million. At 31 March 2020, the non-controlling interest related to this investment amounts to € 64 million.

(c) Individuals

During the year, the Group gave donations of € 0.2 million (2019: € 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 € 0.4 million (2019: € 0.9 million) from Group companies for advice on legal and taxation matters.

In a recent Group transaction, M&M Capital Limited, a company in which Mr Ruggero Magnoni is Chairman and shareholder, received a fee of € 2.3 million (2019: € 1.0 million).

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 2020, Mr Saage received € 0.7 million and Mr Arora received € 0.6 million (2019: € 0.6 million and € 0.9 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

	2020 €m	2019 €m
Salaries and short-term employee benefits	**16**	14
Short-term incentives	**9**	6
Long-term benefits	**–**	4
Post-employment benefits	**1**	2
Share-based compensation expense	**8**	4
Employer social security	**1**	1
	35	31

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	Chief Executive Officer Van Cleef & Arpels
Burkhart Grund	Chief Finance Officer
Sophie Guieysse	Group Human Resources Director
Jérôme Lambert	Group Chief Executive Officer
Cyrille Vigneron	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
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	Chief Executive Officer Van Cleef & Arpels
Burkhart Grund	Chief Finance Officer
Sophie Guieysse	Group Human Resources Director
Jérôme Lambert	Chief Executive Officer
Emmanuel Perrin	Head of Specialist Watchmakers Distribution
Eric Vallat[1]	Head of Fashion & Accessories
Cyrille Vigneron	Chief Executive Officer Cartier
Frank Vivier	Chief Transformation Officer

1. Until 26 October 2019.

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 2019	Granted in year	Exercised in year	Forfeited in year	31 March 2020	Weighted average grant price CHF	Earliest exercise period	Latest expiry date
Board of Directors								
Nicolas Bos	215 000	32 013	–	–	**247 013**	84.84	Jul 2020-Jul 2024	June 2028
Burkhart Grund	240 000	27 582	20 000	–	**247 582**	80.96	Apr 2020-Jul 2024	June 2028
Sophie Guieysse	45 000	13 791	–	–	**58 791**	89.86	Jul 2021-Jul 2024	June 2028
Jérôme Lambert	225 000	34 987	–	–	**259 987**	85.10	Jul 2020-Jul 2024	June 2028
Cyrille Vigneron	250 000	33 571	–	–	**283 571**	84.68	Jul 2020-Jul 2024	June 2028
Gary Saage	855 000	–	140 000	–	**715 000**	77.33	Apr 2020-Jul 2021	June 2025
Senior Executive Committee								
Senior Executives	243 333	40 371	29 999	26 417	**227 288**	84.70	Apr 2020-Jul 2024	June 2028
	2 073 333	182 315	189 999	26 417	**2 039 232**			

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 Restricted Share Units ('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 2019	Granted in year	Vested in year	Cancelled in year	31 March 2020	Earliest vesting date
Board of Directors						
Nicolas Bos	–	43 208	–	–	**43 208**	Aug 2022-Aug 2024
Burkhart Grund	–	40 549	–	–	**40 549**	Aug 2022-Aug 2024
Sophie Guieysse	–	20 275	–	–	**20 275**	Aug 2022-Aug 2024
Jérôme Lambert	–	47 629	–	–	**47 629**	Aug 2022-Aug 2024
Cyrille Vigneron	–	46 809	–	–	**46 809**	Aug 2022-Aug 2024
Senior Executive Committee						
Senior Executives	–	56 222	–	9 183	**47 039**	Aug 2022-Aug 2024
	–	254 692	–	9 183	**245 509**	

38. Related-party transactions continued

(d) Key management compensation continued

Share ownership

As at 31 March 2020, 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 2020. The interest of individual directors and members of the Senior Executive Committee in Richemont 'A' shares is as follows:

	at 31 March 2020	at 31 March 2019 restated
Board of Directors		
Clay Brendish	**2 010**	1 135
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**	500
Jan Rupert	**3 000**	3 000
Gary Saage	**8 000**	8 000
Cyrille Vigneron	**12 500**	12 500
	39 072	37 293

The above table has been restated to correct the shareholding disclosed for one director in the prior year.

Following the decision of the annual general meeting on 11 September 2019 to pay dividends of CHF 2.00 per 'A' registered share and CHF 0.20 per 'B' registered share, dividends of CHF 120 595 672 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.

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 2020.

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.

Loans to members of governing bodies

As at 31 March 2020, 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. 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.

40. Events after the reporting date

Dividend

A dividend of CHF 1.00 per share is proposed for approval at the annual general meeting of the Company, to be held on 9 September 2020. 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 2021.

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	Azzedine Alaïa SAS	100.0%	€ 250
	Paris	Cartier Joaillerie International SAS	100.0%	€ 28 755
	Paris	Cartier Parfums SAS	100.0%	€ 4 168
	Paris	Chloé SAS	100.0%	€ 14 450
	Paris	Les Ateliers VCA SAS	100.0%	€ 149 370
	Paris	Montblanc France SAS	100.0%	€ 325
	Paris	Richemont Holding France SAS	100.0%	€ 100 250
	Paris	RLG Property France SAS	100.0%	€ 80 864
	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

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%	€ 1 010
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%	€ 17 700
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 SLU	100.0%	€ 1 000
	Madrid	Richemont Iberia SLU	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
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$ 318 649
	Wilmington	Richemont North America Inc.	100.0%	US$ 117 649
	New York	YNAP Corporation	100.0%	US$ 3

Details of the Group's associates and joint ventures are provided in note 12.

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

	2020 €m	2019 €m
Non-current assets	**333**	222
Current assets	**245**	129
Non-current liabilities	**(25)**	(14)
Current liabilities	**(29)**	(11)
Intra-Group balances	**239**	272
	763	598
Carrying amount of non-controlling interests	**(123)**	(88)

Statement of comprehensive income

	2020 €m	2019 €m
Revenue	**190**	97
Profit/(loss)	**(11)**	1
Profit/(loss) allocated to non-controlling interests	**(2)**	3

Cash flow statement

	2020 €m	2019 €m
Cash flows from operating activities	**8**	40
Cash flows from investing activities	**(35)**	(55)
Cash flows from financing activities	**89**	74

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 2020, 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 72 to 132) give a true and fair view of the consolidated financial position of the Group as at 31 March 2020 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.

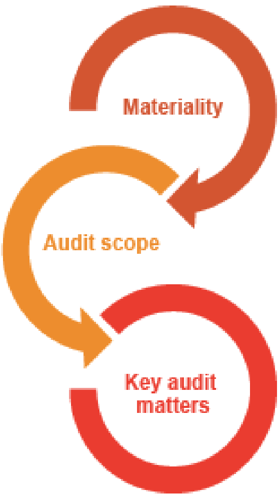
Basis for opinion

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 IESBA Code of Ethics for Professional Accountants, 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: € 68.3 million

We conducted a full scope audit at 32 reporting units, which resulted in a coverage of 83% 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
- IFRS 16 – Leases, initial implementation

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	€ 68.3 million
How we determined it	4.5% of consolidated operating profit, rounded
Rationale for the materiality benchmark applied	We have applied this 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 € 3.4 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 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 through site visits, 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 YNAP amounts to €1’549 million per 31 March 2020. 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 8 – Goodwill.	We obtained the Group’s impairment analysis for the YNAP CGU and ● tested the mathematical accuracy of the model ● assessed the quality of the cash flow projections by comparing the actual results to prior year budget 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 YNAP management; ● We 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 specialists, the reasonableness of the cash flows growth after the forecast period assumption of 2.3% and the discount rate of 8.9%; ● 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 obtained the Group’s analysis of the expected impact of COVID-19 outbreak and validated the assessment by comparing the underlying data with analysts’ reports of the industry and peer companies. We assessed the adequacy of the disclosures included in Note 8 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 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 (€446 million as at 31 March 2020). Refer to note 4 - Critical accounting estimates and assumptions and note 13 - 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 representing the most likely outcome 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 € 817 million at 31 March 2020. 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 15 – 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 outbreak 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.

IFRS 16 – Leases, initial implementation

Key audit matter	How our audit addressed the key audit matter
The initial application of the new accounting standard on leases as of 1 April 2019, using the modified retrospective approach, resulted in a significant impact on the Group's consolidated financial statements. As of 1 April 2019, right-of-use assets in the amount of € 3'045 million and lease liabilities in the amount of € 3'157 million were recognized in the consolidated financial statements. Right-of-use assets amount to 9.7% of total assets and thus have a material impact on the company's financial position. The implementation of IFRS 16 is considered as a key audit matter to our audit, considering the amounts involved, the volume of existing contracts and the complexity of accounting estimates and judgments applied by management to meet the recognition, measurement and disclosure requirements of the standard. Refer to note 10 – Leases.	In cooperation with our local audit teams and internal specialists, we ● assessed the design and operating effectiveness of the Group's process to identify and record contracts containing a lease; ● assessed the appropriateness of the incremental borrowing rates applied in determining the lease liabilities with assistance of our internal valuation experts; ● considered completeness of lease contracts by tracing a representative sample of identified boutique leases to management reports monitoring individual performance of Group's boutiques; ● analyzed the list of lease contracts for completeness by comparing the lease charges recognized under the former standard on leases (IAS 17) in the comparative period to charges recognized in accordance with IFRS 16 in the current period; ● verified the accuracy and completeness of the underlying lease data included in the calculation by agreeing a sample of leases to the corresponding contracts; ● tested the integrity and mathematical accuracy of the amounts used for accounting purposes for a sample of lease contracts; ● assessed the appropriateness and completeness of the disclosures required by IFRS 16 as included in the notes to the consolidated financial statements, including the information on the initial application. As a result of our procedures performed, we concluded that the Group's approach to implement IFRS 16 as being 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 and the remuneration report 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 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 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	Mario Berckmoes
Audit expert Auditor in charge	Audit expert

Geneva, 14 May 2020

Company financial statements

Compagnie Financière Richemont SA

Income statement

for the year ended 31 March

	Notes	2020 CHFm	2019 CHFm
Operating income			
Dividend income		**1 208.7**	1 124.6
		1 208.7	1 124.6
Operating expense			
General expenses	*3,4*	**12.3**	14.5
		12.3	14.5
Operating profit		**1 196.4**	1 110.1
Non-operating income/(expense)			
Financial income	*5*	**36.1**	47.5
Financial expenses	*5*	**(7.5)**	(8.9)
		28.6	38.6
Profit before taxes		**1 225.0**	1 148.7
Direct taxes		**0.2**	(9.5)
Net profit		**1 225.2**	1 139.2

Balance sheet

at 31 March

	Notes	2020 CHFm	2019 CHFm
Current assets			
Cash and cash equivalents		**291.9**	682.0
Other receivables		**0.5**	0.3
Taxation		**6.0**	–
Current accounts receivable from Group companies		**2 613.1**	3 056.6
		2 911.5	3 738.9
Long-term assets			
Long-term loans receivable from a Group company		**168.9**	174.2
Investments	*6*	**4 560.7**	3 713.2
		4 729.6	3 887.4
Total assets		**7 641.1**	7 626.3
Current liabilities			
Bank overdraft		**–**	70.9
Current accounts payable to Group companies		**2.2**	3.9
Taxation		**–**	7.4
Accounts payable and accrued expenses		**0.8**	1.2
		3.0	83.4
Shareholders' equity			
Share capital	*7*	**574.2**	574.2
Statutory legal reserve	*8*	**117.6**	117.6
Reserve for own shares	*9*	**742.6**	766.2
Retained earnings	*10*	**6 203.7**	6 084.9
		7 638.1	7 542.9
Total equity and liabilities		**7 641.1**	7 626.3

Notes to the Company financial statements

at 31 March 2020

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 2020 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 3.6 million (2019: CHF 3.4 million).

Note 4 – Board and executive compensation disclosures

Details of compensation required by the Swiss Code of Obligations, Article 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 5.3 million of exchange losses incurred on loans receivable from a Group company. In 2019, financial income included CHF 7.4 million of exchange gains incurred on loans receivable from a Group company.

Note 6 – Investments

Company	Domicile	Purpose	% capital/voting rights	2020 CHFm	2019 CHFm
Richemont Holdings AG	Switzerland	Investment holding company	100%	**770.7**	770.7
Richemont International Holding SA	Luxembourg	Investment holding company	100%	**3 171.5**	2 324.0
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
				4 560.7	3 713.2

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

Note 7 – Share capital

	2020 CHFm	2019 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

Note 8 – Statutory legal reserve

The legal reserve of CHF 117.6 million (2019: 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 REBL purchased no shares in the open market (2019: 1 900 000 ‘A’ shares were purchased).

During the year 251 931 ‘A’ shares (2019: 278 994 ‘A’ shares) were sold to executives under the Richemont share option plan by REBL and a further 5 217 ‘A’ shares (2019: 2 287 112 ‘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 2020, following these transactions, REBL held 9 118 662 Richemont ‘A’ shares (2019: 9 375 810) with a cost of CHF 742.6 million (2019: CHF 766.2 million). In terms of the reserve for own shares established in respect of purchased shares, a net amount of CHF 23.6 million has been transferred from the reserve (2019: CHF 48.9 million to the reserve) during the year.

During 2019, share options were granted under the Richemont share option plan to certain executives resident in the United States, 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.

Note 10 – Retained earnings

	2020 CHFm	2019 CHFm
Balance at 1 April	**6 084.9**	6 067.7
Dividend paid	**(1 130.0)**	(1 073.1)
Net transfer to reserve for own shares	**23.6**	(48.9)
Net profit	**1 225.2**	1 139.2
Balance at 31 March	**6 203.7**	6 084.9

Notes to the Company financial statements continued

Note 11 – Commitments and contingencies

At 31 March 2020, the Company had issued guarantees in favour of Group companies for credit facilities up to a maximum of CHF 4 499.8 million (2019: CHF 5 543.3 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 2020.

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 2020, Richemont Securities SA held 66 600 769 Richemont 'A' shares (2019: 85 577 407 shares), representing some 13% (2019: 16%) 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 2020

	CHFm
Available retained earnings	
Balance at 1 April 2019	**6 084.9**
Dividend paid	**(1 130.0)**
Net transfer from reserve for own shares	**23.6**
Net profit	**1 225.2**
Balance at 31 March 2020	**6 203.7**

Proposed appropriation

The proposed ordinary dividend payable to Richemont shareholders will be CHF 1.00 per Richemont share. This equivalent to CHF 1.00 per 'A' registered share in the Company and CHF 0.10 per 'B' registered share in the Company. It will be payable to Richemont shareholders in September 2020, 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, 14 May 2020

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 balance sheet as at 31 March 2020, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 141 to 145) as at 31 March 2020 comply with Swiss law and the company's articles of incorporation.

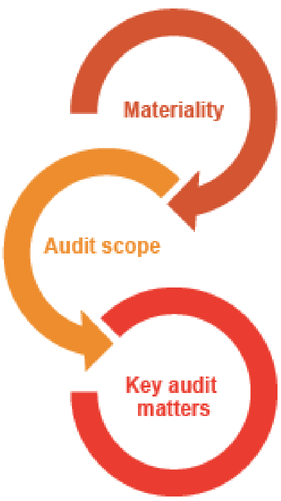
Basis for opinion

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 38 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 38'000'000
• **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 3.8 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 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	Mario Berckmoes
Audit expert Auditor in charge	Audit expert

Geneva, 14 May 2020