

RICHMONT

Annual Report and Accounts 2011

Richemont is one of the world's leading luxury goods groups.

The Group's luxury goods interests encompass several of the most prestigious names in the industry, including Cartier, Van Cleef & Arpels, Piaget, Vacheron Constantin, Jaeger-LeCoultre, IWC, Alfred Dunhill, Montblanc and NET-A-PORTER.COM

Each of the Group's Maisons® represents a proud tradition of style, quality and craftsmanship which Richemont is committed to preserving.

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Cautionary statement regarding forward-looking statements

This document contains forward-looking statements as that term is defined in the United States Private Securities Litigation Reform Act of 1995. Words such as 'may', 'should', 'estimate', 'project', 'plan', 'believe', 'expect', 'anticipate', 'intend', 'potential', 'goal', 'strategy', 'target', 'will', 'seek' and similar expressions may identify forward-looking statements. Such forward-looking statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside the Group's control. Richemont does not undertake to update, nor does it have any obligation to provide updates or to revise, any forward-looking statements.

Financial and operating highlights

Group sales (€ m)



Sales by business area (% of Group)



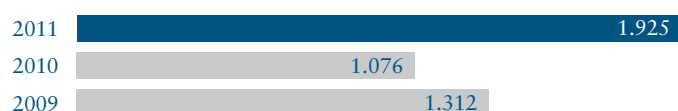
Operating profit (€ m)



Jewellery Maisons (€ m)



Earnings per share from continuing operations (€)



Specialist Watchmakers (€ m)



Dividend per share



Montblanc Maison (€ m)



Other Businesses (€ m)



- Strong sales growth across all segments and regions: +33 % to € 6 892 million.
- Excluding the impact of NET-A-PORTER.COM, sales increased by 19 % at constant exchange rates.
- Operating profit increased by 63 % to € 1 355 million.
- Excluding the impact of NET-A-PORTER.COM, operating margin amounted to 20.9 %.
- Record cash flow generated from operations: € 1 696 million.
- Proposed dividend: CHF 0.45 per share, representing an increase of 29 %.



Executive Chairman and Chief Executive Officer's review

JOHANN RUPERT, EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

OVERVIEW OF RESULTS

We are pleased to report that Richemont has met the challenging environment of the past year by achieving strong sales growth across all segments and all geographic regions.

The year under review has seen record sales and profits for our Jewellery Maisons and Specialist Watchmakers, despite the stronger Swiss franc. Profitability at Montblanc improved with progress also being seen in the performance of the Fashion and Accessories Maisons. NET-A-PORTER.COM, which was acquired in April 2010, is performing ahead of its business plan.

As a consequence of these positive developments, the Group's operating profit has increased by 63 %, double the rate of growth in sales. This performance reflects the strength of our Maisons, the Group's operating leverage and most importantly, the commitment and enthusiasm of all our colleagues in the Maisons, regional platforms and support services.

These very satisfactory results have generated a record level of operating cash flow; as a consequence the Group's balance sheet is stronger than ever.

DIVIDEND

Based upon the results for the year, the Board has proposed a dividend of CHF 0.45 per share. This represents an increase of 29 % over last year's level.

BUSINESS DEVELOPMENTS

Improving the efficiency of our business is a continuous process. During the year under review, the Group has invested significantly in the manufacturing capacity and distribution networks of its Maisons. The investments in the distribution networks encompass boutique openings in growth markets, supply chain processes and IT systems. The most significant growth market has been China, where we already employ more than 1 700 people.

Our watch and jewellery distribution networks in the United States, Switzerland, France and Spain are now supported by Richemont's new Enterprise Resource Planning ('ERP') system, which improves customer service through better product availability and shorter delivery times. A specific focus this year has been the deployment of the ERP system in Cartier's jewellery workshops in France and the related distribution of jewellery pieces worldwide. The deployment of the ERP system from manufacture to boutique is a complex process and the total integration of all distribution and manufacturing entities will take time. Encouraged by the results achieved to date, the Group is also investing in a new ERP system for its Fashion and Accessories Maisons.

BOARD OF DIRECTORS AND ANNUAL GENERAL MEETING

Following the retirement of Maître Aeschimann in September 2010, Mr Istel was nominated as Deputy Chairman of your Board as well as Chairman of its Audit Committee. In addition, Maître Rochat and Mr Malherbe were nominated to the Audit Committee and Lord Douro was nominated to the Compensation Committee.

In addition to the re-election of all serving directors, your Board proposes Maria Ramos for election at the shareholders' meeting in September 2011. Ms Ramos is currently Group Chief Executive of Absa Group Limited, South Africa and is a member of the Executive Committee of Barclays Bank plc, United Kingdom. Her biographical details may be found on page 40 of this report.

At the same shareholders' meeting, your Board is proposing a consultative vote on its compensation report. Your Board and its Compensation Committee are fully in favour of the Group's compensation mechanism and the rewards it brings to both its executives and its shareholders.

PEACE PARKS FOUNDATION

On page 36 of this report, you will be able to read more about the commendable work of the Peace Parks Foundation. Richemont is proud to be associated with the inspiring vision of creating and protecting a network of ecosystems that traverse Southern Africa's artificial political borders. We invite you to join Richemont in supporting the Foundation's work.

OUTLOOK

Sales in the month of April were 32 % above the comparative period, or 35 % at constant exchange rates. In an environment currently marked by geopolitical unrest and currency instability, we hope that this positive trend will be confirmed in the coming months.

The performance achieved in the year under review, following a major global economic crisis, confirms the appeal of each of the Maisons. We will continue to invest in their organic growth through higher levels of capital spending in manufacturing capacity and in the further development of the Group's own retail network, particularly in growth markets. Our capital investments are therefore likely to range between 6 % and 8 % of sales in the next two years.

We intend to take advantage of the many opportunities to further develop our existing Maisons. We are more than ever encouraged by their growth potential and we believe it to be the best route for creating shareholder value.



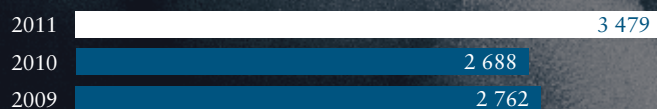
JOHANN RUPERT
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

COMPAGNIE FINANCIÈRE RICHEMONT SA
GENEVA, 19 MAY 2011

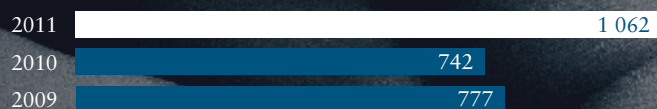
Jewellery Maisons

Key results

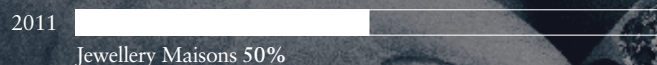
Sales (€ m)



Operating profit (€ m)



Percentage of Group sales



Richemont's Maisons

Cartier

Van Cleef & Arpels



Established 1847
13 rue de la Paix
Paris France
Chief Executive
Bernard Fornas
Finance Director
François Lepercq
www.cartier.com

Cartier

Exacting standards and a pioneering spirit are part of Cartier's founding values. With its strong identity, affirmed style and an undisputed savoir-faire, the 'King of Jewellers, the Jeweller of Kings' is the reference in true and timeless luxury.

Continuous creativity reinforces Cartier's leadership in jewellery. Highlights during the year included the Maison's presence at the 'Biennale des Antiquaires' with more than 60 High Jewellery pieces presented for the first time as well as other precious objects and antique pieces. Cartier showcased these extraordinary creations in a spectacular stand at the Grand Palais in Paris and complemented them with some 300 High Jewellery pieces displayed at 13 rue de la Paix. Since 1847, Cartier has combined jewellery expertise with contemporary styles, demanded the highest standards and guarded the precious desire to create. This commitment to technical and stylistic excellence, close collaboration between designers and artisans and the distinctive courage of the individual jeweller, all continually sustain and renew Cartier's savoir-faire. With the festive and colourful pieces presented at the 'Biennale des Antiquaires', the Maison demonstrated its mastery of movement and desire for fantasy.

Other High Jewellery highlights in the year included the *Secrets et Merveilles* collection presented in Beijing, Shanghai, Hong Kong and Seoul. This High Jewellery collection was complemented by the abstract and colourful *Evasions Joaillières* collection and iconic jewellery, including pieces from the *Love* and *Trinity* collections as well as bespoke engagement rings.

In fine watchmaking, highlights included the launch of new pieces at the 21st edition of the Salon International de la Haute Horlogerie ('SIHH'), marking a new era for Cartier, already recognised for its aesthetic and now also enjoying renown as a creator of fine mechanical watches. Technical experimentation, mastery of technique and a sheer love of watchmaking combined to create an exceptional watch: the *Calibre de Cartier Astrotourbillon*, a *Poinçon de Genève* hallmark complication. The *Calibre de Cartier* collection adds a new aesthetic to the Maison's watch offering, which includes the *Ballon Bleu*, the *Santos* and the *Tank*. The Maison's collection of feminine jewellery watches was further embellished during the SIHH with daring creations of superb finish.

Prestigious accessories, including leather goods, eyewear and bespoke perfumes perfectly complemented Cartier's collections of jewellery and watches. In leather goods, new editions of the *Marcello Bag* for women and a saddle-stitched collection for men underlined the Maison's savoir-faire and legitimacy in luxury accessories.

The Maison's worldwide network of to date some 300 boutiques and specialised retailers was further enhanced through openings and major renovations. Twenty new boutiques were opened during the year, including six in mainland China and three in the Middle East. Notable among these openings were boutiques in Hong Kong, Dubai and Bahrain. At the same time, over 40 boutique renovations were carried out to ensure the best possible experience for customers. The development of the Cartier network in the high-growth economies of Asia and other emerging markets balances the Maison's long-established position in France, the United Kingdom and the United States. The physical boutique development is complemented by tailored e-business websites in Japan and the United States.



Platinum, one 10.20-carat oval-shaped orange sapphire, brilliants



Calibre de Cartier central chronograph, 9077 MC calibre, case in white gold, workshop-crafted mechanical movement with manual winding

Within the boutique network, the Maison's personnel training programme seeks to provide only excellent customer service, from first contact to lifelong aftersales service. The programme's success has enabled Cartier to attract and retain new clients in emerging markets. The Maison's investments in boutiques and their personnel have firmly established its reputation as the leading jeweller in those markets and have helped balance the Maison's global presence.

Well into its third decade, the Cartier Fondation reinforced its high international standing in the field of contemporary art at Art Basel and Miami Art Basel. In Paris, the Fondation hosted an ambitious exhibition by Takeshi Kitano and the first major exhibition in the city devoted to the work of Moebius/Jean Giraud. Internationally, the Fondation presented exhibitions of works by David Lynch in Denmark and William Eggleston in France, Sweden and Japan. The Maison continues to benefit from the Fondation's prestige.

The Cartier Collection underscores the Maison's illustrious heritage. Each year, it tours some of the world's most august museums, displaying vintage pieces from the Maison's 150 years of pioneering creativity. During the year, major public exhibitions were held in San Francisco's Fine Arts Museum and in Prague Castle, and a private exhibition was held during the SIHH.

In addition to these major public exhibitions and the exclusive client events surrounding the Maison's High Jewellery collections, Cartier hosted or sponsored a wide range of events around the world. These events included polo tournaments in Windsor, Saint Moritz, Dubai and Singapore; the Women's Forum in Deauville; and the Palm Springs International Film Festival. These events were complemented by alluring advertising featuring Cartier's inimitable red box.

The social and economic context for luxury goods evolves constantly, as do the origins and tastes of clients seeking everlasting value and timeless luxury. The historical roots and traditions of Maison Cartier, the originality of its distinctive style, its exclusive creations and exquisite craftsmanship make Cartier creations particularly desirable. With its permanent quest for perfection and groundbreaking style, the Jewellery Maison sees only a bright future.

BERNARD FORNAS
CHIEF EXECUTIVE

Established 1906
 22 place Vendôme
 Paris France

Chief Executive
 Stanislas de Quercize

Finance Director
 Burkhardt Grund

www.vancleef-arpels.com

Van Cleef & Arpels



For more than a century, Maison Van Cleef & Arpels' creative spirit and savoir-faire has been dedicated to femininity and the magic of exceptional stones. Each new collection of jewellery and timepieces by the High Jewellery Maison tells a unique story, an original tale.

Les Voyages Extraordinaires, the new High Jewellery collection inspired by the magical, imaginary stories of French writer Jules Verne. A five-week balloon ride, the mysteries of the oceans' depths, the centre of the earth and a journey to the moon: eternal stories which gave flight to the Maison's own imagination. The exceptional creations were presented for the first time at the Biennale des Antiquaires in September 2010. At the Salon International de la Haute Horlogerie in January 2011, the Maison presented exclusive timepieces inspired by *Les Voyages Extraordinaires*.

The Maison derives inexhaustible inspiration from nature's endless forms and colours. The *Papillons* High Jewellery collection expresses renewal, love and the fragility of nature itself while the *California Rêverie* collection speaks of exotic fauna, open spaces and legendary beaches. The *Oiseaux de Paradis* Creative Jewellery collection celebrates the imaginary bird's majestic beauty, evoking images of exotic and far-away lands; while the *Nid de Paradis* collection provides a fresh, delicate take on the rich and colourful world of birds of paradise.

For its latest bijoux collection *Perlée*, Van Cleef & Arpels celebrates its exceptional heritage of craftsmanship. Easy to wear, a unique expertise and High Jewellery finishing confer to the collection its brilliance and grandeur. An invitation to play, a light-hearted spirit for a collection imbued with freshness and freedom. The *Perlée* collection offers a new strong, identified and identifiable aesthetic. Aside the *Alhambra* collections, *Perlée* is the second pillar among Van Cleef & Arpels' creations.

The Poetry of Time defines the Maison's timepieces. The *Extraordinary Dials* collection, the astonishing savoir-faire behind the *Poetic Complications*, and exclusive High Jewellery timepieces set the Maison apart with a truly poetic dimension and a story to tell.

The Maison opened 13 boutiques during the year – including two boutiques in Shanghai, two boutiques in Taiwan, Singapore, Kuwait, Doha and Baku – in perfect keeping with its exclusive distribution.

Van Cleef & Arpels' programme of worldwide exhibitions continued. Highlights included 'Set in Style' at the Cooper Hewitt Museum in New York, which presents an overview of the Maison's patrimony, and 'Les Voyages Extraordinaires' at Art Dubai for the last High Jewellery collection. The collection's pieces draw on the Maison's golden hands and its *Pierres de Caractère*.

The year ahead will see new stories told by Van Cleef & Arpels, about dreams, nature and femininity.

STANISLAS DE QUERCIZE
 CHIEF EXECUTIVE

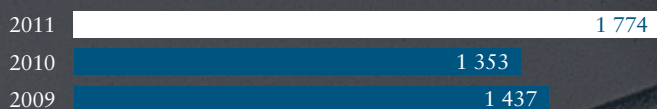


Mysterious Parrot clip
Les Voyages Extraordinaires
 400 sapphires for 162.84 cts
 306 diamonds for 12.33 cts
 373 black spinels for 4.70 cts
 4 pink opals, 3 chalcodones,
 1 onyx piece

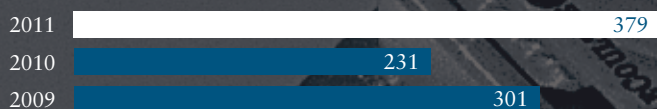
Specialist Watchmakers

Key results

Sales (€ m)



Operating profit (€ m)



Percentage of Group sales



Richemont's Maisons

IWC
INTERNATIONAL WATCH CO. SCHAFFHAUSEN
SWITZERLAND, SINCE 1868

OFFICINE PANERAI
FIRENZE 1860

JAEGER-LECOULTRE

BAUME & MERCIER
MAISON D'HORLOGERIE GENEVE 1830

PIAGET

A. LANGE & SÖHNE
GLASHÜTTE I/SA

VACHERON CONSTANTIN
Manufacture Horlogère, Genève, depuis 1755.

**MANUFACTURE
ROGER DUBUIS**

Joint venture

RALPH LAUREN
WATCH AND JEWELRY CO.

Established 1868
Baumgartenstrasse 15
Schaffhausen Switzerland
Chief Executive
Georges Kern
Chief Financial Officer
Christian Klever
www.iwc.com

IWC

INTERNATIONAL WATCH CO. SCHAFFHAUSEN
SWITZERLAND, SINCE 1868

Since 1868, IWC Schaffhausen has been crafting exquisite timepieces, in which innovative ideas are combined with pure, distinctive designs. With the focus on technology, its products appeal to watch enthusiasts with an interest in engineering and an affinity with discreet luxury.

IWC Schaffhausen's re-launch of the *Portuguese* collection during the 2010 Salon International de la Haute Horlogerie ('SIHH') was celebrated at the 'IWC Yacht Club Dinner', where some 500 guests witnessed the premiere of 'The Spirit of Navigation' starring Jean Reno. Launched more than 70 years ago, the existing *Portuguese* line has been enhanced and new complications have been added: the *Portuguese Yacht Club Chronograph*; the *Portuguese Tourbillon Mystère Rétrograde*; and the *Portuguese Grande Complication*.

At the 2011 SIHH, IWC Schaffhausen launched the latest generation of the *Portofino* collection. The launch was celebrated with a gala event – 'A night in Portofino' – where 900 guests enjoyed 'Peter Lindbergh's Portofino': photography capturing the Italian dolce vita and glamour of the 1950s and 60s, featuring friends of the Maison such as Cate Blanchett, Kevin Spacey and Elle Macpherson. Since its launch in 1984, the *Portofino* collection has been an ongoing success. The collection has been enhanced with two new highlights: the *Portofino Hand-Wound Eight Days* and the *Portofino Dual Time*.

The Maison was partner of adventurer and environmentalist David Rothschild and his organisation MYOO, a leader in education for sustainable development. His crew sailed 'The Plastiki' 8 000 nautical miles across the Pacific Ocean to Sydney, drawing attention to environmental protection issues. The Maison is also a global partner of Laureus and its Sports for Good Foundation. Each year IWC Schaffhausen launches limited editions, with part of the proceeds going to the Foundation.

Communications were focused on media and online activities to enhance the Maison's presence worldwide and enhance its recognition among leading luxury watch brands. During the year the Maison relaunched its homepage and established a presence on Facebook.

At its headquarters in Schaffhausen, IWC has relocated the production of cases into a new building, setting the basis for its expanding *manufacture*. The Maison will continue to expand its network of boutiques around the world and further strengthen its position.



With the Portofino Hand-Wound Eight Days, IWC Schaffhausen puts the crowning glory on a tradition reaching back over 25 years. The new IWC-manufactured 59210 calibre resets the bar with an eight-day power reserve

GEORGES KERN
CHIEF EXECUTIVE

Established 1833
Rue de la Golisse 8
Le Sentier Switzerland

Chief Executive
Jérôme Lambert

Finance Director
François Bach

www.jaeger-lecoultre.com



Since its founding in 1833, Jaeger-LeCoultre has created 1 237 calibres and registered 398 patents, placing the Manufacture at the forefront of invention in fine watchmaking. Its leading position stems from its full integration with over 40 traditional watchmaking crafts and 20 cutting-edge technologies under one roof.

Collection highlights during the year included *Duomètre à Quantième Lunaire*, the first moon phase complication that does not influence watch precision. Other innovations in high complication watches were the *Extreme Lab 2*, with two-digit minute counter and function selector integrated into the crown, and the *Master Grande Tradition Grande Complication*: a tourbillon and perpetual calendar function with night sky and sidereal time display.

The Maison enjoyed very good demand in both established markets and in newer markets such as China. This demand stemmed from both the collections themselves and the deepening of distribution partnerships. The Maison now has 34 distinct boutiques, with recent openings in Shanghai Twin Villas, Beijing Wanfujing, Singapore Marina Bay Sands, Beirut and a second boutique in Paris at Le Printemps. Faced with a sharp increase in demand, the Manufacture deployed a series of measures to boost production. These measures included innovative working practices and the transfer of production workshops to a new extension of the building.

The Maison's marketing approach continued to focus on its high-end complications with over 700 events hosted by the best distribution partners and Jaeger-LeCoultre's own boutiques reaching out to new customers and cultivating existing relationships. The Maison continues to pursue a digital strategy, an active on-line marketing program underscoring its 'Real Watch' advertising campaign.

The Maison's award-winning partnership with UNESCO's World Heritage Centre and the International Herald Tribune campaigns to raise awareness and save the world's most endangered marine sites.

With a successful Salon International de la Haute Horlogerie in January 2011, where the Maison celebrated the 80th anniversary of the iconic *Reverso* and further enhanced its reputation in fine watchmaking savoir-faire, Jaeger-LeCoultre will pursue further innovations in the year ahead.



*Duomètre à Quantième Lunaire,
the first moon phase complication that
does not influence watch precision*

JÉRÔME LAMBERT
CHIEF EXECUTIVE

Established 1874
37, chemin du Champ-des-Filles
Geneva Switzerland
Chief Executive
Philippe Léopold-Metzger
Deputy Managing Director
Christophe Grenier
www.piaget.com

PIAGET

Piaget enjoys privileged credentials as both a Watchmaker and Jeweller. With fully-integrated *manufactures*, each new collection embodies the Maison's boundless creativity.

During the year Piaget launched the 1270P calibre, the Maison's first ultra-thin self-winding tourbillon movement at just 5.55 mm. This movement draws upon the qualities of two existing calibres: the 600P, the world's thinnest hand-wound tourbillon movement; and the 1208P, the world's thinnest self-winding movement equipped with an off-centred micro-rotor. A stunning *Piaget Emperador Coussin* case reveals the 1270P and is the thinnest tourbillon automatic watch at 10.4 mm. Piaget is the master of ultra-thin movements and the distinctive *Altiplano* line was fully communicated throughout the year with the 50th anniversary of the 12P automatic movement.

Piaget transcends its creativity with the *Limelight Garden Party* collection inviting you to a magical evening, opening the doors to a shining, luxuriant garden revealing diamond garlands, joyful birds, cherry blossom... Completing this collection are colourful, mouth-watering *Cocktail* and *Cupcakes* rings.

The 20th anniversary of the *Possession* line was an occasion to revamp this iconic collection with an ambitious communication plan making a large use of digital and social networks. The collection was enriched by a new ring model, endorsed by the 'it girl' of the moment Sienna Miller. Piaget is strengthening more and more its presence in the polo world, not only with the sponsoring of the successful Pilàra Piaget team or the Palm Beach Polo club, but also by collaborating with two of the world's best polo players Marcos Heguy and Nic Roldan, charming Piaget ambassadors. For the fourth year, Piaget sponsored the 'Spirit Awards' ceremony. This relationship with the independent film industry forms an important part of the Maison's communication strategy, identifying Piaget with glamorous events in the entertainment industry's calendar. Piaget made its first appearance at the Biennale des Antiquaires in Paris. With 'A Tribute to Haute Couture', 60 models illustrated the Maison's creativity and the skill of its High Jewellery artisans.

Piaget continued to strengthen its retail network with the opening of a further eight boutiques: in China, Singapore, the Middle-East and London. The Maison now has 71 dedicated boutiques across the world. The London flagship boutique marks a new chapter in the Maison's history and is set to strengthen its presence in Western Europe.

2011 will see a continued focus on the ultra-thin collection and beautiful creations for the year of the Dragon.

PHILIPPE LÉOPOLD-METZGER
CHIEF EXECUTIVE



*Piaget Emperador Coussin
Tourbillon. 1270P Piaget
movement, 18-carat pink gold
case. World's thinnest automatic
tourbillon watch (10.4 mm)*

Established 1755
7 Quai de l'Île
Geneva Switzerland

Chief Executive
Juan-Carlos Torres

Finance Director
Robert Colautti

www.vacheron-constantin.com



VACHERON CONSTANTIN

Manufacture Horlogère. Genève, depuis 1755.

Since its foundation in 1755, Vacheron Constantin has maintained an exceptional and unique continuous history thanks to the combination of talents of the finest master craftsmen in Geneva. Representing the very spirit of *Excellence Horlogère*, the Maison continues to design, develop and produce an array of outstanding timepieces that remain faithful to its three fundamentals: fully mastered technique, inspired aesthetics and superlative finishing.

The iconic *Patrimony* collection remains the most important in the Maison's portfolio. Each year new complications are added to enrich the collection. The Maison's mastery of technique is embodied in all of its timepieces ranging from apparent simplicity to the most intricate complications. The *Historique Ultra-fine 1955*, currently the world's thinnest mechanical watch, at just 4.10 mm, is no exception.

Its reputation as a master craftsman was further strengthened with the addition of *La Symbolique des Laques*. This addition to its *Métiers d'Art* collection combines horological crafts with the most sophisticated Japanese lacquer art.

The Maison reinforced its commitment towards arts and culture with sponsorship of the Barbier-Mueller Museum Cultural Foundation, which was launched at the Primitive Art Museum on Quai Branly in Paris. The Foundation provides international support for anthropological missions, publications and conferences on peoples whose traditions are threatened.

The celebration of the 30th anniversary of the Association pour le Rayonnement de l'Opéra de Paris brought together some 2 000 sponsors at the Palais Garnier. Vacheron Constantin presented the extraordinary *Métiers d'Art Chagall & l'Opéra de Paris – Tribute to composers* watch. Using the traditional Genevan enamelling technique known as 'Peinture Miniature Grand Feu', this unique timepiece boasts a reproduction of the ceiling painting of the Opera by Marc Chagall.

In terms of general business, the Maison enjoyed worldwide success, most notably in the Asia-Pacific region, where it opened four new boutiques. The Maison's 27 dedicated boutiques are complemented by a highly selective network of distribution partnerships.

Vacheron Constantin looks to the future with confidence thanks to its 256-year heritage, the success of its collections and its undisputable reputation as a master craftsman, all three built following François Constantin's motto "do better if possible, and that is always possible".

JUAN-CARLOS TORRES
CHIEF EXECUTIVE



Métiers d'Art Chagall & l'Opéra de Paris – Tribute to composers. Unique piece

Established 1860
Piazza San Giovanni 16
Palazzo Arcivescovile
Florence Italy
Chief Executive
Angelo Bonati
Finance Director
Giorgio Ferrazzi
www.panerai.com

OFFICINE PANERAI FIRENZE 1860

Officine Panerai's exclusive, precision sport watches are a natural blend of quality craftsmanship, technological development and Italian design.

In 2010, Officine Panerai extended its range of *manufacture* movements with the P.3000, a manual calibre with a three-day power reserve faithful to Panerai's aesthetic and functional canons. The P.3000 movement was presented in Florence during 'Time and Space: a Tribute to Galileo Galilei': a public exhibition in which the Maison presented a collection of pieces emblematic of its history.

One of the important innovations of the year has been the launch of the *Radiomir Composite 8 Giorni*, the first watch created using Panerai Composite, a special synthetic ceramic obtained through the electrochemical transformation of aluminium. This material gives the watch exceptional lightness combined with an extremely high degree of hardness and resistance to scratches. The Maison also enjoyed strong demand for the *Luminor 1950 3 Days Automatic* and the *Luminor 1950 3 Days GMT Power Reserve Automatic*, both with Panerai *manufacture* movements.

The distribution of Panerai watches confirms its highly selective approach, with a growing number of dedicated boutiques worldwide in the most prestigious international locations: these boutiques play a fundamental role in terms of communication. The openings in 2010 – rue de la Paix in Paris, Shanghai, Hong Kong, Moscow, Boca Raton, Taipei and Riyadh – bring the total number of Panerai boutiques to 23.

Panerai is a Maison linked to the sea by its history and our commitment to the exclusive circuit of regattas reserved for vintage sailing boats, the 'Panerai Classic Yachts Challenge', continued to grow. This growth was linked to the creation of the North America circuit, entirely set in New England's most exclusive locations. A special edition was created for the 'Panerai Classic Yachts Challenge 2010': the *Radiomir Regatta 1/8th Second Titanio – 47 mm*.

Given Panerai's commitment to the development of *manufacture* movements, the main project for next year is the construction of the new production site in Neuchâtel. The Maison will also continue to invest in new boutiques around the world.



*Radiomir Composite 8 Giorni, 47mm in
Panerai Composite with P.2002 calibre*

ANGELO BONATI
CHIEF EXECUTIVE

Established 1830

50 chemin de la Chênaie
Bellevue Geneva Switzerland

Chief Executive
Alain Zimmermann

Finance Director
Jean-Baptiste Dembreville

www.baume-et-mercier.com

BAUME & MERCIER

MAISON D'HORLOGERIE GENEVE 1830

With a 180-year history that reads like a saga, the Swiss watchmaking Maison remains true to its heritage of excellence and know-how.

To celebrate its 180th anniversary, Baume & Mercier added an exceptional piece to the *William Baume* collection: a *Jumping Hour* model. The limited edition pays tribute to the personality and vision of William Baume.

The *Classima* collection was enriched with *Classima Executives XL* models featuring mechanical movements and complications, chronograph, power reserve, moon phases or complete calendar.

In terms of communication, the Maison focused on its 'Baume & Mercier & Me' campaign. Since 2005, the Maison has supported charitable causes dear to the heart of talented artists and Andy Garcia became the Maison's campaign ambassador in 2010. The year also saw the launch of a digital communications strategy that fully integrates social media. 'Secrets of a Watchmaking Family', a series of episodes broadcast at fixed hours on Facebook, has created suspense in the growing community of fans of Baume & Mercier.

In terms of distribution, Baume & Mercier launched a programme to significantly enhance and evolve its overall network in line with the positioning of the Maison. The programme has strengthened the relationship with partners in Europe and the Americas and given greater weight to its network in the growing Asia-Pacific region.

At the Salon International de la Haute Horlogerie ('SIHH') in January 2011, Baume & Mercier unveiled its new strategy. This 'new chapter' presents the Maison in a new world – seaside living in the Hamptons – and staged a prestigious seaside event in Geneva attended by over 900 international guests. Truly a philosophy of life, seaside living in the Hamptons reflects the values of sharing and timelessness. Elegant, authentic and convivial, this world chimes with the heritage of the Maison. It is all contained in the new claim of Baume & Mercier: "Life is about moments".

At the SIHH, the Maison launched two collections – *Linea* and *Capeland* – which are contemporary interpretations of two iconic models. These collections reaffirm Baume & Mercier's position in affordable luxury and the Maison's wish to reassert its appeal to men and women.



The new Capeland, the chronograph of authentic moments

ALAIN ZIMMERMANN
CHIEF EXECUTIVE

Established 1845
Altenberger Strasse 15
Glashütte Germany
Chief Executive
Wilhelm Schmid
Finance Director
Beat Bühner
www.lange-soehne.com

A. LANGE & SÖHNE
GLASHÜTTE I/SA

A. Lange & Söhne creates outstanding hand-finished mechanical timepieces with challenging complications that follow a clear and classical design line. Innovative engineering skills and traditional craftsmanship of the highest level guarantee state-of-the-art movement design, the utmost mechanical precision and meticulous hand-finishing.

The present generation of A. Lange & Söhne elegant watches includes 40 different movements, each revealing its unmistakable origins in high-precision Lange pocket watches.

The 2011 collection, presented at the Salon International de la Haute Horlogerie, included two major complications and the renewed *Saxonia* family. The *Richard Lange Tourbillon 'Pour le Mérite'* embodies a fusée-and-chain transmission as well as a tourbillon with a patented stop-seconds mechanism. The *Lange Zeitwerk Striking Time* is the first Lange wristwatch with an acoustic signature: the four-note fanfare opening Ludwig van Beethoven's Symphony No.5. The renewed *Saxonia* retains the collection's classical elegance and new models have been launched: the *Saxonia Dual Time* and the *Saxonia Thin* are true to the heritage of watchmaking artistry in Saxony.

In 2010, the Maison put a special focus on its 165th anniversary. Events and commemorative editions included the opening of a park next to the manufacturing facility in Glashütte and a gala event in Dresden's Royal Palace on 7 December, the foundation date. An 'Homage tour' presented the *165 Years Homage to F.A. Lange* collection and the fully restored *Grande Complication No. 42500* to collectors and connoisseurs around the world, including Tokyo, New York, Milan, Beijing and Singapore.

To promote the watchmakers of tomorrow, the brand has initiated the F. A. Lange Scholarship & Watchmaking Excellence Award, open to eight students from international watchmaking schools. The Maison continued to sponsor the Dresden State Art Collections, including the Mathematical and Physical Salon which hosts early Lange pocket watches.

The year ahead will see further extensions to the Maison's distribution network with a focus on China, India and South America.



The Richard Lange Tourbillon 'Pour le Mérite' embodies a fusée-and-chain transmission as well as a tourbillon

WILHELM SCHMID
CHIEF EXECUTIVE

Established 1995
2 rue André-de-Garrini
Meyrin Geneva Switzerland
Chief Executive
Georges Kern
Finance Director
Patrick Addor
www.rogerdubuis.com



MANUFACTURE ROGER DUBUIS

The incredible world of Roger Dubuis, a world where daring design meets high watchmaking craftsmanship.

In 2011, Roger Dubuis enters a new era. An era of greater mechanical maturity with the development of a new innovative movement, the RD680 Chronograph, implementing new manufacturing processes which meet the expectations of demanding connoisseurs and the stringent requirements of the *Poinçon de Genève*; an era of aesthetic maturity with the launch of two new collections covering new strategic market segments.

In order to make Roger Dubuis more relevant, the Maison has tightened its collections, streamlined its worldwide selective distribution network and redefined its communication. All these elements contribute to the new vitality of Roger Dubuis.

At the 2011 Salon International de la Haute Horlogerie, Roger Dubuis introduced *La Monégasque*, a collection of assertive yet elegant timepieces driven by exceptional mechanical movements, each bearing the prestigious *Poinçon de Genève* and some of which include the new chronograph calibre, the RD680.

The second highlight of the year is the re-entry into the women's watch segment with the introduction of the *Excalibur Lady* collection, inspired by the *Excalibur* collection.

During 2010, Roger Dubuis also expanded its geographical footprint, by opening three boutiques in markets such as Russia and Asia, bringing the network to a total of nine boutiques and a global network of 150 retailers. New boutiques are to be opened in Asia and the Middle East during the coming year.



*La Monégasque Automatic Chronograph,
pink gold, manufacture RD680
self-winding mechanical movement
with micro-rotor*

GEORGES KERN
CHIEF EXECUTIVE

Richemont has a controlling interest in Manufacture Roger Dubuis and owns all of its manufacturing facilities.

Established 2007
8 chemin de Blandonnet
Vernier Geneva Switzerland
Chief Executive
Guy Châtillon
Finance Director
Stéphane Boukertaba
www.ralphlaurenwatches.com

RALPH LAUREN

WATCH AND JEWELRY CO.

“To design something legendary that has a sense of timelessness; that is what I aspire to do.” *Ralph Lauren*

Ralph Lauren’s collection of fine timepieces and jewelry is about designs that transcend the brand’s signature sensibilities of luxury, authenticity and timelessness.

At the Salon International de la Haute Horlogerie in January 2009, Ralph Lauren Watches launched three debut collections of iconic timepieces: the *Ralph Lauren Stirrup Collection*, the *Ralph Lauren Slim Classique Collection* and the *Ralph Lauren Sporting Collection*. Respecting tradition and watchmaking heritage, Ralph Lauren watches are of the finest quality and craftsmanship, combining extraordinary design, noble materials, and the use of Richemont *manufacture* movements.

Today, Ralph Lauren Watch & Jewelry Co. is a recognised player in the market, well-received by the industry with a marked appreciation for the company’s committed, serious approach and a true understanding of the unique partnership between Richemont’s high-end expertise and Ralph Lauren’s distinctive, timeless design.

Ralph Lauren Watches are available at select brand boutiques and top specialist watch retailers worldwide, in metropolitan cities including New York, Beverly Hills, Paris, London, Milan, Tokyo and Shanghai. Last year, the company opened dedicated Watch Salons at the Ralph Lauren boutiques in Paris Saint Germain, New York 888 Madison Avenue and Macau One Central.

This year, the company continues to build on its strong foundation of three timepiece collections – with the introduction of new materials, new finishes and a new shape. With regards to distribution, the company will continue to further develop its presence in existing markets and Asia through both Ralph Lauren stores and select watch retailers.

In 2010, Ralph Lauren Jewelry was introduced exclusively at the brand’s new flagship store dedicated to women’s luxury in New York. Inspired by brilliance, movement and the alluring tradition of fine jewelry, this debut unveiled several collections, all capturing the timeless glamour and iconic charm of Ralph Lauren’s designs. International distribution of the jewelry will roll-out later in 2011, beginning with Hong Kong in the Spring and Paris in the Fall.

GUY CHATILLON
CHIEF EXECUTIVE



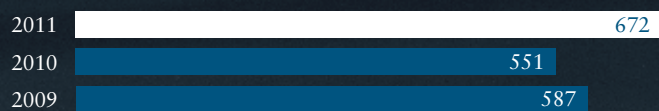
Ralph Lauren – Stirrup Diamond Link Watch

Richemont is a joint venture partner with Polo Ralph Lauren Inc. in the Ralph Lauren Watch and Jewelry Co.

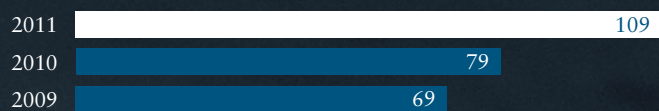
Montblanc Maison

Key results

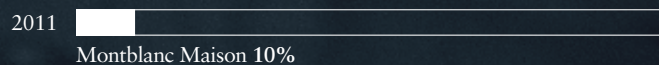
Sales (€ m)



Operating profit (€ m)



Percentage of Group sales



**MONT
BLANC** 

Established 1906
Hellgrundweg 100
Hamburg Germany
Chief Executive
Lutz Bethge
Finance Director
Roland Hoekzema
www.montblanc.com



For more than a century, Montblanc has been the leading manufacturer of exquisite and precious writing instruments. From its roots in European master craftsmanship, the Maison has successfully transmitted its values and know-how to watches, fine leather goods and jewellery.

Highlights in the year stemmed from the Maison's creativity in luxury goods, bespoke distribution and effective communication events.

In writing instruments the *Meisterstück Montblanc Diamond* was in high demand around the world, further highlighting the iconic status of the *Meisterstück* collection. The worldwide launch of *John Lennon* special edition writing instruments attracted a wider audience, with simultaneous launch events in New York, Berlin, London, Mexico City, Hong Kong and Tokyo. Montblanc's support of The John Lennon Education Tour Bus ensured sustained media coverage as it criss-crossed the United States.

In watchmaking, the Maison struggled to meet demand for the *Nicolas Rieussec Chronograph* and other *manufacture* timepieces. Based on the orders for *Rieussec* and *TimeWalker* editions at the Salon International de la Haute Horlogerie in January 2011, the strong recovery in demand seen during 2010 is expected to continue, particularly for *manufacture* pieces and editions in precious metals. These timepieces represent a growing share of the Maison's watchmaking portfolio and their availability is firmly linked to the significant investments made in recent years at its *manufactures* at Le Locle and Villeret. In jewellery, Montblanc has strategically developed its offer for both women and men and is now laying strong foundations for a wider choice of fine jewellery.

To ensure the best levels of customer service and the widest choice of exquisite items, the Maison continued to upgrade its network of more than 400 boutiques around the world and further refine its other distribution partnerships. These efforts were rewarded with strong demand, in particular for Montblanc writing instruments and watches.

In 2011, Montblanc de la Culture Arts Patronage Awards celebrates its 20th anniversary honouring modern-day patrons of art and culture. The Awards ceremonies will take place in twelve countries and be accompanied by a travelling exhibition showcasing the excellence in artisanry in writing instruments through a retrospective of earlier patron of the arts limited editions and other spectacular and high-end pieces. The Awards are one of many long-term arts and culture programmes the Maison supports, ranging from young musicians to the Montblanc-UNICEF Signature for Good literacy campaign.

The year ahead will see campaigns linked to the 190th anniversary of the first chronograph, as well as further investments in emerging markets, digital media and Montblanc's fine jewellery collections.



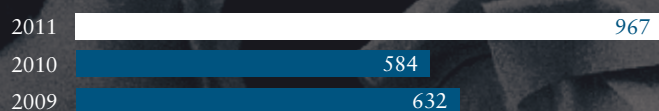
Montblanc John Lennon
Limited Edition 70

LUTZ BETHGE
CHIEF EXECUTIVE

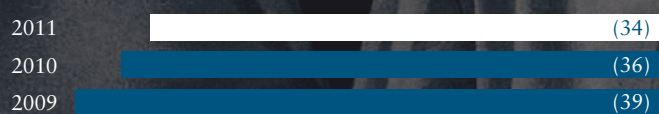
Other Businesses

Key results

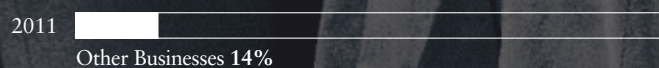
Sales (€ m)



Operating (loss)/profit (€ m)



Percentage of Group sales



Richemont's Maisons

dunhill
LONDON

SHANGHAI TANG
上海滩

Chloé

ALAÏA
PARIS

LANCEL
PARIS

PURDEY



NET-A-PORTER.COM

Established 1893

Bourdon House
2 Davies Street
London England

Chief Executive
Christopher M. Colfer

Finance Director
Mike Woodcock

www.dunhill.com



Standing for elegance, intelligence, culture, creativity and travel, Alfred Dunhill is the ultimate male luxury destination. A global luxury brand, the Maison has set new standards in retail with its 'Home' concept – most notably in the UK, the home market, but also globally as a result of industry defining Homes in Shanghai, Tokyo and now Hong Kong.

The opening of the 'Home of Alfred Dunhill' in Princes Building, Hong Kong enables the full range of exclusive luxury goods for men to be presented in a unique and superior luxury retail setting. The London 'Home' recently hosted the intimate salon-style presentation of the new collections during London Fashion Week, illustrating the Maison's commitment to British menswear and defining male luxury. As well as offering bespoke tailoring and exclusive accessories, the 'Homes' of Alfred Dunhill provide the perfect setting for special customer events, dining, relaxation, conversation and service.

The Maison's exceptional heritage and reputation continue to inspire and are reflected in the product offering, best illustrated by the finest menswear and leather selections.

2010 saw the global launch of 'The Voice' advertising campaign featuring the broadcaster Sir David Frost, the violin virtuoso Charlie Siem and the artist and author Harland Miller. Featuring black and white portraits, the campaign simply celebrates the achievements of brilliant men. *Day 8*, launched on dunhill.com and available as an iPad app, is a content platform for stories about travel, culture, elegance and creativity; subjects which the Maison has always stood for.

Reflecting their commitment to brilliance, Alfred Dunhill honoured Anish Kapoor with the Alfred Dunhill Cultural Icon of the Year award at the British GQ Men of the Year Awards in September 2010. The Alfred Dunhill Links Championship 2010 maintained its position as the world's most sought-after invitation in golf.

The Maison's strong performance globally – and specifically in the Asia-Pacific region – is reflective of the brand's focus on optimising resources and implementing educational processes to enhance customer service and ensure the best possible experience. Strategic investments in information technology have established strong merchandising and supply chain management systems. These systems set new standards, better optimising inventory and create efficiency which results in better customer service through appropriate stock management.

The year ahead will see a focus on Alfred Dunhill's leather and menswear assortment and a further development of the 'Homes' concept and *Alfie's*.

A handwritten signature in blue ink, reading "Christopher M. Colfer".

CHRISTOPHER M. COLFER
CHIEF EXECUTIVE



Bladon Tan 24 Hour Bag

Established 1952
5-7 avenue Percier
Paris France
Chief Executive
Geoffroy de La Bourdonnaye
Chief Operating Officer
Markus F.L. Probst
www.chloe.com

Chloé

Chloé defines feminine elegance for radiant and active women all over the world and conveys values of femininity, modernity, effortless grace and a free spirit. Chloé was created in 1952 by Gaby Aghion and its heritage reflects her original vision of a naturally elegant Parisian woman.

*An elegant demeanor, a svelte silhouette:
the Chloé woman embodies a strikingly
fresh, modern gracefulness*



Special events during the year included the 'Shanghai Fashion Show' in February 2011. This major event was held to celebrate Chloé's fifth anniversary in China and presented the Maison's Spring/Summer 2011 collection. The event drew wide attention to the Maison's growing presence in China and was closely linked to new boutique openings in Shenzhen and Shenyang and, in preparation for future growth, a strengthening of all the Maison's boutiques in China. The established boutique network in Japan was also upgraded and new department store corners were opened. These investments and other openings around the world contributed to very strong demand for Chloé's ready-to-wear collections during the year.

In leather goods, the year saw the Maison's reputation further enhanced by a succession of bag launches, including *Aurore* in June 2010 and *Madeleine* in January 2011. These latest additions complement the iconic *Paraty* and *Marcie* bags. The continuing success of Chloé fragrances contribute to the Maison's worldwide exposure: *Love*, *Chloé*, a feminine and sophisticated floral composition, was launched in September 2010.

Behind the scenes, the Maison has put in place a new organisation to better face the demands of growth, including a reinforcement of its design processes and the creation of a dedicated organisation for *See by Chloé*. These developments have been carried out with the strategic support of Richemont Fashion and Accessories.

The end of the year was marked by the tragic events in Japan and we want to pay homage to our Japanese teams who have set an example of courage, calm and dignity. In line with the Maison's renewed energy and organisation, the year ahead will see further investments in Chloé's boutique network, its systems and its dedicated employees.

GEOFFROY DE LA BOURDONNAYE
CHIEF EXECUTIVE

Established 1876
261 boulevard Raspail
Paris France
Chief Executive
Marc Lelandaïs
Finance Director
Eric Langon
www.lancel.com

LANCEL
PARIS



The creator and merchant of timeless and colourful maroquinerie, Lancel has been capturing French *Légèreté* and the irreverent spirit of Parisian women since 1876.

Through daring marketing, innovative designs and world class hospitality, the Maison has returned to profitable growth and now enjoys a leading position in France, its home market.

The year saw the successful launch of the *Brigitte Bardot Bag* which quickly established itself as a new pillar of the Maison's growth. Lancel applied an innovative launch strategy for the *BB Bag*; for the first time a bag was sold without being revealed in marketing prior to its release creating a sense of scarcity. The *BB Bag* also helped the internationalisation of the Maison's reputation in Russia, Hong Kong and China. The Maison's other pillars – the *Premier Flirt* and *Adjani* collections – also enjoyed strong demand.

In terms of its distribution network, the year saw major boutique openings in St. Tropez and Brussels, and the renovation of Lancel's boutiques in Lille and Bordeaux. These renovations bring Lancel's 'bag gallery' store concept to an ever-growing number of boutiques, significantly enhancing the shopping experience.

As part of Richemont's Fashion and Accessories division, the Maison undertook a series of projects relating to information technology and retail systems to better manage its growth.

In the year ahead, Lancel will focus on reinforcing its retail hospitality and performance with the renovation of the Champs Elysees and Opera flagships in Paris, establishing flagship boutiques in Moscow, Shanghai and Dubai and further refining products and communication.

MARC LELANDAÏS
CHIEF EXECUTIVE



Le Brigitte Bardot Bucket Bag, tweed, black and multicoloured Special edition limited to 888 pieces

Established 1994
12 Pedder Street
Hong Kong
People's Republic of China

Executive Chairman
Raphael Le Masne de Chermont

Finance Director
Annie Paray

www.shanghaitang.com

SHANGHAI TANG
上海滩

Shanghai Tang, the pioneering Chinese luxury brand, continues to spearhead the development of contemporary Chinese chic around the world.

From a single, colourful and nostalgic art deco boutique in Hong Kong, Shanghai Tang has evolved into a contemporary vision of Chinese chic. Today, the Maison has established a world-wide network of 45 boutiques, including Shanghai, New York, London, Dubai and Beijing as well as the Shanghai Tang Café in Shanghai.

A focus on developing our mainland China home market has significantly increased local patronage within our network of 15 outlets in China as well as overseas. International projects in the year included openings in the Middle East, Russia and Singapore.

Shanghai Tang brought the magic of Mongolia to the world through international press coverage of 'The Shanghai Tang Polo Cup' in Orkhon Valley, Mongolia. This event heralds the renaissance of polo in Mongolia with the mission of grooming world-class Mongol polo players.

In support of Chinese contemporary arts and culture, a recent collaboration with Chinese artist Li Wei produced gravity-defying results in a performance entitled 'Luxury Take Away' – an installation which enveloped our Hong Kong 1881 Heritage boutique in bold fuchsia ribbons.

The key focus for Shanghai Tang in the year ahead will be the continuing expansion of the distribution network, with flagship stores in Beijing, Shanghai, Hong Kong and Singapore and the extension of our presence in China's so-called second and third tier cities. Shanghai Tang will also inspire men to reorient their style in 2011 by bringing its Mandarin Collar Society to China.



RAPHAEL LE MASNE DE CHERMONT
EXECUTIVE CHAIRMAN



*Imperial Tailoring French Lace
gown with chiffon train*

Established 1983

7 rue de Moussy
Paris France

Creative Director
Azzedine Alaïa



Among today's greatest fashion icons, Azzedine Alaïa remains at the creative helm of the internationally recognised Maison Alaïa, designing extraordinary pieces that demonstrate his mastery of the female form.

Mr Alaïa continues to surprise and delight with his exceptionally tailored designs that pay homage to the feminine shape. Under his creative direction, the Maison experienced an exceptional year throughout its businesses, particularly in its Paris boutique in the Marais district.

The Maison's main collections, presented in March and October, consist of women's ready-to-wear in fabric, knit and leather, as well as shoes, handbags and accessories. The *Intemporels* collection, also shown twice a year, showcases Mr Alaïa's signature designs. Sales from *Intemporels* increased significantly this year, confirming the strength of the Maison. Research and investment in fabrics continue to play a paramount role in the development of these collections. Combining incomparable designs and tailoring, the products remain unique.

Distribution in Europe was strengthened with the December opening of a corner in Harrods in London. The striking corner in the newly renovated 2nd floor International Designer Room was amongst Harrods' best performing brands. The US continued to do well, with clients increasing their order sizes each season. Business in Asia also grew, reflecting the Maison's recognition in the region. The Maison's distribution strategy drove the opening of a number of new corners in other prestigious department stores over the past twelve months, and the coming year will see further openings worldwide.

Investments in a showroom order platform and information technology have helped to streamline a number of processes and further infrastructure developments will be pursued in the coming year.

Maison Alaïa is fortunate to benefit from the presence of Mr Alaïa in every step of the creative process. As one of fashion's greatest couturiers, his innate understanding of the female form contributes to the design of exceptional pieces recognised worldwide.



Summer Couture 2011.
Design by Azzedine Alaïa

Established 1814

Audley House
57-58 South Audley Street
London England

Chairman
Nigel Beaumont

Finance Director
Gary Stevenson

www.purdey.com

PURDEY

Purdey, one of the world's oldest sporting brands, has been renowned for almost 200 years for making the finest shotguns and rifles. The precision craftsmanship and exquisite finish of a Purdey gun appeals as no other to sportsmen and sportswomen worldwide. The exclusive clothing and accessories range is an increasingly important activity for the business.

This year's public relations and marketing activity centred on the new *All Damascus* steel gun, which was launched late last year. The official launch took place in July 2010: selected journalists and leading gun authorities had the opportunity to handle and shoot the gun and to speak to the craftsmen involved in its development and creation. This resulted in exceptional worldwide media coverage. The innovative and technically advanced aspects of using this special steel to make a shotgun, combined with Purdey's craft and traditional know how, caught the imagination of shooting enthusiasts. The *Damascus* gun has quickly become established as an iconic product which sets Purdey apart in the market and sales have exceeded expectations.

Retail clothing and accessory sales continued to show good growth. In particular, this year online sales grew significantly as a result of increased product focus and openings in new territories.

In 2010 the Purdey Awards for Game and Conservation celebrated its eleventh anniversary. The Awards are well established as a driving force in promoting greater awareness of the synergy between shooting and conservation and give recognition to the UK's best game conservation projects. The environmental benefits arising from game conservation work continue to reach a wider audience both within and outside the shooting world. The Awards generate a significant amount of publicity and public relations for Purdey and for game shooting in general. This year the Gold Award was won by the Duke of Norfolk for successfully restoring the wild grey partridge population on his estate at Arundel. The award was presented to the Duke of Norfolk by the Duke of Northumberland, winner of the Gold Award in 2007.

Purdey will continue to develop its high precision gun manufacturing know how in the coming years.



NIGEL BEAUMONT
CHAIRMAN



Purdey double rifle

Established 2000

1 The Village Offices
Westfield London
England

Founder and Chairman
Natalie Massenet

Chief Executive
Mark Sebba

Finance Director
Richard Mills

www.net-a-porter.com
www.mrporter.com
www.theoutnet.com

NET-A-PORTER.COM

Since its launch in June 2000, NET-A-PORTER.COM has established itself as the world's premier online luxury fashion retailer, successfully blending content and commerce.

With an acclaimed editorial format, leading designers, iconic packaging, unrivalled service and customer care, NET-A-PORTER enables visitors to shop over 350 designer collections 365 days a year and delivers to 170 countries with same day delivery in London and Manhattan from its own distribution centres.

The award-winning website continuously seeks innovative ways to improve the user experience through new technology including ground-breaking interactive collaborations, shopping apps for all mobile devices, including a much-lauded weekly magazine app for the iPad that has been downloaded by over 116 000 iPad users. In April 2009 the NET-A-PORTER group launched THE OUTNET, the chicest fashion outlet shopping destination. Each month, the two sites speak to more than 4 million style-conscious consumers around the world.

February 2011 saw the launch of the first dedicated global menswear retail site: MR PORTER. The site provides a selection of the best in men's style from global designer labels to niche brands alongside editorial and style advice.

The year also saw a number of new boutiques launched within the NET-A-PORTER universe, each supported by special events. The *Denim Boutique*, the *Bridal Boutique* and the *Party Boutique* provide focused product offers while the *Gift Finder* gives advice on presents by occasion, for example anniversaries, and is linked to the new Gift Card Service.

NET-A-PORTER's technological innovations during the year have embraced new digital possibilities. The *Fashion Fix* provides a hub for NET-A-PORTER's social activities and is open to the public for adding comments. The mobile enabled website enables customers to browse and shop from their mobile phones. NET-A-PORTER TV houses video content and enables customers to watch, shop, comment, embed and share. Its Google TV extension is already available in the US for T-commerce.

NET-A-PORTER's customer base is spread worldwide. Whilst being rooted in the UK and US, the number of customers in newer markets such as Australia, Hong Kong and France doubles each year.

2011 will see the launch of further initiatives that will continue to raise the bar in terms of online customer experience.



NET-A-PORTER iPad app for weekly fashion magazine readers

NATALIE MASSENET
FOUNDER AND CHAIRMAN



Financial review

RICHARD LEPEU,
DEPUTY CHIEF EXECUTIVE OFFICER

GARY SAAGE,
CHIEF FINANCIAL OFFICER

in € millions	March 2011	March 2010	% change
Sales	6 892	5 176	+33 %
Cost of sales	(2 498)	(1 985)	
Gross profit	4 394	3 191	+38 %
Net operating expenses	(3 039)	(2 361)	+29 %
Operating profit	1 355	830	+63 %
Net financial costs	(181)	(137)	+32 %
Share of post-tax results of associated undertakings	101	4	
Profit before taxation	1 275	697	+83 %
Taxation	(196)	(94)	+109 %
Profit from continuing operations	1 079	603	+79 %
Discontinued operations, net of tax	–	(3)	
Profit for the year	1 079	600	+80 %
Attributable to owners of the parent company	1 090	599	
Attributable to non-controlling interests	(11)	1	
Profit for the year	1 079	600	+80 %
Earnings per share from continuing operations – diluted basis	€ 1.925	€ 1.076	+79 %

SALES

Sales for the year ended 31 March 2011 increased by 33 % at actual exchange rates. At constant exchange rates and excluding the impact of the acquisition of NET-A-PORTER.COM, sales increased by 19 %. The strong growth in sales reflected the Maisons' product creativity, success among both local clients and travellers, and new store openings as well as low comparative figures: in the prior year, Group sales decreased by 4 %.

Further details of sales by region, distribution channel and business area are given in the Review of Operations on pages 31 to 34.

GROSS PROFIT

The gross margin percentage increased by 210 basis points to 63.7 % of sales. This higher margin primarily results from the outperformance of the retail network relative to wholesale, higher levels of manufacturing capacity utilisation and higher reported sales. The Maisons have been able to offset currency movements, where necessary, by price increases. Margin improvements were partly offset by the stronger Swiss franc versus the euro, the increasing cost of precious materials and the integration of NET-A-PORTER.COM. Excluding the impact of NET-A-PORTER.COM, the gross margin reached 64.3 % of sales.

The Swiss franc is of particular importance to the cost of sales as the majority of the Group's manufacturing facilities are located in Switzerland. The improvement in the gross margin percentage, combined with the significant increase in the value of sales, generated a 38 % gross profit increase.

OPERATING PROFIT

Operating profit increased by 63 % reflecting the significant increase in gross profit and continuing cost control. As a consequence, the operating margin percentage increased by 370 basis points to 19.7 %.

Excluding the impact of the acquisition of NET-A-PORTER.COM, the operating margin increased by 490 basis points to 20.9 %.

The increase in net operating expenses was limited to 29 % overall, some 4 % below the growth in sales. At constant exchange rates, net operating expenses increased by 13 % excluding the impact of NET-A-PORTER.COM. The increase included the impacts of better trading. Selling and distribution expenses were 29 % higher, reflecting better trading and the additional costs stemming from the expansion of the boutique network, particularly in the Asia-Pacific region. Communication expenses increased by 38 % and represented 10 % of sales. Administration costs grew by 20 % reflecting the integration of NET-A-PORTER.COM and exchange rate effects: excluding these factors, underlying administration costs were 3 % higher than the prior year.

PROFIT FOR THE YEAR

Profit for the year increased by 80 % to € 1 079 million, reflecting the following significant factors:

- net finance costs amounted to € 181 million, primarily due to unrealised currency translation losses of € 150 million on Group financial assets, which are euro-denominated cash and liquid bond funds held by a Swiss franc entity, as a result of a stronger Swiss franc against the euro. These currency translation losses are offset in 'other comprehensive income', with no net effect on the Group's equity position;
- a one-off € 102 million accounting gain relating to the acquisition of NET-A-PORTER.COM. This is reported within the Group's share of the post-tax results of associated companies; and
- an effective taxation rate of 16.7 %.

Earnings per share increased by 79 % to € 1.925 on a diluted basis. To comply with the South African practice of providing headline earnings per share ('HEPS') data, the relevant figure for headline earnings for the year ended 31 March 2011 would be € 1 002 million (2010: € 611 million). Diluted HEPS for the year was € 1.770 (2010: € 1.092). Further details regarding earnings per share and HEPS may be found in note 29 of the Group's consolidated financial statements.

CASH FLOW

Cash flow generated from operations for the year was € 1 696 million. Compared to the prior year, the additional € 232 million generated from operations reflected the significant increase in operating profit, partly offset by movements in working capital. The Group's absorption of cash for working capital during the year contrasts favourably with the prior year, when manufacturing output and inventories were being reduced. However, the absorption of cash in the year under review was limited in view of the strong recovery in sales.

Net acquisitions of tangible fixed assets amounted to € 282 million, reflecting selective investment in the Group's network of boutiques and manufacturing facilities. Free cash flow in the year, being net cash generated from operating activities after capital and non-current asset expenditure, financing and taxation payments, amounted to € 1 180 million.

Significant investing activities during the period included the acquisition of a controlling interest in NET-A-PORTER.COM for a net amount of € 245 million.

During the year under review, the Group initiated a new share buy-back programme and purchased some 5 million 'A' shares through the market at a cost of € 112 million. The gross cost of these purchases was partly offset by proceeds from sales of shares linked to the exercise of stock options by executives. The 2010 dividend of CHF 0.35 per share payment was paid in September 2010 and amounted to € 141 million.

FINANCIAL STRUCTURE AND BALANCE SHEET

Fixed assets, including tangible and intangible assets, and goodwill increased by € 473 million during the year. The increase largely reflects the acquisition of NET-A-PORTER.COM and increases in the Group's boutique network and manufacturing capacity.

Inventories at the end of March amounted to € 2 789 million. This figure represents 16.5 months of gross inventories and compares with 19 months at March 2010. The improvement in the rate of stock turn reflects both the improved trading conditions and supply chain constraints, which have led to low levels of finished goods within the specialist watchmaking segment. Notwithstanding these effects, the increase in the value of inventories partly reflects NET-A-PORTER.COM, the strengthening of the Swiss franc and the expansion of the Maisons' boutique networks.

The Group's net cash position amounted to € 2 589 million at 31 March 2011 (2010: € 1 882 million). This includes holdings of short-term liquid bond funds as well as cash and cash equivalents net of borrowings. Liquid bond funds and cash balances were primarily denominated in euros, whereas borrowings were spread across the principal currencies of the countries in which the Group has significant operations.

Shareholders' equity at 31 March 2011 amounted to € 6 992 million, net of the cost of repurchased treasury shares and related instruments. The Group held some 22 million 'A' shares in treasury, representing 4 % of the total number of the 'A' shares in issue, as well as options to acquire a further 11 million 'A' shares.

Richemont's financial structure remains very strong, with minimal debt and shareholders' equity representing 72 % of total equity and liabilities.

PROPOSED DIVIDEND

The Board has proposed an ordinary cash dividend of CHF 0.45 per share, an increase of CHF 0.10 per share compared to last year.

The dividend will be paid as follows:

	Gross dividend per share	Withholding tax @ 35 %	Net payable per share
Ordinary dividend	CHF 0.4500	CHF 0.1575	CHF 0.2925

The dividend will be payable following the Annual General Meeting, which is scheduled to take place on Wednesday, 7 September 2011.

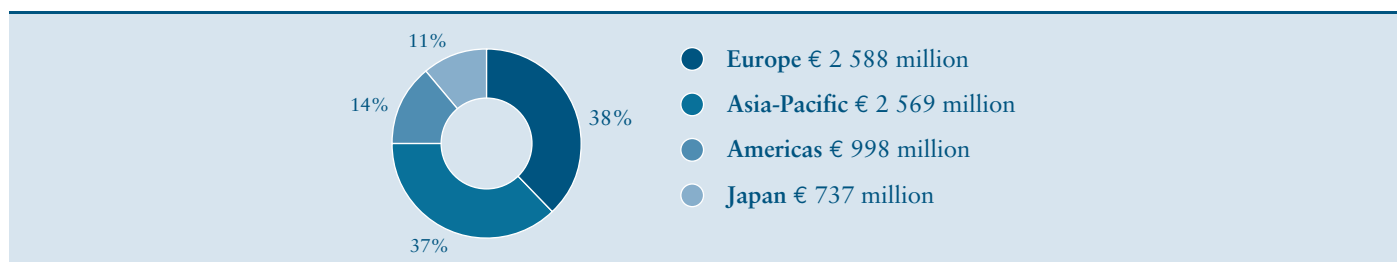
The last day to trade Richemont 'A' shares and Richemont South African Depository Receipts cum-dividend will be Friday, 9 September 2011.

The dividend on the Richemont 'A' shares will be paid on Thursday, 15 September 2011. The dividend in respect of the 'A' shares is payable in Swiss francs.

The dividend in respect of Richemont South African Depository Receipts will be payable on Friday, 23 September 2011. The South African Depository Receipt dividend is payable in rand to residents of the South African Common Monetary Area ('CMA') but may, dependent upon residence status, be payable in Swiss francs to non-CMA residents.

Review of operations

Sales by region



in € millions	31 March 2011	31 March 2010	Movement at	
			Constant exchange rates*	Actual exchange rates
Europe	2 588	2 099	+20 %	+23 %
Asia-Pacific	2 569	1 740	+36 %	+48 %
Americas	998	712	+30 %	+40 %
Japan	737	625	+1 %	+18 %
	6 892	5 176	+24 %	+33 %

* Movements at constant exchange rates are calculated translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2010.

EUROPE

Accounting for 38 % of overall sales, Europe remains the most important region for the Group. The strong rate of sales growth during the year reflects purchases made by local clients as well as travellers. The 23 % sales growth in the region also included the impact of exchange rate effects from non-euro denominated countries and the integration of NET-A-PORTER.COM.

ASIA-PACIFIC

The very strong growth reported in the Asia-Pacific region is measured against robust comparative figures. The region now represents 37 % of Group sales. The Maisons have continued to expand their distribution networks and now enjoy leading positions in many of the region's markets. Growth continued throughout the year.

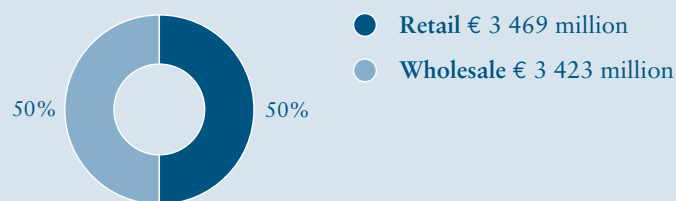
AMERICAS

The strong recovery of sales in the Americas region reflects both weak comparative sales in local currency terms, the integration of NET-A-PORTER.COM and positive exchange rate effects. Nevertheless, growth in the region stems from a strong retail performance and higher levels of productivity in the wholesale network. The reported growth has occurred despite the reduction in the number of points of sale in the region. The Americas region represented 14 % of Group sales.

JAPAN

In euro terms, sales increased by 18 %, largely due to the significant appreciation of the yen. Yen-denominated sales increased by 1 %, reflecting positive responses to new products and a stabilisation of the Maisons' businesses. The earthquake and tsunami of 11 March 2011 and their aftermath occurred shortly before the Group's financial year-end and consequently had only a minimal impact on the Group's performance for the year as a whole.

Sales by distribution channel



in € millions	31 March 2011	31 March 2010	Movement at	
			Constant exchange rates*	Actual exchange rates
Retail	3 469	2 385	+35 %	+45 %
Wholesale	3 423	2 791	+15 %	+23 %
	6 892	5 176	+24 %	+33 %

* Movements at constant exchange rates are calculated translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2010.

RETAIL

Retail sales include sales within directly operated stores and NET-A-PORTER.COM. For the first time, retail sales exceeded 50 % of the Group's overall sales.

The rate of growth highlighted the quality of the retail offer, sustained demand from final customers, successful store openings and the integration of NET-A-PORTER.COM. Excluding NET-A-PORTER.COM, retail sales increased by 24 % at constant exchange rates.

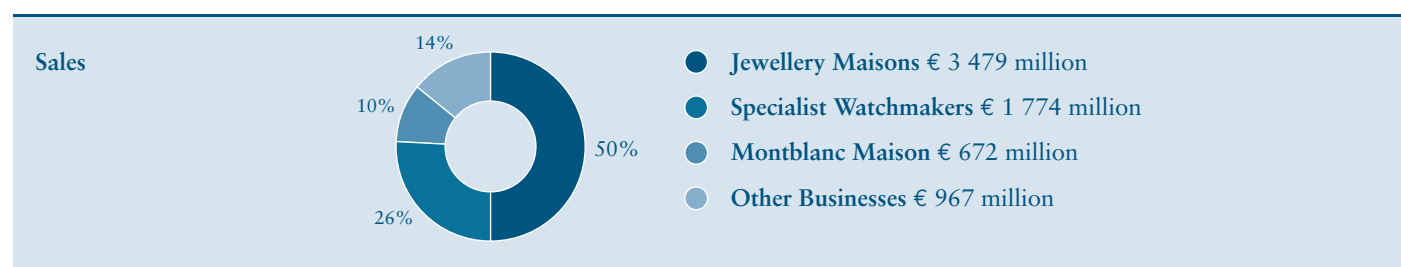
During the current year, the overall retail network of Group-owned boutiques increased to 876 boutiques. Store openings were primarily in growth markets.

WHOLESALE

The Group's wholesale business, including sales to franchise partners, reported good growth. In the comparative year, the wholesale business was negatively impacted due to de-stocking by business partners.

Given the planned reduction in the number of points of sale in some key markets, most notably in the United States, and constraints in the supply of finished products, the reported growth in the current year underlines the productivity improvement in the wholesale network.

Sales and operating results by business area



JEWELLERY MAISONS

in € millions	31 March 2011	31 March 2010	Change
Sales	3 479	2 688	+29 %
Operating results	1 062	742	+43 %
Operating margin	30.5 %	27.6 %	+290 bps

Cartier and Van Cleef & Arpels' strong sales growth was broad-based in terms of geography and product lines. The performance was particularly strong in the Maisons' own boutiques.

As a consequence, the Jewellery Maisons posted record sales and profitability.

SPECIALIST WATCHMAKERS

in € millions	31 March 2011	31 March 2010	Change
Sales	1 774	1 353	+31 %
Operating results	379	231	+64 %
Operating margin	21.4 %	17.1 %	+430 bps

All of the Group's Specialist Watchmakers performed well, excluding, as expected, Baume & Mercier which is being restructured. The reorganisation of Baume & Mercier's product offer during the second half of the financial year negatively impacted both sales and operating results. The Specialist Watchmakers' results in the comparative year included a one-off charge amounting to € 13 million.

The Specialist Watchmakers posted record sales and profits. Overall, the operating margin increased to 21.4 % of sales, in spite of higher costs of sales due to the appreciation of the Swiss franc and higher precious material prices.

MONTBLANC MAISON

in € millions	31 March 2011	31 March 2010	Change
Sales	672	551	+22 %
Operating result	109	79	+38 %
Operating margin	16.2 %	14.3 %	+190 bps

Montblanc's sales growth reflected good demand for its range of writing instruments, watches and accessories. Operating results improved due to a better utilisation of manufacturing capacity and a more efficient retail network.

Sales and operating results by business area continued

OTHER BUSINESSES

in € millions	31 March 2011	31 March 2010	Change
Sales	967	584	+66 %
Operating results	(34)	(36)	+6 %
Operating margin	(3.5) %	(6.2) %	+270 bps

The 'Other' segment includes NET-A-PORTER.COM from 1 April 2010, as well as the Group's Fashion and Accessories Maisons and the Group's watch component manufacturing activities.

Sales by Richemont's Fashion and Accessories Maisons increased by 20 % and, reflecting positive gross margin development and cost control, generated profits of € 29 million; an increase of € 21 million compared to the prior year.

Losses in the Group's watch component manufacturers were reduced from € 44 million in the prior year to € 35 million, reflecting improving orders and productivity gains.

Sales at NET-A-PORTER.COM amounted to € 274 million. The business generated a positive cash flow and performed above plan.

CORPORATE COSTS

in € millions	31 March 2011	31 March 2010	Change
Corporate costs	(161)	(186)	-13 %
Central support services	(159)	(147)	+8 %
Other operating income/(expense), net	(2)	(39)	

Corporate costs represent the costs of central management, marketing support and other central functions, known as central support services, as well as other expenses and income which are not allocated to specific business areas, including foreign exchange hedging gains and losses. The increase in central support service costs was largely due to the strength of the Swiss franc. Excluding the effect of a stronger Swiss franc and specific transaction costs in the comparative year, central support services costs decreased by 1 %.

Other operating expenses included gains of € 13 million relating to the Group's exchange rate hedging programme, which are reported within gross profit. In the comparative year, equivalent exchange rate hedging losses amounted to € 14 million.



RICHARD LEPEU
DEPUTY CHIEF EXECUTIVE OFFICER



GARY SAAGE
CHIEF FINANCIAL OFFICER

COMPAGNIE FINANCIÈRE RICHEMONT SA
GENEVA, 19 MAY 2011

Corporate responsibility



Richemont has a long-standing commitment to doing business responsibly. Building trust in our Maisons, our operating companies and brand, lies at the heart of the way we work.

The Group's activities are guided by a common framework which helps Richemont managers, employees, suppliers and associates to understand our expectations. The framework includes our Code of Business Ethics and Corporate Social Responsibility Guidelines, as well as codes of conduct for employees, suppliers and for environmental management.

RICHEMONT PEOPLE

Richemont directly employs some 21 000 people engaged in manufacturing, retail, distribution, aftersales service and administrative functions. Two-thirds of the employees are based in Europe, primarily in Switzerland, France and Germany, where manufacturing is concentrated. The Group's Code of Business Conduct for employees formalises our expectations of employees.

Training

Training is a key component of our Maisons' success and is fully integrated in the performance and development appraisal process for all staff. The quality and longevity of our goods relies on highly skilled craftspeople, and our customer satisfaction on passionate retail staff.

We continue to support The Creative Academy, which offers students a Masters programme in Arts in Design. The Academy's mission is to promote the integration of young talents within the Group by answering the Maisons' needs. Further information can be obtained at www.creative-academy.com

The Group collaborates with the Watchmakers of Switzerland Training and Educational Programme ('WOSTEP'), and has established educational and training facilities in the USA, Hong Kong and the UK.

Health and safety

The Group recognises its responsibility for the health, safety and well-being of employees. The law provides us with the minimum standards to follow, and each Maison takes responsibility for putting these standards into practice.

SUPPLY CHAIN

The Group's full supply chain often lies beyond our direct control. We therefore seek to influence the behaviour of our suppliers through our model Supplier Code of Conduct and by collaborating with peers. Our supplier code includes elements of international labour standards and encourages suppliers to comply with the principles outlined in Richemont's Environmental Code of Conduct.

Some Maisons engage third parties to audit their suppliers. Each year, some 40 such audits are conducted as part of the regular supplier relationship.

Responsible Jewellery Council

The Responsible Jewellery Council ('RJC') promotes responsible ethical, human rights, social and environmental practices in the gold and diamond supply chains. The RJC's members span from mining houses to retailers and include Cartier, Van Cleef & Arpels, Piaget, Montblanc, Jaeger-LeCoultre, Vacheron Constantin and Baume & Mercier.

Under the RJC's new certification system, all commercial members of the RJC must be audited by accredited, third-party auditors to verify compliance with the RJC's own Code of Practices. During the year under review, Cartier completed its certification process; the Group's other RJC members are in process. Further information can be obtained at www.responsiblejewellery.com

ENVIRONMENT

Our business does not have major, direct environmental impacts. Our Environmental Code of Conduct is built on internationally recognised standards for environmental management and includes industry-specific issues.

The Group seeks to minimise its carbon emissions through energy efficient building design and energy saving measures in our activities, together with a programme of carbon offset purchases. The costs of offset purchases are reinvoiced to the main emitters to increase awareness and to encourage efforts to reduce emissions.

Our direct impact upon biodiversity is low and we decrease it further by reducing our impact on climate change and by the careful disposal of waste products. As users of leather and other animal products, we adhere to the Convention on International Trade in Endangered Species ('CITES').

COMMUNITY

Our Maisons support art and cultural programmes that reflect their historical background and the nature of their products, together with global and local community programmes. Art and cultural programmes include the Cartier Fondation pour l'Art Contemporain and the Montblanc de la Culture Arts Patronage Award. Globally, Richemont supports Laureus Sport for Good. The Group's community expenditure was € 18 million in the year under review.

2011 Corporate Responsibility Report

Richemont's full annual corporate responsibility report is on the Group's website at www.richemont.com/corporate-social-responsibility

Peace Parks Foundation

“Let me congratulate the leadership and management of the Peace Parks Foundation for the great work they are doing to fulfil the noble task of coordinating, facilitating and driving the process of establishing and funding the transfrontier conservation areas. Those of you who have visited some of the areas have seen new developments in rural infrastructure, with improved roads, power lines, telecommunication systems, water supply sources, education, health facilities, magnificent new lodges and hundreds of new jobs created.” *Joaquim Chissano (Board member: Mozambique)*

DELIVERING THE DREAM

The peace parks concept is not unique to Africa, but it is in Africa that it is truly being brought to life. In Southern Africa, vast and vital transfrontier conservation areas (‘TFCAs’), or peace parks, are being actively developed under the auspices of regional protocols. The sovereign partners in the region have formalised their cooperation to the extent necessary for Peace Parks Foundation to make real advances in cross-border eco-tourism; a source of substantive benefit flows in restoring ecological integrity and driving local economic development.

The Foundation’s development strategy has been formulated in partnership with governments, implementing agents and local communities. Its twin objectives are to showcase the ten magnificent peace parks in the region and to put the necessary structures in place to offer visitors a unique African experience unbounded by national borders. Across the region, steady progress is being made in developing the region’s peace parks, as illustrated below.

A captivating example of the vast potential of regional partnerships, underpinned by the work of the Foundation, is the Great Limpopo Transfrontier Park between Mozambique, South Africa and Zimbabwe. Great Limpopo currently straddles some 35 000 km² of conservation estate (roughly the size of the Netherlands). Plans are well advanced to add public and private conservation areas to the park, widening its extent to a breathtaking 100 000 km². This will create the greatest animal kingdom on earth and an immeasurably important legacy for future generations.

An integral endeavour in the development of Africa’s peace parks is to ensure that sustainable benefit accrues to the communities living in and adjacent to the parks. Kavango-Zambezi, or KAZA, the largest of the TFCAs at 287 132 km² (rivalling Italy in landmass), is a case in point. It has many distinguishing features of global importance, among them the largest contiguous population of African elephant on the continent, numbering a quarter of a million animals. Of significant benefit to both the local communities and this huge elephant population is the establishment of Zambia’s first conservancy, the Simalaha Community Conservancy. This wildlife recovery area will ultimately link Chobe National Park in Botswana to Kafue National Park in Zambia.

Also in KAZA, the integrated development plans for the Angola, Botswana, Namibia and Zimbabwe components of the TFCA are nearing completion. Once finalised, an overarching plan for the sustainable development, utilisation and management of the TFCA will be formulated. Given the success of this process, it is being replicated in the other peace parks in Southern Africa.

Peace Parks Foundation is involved in forest assessment in Western Zambia, leading to recommendations on sustainable forest management. Forests contribute significantly to the national economy of Zambia in general and the Western Province in particular, where teak forests predominate. Contributing an average of 21 % of total household income, forest products are vital to rural livelihoods in this area. Besides alleviating poverty, forests provide important mitigation against environmental disasters, such as floods, resulting from climate change.

Development partners Mpumalanga Tourism and Parks Agency, the University of Pretoria and Peace Parks Foundation opened The Hans Hoheisen Wildlife Research Station in August 2010. The Research Station provides a dedicated platform for local and international researchers to conduct experimental work focused on animal diseases and related issues at the transfrontier interface between people, livestock and wildlife. The research will assist to entrench Southern Africa’s competitive advantage in eco-tourism.



Turtle monitoring in Mozambique



The class of 2010

A stride forward was taken in September 2010 in developing the Maputo Special Reserve in the Lubombo TFCA with the first ever wildlife translocation from game reserves in South Africa. The government of Mozambique is preparing to extend the Maputo Special Reserve, linking it with Tembe Elephant Park in South Africa through the Futi Corridor. This will reunite the last naturally occurring coastal elephant population in Southern Africa, which historically moved freely along the Futi River and Rio Maputo floodplains. The ultimate aim is to remove the electrified border fence to allow the elephants and other wildlife to re-establish their ancient migration patterns. Conservation areas along the Futi River will enable communities to become shareholders in conservation and eco-tourism businesses, creating a viable land use option in the region.

Developing the Lubombo TFCA involved the proclamation of Mozambique's Ponta do Ouro Partial Marine Reserve in 2009, which protects 678 km² of coast and extends three nautical miles into the Indian Ocean. Recent studies have shown that around 77 % of marine turtles that nest along the extensive Mozambican coastline do so in the newly proclaimed Marine Reserve. Local community members and landowners contribute to protecting this endangered species through monitoring, which together with the recently completed marine headquarters and ranger stations, improve the efficacy of this conservation effort.

The colleges supported by Peace Parks Foundation contribute extensively to sustainable community and conservation development. Every year the Southern African Wildlife College in the Kruger National Park trains students from across Africa in the essential skills of managing parks and conservation areas. Its graduates take up senior positions in many of Southern Africa's most prominent wildlife areas. The SA College for Tourism in the

Karoo region of South Africa trains marginalised women in hospitality services, enabling them to work in the fast growing tourism industry in Southern Africa. An exciting development in 2010 was the opening of the SA College for Tourism Tracker Academy, which aims to preserve age-old tracking skills. Sixteen trainees, at least half of whom will be women, will be trained annually at the Academy as of 2011.

AN INVITATION TO LEAVE A LIVING LEGACY

Peace Parks Foundation deeply appreciates the many dedicated people the world over who support its work as patrons, directors, advisors and employees. Richemont, a major supporter, is a prominent member of Club 21, which comprises individuals, families and companies who have donated US\$ 1 million or more to the Foundation's work. Many others have enrolled as corporate Peace Parks Club members, donating US\$ 50 000 every ten years, or individual Peace Parks Club members, donating US\$ 5 000 every ten years.

With the support of international public funders and financial institutions, listed companies, family foundations and individuals, Peace Parks Foundation gives donors the opportunity to invest in a brighter future for Africa and in sustainable conservation solutions with global relevance. We invite you to become a protagonist in this story of hope and progress. We welcome your call, email or visit to our website to find out how you can support the work of Peace Parks Foundation.

Contact

Werner Myburgh, CEO, Peace Parks Foundation
Tel: +27 (0)21 880 5100 Fax: +27 (0)21 880 1173
E-mail: parks@ppf.org.za

Website: www.peaceparks.org

Corporate governance

GENERAL PRINCIPLES

Richemont (the 'Group') is committed to maintaining a high standard of corporate governance. It subscribes to the principles laid down in the Swiss Code of Best Practice for Corporate Governance published by 'economiesuisse', the Swiss Business Federation. It also adheres to the requirements of the 'Directive on Information Relating to Corporate Governance' ('DCG'), issued by SIX Swiss Exchange. In addition to Swiss law, the Group complies with the Listing Rules of SIX Swiss Exchange. It also complies with the rules of the Johannesburg stock exchange, to the extent that they apply to companies with secondary listings there.

The Group's corporate governance principles and practices are reviewed by the Audit Committee and the Board on a regular basis in the light of prevailing best practices.

The Group's principles of corporate governance are embodied in the statutes of Compagnie Financière Richemont SA, in its Corporate Governance Regulations and in the terms of reference of the Audit, Compensation and Nominations Committees of the Compagnie Financière Richemont SA Board. The Corporate Governance Regulations are available on the Group's website: www.richemont.com

This section of the annual report follows the recommendations of SIX Swiss Exchange DCG. Headings follow the format of the DCG and cross-references to other sections of the report are provided where appropriate. In certain instances, where the issues contained in the directive do not apply to Richemont or where the amounts involved are not material, no disclosure may be given.

1. GROUP STRUCTURE AND SIGNIFICANT SHAREHOLDERS

Structure

Compagnie Financière Richemont SA (the 'Company') is a Swiss company with its registered office at 50, chemin de la Chênaie, CH 1293 Bellevue, Geneva. The Company's Board of Directors (the 'Board') is the Group's supervisory board, composed of a majority of non-executive directors.

The Group's luxury goods businesses are separated into four segments for presentation purposes: (i) Jewellery Maisons; (ii) Specialist Watchmakers; (iii) Montblanc Maison; and (iv) Other Businesses. Each of the Maisons in the Group enjoys a high degree of autonomy, with its own management group under a chief executive officer. To complement those businesses, the Group has established central functions and a regional structure around the world to provide central controlling and support services in terms of distribution, finance, legal and administration services.

Details of the principal companies within the Group are set out in note 39 to the Group's consolidated financial statements. The market capitalisation and ISIN number of the Richemont 'A' shares are given in section 2 of this corporate governance report, which deals with the capital structure.

Compagnie Financière Rupert

Compagnie Financière Rupert, a Swiss partnership limited by shares, holds 522 000 000 Richemont 'B' registered shares representing 9.1 % of the equity of the Company and controlling 50 % of the Company's voting rights. Mr Johann Rupert, the Executive Chairman and Chief Executive Officer of Richemont, is the sole General Managing Partner of Compagnie Financière Rupert. Mr Jürgen Schrempp and Mr Ruggero Magnoni, both non-executive directors of the Company, and Mr Jan Rupert, an executive director of the Company, are partners of Compagnie Financière Rupert.

Compagnie Financière Rupert does not itself hold any Richemont 'A' shares. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 2 836 664 'A' shares or 'A' share equivalents at 31 March 2011.

Other significant shareholders

Public Investment Corporation Limited ('PIC'), Pretoria, South Africa notified the Company on 22 February 2008 that accounts under its management held Richemont South African Depository Receipts equivalent to 32 633 436 'A' shares in the Company. At that date, PIC's holding indirectly represented 3.13 % of the Company's voting rights. Since 22 February 2008, the Company has received no further notifications from PIC.

On 19 May 2009 Richemont Employee Benefits Limited ('REBL'), an indirectly held subsidiary, notified the Company that it had acquired shares and the right to acquire further shares equivalent to 31 705 935 'A' shares or 3.04 % of the Company's voting rights. The shares and rights were acquired by REBL to hedge liabilities arising from the Group's stock option plan. At the same date, REBL notified the Company that it held disposal positions arising from the Group's long-term stock option plan equivalent to 43 211 994 'A' shares or 4.14 % of the voting rights of the Company. Since 19 May 2009, the Company has received no further notifications from REBL.

During the year under review, the Company received no new notifications of significant shareholdings representing in excess of 3 % of the voting rights. Changes in significant shareholdings are promptly notified to SIX Swiss Exchange, which simultaneously publishes such notifications on its website.

Cross shareholdings

Richemont does not hold an interest in any company which is itself a shareholder in the Group.

2. CAPITAL STRUCTURE

Shares

There are 522 000 000 'A' bearer shares and 522 000 000 'B' registered shares in issue. Richemont 'A' bearer shares are listed and traded on SIX Swiss Exchange. The 'B' registered shares are not listed and are held by Compagnie Financière Rupert, as detailed above. Each 'A' bearer share has a par value of CHF 1.00 and each 'B' registered share has a par value of CHF 0.10. Further details are given in note 18 to the Group's consolidated financial statements.

From the Company's formation in 1988 until 20 October 2008, shares in Compagnie Financière Richemont SA were indivisibly twinned with participation certificates issued by its wholly-owned subsidiary, Richemont SA, Luxembourg to form Richemont equity units. On 20 October 2008, the shares and participation certificates were de-twinned as part of a Group reorganisation. The reorganisation saw non-luxury assets, including the interest in British American Tobacco plc ('BAT'), spun out to unitholders through an independent entity, Reinet Investments S.C.A. ('Reinet'). Reinet is listed on the Luxembourg Stock Exchange. Other than in respect of the de-twinning, the Company's 1 044 000 000 shares were not directly impacted by the reorganisation. During the three years ended 31 March 2011, the only change to the capital structure has been the de-twinning of 20 October 2008.

At 31 March 2011, Richemont's market capitalisation, based on a closing price of CHF 53.05 per share and a total of 522 000 000 'A' shares in issue, was CHF 27 692 million. The overall valuation of the Group at the year-end, reflecting the value of both the listed 'A' shares and the unlisted 'B' shares, was CHF 30 461 million.

Over the preceding year, the highest closing price of the 'A' share was CHF 57.25 on 13 January 2011, and the lowest closing price of the 'A' share was CHF 35.65 on 1 July 2010.

The ISIN of Richemont 'A' shares is CH0045039655 and the Swiss 'Valorennummer' is 4503965.

Dividend

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

In respect of the financial year ended 31 March 2011, a dividend of CHF 0.450 per 'A' share and CHF 0.045 per 'B' share has been proposed.

Share buy-back programmes

Over the course of the eleven-year period ended 31 March 2010, the Group had repurchased a total of 34 552 934 former 'A' units and 13 625 076 'A' shares through the market to meet obligations under stock option plans for executives.

During the year under review, the Group acquired 3 158 509 'A' shares through the exercise of over-the-counter call options and repurchased a further 1 500 000 'A' shares through the market.

Taking into account the exercise of options by executives during the course of the year, the balance of 'A' shares held in treasury at 31 March 2011 was 22 406 950 shares. At that date, the Group also held over-the-counter call options over 10 658 721 'A' shares.

On 26 May 2010, the Board approved a new programme to buy-back 10 000 000 'A' shares through the market or through the exercise of over-the-counter call options during the period to May 2012. On 18 May 2011, the Board approved an extension to that programme. The extended programme envisages the buy-back of up to 15 000 000 'A' shares through the market or through the exercise of over-the-counter call options during the period to May 2012. The extended programme represents 2.61 % of the capital and 1.44 % of the voting rights of the Company. This new programme and the extension to it are to meet obligations under stock option plans for executives.

Details of the Group's stock option plan are set out in section 5 of this report and in note 35 to the Group's consolidated financial statements. The operating expense charged to the consolidated statement of comprehensive income in respect of the fair value of options granted to executives is set out under the heading 'Stock option plan' on page 51 of this report.

When 'A' shares or former 'A' units are bought back, a reserve for treasury shares, equal to the cost value of the shares purchased in the market, is established as an element of shareholders' equity in the Group's consolidated statement of financial position. The cost of acquiring over-the-counter call options is also charged to this reserve. As shares are sold as a consequence of the exercise of options by executives, the reserve is correspondingly reduced. During the year under review, the reserve for treasury shares increased by a net € 77 million as a consequence of the repurchase of 'A' shares, as described above, partly offset by the exercise of options by executives and the consequent delivery of 'A' shares from the Group to those executives. Further details are given in note 18 to the Group's consolidated financial statements.

Voting rights

Holders of Richemont shares may attend and vote at meetings of shareholders of the Company. They may attend in person or may appoint the Company or a third party to represent them at the meeting.

There is no limit on the number of shares that may be held by any given party nor any restriction on the voting rights attaching to those shares.

Richemont 'A' and 'B' shares have equal rights to share in the dividends and capital of the Company; 'B' shareholders are entitled to receive 10 % of the dividend per share paid to 'A' shareholders and 9.1 % of the Company's capital. However, despite the differing nominal values of the 'A' and 'B' shares, each 'B' share conveys the same voting rights as each 'A' share, in normal circumstances, at shareholder meetings. Richemont 'B' shareholders therefore control 50 % of the votes at shareholder meetings. The 'B' registered shares are entirely held by Compagnie Financière Rupert. In accordance with Swiss company law, certain resolutions, notably those relating to the objects of the Company, its capital structure, the transfer of its registered office or its dissolution, require the approval of two thirds of the shares represented and an absolute majority of the nominal share capital.

Statutory quorums

The general meeting of shareholders is the Company's ultimate decision-making forum. Resolutions of the general meeting are generally passed by an absolute majority of the votes represented at the meeting. As detailed above, certain resolutions may require the approval of two thirds of the shares represented at the meeting and an absolute majority of the nominal share capital.

The Annual General Meeting in respect of the financial year ended 31 March 2011 will be held on 7 September 2011 at the Four Seasons Hotel des Bergues, Geneva. The agenda for that meeting is set out on page 116 of this report. The notice period and agenda in respect of the meeting follow the requirements of Swiss company law. Holders of a minimum of one million 'A' shares in the Company with a nominal value of CHF 1 million may request that an item be placed on the agenda for the meeting. Such requests must be submitted, in writing, at least 20 days in advance of the deadline for publication of the formal notice convening the meeting.

South African Depository Receipts

Richemont Securities SA, previously owned in equal part by the Company and Reinet and now a wholly-owned subsidiary of the Company, acts as Depository for the issuance, transfer and cancellation 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. The terms and conditions applicable to DRs are set out in the Deposit Agreement entered into between Richemont Securities SA, as Depository, and the Company, as Issuer.

In its capacity as Depository, Richemont Securities SA holds one 'A' share in safe custody for every ten DRs in issue. Richemont Securities SA's interest in the 'A' shares that it holds is therefore non-beneficial. At 31 March 2011, Richemont Securities SA held 107 710 650 'A' shares in safe custody in respect of the DRs in issue. This amount represents some 21 % of the 'A' shares.

Dividends received by Richemont Securities SA are payable in rand to South African residents. Dividends are converted upon receipt by Richemont Securities SA and remitted to the holders of DRs. Non-South African resident holders of DRs may receive the dividends in Swiss francs, subject to their residence status.

Holders of DRs issued by Richemont Securities SA are not entitled to attend the shareholders' meeting of Compagnie Financière Richemont SA or to vote in person. Rather, DR holders are canvassed as to their voting instructions by Richemont Securities SA, which then represents the holders as their proxy at shareholder meetings.

Transferability of shares

Richemont's 'A' shares are issued in bearer form. They are issued in the form of a permanent global certificate. Each shareholder retains a pro-rata of interest in the relevant permanent global certificate, which remains in safekeeping with SIX SIS AG. Shareholders do not have the right to request the printing and delivery of individually certificated shares. Individual share certificates may however be printed and delivered, or otherwise permitted, if considered appropriate by the Company. There are no restrictions on transfers of shareholdings.

Transfers of the unlisted 'B' registered shares in the Company, which are held solely by Compagnie Financière Rupert, must be approved by the Board.

3. BOARD OF DIRECTORS

Responsibilities and membership

The Board is responsible for the overall strategic direction of the Group and the appointment of senior management. In addition, it is responsible for establishing financial controls and appropriate procedures for the management of risk within the Group as well as the overall supervision of the business. The Board is responsible for the preparation of the financial statements of the Company and of the Group and for the organisation of shareholder meetings.

The Board is composed principally of non-executive directors with diverse professional and business backgrounds. Seven nationalities are represented on the Board, which was composed of 19 members at 31 March 2011. Board members are proposed for election on an individual basis at each year's Annual General Meeting ('AGM') for a term of one year. All directors are eligible to stand for re-election each year, details of nominations being given in the notice of the AGM published on page 116. There is no restriction on the number of times a director may seek re-election and no formal age limit for directors.

In terms of its regular business, the Board generally meets for half a day to a full day, five times per annum. Further meetings on specific topics are held on an ad hoc basis. During the period from 1 April 2010 to 31 March 2011, the Board of Directors held five meetings. These included a two-day meeting with senior management of certain Maisons at which strategy, marketing plans and new products were presented. The Executive Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and Chief Financial Officer establish the agendas for the meetings of the Board, financial reports and supporting information in respect of agenda items being circulated to members of the Board in advance of each meeting. Directors may ask that an item be placed on the agenda for any meeting.

Two members of the Management Committee – the Director of Corporate Finance and the Director of Corporate Affairs – attend meetings of the Board. Other members of senior management may be invited to attend periodically to address specific subjects. The Board may invite external advisors to attend meetings.

At the AGM to be held on 7 September 2011, the Board proposes that Maria Ramos be elected to the Board. Ms Ramos is currently Group Chief Executive of Absa Group Limited, South Africa and is a member of the Executive Committee of Barclays Bank plc, United Kingdom. Previous positions held by Ms Ramos include Director-General of the National Treasury of South Africa and Group Chief Executive of Transnet Limited, the state-owned South African freight transport and logistics service provider. In addition to her role at Absa Group, Ms Ramos also serves on the executive committees of a number of South African and international bodies, including the President's Big Business Working Group, the International Business Council and the World Bank Chief Economist Advisory Panel. Ms Ramos' qualifications include membership of the Institute of Bankers, bachelor degrees from the University of the Witwatersrand and a Masters degree in Economics from the University of London. She also holds honorary doctorates from the University of Stellenbosch and Free State University.

Board Committees

In terms of the Group's framework of corporate governance, the Board has established an Audit Committee, a Compensation Committee and a Nominations Committee. The composition of these Committees is indicated in the biographical notes on Board members set out on pages 42 to 45. In addition to these Board Committees, the Group's senior management are members of the Group Management Committee.

Each Board Committee has its own written Charter outlining its duties and responsibilities and a chairperson elected by the Board. The Chairman of each Committee presents a summary of the proceedings of each Committee meeting to the Board. All Board Committees are entitled to invite members of senior management and external specialists to attend meetings for specific matters on an ad hoc basis.

Audit Committee

The five members of the Audit Committee are non-executive directors. The Chief Financial Officer attends all meetings, as do the Head of Internal Audit and representatives of PricewaterhouseCoopers SA, the Group's external auditors.

Meetings of the Committee are held at least three times per annum and have a typical duration of half a day. During the year ended 31 March 2011, three meetings took place. The Committee meets in camera with the external auditors during the course of each meeting.

The Audit Committee's principal tasks are to:

- satisfy itself that the consolidated financial statements follow approved accounting principles and give a true and fair view of the Group's financial position and results;
- recommend to the Board the appointment, reappointment or dismissal of the external auditors and keep under review their independence and objectivity as well as their level of compensation;
- examine and review, with both external and internal auditors, the adequacy and effectiveness of the Group's management information systems as well as accounting, financial and operational controls;
- oversee the effectiveness of the Group's Internal Audit function and liaise with the Head of Internal Audit on all matters of significance arising from the department's work;
- oversee the adequacy and effectiveness of risk management practices in the Group and advise the Board on its responsibility to perform regular risk assessments;
- examine and review the adequacy, effectiveness and integrity of the processes to assure the Group's compliance with all applicable laws and regulations; and
- ensure compliance with the Group's internal Corporate Governance Regulations, including the Code of Conduct for Dealings in Securities, and its Group Investment Procedures.

The Chairman of the Audit Committee reports the findings of each Committee meeting to the Board and makes recommendations to management on behalf of the Board.

The Company has a risk management process which gives consideration to both strategic and operational risks. All identified risks are quantified according to their probability of occurrence and potential impact and subsequently prioritised by 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 Board of Directors and the Audit Committee.

Compensation Committee

The Compensation Committee is comprised of three non-executive directors. To assist it in its deliberations it may draw on support from the Group's internal specialists and external advisors. Meetings of the Committee are held as necessary but at least twice per annum and typically last one to two hours. During the year under review, the Committee met on two occasions.

The purpose of the Committee is to advise the Board in all aspects of compensation policy insofar as it relates to members of the Board, the Group Management Committee and senior executives and to establish a framework for the compensation of executive management. The Committee is responsible for setting the compensation of the non-executive directors and the Executive Chairman, for approving the compensation of the members of the Board and for reviewing the compensation of all other members of senior management.

The Committee oversees the administration of the Group's long-term, share-based compensation plan for executive members of the Board and, inter alia, approves the awards granted to executive directors, taking into account the recommendations of the Executive Chairman; approves the awards made to other executives in aggregate, recognising that the Chairman's Committee has the authority to make awards to executives other than those serving on the Board. In addition, the Committee oversees any other material long-term compensation plans for executives of the Group and approves awards under such plans as appropriate.

Nominations Committee

The Nominations Committee consists of the non-executive directors meeting under the chairmanship of the Executive Chairman and Chief Executive Officer. During the year ended 31 March 2011, five meetings took place.

The principal functions of the Committee are to advise the Board in areas such as the composition and size of the Board and the criteria to be applied in the selection of new members of the Board and management.

In addition, the Committee is responsible for the nomination of directors to serve on the Board Committees.

Management Committees

In addition to the Board Committees, there are a number of management committees. Key amongst these are the Chairman's Committee and the Group Management Committee. These bodies respectively perform complementary functions in terms of strategic and operational performance recommendations.

Section 3 of the corporate governance report continues on page 46

Board of Directors of Compagnie Financière Richemont SA



Johann Rupert
Executive Chairman and Chief Executive Officer
South African, born 1950

Mr Rupert was appointed to the Board in 1988 and has served as Executive Chairman since 2002. He has served as Chief Executive Officer since April 2010. He is Chairman of the Nominations Committee, the Chairman's Committee and the Group Management Committee.

Mr Rupert studied economics and company law at the University of Stellenbosch, South Africa. After working for the Chase Manhattan Bank and Lazard Frères in New York he founded Rand Merchant Bank in 1979. In 1985 he joined Rembrandt. He founded Richemont in 1988 and became Group Chief Executive. Appointed as Executive Chairman in September 2002, he also served as Chief Executive Officer during the period from October 2003 to September 2004. He is Chairman of Reinet Investments Manager SA, the management company of Reinet Investments S.C.A., a director of Renshaw Bay, a global alternative asset management and advisory firm, Non-Executive Chairman of Remgro Limited and the Managing Partner of Compagnie Financière Rupert.

Mr Rupert holds honorary doctorates in Law, Economics and Commerce, is the Chancellor of the University of Stellenbosch and Chairman of the Peace Parks Foundation.



Yves-André Istel
Deputy Chairman
American, born 1936

Mr Istel was appointed to the Board in 1990 and became its Deputy Chairman in 2010. A Non-Executive Director, he is Chairman of the Audit Committee and a member of the Compensation and Nominations Committees.

Mr Istel graduated from Princeton University and has had an extensive career in investment banking. He was Managing Director of Lehman Brothers from 1977 to 1983, Co-Chairman of First Boston International from 1984 to 1988, Chairman of Wasserstein Perella & Co International from 1988 to 1992 and Vice Chairman of Rothschild Inc. from 1993 to 2002. He is currently Senior Advisor to Rothschild Global Financial Advisory.

Mr Istel is a Non-Executive Director of Imperial Sugar Company, Analog Devices, Inc., Tiedemann Wealth Board of Management, and a member of Healthpoint Partners LLC's Advisory Board. He served as Chairman of the Board of Overseers of Reinet Investments SCA until 2009 and continues to act as an advisor to Reinet Investment Advisors Limited.

Mr Istel is Chairman of the Advisory Board of the Remarque Institute and the Center for French Civilisation and Culture, New York University, as well as the European Institute and the Fondation Saint-John Perse. He is a member of the Economic Club of New York and the Bretton Woods Committee.



Richard Lepeu
Deputy Chief Executive Officer
French, born 1952

Mr Lepeu was appointed to the Board in September 2004 and has served as Deputy Chief Executive Officer since April 2010. He is a member of the Chairman's Committee and the Group Management Committee.

Mr Lepeu is a graduate of the Institut d'Etudes Politiques de Paris and the Université de Sciences Economiques de Paris X. He worked in international corporate finance before joining Cartier in 1979 as assistant to the President. Within Cartier, he was appointed Company Secretary in 1981 and became Director of Finance and Administration in 1985. He was nominated as Chief Executive Officer of Cartier in 1995 and held the post until March 2001. He served as Chief Operating Officer of Richemont from April 2001 until April 2004 and was nominated as Group Finance Director in May 2004, a post he held until March 2010.



Gary Saage
Chief Financial Officer
American, born 1960

Mr Saage became Chief Financial Officer in April 2010 and was appointed to the Board in September 2010. He is a member of the Chairman's Committee and the Group Management Committee.

Mr Saage is a graduate of Fairleigh Dickinson University, USA and is a Certified Public Accountant.

Following an early career in public accounting with Coopers & Lybrand, he joined Cartier's US business in 1988. Between 1988 and 2006, he served as Chief Operating Officer of Richemont North America and of Alfred Dunhill in London. From 2006 to March 2010, he served as Group Deputy Finance Director. He continues to serve as Chairman of Richemont North America and as a Director of Net-a-Porter Limited.

Mr Saage also serves as a Director of TASIS England, an unrelated educational body.



Franco Cologni
Italian, born 1934

Dr Cologni was appointed to the Board in 2002 and now serves as a Non-Executive Director and member of the Nominations Committee.

He is a graduate of the University of Milan, where he later became a professor. As a writer, he has published several books and articles, in particular on luxury goods, jewellery and watches. He joined Cartier in 1969 and served as Managing Director and Chairman of Cartier International. Dr Cologni has also been closely involved with the Group's watchmakers and served as Chairman of the Fondation de la Haute Horlogerie from 2005 to 2010 and continues to serve as Chairman of its Cultural Committee.

Dr Cologni is founder of the Richemont Creative Academy, which offers Masters degrees in design and creative management. He is also founder and Chairman of the non-profit institution 'Fondazione Cologni dei Mestieri d'Arte'. Under the patronage of this Foundation, Milan University has established a Chair dedicated to the 'Métiers d'Arts'.



Lord Douro
British, born 1945

Lord Douro has served as a Non-Executive Director since 2000. He is a member of the Compensation and Nominations Committees.

Lord Douro holds an MA degree from Oxford University. He has broad experience in banking and finance, serving as Chairman of Sun Life and Provincial Holdings from 1995 to 2000 and of the Framlington Group from 1994 to 2005. He is a director of Sanofi-Aventis, Abengoa Bio Energia and RIT Capital Partners. He is a senior adviser to the Crédit Agricole Group and Chairman of the Council of King's College, London. He was a member of the European Parliament from 1979 to 1989.

From 1990 to 1993 he was Chairman of Dunhill Holdings and from 1993 to 1998 Deputy Chairman of Vendôme Luxury Group, both former subsidiaries of the Group. Since 1998 he has served as Non-Executive Chairman of Richemont Holdings (UK) Limited, the holding company for the Group's UK interests and provides consultancy services to the Group.



Ruggero Magnoni
Italian, born 1951

Mr Magnoni was elected as a Non-Executive Director in 2006 and is a member of the Audit and Nominations Committees. In 2006 he became a partner of Compagnie Financière Rupert.

Mr Magnoni graduated from Bocconi University, Italy and holds an MBA from Columbia University, USA.

Mr Magnoni joined Lehman Brothers in 1977 and held a number of senior roles across that firm's international activities. In 2000, Mr Magnoni became Head of the European Private Equity division and Vice Chairman of Lehman Brothers Inc and in 2002, Chairman of Lehman Brothers International Italy. Since October 2008, Mr Magnoni has been Chairman of Nomura International plc's Investment Banking division for Europe, Middle East and Africa. He was a member of the Board of Overseers of Reinet Investments S.C.A. until 2009 and continues to act as an advisor to Reinet Investment Advisors Limited.

Mr Magnoni is a member of the boards of Omniinvest SpA, IMMSI SpA and 422 BV. He is a founding investor in Sopaf SpA and Hanseatic Americas Limited and is involved with various philanthropic activities, including Fondazione Laureus Italia. He is a member of the Advisory Committee of the Bocconi Foundation.



Josua Malherbe
South African, 1955

Mr Malherbe was appointed to the Board in September 2010 and serves as a Non-Executive Director. He is a member of the Audit and Nominations Committees.

Mr Malherbe qualified as a Chartered Accountant in South Africa and worked with the predecessor firm of PricewaterhouseCoopers before joining Rand Merchant Bank in 1985. In 1990 he joined Rembrandt Group Limited and was involved with Richemont at that time. Since its formation in 2000, he served first as Chief Executive Officer and then as Deputy Chairman of VenFin Limited.

Mr Malherbe continues to serve as a director of Remgro Limited, Reinet Investments Manager S.A., and Reinet Fund Manager S.A. He also serves as a Director of Richemont Securities S.A.



Frederick Mostert
Chief Legal Counsel
South African, born 1959

Dr Mostert was appointed to the Board in September 2010. He is a member of the Chairman's Committee and the Group Management Committee.

Dr Mostert holds a masters degree from Columbia University School of Law in New York City and a doctorate from the University of Johannesburg. He is a member of the New York Bar, a solicitor of England and Wales, and practised corporate law at Shearman and Sterling and international intellectual property law at Fross, Zelnick, Lehrman & Zissu in New York. He joined Richemont in 1990 and was appointed to the Group Management Committee in 1994.

Dr Mostert is a past President of the International Trademark Association, serves on the Advisory Council of the McCarthy Center for Intellectual Property and Technology Law, is a guest professor at Peking University and a Visiting Professor of University College London. He is a Director of Reinet Investments Manager S.A., Reinet Fund Manager S.A., Net-a-Porter Limited, The Walpole Committee Limited, Laureus World Sports Awards Limited, and Freedom Under Law.



Simon Murray
British, born 1940

Mr Murray became a Non-Executive Director in 2003 and is a member of the Nominations Committee.

He was educated at Bedford School in England and attended SEP Stanford Business School in the United States. He began his business career at Jardine Matheson, with ultimate responsibility for the company's engineering and trading operations, as well as holding directorships in various affiliated companies. In 1980, he formed his own project advisory company involved primarily in financing capital-intensive engineering projects in the Asia-Pacific region. In 1984 he became the Group Managing Director of the Hong Kong-based conglomerate Hutchison Whampoa, leading that company's entry into the mobile telecommunication business and developing its energy business. He joined Deutsche Bank Group as Executive Chairman Asia-Pacific in 1993, supervising the Group's operations in the region. In 1998 he founded Simon Murray & Associates.

Mr Murray is currently: the Executive Chairman of Simon Murray & Company, Simon Murray & Associates and GEMS; a Non-Executive Director of Essar Energy plc and Cheung Kong (Holdings) Limited; and the Non-Executive Chairman of Glencore International plc.



Alain Dominique Perrin
French, born 1942

Mr Perrin was appointed to the Board in 2003 and served as an Executive Director until March 2010. He now serves as a Non-Executive Director and is a member of the Nominations Committee.

Mr Perrin is a graduate of the Ecole des Cadres et des Affaires Economiques, Paris (E.D.C.). He joined Cartier in 1969, assuming a series of roles and serving as President of Cartier International SA between 1981 and 1998. Overseeing the Group's luxury goods businesses from 1999 to 2003, he was Chief Executive of Richemont SA (Luxembourg) from 2001 to 2003. He created the Fondation Cartier pour l'Art Contemporain in Paris and launched the annual Salon International de la Haute Horlogerie.

Mr Perrin serves on the management committees of a number of non-profit organisations. He is President of the Ecole de Dirigeants et Créateurs d'entreprise (E.D.C.) and President of the European Foundation for Management Development (E.F.M.D.), which delivers EQUIS and EPAS accreditations to business schools and universities around the world. He is also President of the Fondation Cartier pour l'Art Contemporain and the Jeu de Paume Museum, Paris.

Board of Directors of Compagnie Financière Richemont SA continued



Guillaume Pictet
Swiss, born 1950

Mr Pictet was appointed to the Board in September 2010. A Non-Executive Director, he is a member of the Nominations Committee.

Mr Pictet is a graduate of HEC, Lausanne University. His career in private banking has included membership of Darier Hentsch & Cie's senior management. He has also served as an international economist in Switzerland's Federal Department of Economic Affairs.

Since 1996, Mr Pictet has been Founding Partner and Vice-Chairman of de Pury Pictet Turrettini & Cie SA. He also serves as Chairman of EIC Partner AG; as a director of Zurmont Madison Management AG; and is a member of the Conseil communal de Chêne-Bougeries.



Norbert Platt
German, born 1947

Mr Platt was appointed to the Board in September 2005. He has served as a Non-Executive Director since April 2010 and is a member of the Nominations Committee.

He graduated with a BSc in precision mechanical engineering from the University of Frankfurt/Main and has studied business and management topics at Harvard Business School and at INSEAD. He worked for a number of years in the field of precision instruments, working with Rollei in Germany and internationally, becoming CEO of Rollei Singapore and Managing Director of Rollei Fototechnik in Germany.

He joined Montblanc in 1987 and was President and CEO of Montblanc International. Mr Platt served on the Group Management Committee from 2000 and served as Group Chief Executive Officer from October 2004 until March 2010. He remains Non-Executive President of Montblanc International.



Alan Quasha
American, born 1949

Mr Quasha was elected as a Non-Executive Director in 2000 and is a member of the Nominations Committee.

He is a graduate of Harvard College, Harvard Business School, Harvard Law School and New York University Law School. After practising law, he moved into commerce and since 1987 has been President of Quadrant Management Inc.

Mr Quasha served as a director of Richemont SA, Luxembourg from 1988 up until his appointment to the Board of Compagnie Financière Richemont SA. He was Chief Executive Officer of North American Resources Limited between 1988 and 1998. He was a member of the Board of Overseers of Reinet Investments S.C.A. until 2009 and continues to act as an advisor to Reinet Investment Advisors Limited. He was a director of American Express Funds, a former Governor of the American Stock Exchange, and a former Chairman of the Visiting Committee of the Weatherhead Centre for International Affairs.

Mr Quasha is currently Managing Partner of Vanterra Capital, Chairman of Brean Murray, Carret & Co; Carret Asset Management Group LLC; and HKN Inc. He is also Chairman of the American Brain Trauma Foundation.



Lord Renwick of Clifton
British, born 1937

Lord Renwick was appointed to the Board in 1995. A Non-Executive Director, he serves as Independent Lead Director of the Board, Chairman of the Compensation Committee and is a member of the Audit and Nominations Committees.

Lord Renwick is a graduate of Cambridge University and served in the British diplomatic service, rising to become Ambassador to South Africa from 1987 to 1991 and Ambassador to the United States from 1991 to 1995.

Lord Renwick is currently Vice Chairman, Investment Banking of JPMorgan Europe and of JPMorgan Cazenove. He is also Deputy Chairman of Fleming Family & Partners and a Non-Executive Director of Vallar Limited.



Dominique Rochat
Swiss, born 1949

Maitre Rochat was appointed to the Board in September 2010. A Non-Executive director, he is a member of the Audit and Nominations Committees.

Maitre Rochat graduated in law from the University of Geneva and obtained a Diploma in Comparative Legal Studies in Cambridge (UK). He is a member of the Geneva Bar.

Maitre Rochat has been a practising lawyer since 1975 and partner at the Geneva office of Lenz & Staehelin since 1982, specialising in banking and corporate law. He is Vice Chairman of RBS Coutts Bank Limited in Zurich, Vice Chairman of the Boards and Chairman of the Audit Committees of Banque Audi (Suisse) SA and NBAD Private Bank (Suisse) SA. He serves on the Board of several Swiss subsidiaries of foreign groups and unlisted Swiss companies, and of several foundations.



Jan Rupert
Manufacturing Director
South African, born 1955

Mr Jan Rupert was appointed to the Board in 2006 and became a partner of Compagnie Financière Rupert in the same year. He is a member of the Chairman's Committee and the Group Management Committee.

Since joining the Group in 1999, he has held the position of Manufacturing Director, with overall responsibility for the Group's manufacturing strategy. He was appointed to the Group Management Committee in 2000.

Mr Rupert is a graduate in mechanical engineering from Stellenbosch University, South Africa and has had an extensive career in production management in the tobacco and watchmaking industries. Prior to joining Richemont, he was Manufacturing Director of Rothmans International.



Jürgen Schrempp
German, born 1944

Mr Schrempp was elected as a Non-Executive Director in 2003 and is a member of the Nominations Committee. In 2006 he became a partner of Compagnie Financière Rupert.

He holds a Professorship of the Federal State of Baden-Württemberg and honorary Doctorates from the University of Graz and the University of Stellenbosch.

Mr Schrempp is former Chairman of the Board of Management of DaimlerChrysler AG and of Daimler Benz Aerospace AG. He is also a former director of Allianz AG, the New York Stock Exchange, Vodafone Group plc and South African Airways Limited. He continues to be Non-Executive Chairman of Mercedes-Benz of South Africa.

He is the Executive Chairman of Katleho Capital GmbH, Chairman of Iron Mineral Beneficiation Services Limited, Independent Lead Director of SASOL and a Non-Executive Director of Jonah Capital. He is also a member of the International Investment Council of the President of the Republic of Togo. He was a member of the Board of Overseers of Reinet Investments S.C.A. until 2009 and continues to act as an advisor to Reinet Investment Advisors Limited.

Mr Schrempp is Chairman Emeritus of the Global Business Coalition on HIV/AIDS and Honorary Consul-General of the Republic of South Africa. He has received numerous awards and has also been recognised for his civic leadership and charitable contributions. Amongst other distinctions, he is a Commander of the French Legion of Honour and holds South Africa's highest civilian award, the Order of Good Hope.



Martha Wikstrom
Chief Executive Officer, Richemont Fashion
and Accessories
American, born 1956

Ms Wikstrom was appointed to the Board in 2005 and served as a Non-Executive Director until June 2009. Since then, she has served as an Executive Director and is a member of the Chairman's Committee and the Group Management Committee.

Ms Wikstrom is a graduate of the University of Utah and has an extensive background in retailing and the luxury goods industry. From 1981 to 1999, Ms Wikstrom worked with Nordstrom, rising from sales person to President of Nordstrom's Full Line Store Group. Ms Wikstrom was formerly Managing Director of Harrods Limited and a Director of Harrods Holdings Limited and Harrods Estates. She also held positions as interim CEO and Board Director of Kurt Geiger Limited. She is a founding partner of Atelier Management, LLC, an investment company specialising in the acquisition and development of luxury brands in which Richemont is the principal investor.

Ms Wikstrom sits as Chairman of the Board of Harrys of London Limited and is a Director of Space NK Limited.

Management is responsible for implementing the strategic policies determined by the Board. Members of management are empowered to conduct the day-to-day strategic and operational administration of the Group including, inter alia, financial management. Management is responsible for the management of the Group's underlying businesses and investments, subject at all times to an obligation to provide adequate information on the development of those businesses to the Board. Management operates within the guidelines as set out in the Group Investment Procedures and such other policies and procedures as may from time to time be laid down by the Board. In addition, management provides the Board with such support as it may require to consider and evaluate strategic alternatives.

The Chairman's Committee

During the year under review, the Chairman's Committee comprised all of the executive directors of the Board. Other executives were invited to participate on an ad hoc basis at the discretion of the Executive Chairman. The Committee meets on an ad hoc basis to review matters associated with the implementation of the Group's strategic policies. During the year under review the Committee met five times.

Other committees have been established to determine the Group's policy in specific business areas, including finance, taxation, health and safety matters and corporate social responsibility.

4. SENIOR MANAGEMENT

The former Board of Richemont SA, Luxembourg, a directly held, wholly-owned subsidiary of the Company until 20 October 2008, functions as the Group's Management Committee.

The Group Management Committee did not meet formally as a committee during the year, but its 13 members participated in various other committees, as well as interacting with one another and with the Maisons and regional platforms as necessary. Six of the 13 members also served on the Board during the year under review. Appointments to the Group Management Committee are made by the Board upon the recommendation of the Nominations Committee.

The executive management is charged by the Board with implementing the strategic policies determined by the Board. It is empowered to conduct the day-to-day strategic and operational management including, inter alia, the financial management of the Group. It is responsible for the management of the Group's underlying businesses and investments, subject at all times to an obligation to provide adequate information on the development of those businesses to the Board.

The Board employs various reporting means and control mechanisms in order to monitor the way in which senior management exercises the authority delegated to it.

- Prior to each Board meeting, members of the Board receive a financial report, summarising recent Group, divisional and Maison financial performance as well as operational developments.

- The Executive Chairman and Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Executive Officer of Richemont's Fashion and Accessories Maisons and the Chief Financial Officer report to the Board at each meeting. Supplementary reports are provided, as required, by the Chief Legal Counsel, the Director of Corporate Affairs, the Director of Corporate Finance and the Company Secretary.
- The Group's employee performance review process requires that members of senior management are given clearly defined targets at the beginning of each financial year. The executive directors of the Board monitor performance against these targets on an ongoing basis and report progress to the Board.
- There is regular interaction between members of the Board and the Group Management Committee, for example, through the presence of certain executive directors on a regular or ad hoc basis at Board meetings and other Board Committee meetings, as outlined above. Members of the Board are also exposed to the decision-making process at the level of each Maison through their involvement with the annual reviews of the Maisons' strategies.
- The Group's Internal Audit function provides an objective means of assessing how the Group's risks are being managed and controlled. This function's independent status is reinforced by the direct reporting line from the Head of Internal Audit to the Chairman of the Audit Committee. The function performs financial and operational audits in accordance with a programme approved annually by the Audit Committee. This risk-based programme is designed to ensure that all business units as well as Group-wide issues are given sufficient audit coverage within an appropriate timeframe. Findings from each audit, together with any related action plans, are reported in detail to senior management; summary reports are provided to the Audit Committee and discussed at Audit Committee meetings. Progress with implementation of corrective actions is monitored by senior management and the Audit Committee on a regular basis.

Management contracts

There are no contracts between the Group and any third parties for the management of the Company or any subsidiary in the Group.

5. COMPENSATION, SHAREHOLDINGS AND LOANS

Content and method of determining the compensation and share-ownership programmes

The Group's compensation policies are designed to ensure that Group companies attract and retain management of the highest calibre and motivate them to perform to the highest standards, recognising the international nature of their businesses. The Group sets high standards in the selection of executives who are critical to the long-term development of the business.

The Board's Compensation Committee is responsible for setting the compensation of the non-executive directors and the Executive Chairman, for approving the compensation of the members of the Board and for reviewing the compensation of all other members of senior management. The Compensation Committee considers recommendations from the Chairman's Committee regarding remuneration awards but may amend or reject these recommendations.

Section 5 of the corporate governance report continues on page 48

Group Management Committee



Johann Rupert
Executive Chairman and
Chief Executive Officer
(For biographical details see page 42)

Richard Lepeu
Deputy Chief Executive Officer
(For biographical details see page 42)

Gary Saage
Chief Financial Officer
(For biographical details see page 42)

Frederick Mostert
Chief Legal Counsel
(For biographical details see page 43)

Jan Rupert
Manufacturing Director
(For biographical details see page 44)

Martha Wikstrom
Chief Executive Officer,
Richemont Fashion and Accessories
(For biographical details see page 45)



Giampiero Bodino
Group Art Director
Italian, born 1960
Mr Bodino was appointed to the Group Management Committee in 2004.

A graduate of the Institute of Applied Arts and Design of Turin, where he specialised in art styling, industrial design and architecture, Mr Bodino has had an extensive career in the design industry, working with major luxury and fashion houses, including Bulgari, Gucci, Versace and Swarovski.

His association with the Group, which began in 1990, extends across most of the Maisons and has involved watches, jewellery and accessories. Since 2002 he has served as Creative Director for Cartier and, since 2004, as Group Art Director.



Pilar Boxford
Group Public Relations Director
British, born 1961
Ms Boxford was appointed to the Group Management Committee in 2004.

Ms Boxford graduated in Economics and Finance from the Institut d'Etudes Politiques de Paris. She joined Cartier Paris in 1979 as Product Manager – Perfumes and subsequently became responsible for Cartier's worldwide public relations strategy. In 1984, she transferred to Cartier London as Communications Director and became a member of the management board of Cartier UK Limited. She was appointed Group Public Relations Director in February 2004. Her primary role is to support the Maisons in the development of effective PR strategies with a view to strengthening their presence on the world stage.

Bernard Fornas
Chief Executive of Cartier
French, born 1947
Mr Fornas was appointed to the Group Management Committee in 2002.

Mr Fornas graduated from Lyon Business School and holds an MBA from the Kellogg School of Management, Northwestern University. Prior to joining Cartier, he worked with a number of companies in the consumer products sector, including Procter & Gamble and the International Gold Corporation, where he was Jewellery Division Manager. He then moved to Guerlain where he was International Marketing Director and Advisor to the President from 1984 to 1993.

Mr Fornas joined Cartier as International Marketing Director in 1994. He subsequently became Chief Executive of Baume & Mercier in 2001 and was appointed Chief Executive of Cartier in 2002.

He is Vice President of the Comité Colbert and a member of the board of the Fondation de la Haute Horlogerie.



Alan Grieve
Director of Corporate Affairs
British, born 1952
Mr Grieve was appointed to the Group Management Committee in 2004.

Mr Grieve holds a degree in business administration from Heriot-Watt University and is a member of the Institute of Chartered Accountants of Scotland. Prior to joining Richemont's predecessor companies in 1986, he worked with Price Waterhouse & Co and Arthur Young. He served as Company Secretary of Richemont from its formation in 1988 until 2004.

He is a Director of Richemont Securities S.A. and, in addition to his role at Richemont, is Chief Financial Officer of the management companies of both Reinet Investments S.C.A. and its subsidiary Reinet Fund S.C.A. F.I.S. He is also a director of Klinik Hirslanden AG, the Swiss subsidiary of the Medi-Clinic organisation. Mr Grieve is a founding member of the Laureus Sport for Good Global Foundation.



Albert Kaufmann
General Counsel
Swiss, born 1947
Mr Kaufmann was appointed to the Group Management Committee in 2000.

Mr Kaufmann holds a degree from the Faculty of Law of the University of Geneva and has been admitted to the Geneva Bar. He joined Cartier in 1974 to lead its legal department and has since been responsible for the legal affairs of the Group's luxury goods companies. He was a member of the board of Cartier International and a director of Vendôme Luxury Group. He was appointed to his current position in 1999. He is a Director of Richemont Securities S.A.

Mr Kaufmann is a member of the board of the Federation of the Swiss Watch Industry, the Fondation de la Haute Horlogerie and the Committee of 'economiesuisse'.



Thomas Lindemann
Group Human Resources Director
German, born 1963
Mr Lindemann was appointed to the Group Management Committee in 2005.

Mr Lindemann is a graduate in economics from Mannheim University. From 1989, he held a variety of human resources and commercial roles in the consumer products company, Wella Group, before joining Montblanc in 1998 as Human Resources Director. He assumed the role of Director of Human Resources for Richemont Northern Europe in 2002 and was appointed Group Human Resources Director in 2005.



Eloy Michotte
Corporate Finance Director
Belgian, born 1948
Mr Michotte was appointed to the Group Management Committee in 1988.

Mr Michotte graduated in engineering from the University of Louvain in Belgium and holds an MBA from the University of Chicago. He has had an extensive career in international business and finance, having worked with Ford, McKinsey & Co and Bankers Trust Company prior to joining Richemont at the time of its formation in 1988. As Head of Corporate Finance, he has responsibility in particular for mergers and acquisitions and serves on the boards of a number of companies in which the Group has an interest.

In addition to his role within Richemont, he is an Executive Director of the management companies of both Reinet Investments S.C.A. and its subsidiary Reinet Fund S.C.A. F.I.S.

From time to time the Chairman's Committee may use external consultants for advice on remuneration matters. During the year, external advice on compensation-related matters was received from Towers Watson and PricewaterhouseCoopers on stock option related matters.

Executives are rewarded in line with the level of their authority and responsibility within the organisation. In addition to a basic salary, they generally receive an annual short-term cash incentive related to their individual achievements and the performance of the Group as a whole. Both elements are reviewed annually in accordance with the Group's salary review process. In determining the level of any increase to basic salary, consideration is given to market conditions and the Group's performance; the level of pay awarded to the rest of the business; the role and responsibilities of the individual; and market benchmarking information provided by external consultants.

The level of short-term cash incentive is dependent on performance against a range of demanding individual key performance indicators and collective strategic objectives, usually established at the beginning of the year. The indicators and objectives relate to the potential of the area of the business for which the individual is responsible and consider, among other things, sales, profit growth and cash generation. These objectives are determined by the Executive Chairman and the Deputy Chief Executive Officer and are revised only where exceptional circumstances beyond the control of the individual make the original target unachievable. The Compensation Committee does not participate in the setting of individual targets. The Compensation Committee is satisfied that the targets are appropriately challenging for the level of award. In the year under review an expense of € 10 million was recognised for short-term cash incentives in respect of members of the Board and Group Management Committee. This accrued amount relates to the performance during the year under review and will be finalised and paid only when the annual results are available. The accrued amount represents 70 % of the total salary and other short-term benefits of those individuals entitled to receive a short-term cash incentive.

The Group operates three distinct long-term benefit plans for executives.

Executives may be eligible to participate in the Group's stock option plan, details of which are set out on page 51 of this report. Option awards are entirely discretionary and are linked to each executive's salary level and performance. Gains achievable from previous awards are also considered. The Group does not operate any schemes to issue shares to executives as part of their compensation package. The 2008 grant of options included vesting conditions linked to the performance of the Company's share price relative to a comparative group of luxury goods businesses. With one exception, no options have been awarded to any member of the Board or the Group Management Committee since December 2008. One executive director was awarded options in June 2009, prior to his appointment to the Board. The Group did not award any options in the year under review.

As an alternative long-term benefit to the stock options plan described above, the Group introduced a Long-term Retention Plan ('LRP') in June 2010. The LRP is a cash incentive plan. For each eligible participant, the awards are fixed at the grant date at between 50 % and 150 % of the short-term cash incentive awarded for the previous year and only become payable after three further years of service. The cash settlement will be subject to a comparison of the performance of the Company's share price relative to a comparative group of luxury goods businesses, similar to the vesting conditions that apply to the Group's stock option plan. Executive directors and members of the Group Management Committee were granted awards under the LRP in June 2010. These will become payable in 2013. The total LRP award to members of the Board and the Group Management Committee was € 6 million representing 60 % of the short-term incentive award paid for 2010. Individual awards ranged from 50 % to 100 %.

The Group also operates a long-term incentive plan. The purpose of this plan is to motivate and reward Maison executives by linking a major part of their compensation package to the value added to the area of the business for which they are responsible, typically over a three-year period.

In general, an executive will receive an award in only one of the three long-term benefit plans described above on an annual basis.

The Compensation Committee considers these components in total to ensure there is the correct balance between reward for short-term success and long-term growth and reflects both the individual's performance and their contribution to the Group's overall results.

Directors are reimbursed for travel and other necessary business expenses incurred in the performance of their duties.

Non-executive directors receive an annual fee in respect of their membership of the Board. The level of this fee is kept under review by reference to comparable external figures. Non-executive directors are not eligible for performance-related payments and do not receive awards under the Group's stock option plan. There is no scheme to issue shares to non-executive directors.

Non-executive directors who are also members of the Compensation Committee or the Audit Committee are entitled to receive an attendance fee of € 3 700 (CHF 5 000) and € 7 500 (CHF 10 000), respectively, for each Committee meeting.

Directors' compensation

The total level of compensation paid to members of the Board and the Group Management Committee, including pension contributions, benefits in kind and all other aspects of compensation, amounted to € 42 126 138 during the year under review. In determining the value of each component of compensation, the Group has followed the valuation and measurement principles of International Financial Reporting Standards ('IFRS'). The amounts are in agreement with other IFRS information provided elsewhere in this annual report.

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

* The cost for stock options is determined in accordance with IFRS 2, *Share-based payment*. Details of the valuation model and significant inputs to this model are to be found in note 35 to the consolidated financial statements.

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

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

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

The compensation of the executive directors of the Board who are also members of the Group Management Committee is excluded from the total compensation of the Group Management Committee. The members of the Group Management Committee are presented on page 47.

The comparative analysis of the table above is presented in note 34(f) of the Group's consolidated financial statements.

Details of options held by executive directors of the Board and members of the Group Management Committee under the Group's stock option plan at 31 March 2011 are as follows:

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

Salary and other short-term benefit payments received by Mr Johann Rupert from Richemont and from its related parties, Remgro Limited, Reinert Investments Manager SA and Reinert Fund Manager SA, are donated to charity.

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

During the year the Group gave donations of € 0.9 million to the Fondazione Cologni dei Mestieri d'Arte. The Foundation promotes, supports and organises cultural, scientific and training initiatives in favour of the Arts and Crafts and the Trades of Art. Dr. Franco Cologni is the President of the Foundation.

The Group also made donations of € 0.1 million to the Fondazione Giuliano e Maria Carmen Magnoni, a charitable organisation supporting initiatives for young people in disadvantaged conditions. Mr Ruggero Magnoni is Vice-Chairman of the Foundation.

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

In addition to their duties as non-executive directors, Dr Franco Cologni and Mr Alain Dominique Perrin provided consultancy services to the Group during the year. Fees for those services, amounting to € 0.1 million and € 1.6 million respectively, are included in the compensation disclosures above. Mr Alain Dominique Perrin has formally waived his entitlement to receive any fees or compensation in respect of his duties as a non-executive director.

In accordance with the terms of the modification to the Group's executive stock option plan in October 2008, executive directors of the Board and members of the Group's Management Committee received vested options over shares in BAT and Reinert. At 31 March 2011, the Group recognised a liability of € 24 million in respect of its obligation to deliver shares in these two entities on exercise of the options which remained outstanding at that date. The Group holds shares in BAT and Reinert which fully hedge the liability.

Highest compensation paid to a member of the Group Management Committee

The total level of compensation of the highest paid director of the Group Management Committee was € 7 215 911, which was paid to Mr Bernard Fornas, Chief Executive of Cartier.

Compensation of advisory committees

The Board has established a number of advisory committees, comprising of executive and non-executive directors of the Board. The compensation of the individual members of these committees is included in the disclosures above.

Compensation for former members of governing bodies

During the year under review, a former member of senior management received a fee of € 0.1 million from the Group for services provided to an entity in which the Group is a joint venture partner.

Allotment of shares

No shares were allotted to directors or members of senior management during the year under review.

Share ownership

The share ownership of members of the Board, the Group Management Committee and parties closely linked to them are disclosed in note 34(f) of the consolidated financial statements.

Stock option plan

The Group operates a long-term share-based compensation plan whereby executives are awarded options to acquire shares at predetermined market-linked prices. No awards under the stock option plan have been made to persons serving as non-executive directors.

Richemont agrees with the principle that stock options form a significant part of compensation and that the issue of new shares to meet the obligations under stock option plans results in dilution. For this reason, Richemont has implemented a series of buy-back programmes since 1999 to acquire former 'A' units and 'A' shares to meet the obligations arising under its share-based compensation plans. By using its own capital to acquire these shares, Richemont has reflected the financing cost of the stock option plans in the consolidated statement of comprehensive income. In addition, since 2004, Richemont has purchased over-the-counter call options with a third party to purchase treasury shares at the same strike price as the share options granted to executives. These call options, together with the shares held, provide a comprehensive hedge of the Group's anticipated obligations arising under its stock option plan.

Awards under the Group's stock option plan will not result in the issue of new capital and, in consequence, there will be no dilution of current shareholders' interests.

In accordance with IFRS 2, *Share-based Payment*, the Group recognises in its financial statements an operating expense in respect of its equity-settled and cash-settled option plans. Further details are given in note 35 to the Group's consolidated financial statements. For the year under review the IFRS 2 charge amounted to € 75 million (2010: € 36 million). The charge for 2011 includes € 45 million (2010: nil) in respect of the cash-settled option plan specific to Net-a-Porter Limited.

With effect from the 2005 award, the terms of the Group's long-term share-based compensation plan have been amended to permit executives not only to exercise but also to trade options once they have vested. The options granted as from 2008 onwards include a performance condition correlated to a comparative group of luxury goods businesses upon which vesting is conditional.

The de-twinning of Richemont units, which took place on 20 October 2008 and is described in Section 2 of this report, impacted the value and the number of stock options previously awarded to executives. Richemont unit options, which had vested but were not yet exercised at the date of the de-twinning, were converted into options over shares in the Company, options over BAT shares and options over Reinet shares. The exchange ratio used, determined at market prices at the close of business on the date of de-twinning, was calculated to preserve the economic benefits of the Richemont option holders. Richemont unit options which had not vested at the date of the restructuring were converted in their entirety into options over shares in the Company. Further details regarding the valuation of the options are presented in note 35 to the Group's consolidated financial statements.

The exercise of options and transactions in Richemont shares and related securities by any director or member of the Group Management Committee is promptly notified to SIX Swiss Exchange, which simultaneously publishes such notifications on its website.

Loans to members of governing bodies

As at 31 March 2011, there were no loans or other credits outstanding to any current or former executive or non-executive director. The Group's policy is not to extend loans to directors. There were also no non-business related loans or credits granted to relatives of any executive or non-executive director.

6. SHAREHOLDER PARTICIPATION RIGHTS

Details of shareholder voting rights and the right to attend shareholder meetings are given in section 2 of this corporate governance report.

7. CHANGE OF CONTROL AND DEFENCE MECHANISMS

In terms of the Swiss Stock Exchange and Securities Trading Act ('SESTA'), the Company has not elected to 'opt out' or 'opt up' in respect of the provisions relating to the obligations for an acquirer of a significant shareholding to make a compulsory offer to all shareholders. In accordance with SESTA, any party that would directly or indirectly or acting in concert with third parties acquire more than 33⅓ % of the voting rights of the Company would therefore be obliged to make an offer to acquire all of the listed equity securities of the Company. The interest of Compagnie Financière Rupert in 100 % of the 'B' registered shares in the Company, which existed at the date SESTA came into force, does not trigger any obligation in this respect. As noted above, Compagnie Financière Rupert controls 50 % of the voting rights of the Company.

No specific provisions exist in the statutes or internal regulations of the Company which would seek to limit or block any takeover bid. No special contractual relationships exist between Group companies and directors or members of senior management which would protect management or act as a deterrent to a change of control of the Company.

The rules of the stock option plan for executives in the Group contain specific provisions in respect of a change of control of the Group. These provisions are typical in terms of such plans and would result in the immediate vesting of benefits due to participants in the event of a change of control taking place.

8. AUDITORS

The external auditors report to the Board through the Audit Committee, which also supervises the Group's relationship with the auditors.

PricewaterhouseCoopers SA were reappointed by the Company's shareholders at the 2010 AGM as the auditors of the Company's financial statements and the Group's consolidated financial statements. They were appointed for a period of one year and, being eligible, will stand for a further period of office of one year at this year's AGM. A questionnaire-based evaluation, in which the Finance Director of every subsidiary is consulted, forms the basis of an annual review of the external auditors' performance. The results of this exercise are reviewed by the Audit Committee.

PricewaterhouseCoopers were initially appointed as auditors of the Company and the Group in 1993 (as Coopers & Lybrand). Mr David Mason, the lead auditor, assumed that role in September 2005. The Company's policy is to rotate the lead auditor at least once every seven years.

Total fees and expenses paid or accrued as payable to PricewaterhouseCoopers for the audit of the financial statements of the Company, the Group, its subsidiaries and related services were € 6.1 million in respect of the financial year ended 31 March 2011. Total fees and expenses paid or accrued as payable in respect of the financial year to PricewaterhouseCoopers for non-audit services amounted to € 1.6 million, primarily relating to tax compliance services and advice. The scope of services provided by the external auditors is reviewed annually by the Audit Committee and the relative weight of non-audit work provided by the external auditors is also kept under close review.

Representatives of PricewaterhouseCoopers attended all meetings of the Audit Committee held during the financial year as well as the meeting of the Committee held on 17 May 2011 at which the financial statements were reviewed.

9. INFORMATION POLICY

The Group reports to shareholders in accordance with the requirements of Swiss law and the guidance provided by SIX Swiss Exchange. The annual report is the principal source of financial and business information for shareholders. The Group's preliminary announcement of the results for the financial year is issued in May each year. In addition to the annual report, each year Richemont publishes its half-yearly financial report in November as well as a trading statement in January covering the Group's performance during the third quarter of the financial year, being the important pre-Christmas trading period. Additionally, an announcement as to current trading performance is made each year at the AGM, which is normally held in September. Ad hoc news announcements are made in respect of matters which the Board considers to be of significance to shareholders, in accordance with the specific guidelines laid down by SIX Swiss Exchange.

The annual and half-yearly financial reports are distributed to all parties who have asked to be placed on the Group's mailing list and to registered holders of South African Depository Receipts. Investors may request electronic notification that such reports have been published on the Group's website.

All news announcements other than the annual and half-yearly financial reports are distributed by e-mail. Shareholders and other interested parties may ask to be included on the distribution list by contacting the Company Secretary at the Company's registered office or by e-mail (secretariat@cfrinfo.net) or by registering on the Group's website www.richemont.com/investor-relations/reports

Copies of the annual and half-yearly financial reports, the preliminary announcement, trading statements, ad hoc press releases and the corporate social responsibility report may also be downloaded from the Richemont website. Copies of the statutes of Company, together with the Corporate Governance Regulations, are also available on the website.

In addition, the Group presents its annual and half-yearly financial results to analysts and major investors each year. The presentations to invited participants take place in Geneva and are simultaneously broadcast over the internet. The slide presentation is downloadable from the website. A replay of the broadcast is available on the Group's website within 24 hours of the presentation and a transcript of the presentation shortly thereafter.

Statutory and regulatory announcements are published in the Swiss Official Gazette of Commerce and, in certain cases, by SIX Swiss Exchange.

Consolidated financial statements

Directors' Report

The Board of Directors of Compagnie Financière Richemont SA ('Richemont' or 'the Company') is pleased to submit its report on the activities of the Company and its subsidiaries and associated undertakings (together, 'the Group') for the year ended 31 March 2011. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 2011 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 108 to 111.

The agenda for the Annual General Meeting, which is to be held in Geneva on 7 September 2011, is set out on page 116.

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

Consolidated financial statements

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Consolidated statement of financial position at 31 March

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

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

Consolidated statement of comprehensive income for the year ended 31 March

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

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

Consolidated statement of changes in equity

for the year ended 31 March

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

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

Consolidated statement of cash flows

for the year ended 31 March

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

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

Notes to the consolidated financial statements

at 31 March 2011

1. General information

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

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

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

2. Summary of significant accounting policies

2.1. Basis of preparation

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

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

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

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

The impact of the revised standard has been:

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

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

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

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

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

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

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

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

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

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

Other, less significant, changes to enacted guidance are not detailed here and have had no impact on the Group's financial statements.

2.2. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary undertakings together with the Group's share of the results and retained post-acquisition reserves of associated undertakings and joint ventures.

The attributable results of subsidiary undertakings are included in the consolidated financial statements from the date control commences until the date control ceases. The Group's share of profit or loss and other comprehensive income of associated undertakings and joint ventures are included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Uniform accounting policies have been adopted.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the cost of acquisition, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss for the period.

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

Associated undertakings are defined as those undertakings, not classified as subsidiary undertakings, where the Group is able to exercise a significant influence. Associated undertakings are accounted for under the equity method.

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

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

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

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

2.3. Segment reporting

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

2.4. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the Company is Swiss francs. The consolidated financial statements are presented in millions of euros (the 'presentation currency'). Management believes that this currency is more useful to the users of the consolidated financial statements.

(b) Transactions and balances

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

(c) Subsidiary and associated undertakings

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

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

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

Exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

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

Notes to the consolidated financial statements continued

2.5. Property, plant and equipment

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

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

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

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

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

Assets under construction are not depreciated. Land acquired under finance lease arrangements is depreciated over the lease term. All other land is not depreciated.

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

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

2.6. Goodwill and other intangible assets

(a) Goodwill

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

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

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. An allocation is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose and which are identified according to operating segments.

(b) Computer software and related licences

Costs that are directly associated with developing, implementing or improving identifiable software products having an expected benefit beyond one year are recognised as other intangible assets and amortised using the straight-line method over their useful lives, not exceeding a period of 5 years. Licences are amortised over their contractual lives to a maximum period of 15 years. Costs associated with evaluating or maintaining computer software are expensed as incurred.

(c) Research and development, patents and trademarks

Research expenditures are recognised as an expense as incurred.

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

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

(d) Leasehold rights and distribution rights

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

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

2.7. Impairment of non-financial assets

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

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

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

2.8. Other financial asset investments

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

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

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

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

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

(b) Loans and receivables

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

(c) Held-to-maturity investments

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

2.9. Other non-current assets

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

Maisons' collection pieces are held as non-current assets at depreciated cost less any impairment in value. The residual values of such pieces are generally equal to or in excess of cost.

2.10. Inventories

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

2.11. Trade and other receivables

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

2.12. Cash and cash equivalents

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

2.13. Equity

(a) Share capital

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

(b) Treasury shares

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

2.14. Borrowings

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

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

2.15. Current and deferred income tax

The tax expense comprises current and deferred tax.

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

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

Notes to the consolidated financial statements continued

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

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

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

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

2.16. Employee benefits

(a) Retirement benefit obligations

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

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligations at the reporting date less the fair values of plan assets, together with adjustments for unrecognised actuarial gains or losses, past service costs and limits on the assets recognisable. The defined benefit obligations are calculated on a regular cyclical basis by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yields available at reporting dates on high-quality corporate or government bonds (in countries with no deep corporate bond market) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity consistent with the terms of the related pension liability.

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

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

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

(b) Termination benefits

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

(c) Incentive plans

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

(d) Share-based payment

The Group operates an equity-settled share-based compensation plan based on options granted in respect of Richemont shares. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the Group revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss over the remaining vesting period and a corresponding adjustment to equity.

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

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

2.17. Provisions

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

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

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

2.18. Revenue recognition

(a) Goods

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

(b) Interest income

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

(c) Royalty income

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

(d) Dividend income

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

2.19. Leases

(a) Operating leases

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

(b) Finance leases

At commencement of the lease term, assets and liabilities are recognised at the lower of the present value of future minimum lease payments and fair value of the leased item. In cases where land and buildings are acquired under finance leases, separate values of the land and buildings are established. All property, plant and equipment so recognised is depreciated over the shorter of the asset's expected useful life or the lease term.

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

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

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

2.21. Dividend distributions

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

2.22. New standards and interpretations not yet adopted

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

Notes to the consolidated financial statements continued

3. Financial risk management

3.1. Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

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

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

The sensitivity analysis presented in the following tables shows the pre-tax increase/(decrease) in other comprehensive income and profit or loss that would result from the noted percentage change in listed exchange rates, all other factors remaining constant. These arise principally from the repricing of derivative contracts. The analysis is performed on the same basis as for 2010.

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

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

(ii) Price risk

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

• Commodity price risk

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

• Equity securities' price risk

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

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

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

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

- **Other price risk**

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

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

(iii) Interest rate risk

- **Fair value interest rate risk**

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

- **Cash flow sensitivity for variable interest rate instruments**

An increase/(decrease) of 100 basis points in interest rates at the reporting date would have impacted profit for the year by plus/(minus) € 26 million (2010: plus/(minus) €19 million), all other variables remaining constant. The analysis is performed on the same basis as for 2010.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The minimum credit rating requirements of derivative and deposit counterparties are a long-term credit rating of A2/A and a short term credit rating of P1/A-1. At 31 March 2011 the Group had € 2 154 million invested in AAA rated euro-denominated bond funds (2010: € 1 339 million) and € 1 227 million held as cash at bank (2010: € 1 258 million).

(c) Liquidity risk

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

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

See note 20 for further disclosure on liquidity risk.

3.2. Accounting for derivative financial instruments and hedging activities

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 16. Movements in the hedge reserve in shareholders' equity are shown in note 18.3.

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

(a) Cash flow hedge

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

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

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

Notes to the consolidated financial statements continued

(b) Derivatives that do not qualify for hedge accounting

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

3.3. Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the reporting date. The quoted market price for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows;
- the fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date; and
- other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

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

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

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

The following table presents the changes in Level 3 instruments.

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

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

3.4. Capital risk management

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

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

The Board seeks to maintain a balance between business returns and a secure capital position. The Group's target is to achieve a return on shareholders' equity, excluding share buy-backs, in excess of 15 %.

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

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

4. Risk assessment

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

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

5. Critical accounting estimates and judgements

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

Accounting estimates

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

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

6. Segment information

(a) Information on reportable segments

Management has determined the operating segments based on the reports regularly reviewed by the chief operating decision maker ('CODM') in making strategic decisions. Each operating segment is managed separately by a dedicated Chief Executive Officer and management team allowing management to maintain and develop the specific identity of each Maison. These operating segments have been aggregated into four reportable segments as follows:

- Jewellery Maisons – businesses whose heritage is in the design, manufacture and distribution of jewellery products; these comprise Cartier and Van Cleef & Arpels;
- Specialist Watchmakers – businesses whose primary activity includes the design, manufacture and distribution of precision timepieces. The Group's Specialist Watchmakers comprise Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC, Baume & Mercier and Roger Dubuis;
- Montblanc Maison – a business whose primary activity includes the design, manufacture and distribution of writing instruments; and
- Other – other operations mainly comprise Alfred Dunhill, Lancel, Chloé, NET-A-PORTER.COM, textile brands and other manufacturing entities.

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

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

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

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

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

Notes to the consolidated financial statements continued

6. Segment information continued

(a) Information on reportable segments continued

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

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

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

6. Segment information continued

(a) Information on reportable segments continued

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

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

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

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

Notes to the consolidated financial statements continued

6. Segment information continued

(b) Information about geographical areas

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

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

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

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

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

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

(c) Information about products

External sales by product are as follows:

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

(d) Major customers

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

7. Property, plant and equipment

	Land and buildings re-presented € m	Plant and machinery € m	Fixtures, fittings, tools and equipment € m	Assets under construction € m	Total re-presented € m
31 March 2009					
Cost	540	402	1 099	81	2 122
Adoption of IAS 17 (amendment)	21	–	–	–	21
1 April 2009	561	402	1 099	81	2 143
Depreciation	(133)	(260)	(581)	–	(974)
Net book value at 1 April 2009	428	142	518	81	1 169
Exchange adjustments	19	7	9	–	35
Additions	10	16	86	37	149
Disposals	–	–	(4)	(3)	(7)
Depreciation charge	(20)	(30)	(131)	–	(181)
Impairments	–	–	(6)	–	(6)
Transfers and reclassifications	28	6	40	(73)	1
31 March 2010					
Cost	622	423	1 169	42	2 256
Depreciation	(157)	(282)	(657)	–	(1 096)
Net book value at 31 March 2010	465	141	512	42	1 160
	Land and buildings € m	Plant and machinery € m	Fixtures, fittings, tools and equipment € m	Assets under construction € m	Total € m
1 April 2010					
Cost	622	423	1 169	42	2 256
Depreciation	(157)	(282)	(657)	–	(1 096)
Net book value at 1 April 2010	465	141	512	42	1 160
Exchange adjustments	33	12	3	–	48
Acquisition through business combinations	–	–	8	–	8
Additions	14	32	161	58	265
Disposals	–	(1)	(7)	–	(8)
Depreciation charge	(24)	(32)	(155)	–	(211)
Impairments	–	–	(2)	–	(2)
Transfers and reclassifications	6	19	34	(52)	7
31 March 2011					
Cost	685	483	1 323	48	2 539
Depreciation	(191)	(312)	(769)	–	(1 272)
Net book value at 31 March 2011	494	171	554	48	1 267

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

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

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

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

Notes to the consolidated financial statements continued

8. Goodwill

Goodwill is the only intangible asset with an indefinite life.

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

Impairment testing for goodwill

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

A summary of goodwill by reporting segment is presented below.

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

The recoverable amount of goodwill is determined based on the value-in-use of the Maison to which the goodwill is allocated.

The value-in-use is determined by discounting the future cash flows generated from the continuing operations of the Maison to which the goodwill is attributable, applying the following key assumptions:

- pre-tax cash flows are based on an estimated or approved five-year business plan. Management believes that this forecast period is justified due to the relative insignificance of the amount; and
- a pre-tax discount rate of 11.4 %.

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

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

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

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

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

9. Other intangible assets

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

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

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

Notes to the consolidated financial statements continued

10. Investments in associated undertakings

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

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

The Group's principal associated undertakings are as follows:

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

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

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

11. Taxation

11.1. Deferred income tax

(a) Deferred income tax assets

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

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

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

Notes to the consolidated financial statements continued

11. Taxation continued

11.1. Deferred income tax continued

(b) Deferred income tax liabilities

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

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

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

(c) Unrecognised deferred tax assets

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

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

11.2. Taxation charge

Taxation charge for the year:

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

The average effective tax rate is calculated in respect of profit before taxation but excluding the share of post-tax profit of associated undertakings. The rates for the years ended 31 March 2011 and 2010 were 16.7 % and 13.7 % respectively.

11. Taxation continued

11.2. Taxation charge continued

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

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

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

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

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

All of the above assets were designated as held at fair value through profit or loss on initial recognition. These assets are managed and their performance is evaluated on a fair value basis. Management reviews performance and valuation of these investments on a regular basis.

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

13. Other non-current assets

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

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

Notes to the consolidated financial statements continued

14. Inventories

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

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

The Group reversed € 58 million (2010: € 40 million) of a previous inventory write-down during the year as the goods were sold at an amount in excess of the written down value. The amount reversed has been credited to cost of sales.

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

15. Trade and other receivables

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

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

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

In addition to the amounts above there are non-current assets amounting to € 80 million (2010: € 69 million) and cash balances as disclosed in note 17 which are considered to be loans and receivables.

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

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

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

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

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

15. Trade and other receivables continued

Impairment losses

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

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

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

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

Receivables past due but not impaired:

	2011 € m	2010 € m
Up to three months past due	59	81
Three to six months past due	10	38
Over six months past due	13	28
	82	147

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

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

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

16. Derivative financial instruments

The Group uses the following derivative instruments:

- (a) Currency forwards: representing commitments to purchase or sell foreign and domestic currencies;
- (b) Foreign currency options: contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option), at or by a set date or during a set period, a specific amount of a foreign currency or financial instrument at a pre-determined price;
- (c) Accrual style option forwards: forward instruments that incorporate similar option terms as described above and that may give the right to increase the nominal value;
- (d) Interest rate swaps: commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed for floating). No exchange of principal takes place. The Group's credit risk represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligation;
- (e) Call options: agreements granting the right to buy Richemont shares at pre-determined prices as treasury stock to partially hedge the Group's obligations arising under the share option plan (note 18); and
- (f) Derivative share options: options granted to certain Richemont executives giving them the right to acquire shares in listed equities at pre-determined prices.

Notes to the consolidated financial statements continued

16. Derivative financial instruments continued

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

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

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

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

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

The contractual maturity of derivative instruments held is as follows:

	Less than 6 months		Between 6 and 12 months		Between 1 and 5 years	
	2011 € m	2010 € m	2011 € m	2010 € m	2011 € m	2010 € m
Derivatives designated as cash flow hedges						
Qualifying cash flow hedges						
Currency forwards	364	319	329	314	–	–
Non-hedge derivatives						
Accrual style option forwards	66	60	19	27	–	–
Interest rate swap derivatives	35	–	–	–	–	37
Currency forwards	391	253	381	306	–	–
Derivative share options	66	83	–	–	–	–
Currency options	–	–	33	12	–	–
	922	715	762	659	–	37

16. Derivative financial instruments continued

Nominal amount

Nominal amounts represent the following:

- currency forwards: the sum of all contract volumes, bought or sold, outstanding at the year-end;
- accrual style option forwards: the nominal value accrued at the year-end. Depending on future movements in foreign currency exchange rates the nominal amount at the date of expiry of these options could range between € 85 million and € 151 million;
- derivative share options: the sum of all share options on listed equities, other than Compagnie Financière Richemont SA, granted to executives as part of the Group share option plan; and
- currency options: the sum of the amounts underlying the options outstanding at the year-end.

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

Non-hedge derivatives

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

Interest rate swap derivatives

Interest rate swaps have been entered into to manage the risk relative to fluctuations in variable interest rates on short and medium-term lines of credit. At 31 March 2011 the weighted average interest charge was 2.9 % (2010: 2.9 %).

17. Cash and cash equivalents

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

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

18. Equity

18.1. Share capital

	2011 € m	2010 € m
Authorised, issued and fully paid:		
522 000 000 'A' bearer shares with a par value of CHF 1.00 each	304	304
522 000 000 'B' registered shares with a par value of CHF 0.10 each	30	30
	334	334

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

Notes to the consolidated financial statements continued

18. Equity continued

18.2. Treasury shares

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

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

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

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

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

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

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

18.3. Hedge and share option reserves

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

18.4. Legal reserves

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

19. Borrowings

	2011		2010	
	€ m		re-presented € m	
Non-current				
Bank borrowings	103		325	
Finance lease obligations	17		15	
	120		340	
Current				
Short-term loans	101		54	
Finance lease obligations	1		3	
	102		57	
Total borrowings	222		397	

	Short-term loans		Bank borrowings		Finance lease obligations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	€ m	€ m	€ m	€ m	€ m	re-presented € m	€ m	re-presented € m
Amounts repayable within the financial year ended/ending 31 March								
2011	–	54	–	–	–	4	–	58
2012	101	–	–	100	1	1	102	101
2013	–	–	95	220	1	1	96	221
2014	–	–	3	–	1	1	4	1
2015	–	–	5	5	1	1	6	6
2016	–	–	–	–	1	–	1	–
after more than 5 years	–	–	–	–	79	76	79	76
	101	54	103	325	84	84	288	463
Interest	–	–	–	–	(66)	(66)	(66)	(66)
	101	54	103	325	18	18	222	397

Bank and other borrowings are subject to market-linked rates of interest ranging from 0.6 % to 11.0 %.

None of the Group's borrowings are secured.

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

	2011	2010
	€ m	re-presented € m
Euro	–	7
Hong Kong dollar	–	71
Japanese yen	35	128
Swiss franc	15	14
US dollar	14	16
Chinese yuan	101	121
Other	57	40
	222	397

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

Notes to the consolidated financial statements continued

20. Liquidity risk

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

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

31 March 2011

Non-derivative financial liabilities

	6 months or less € m	Contractual cash flow € m	Carrying amount € m
Current financial liabilities			
Other short-term loans	101	101	101
Trade and other payables	825	825	825
Bank overdrafts	570	570	570
	1 496	1 496	1 496

	Within 1 year € m	Between 1-2 years € m	Between 2-3 years € m	After more than 3 years € m	Contractual cash flow € m	Carrying amount € m
Non-current financial liabilities						
Long-term borrowings (including current portion)	7	98	4	86	195	121
Other long-term liabilities	–	–	–	175	175	158
	7	98	4	261	370	279

	6 months or less € m	Contractual cash flow € m	Carrying amount € m
Current derivative financial liabilities			
Currency forwards	23	23	1
Accrual style option forwards	11	11	–
Derivative share options	66	66	35
	100	100	36

	Contractual cash flow € m	Carrying amount € m
Total financial liabilities	1 966	1 811

20. Liquidity risk continued

31 March 2010

Non-derivative financial liabilities

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

21. Retirement benefit obligations

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

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

Notes to the consolidated financial statements continued

21. Retirement benefit obligations continued

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

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

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

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

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

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

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

The expected rate of return on plan assets during the coming year is 4.5 % (2010: 4.9 %). This expected rate of return was derived as a weighted average of the long-term expected rates of return on each of the major asset classes at the measurement date taking account of government bond yields available at the reporting date and investment market expectations for future returns in excess of government bond yields for each asset class. The actual return on plan assets was a gain of € 50 million (2010: gain of € 107 million).

21. Retirement benefit obligations continued

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

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

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

Changes in the net liabilities recognised are as follows:

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

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

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

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

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

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

In Switzerland, the Group operates a foundation covering the majority of employees in Switzerland, which holds assets separately to the Group. The foundation operates as a defined contribution plan with the Group's annual contribution being a fixed percentage of salary. However, under IAS 19, *Employee Benefits*, the foundation is accounted for as a defined benefit plan on account of underlying benefit guarantees. For 2011, the expense recognised in the Group's consolidated profit in respect of the foundation is equal to the Group's contribution.

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

Notes to the consolidated financial statements continued

21. Retirement benefit obligations continued

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

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

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

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

Defined benefit pension plans for the current and previous periods:

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

22. Provisions

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

22. Provisions continued

Warranties and sales-related provisions

Group companies establish provisions for potential sales returns and warranties provided on certain products. Based on past experience a provision of € 96 million (2010: € 74 million) has been recognised for expected sales returns and warranty claims. It is expected that € 88 million (2010: € 67 million) of this provision will be used within the following twelve months and that the remaining € 8 million (2010: € 7 million) which relates solely to potential warranty claims will be utilised over the remainder of the expected warranty period of the products.

Restructuring and property-related provisions

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

Employee benefits provisions

These include obligations arising under the Group's long-term incentive plans and the social costs on the Group's share option plan. An amount of € 21 million (2010: € 17 million) is expected to be utilised in the coming twelve months. The remainder will be utilised in the next two to ten years.

Other provisions

These provisions relate to legal and constructive obligations. It is not expected that the outcomes of legal claims will give rise to any significant losses beyond the amounts provided at 31 March 2011.

23. Other long-term financial liabilities

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

24. Trade and other payables

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

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

25. Other operating (expense)/income

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

Notes to the consolidated financial statements continued

26. Profit from continuing operations

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

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

27. Employee benefits expense

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

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

28. Net finance (costs)/income

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

Foreign exchange gains resulting from effective hedge derivative instruments of € 13 million (2010: losses of € 14 million) were reflected in cost of sales during the year. Gains and losses on all non-hedge derivatives, as well as the ineffective portion of hedge derivatives, are included in net finance (costs)/income.

29. Earnings per share

29.1. Basic

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

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

29.2. Diluted

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

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

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

Notes to the consolidated financial statements continued

29. Earnings per share continued

29.3. Headline earnings per share

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

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

30. Dividends

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

31. Cash flow generated from operations

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

32. Financial commitments and contingent liabilities

At 31 March 2011 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material losses will arise. Details of the Group's commitments in respect of financial derivatives are given in note 16 and in respect of property, plant and equipment in note 7.

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

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

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

33. Business combinations

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

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

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

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

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

None of the goodwill is deductible for tax purposes.

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

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

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

Notes to the consolidated financial statements continued

33. Business combinations continued

Net assets acquired

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

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

Incorporation of new holding company

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

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

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

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

Transactions involving the shares of Net-a-Porter

Ordinary 'C' shares

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

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

Transactions with management

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

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

33. Business combinations continued

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

Net assets acquired

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

No individual transaction was considered material.

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

34. Related-party transactions

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

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

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

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

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

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

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

Notes to the consolidated financial statements continued

34. Related-party transactions continued

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

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

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

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

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

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

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

34. Related-party transactions continued

(e) Individuals

During the year the Group gave donations of € 0.9 million (2010: € 0.4 million) to the Fondazione Cologni dei Mestieri d'Arte. The Foundation promotes, supports and organises cultural, scientific and training initiatives in favour of the Arts and Crafts and the Trades of Art. Dr Franco Cologni, a non-executive director of the Company, is the President of the Foundation. The Group also made donations of € 0.1 million to the Fondazione Giuliano e Maria Carmen Magnoni, a charitable organisation supporting initiatives for young people in disadvantaged conditions. Mr Ruggero Magnoni is vice-chairman of the Foundation.

Maître Jean-Paul Aeschimann, the Deputy Chairman to 7 September 2010, and Maître Dominique Rochat, a non-executive director from 8 September 2010, are respectively counsel to and a partner of the Swiss legal firm, Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling € 0.4 million (2010: € 0.3 million) from Group companies for advice on legal and taxation matters.

In addition to his non-executive director's fee, Lord Douro received fees, pension contributions and other benefits totalling € 0.1 million (2010: € 0.1 million) in connection with his role as director and non-executive chairman of Richemont Holdings (UK) Limited, the holding company for the Group's UK interests, and in respect of consultancy services provided to the Group.

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

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

(f) Key management compensation

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

Notes to the consolidated financial statements continued

34. Related-party transactions continued

(f) Key management compensation continued

Key management

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

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

Key management compensation disclosures as required by Swiss law

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

34. Related-party transactions continued

(f) Key management compensation continued

Key management compensation for the year ended 31 March 2011

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

* The cost for stock options is determined in accordance with IFRS 2, *Share-based payment*. Details of the valuation model and significant inputs to this model are found in note 35.

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

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

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

Notes to the consolidated financial statements continued

34. Related-party transactions continued

(f) Key management compensation continued

Key management compensation for the year ended 31 March 2010

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

* The cost for stock options is determined in accordance with IFRS 2, *Share-based payment*. Details of the valuation model and significant inputs to this model are found in note 35.

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

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

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

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

34. Related-party transactions continued

(f) Key management compensation continued

Share option plan

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

at 31 March 2011

at 31 March 2011

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

Highest paid compensation to a member of the management board

The total level of compensation of the highest paid member of the Group Management Committee was € 7 215 911, which was in respect of Mr Bernard Fornas, Chief Executive of Cartier.

Compensation of advisory committees

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

Compensation for former executive directors

During the year under review a former executive director (who is not a current member of the Group Management Committee) received € 0.1 million (2010: € 0.1 million) from the Group for services provided to an entity in which the Group is a joint venture partner.

Notes to the consolidated financial statements continued

34. Related-party transactions continued

(f) Key management compensation continued

Share ownership

As at 31 March 2011, members of the Board and parties closely linked to them owned a total of 197 665 Richemont 'A' shares. Members of the Group Management Committee and parties closely linked to them held a total of 31 670 Richemont 'A' shares at that date. Mr Johann Rupert is the General Managing Partner of Compagnie Financière Rupert, which holds the 522 000 000 'B' registered shares in the Company. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 2 836 664 'A' shares or 'A' share equivalents at 31 March 2011. The interest of individual directors and members of the Group Management Committee in Richemont 'A' shares is as follows:

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

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

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

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

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

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

Mr Alan Grieve, a member of the Group Management Committee, also serves as a director of certain private companies established when the Group was founded and linked to former investors in Compagnie Financière Rupert. These companies hold in total 9 855 099 'A' shares. Mr Grieve has no beneficial interest in those companies or in the 'A' shares that they hold. These companies have no current connection with Compagnie Financière Rupert and are not associated in any way with Mr Johann Rupert.

Loans to members of governing bodies

As at 31 March 2011 there were no loans or other credits outstanding to any current or former executive or non-executive director, or member of the Group Management Committee. The Group policy is not to extend loans to directors or members of the Group Management Committee. There were also no non-business related loans or credits granted to relatives of any executive or non-executive director, or member of the Group Management Committee.

35. Share-based payment

Equity-settled option plan

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

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

	Weighted average exercise price in CHF per share	Number of options
Balance at 1 April 2009	18.88	42 807 424
Awarded	22.07	3 453 680
Exercised	13.23	(8 695 693)
Lapsed	24.15	(763 188)
Balance at 31 March 2010	20.41	36 802 223
Exercised	19.45	(6 710 918)
Lapsed	24.04	(379 808)
Expired	17.17	(11)
Balance at 31 March 2011	20.58	29 711 486

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

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

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

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

No options were awarded during the year.

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

Notes to the consolidated financial statements continued

35. Share-based payment continued

Modification during the year under review

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

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

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

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

Cash-settled option plan

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

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

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

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

36. Joint ventures

The Group has the following interests in joint ventures:

- Richemont holds an interest of 50 % in Laureus World Sports Awards Limited, a company registered in the UK. The company manages the Laureus World Sports Awards, which honour the achievements of the world's greatest sportsmen and women on an annual basis, and contributes to the Laureus Sport for Good Foundation, a charity registered in the UK which oversees the activities of Laureus Sport for Good Foundations around the world. The Group's partner in Laureus World Sports Awards Limited is Daimler AG; and
- Richemont is a 50 % owner of Ralph Lauren Watch and Jewelry Company Sàrl. The joint venture entity designs and creates luxury watches and fine jewellery. The Group's partner is Polo Ralph Lauren Inc., New York.

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

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

37. Ultimate parent company

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

38. Events after the reporting period

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

Notes to the consolidated financial statements continued

39. Principal Group companies

Details of principal companies within the Group:

Country of incorporation	Location	Name of company	Effective interest	Share capital (currency 000's)
Subsidiary undertakings				
China	Shanghai	Alfred Dunhill (Shanghai) Trading Company Limited	100.0%	US\$ 650
	Shanghai	Montblanc Commercial (China) Co. Limited	100.0%	CNY 40 000
	Shanghai	Richemont Commercial Company Limited	100.0%	CNY 682 700
France	Paris	Chloé International	100.0%	€ 6 000
	Paris	Lancel Sogedi	100.0%	€ 27 520
	Paris	Société Cartier	100.0%	€ 25 334
	Paris	Van Cleef & Arpels Holding France	100.0%	€ 17 519
Germany	Glashütte	Lange Uhren GmbH	100.0%	€ 550
	Hamburg	Montblanc – Simplo GmbH	100.0%	€ 1 724
	Munich	Richemont Northern Europe GmbH	100.0%	€ 13 070
Hong Kong	Hong Kong	Richemont Asia Pacific Limited	100.0%	HK\$ 2 500
India	Mumbai	Richemont India Private Limited	100.0%	INR 18 000
Italy	Milan	Officine Panerai Marketing e Comunicazione Srl	100.0%	€ 90
	Milan	Richemont Italia SpA	100.0%	€ 10 000
Japan	Tokyo	Richemont F&A Japan Limited	100.0%	JPY 110 000
	Tokyo	Richemont Japan Limited	100.0%	JPY 250 000
Jersey	Jersey	Richemont Luxury Group Limited	100.0%	CHF 4 722 900
Luxembourg	Luxembourg	Richemont International Holding SA	100.0%	CHF 911 971
Netherlands	Amsterdam	RLG Europe BV	100.0%	€ 17 700
Russia	Moscow	Limited Liability Company RLG	100.0%	RUR 50 000
Spain	Madrid	Richemont Iberia, SL	100.0%	€ 6 005
Switzerland	Bellevue	Baume & Mercier SA	100.0%	CHF 100
	Geneva	Cartier International SA Genève	100.0%	CHF 500
	Schaffhausen	IWC International Watch Co. AG	100.0%	CHF 100
	Le Sentier	Manufacture Jaeger-LeCoultre SA	100.0%	CHF 100
	Meyrin	Manufacture Roger Dubuis SA	60.0%	CHF 10 000
	Le Locle	Montblanc Montre SA	100.0%	CHF 250
	La Côte-aux-Fées	Piaget SA	100.0%	CHF 128
	Villars-sur-Glâne	Richemont International SA	100.0%	CHF 1 007 500
	Bellevue	Richemont Securities SA	100.0%	CHF 100
	Villars-sur-Glâne	Richemont Suisse SA	100.0%	CHF 4 850
	Geneva	Vacheron & Constantin SA	100.0%	CHF 100
	Villars-sur-Glâne	Van Cleef & Arpels SA	100.0%	CHF 31 387
Turkey	Istanbul	Richemont Istanbul Luks Esya Dagitim A.S.	100.0%	TRY 8 800
United Arab Emirates	Dubai	Richemont (Dubai) FZE	100.0%	AED 9 000
United Kingdom	London	Alfred Dunhill Limited	100.0%	£ 235 421
	London	Cartier Limited	100.0%	£ 4 200
	London	James Purdey & Sons Limited	100.0%	£ 9 635
	London	Net-a-Porter Limited	93.0%	£ 6 090
	London	Richemont Holdings (UK) Limited	100.0%	£ 248 672
United States of America	Delaware	Richemont North America Inc.	100.0%	US\$ 117 159
Joint venture				
Switzerland	Vernier	Ralph Lauren Watch and Jewelry Company Sàrl	50.0%	CHF 18 000

Report of the Group auditors

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

As statutory auditor, we have audited the consolidated financial statements of Compagnie Financière Richemont SA, which comprise the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity and notes (pages 54 to 106) for the year ended 31 March 2011.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 March 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards ('IFRS') and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers SA

David Mason
Audit expert
Auditor in charge

Guillaume Nayet
Audit expert

Geneva, 18 May 2011

Company financial statements

Compagnie Financière Richemont SA

Income statement

for the year ended 31 March

	Notes	2011 CHF m	2010 CHF m
Income			
Dividend income		551.5	61.1
Interest income		8.6	4.8
Other income		0.3	0.9
		560.4	66.8
Expenses			
General expenses	2,3	7.2	9.2
Financial expenses	4	11.3	–
		18.5	9.2
Profit before taxation		541.9	57.6
Taxation		0.7	0.4
Net profit		541.2	57.2

Balance sheet

at 31 March

	Notes	2011 CHF m	2010 CHF m
Long-term assets			
Investments	5	1 847.8	1 847.8
Long-term loan receivable from Group company		91.6	–
		1 939.4	1 847.8
Current assets			
Short-term loan receivable from Group company		68.7	–
Current accounts receivable from Group companies		1 024.0	840.8
Taxation		1.4	1.4
Other receivables		0.2	0.1
Cash and cash equivalents		0.6	0.6
		1 094.9	842.9
		3 034.3	2 690.7
Shareholders' equity			
Share capital	7	574.2	574.2
Legal reserve	8	117.6	117.6
Reserve for own shares	9	497.9	389.5
Retained earnings	10	1 840.8	1 600.5
		3 030.5	2 681.8
Current liabilities			
Accrued expenses		0.5	3.4
Current accounts payable to Group companies		0.9	3.2
		1.4	6.6
Long-term liabilities	6	2.4	2.3
		3 034.3	2 690.7

Notes to the Company financial statements at 31 March 2011

Note 1 – General

Basis of preparation of the financial statements

The financial statements represent the financial position of Compagnie Financière Richemont SA ('the Company') at 31 March 2011 and the results of its operations for the year then ended, prepared in accordance with Swiss law and the Company's articles of incorporation.

Risk management disclosure

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

Note 2 – General expenses

General expenses include personnel costs of CHF 3.4 million (2010: CHF 3.2 million).

Note 3 – Board and executive compensation disclosures

Details of compensation required by the Swiss Code of Obligations, art. 663 and following, can be found in note 34 to the consolidated financial statements.

Note 4 – Financial expenses

Financial expenses include CHF 11.2 million of exchange losses incurred on loans receivable from a Group company.

Note 5 – Investments

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

Company	Domicile	Purpose	Ownership	2011 CHF m	2010 CHF m
Richemont Holdings AG	Switzerland	Investment holding company	100%	770.7	770.7
Richemont International Holding SA	Luxembourg	Investment holding company	100%	459.0	459.0
Richemont International SA	Switzerland	Operating company	100%	385.0	385.0
Richemont Luxury Group Ltd	Jersey	Investment holding company	100%	231.0	42.0
Bespoke Innovations Sàrl	Switzerland	Investment holding company	100%	2.0	2.0
Richemont Securities SA	Switzerland	Depository/issuer of Richemont South African Depository Receipts	100%	0.1	0.1
Richemont Finance SA	Luxembourg	Investment holding company	–	–	189.0
				1 847.8	1 847.8

Note 6 – Long-term liabilities

Long-term liabilities include retirement benefit obligations in the amount of CHF 2.2 million (2010: CHF 2.1 million).

Compagnie Financière Richemont SA

Notes to the Company financial statements continued

Note 7 – Share capital

	2011 CHF m	2010 CHF m
522 000 000 'A' bearer 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 – Legal reserve

The legal reserve of CHF 117.6 million (2010: 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 Ltd ('REBL'), a subsidiary company.

During the year REBL purchased 1 500 000 'A' shares in the open market and acquired a further 3 158 509 'A' shares through the exercise of call options (2010: 9 975 192 'A' shares were purchased and a further 67 950 'A' shares were acquired through the exercise of call options).

During the year 2 504 841 'A' shares (2010: 7 319 015 'A' shares) were sold to executives under the Richemont share option plan by REBL.

At 31 March 2011, following these transactions, REBL held 22 406 950 Richemont 'A' shares (2010: 20 253 282) with a cost of CHF 497.9 million (2010: CHF 389.5 million). In terms of the reserve for own shares established in respect of purchased shares, a net amount of CHF 108.4 million has been transferred into the reserve (2010: CHF 127.1 million) during the year.

At 31 March 2011, call options to acquire 10 658 721 'A' shares were outstanding.

Note 10 – Retained earnings

	2011 CHF m	2010 CHF m
Balance at 1 April	1 600.5	1 835.8
Dividend paid	(192.5)	(165.4)
Net transfer to reserve for own shares	(108.4)	(127.1)
Net profit	541.2	57.2
Balance at 31 March	1 840.8	1 600.5

Note 11 – Commitments and contingencies

At 31 March 2011 the Company had issued guarantees in favour of Group companies for credit facilities up to a maximum of CHF 904.5 million (2010: CHF 1 166.8 million).

The directors believe that there are no contingent liabilities.

Notes to the Company financial statements continued

Note 12 – Significant shareholders

Pursuant to the requirements of the Swiss Federal Act on Stock Exchanges and Securities Trading and the associated ordinances, the Company received formal notification in December 2000 from Compagnie Financière Rupert that it held 522 000 000 'B' registered shares, representing 50.0 % of the voting rights in the Company. In addition, Compagnie Financière Rupert has indicated that parties related to it held or controlled 2 836 664 'A' bearer shares (either directly or through the medium of South African Depository Receipts), representing 0.27 % of the voting rights in the Company as at 31 March 2011.

Also pursuant to the requirements of the Swiss Federal Act on Stock Exchanges and Securities Trading and the associated ordinances, the Company has received two formal notifications of significant shareholdings. In 2008, Public Investment Corporation Limited, Pretoria, which invests funds on behalf of South African public sector entities, notified the Company that accounts under its management held Richemont South African Depository Receipts equivalent to 32 633 436 'A' shares, representing 3.13 % of the voting rights in the Company. On 19 May 2009, REBL notified the Company that it had acquired 'A' shares and the right to acquire further 'A' shares equivalent to 31 705 935 'A' shares or 3.04 % of the voting rights in the Company. REBL acquires and holds 'A' shares to hedge obligations arising from the Group's long-term share option plan. At the same date, REBL notified the Company that it held disposal positions arising from the Group's long-term share option plan equivalent to 43 211 994 'A' shares or 4.14 % of the voting rights in the Company.

Richemont Securities SA, a subsidiary of the Company, acts as depository in respect of Richemont South African Depository Receipts ('DR's'), which are traded on the JSE Limited (the Johannesburg Stock Exchange). DR's trade in the ratio of ten DR's to each Richemont 'A' share. In its capacity as depository and on behalf of the holders of DR's, Richemont Securities SA holds one 'A' share in safe custody for every ten DR's in issue. Richemont Securities SA's interest in Richemont 'A' shares is therefore 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 DR's and Richemont Securities SA acts as the approved representative of DR holders in voting at shareholders' meetings of the Company. DR holders may provide Richemont Securities SA with voting instructions as to their holdings of DR's and Richemont Securities SA may only vote on behalf of those DR holders from whom it has received such instructions.

At 31 March 2011, Richemont Securities SA held 107 710 650 Richemont 'A' shares (2010: 143 521 960 shares), representing some 21 % (2010: 27 %) of the 'A' shares, in safe custody in respect of DR's in issue.

Proposal of the Board of Directors for the appropriation of retained earnings at 31 March 2011

	CHF m
Available retained earnings	
Balance at 1 April 2010	1 600.5
Dividend paid	(192.5)
Net transfer to reserve for own shares	(108.4)
Net profit	541.2
	1 840.8

Proposed appropriation

The proposed dividend payable to Richemont shareholders will be CHF 0.45 per Richemont share. This is equivalent to CHF 0.45 per 'A' bearer share in the Company and CHF 0.045 per 'B' registered share in the Company. It will be payable to Richemont shareholders on 15 September 2011 in respect of coupon number 14, 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, 18 May 2011

Compagnie Financière Richemont SA

Report of the statutory auditors

Report of the statutory auditors to the general meeting of Compagnie Financière Richemont SA, Geneva.

Report of the statutory auditors on the financial statements

As statutory auditors, we have audited the financial statements of Compagnie Financière Richemont SA, which comprise the balance sheet, income statement and notes (pages 108 to 111), for the year ended 31 March 2011.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 March 2011 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of 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

David Mason

Audit Expert

Auditor in charge

Geneva, 18 May 2011

Yazen Jamjum

Five year record

Summary income statement

	2007 € m	2008 € m	2009 € m	2010 € m	2011 € m
Continuing operations					
Sales	4 827	5 290	5 418	5 176	6 892
Cost of sales	(1 753)	(1 875)	(2 001)	(1 985)	(2 498)
Gross profit	3 074	3 415	3 417	3 191	4 394
Net operating expenses	(2 158)	(2 297)	(2 449)	(2 361)	(3 039)
Operating profit	916	1 118	968	830	1 355
Net finance (costs)/income	31	47	(101)	(137)	(181)
Share of post-tax results of associated undertakings	1	1	3	4	101
Profit before taxation	948	1 166	870	697	1 275
Taxation	(158)	(194)	(133)	(94)	(196)
Profit from continuing operations	790	972	737	603	1 079
Profit/(loss) from discontinued operations*	539	592	339	(3)	–
Profit for the year	1 329	1 564	1 076	600	1 079
Gross profit margin	63.7%	64.6%	63.1%	61.6%	63.7%
Operating profit margin	19.0%	21.1%	17.9%	16.0%	19.7%

* Discontinued operations: the share of results from British American Tobacco to 20 October 2008 and certain immaterial subsidiary operations were included in continuing operations up to and including 31 March 2007 under IFRS, but are presented in the summary above within discontinued operations for all periods for comparative purposes only.

Sales and operating results by business segment

	2007 € m	2008 € m	2009 € m	2010 € m	2011 € m
Sales					
Jewellery Maisons	2 435	2 657	2 762	2 688	3 479
Specialist Watchmakers	1 203	1 378	1 437	1 353	1 774
Writing Instrument Maisons	585	625	587	551	672
Other	604	630	632	584	967
	4 827	5 290	5 418	5 176	6 892
Operating results from continuing operations					
Jewellery Maisons	667	765	777	742	1 062
Specialist Watchmakers	274	374	301	231	379
Writing Instrument Maisons	110	126	69	79	109
Other	9	11	(39)	(36)	(34)
Operating profit from reportable segments	1 060	1 276	1 108	1 016	1 516
Unallocated corporate costs	(144)	(158)	(140)	(186)	(161)
Consolidated operating profit before finance and tax	916	1 118	968	830	1 355

Sales by geographic region

	2007 € m	2008 € m	2009 € m	2010 € m	2011 € m
Europe	2 042	2 284	2 363	2 099	2 588
Asia-Pacific	1 070	1 295	1 474	1 740	2 569
Americas	984	1 012	889	712	998
Japan	731	699	692	625	737
	4 827	5 290	5 418	5 176	6 892

Five year record continued

Analysis of sales

	2007 € m	2008 € m	2009 € m	2010 € m	2011 € m
Sales by distribution channel					
Retail	2 009	2 214	2 304	2 385	3 469
Wholesale	2 818	3 076	3 114	2 791	3 423
	4 827	5 290	5 418	5 176	6 892
Sales by product line					
Watches	2 263	2 555	2 569	2 483	3 320
Jewellery	1 146	1 254	1 374	1 333	1 685
Leather goods	463	498	481	483	602
Writing instruments	373	362	307	296	359
Clothing and other	582	621	687	581	926
	4 827	5 290	5 418	5 176	6 892

Per share information (IFRS)

	2007	2008	2009	2010	2011
Diluted earnings per share					
– from continuing operations	€ 1.385	€ 1.710	€ 1.312	€ 1.076	€ 1.925
– from discontinued operations	€ 0.946	€ 1.040	€ 0.604	(€ 0.005)	–
	€ 2.331	€ 2.750	€ 1.916	€ 1.071	€ 1.925
Ordinary dividend per share	€ 0.650	€ 0.780	CHF 0.30	CHF 0.35	CHF 0.45
Special dividend per share	€ 0.600	–	–	–	–
Closing market price					
Highest price	CHF 72.60	CHF 82.80	CHF 30.04	CHF 41.73	CHF 57.25
Lowest price	CHF 50.50	CHF 52.75	CHF 14.23	CHF 18.52	CHF 35.65

Earnings per share information for periods before 20 October 2008 was previously reported on a per unit basis. Other than market prices in 2009, no amounts have been re-presented to reflect the changes in the Group's capital structure following the restructuring effected on 20 October 2008. For comparative purposes, market prices for 2007 and 2008 may be multiplied by 43 %, in line with the ratio applied by SIX Swiss Exchange for all prices up to 20 October 2008.

Cash flow from operations

	2007 € m	2008 € m	2009 € m	2010 € m	2011 € m
Operating profit*	916	1 101	951	827	1 355
Depreciation and other items	175	134	229	314	405
(Increase)/decrease in working capital	(121)	(267)	(361)	323	(64)
Cash inflow from operating activities	970	968	819	1 464	1 696
Capital expenditure – net	(221)	(295)	(336)	(175)	(323)
Net cash inflow from operating activities	749	673	483	1 289	1 373

* Including discontinued subsidiary operations.

Exchange rates

	2007	2008	2009	2010	2011
Average rates					
€ : US\$	1.2829	1.4173	1.4216	1.4144	1.3225
€ : JPY	150.00	161.59	143.07	131.30	112.67
€ : CHF	1.5871	1.6390	1.5597	1.5020	1.3338

Statutory information

COMPAGNIE FINANCIÈRE RICHEMONT SA

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Auditors: PricewaterhouseCoopers SA
50 avenue Giuseppe-Motta
1202 Geneva
Switzerland

Company Secretary: Matthew Kilgarrieff

'A' shares issued by Compagnie Financière Richemont SA are listed and traded on SIX Swiss Exchange (Reuters 'CFR.VX'/Bloombergs 'CFR:VX'/ISIN CH0045039655) and are included in the Swiss Market Index ('SMI') of leading stocks. The Swiss 'Valorenummer' is 4503965.

South African depository receipts in respect of Richemont 'A' shares are traded on the Johannesburg stock exchange operated by JSE Limited (Reuters 'CFR.JJ'/Bloombergs 'CFR:SJ'/ISIN CH0045159024).

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secretariat@cfrinfo.net

Notice of meeting

The Annual General Meeting of shareholders of Compagnie Financière Richemont SA will be held at 2.00 pm at the Four Seasons Hotel des Bergues, 33 Quai des Bergues, 1201 Geneva, on Wednesday, 7 September 2011.

AGENDA

1. Business Report

1.1 The Board of Directors proposes that the General Meeting, having taken note of the reports of the auditors, approve the consolidated financial statements of the Group, the financial statements of the Company and the directors' report for the business year ended 31 March 2011.

1.2 The Board of Directors proposes that the 2011 compensation report as per pages 46 to 51 of the Annual Report and Accounts 2011 be ratified (non-binding consultative vote).

2. Appropriation of profits

At 31 March 2011, the retained earnings available for distribution amounted to CHF 1 840 684 549. The Board of Directors proposes that a dividend of CHF 0.45 be paid per Richemont share. This is equivalent to CHF 0.450 per 'A' bearer share in the Company and CHF 0.045 per 'B' registered share in the Company. This represents a total dividend payable of CHF 258 390 000, subject to a waiver by Richemont Employee Benefits Limited, a wholly owned subsidiary, of its entitlement to receive dividends on an estimated 28 million Richemont 'A' shares held in treasury. The Board of Directors proposes that the remaining available retained earnings of the Company at 31 March 2011 after payment of the dividend be carried forward to the following business year.

3. Discharge of the Board of Directors

The Board of Directors proposes that its members be discharged from their obligations in respect of the business year ended 31 March 2011.

4. Election of the Board of Directors

The Board of Directors proposes that the following members be re-elected on an individual basis to serve for a further term of one year:

4.1 Johann Rupert, 4.2 Dr Franco Cologni, 4.3 Lord Douro, 4.4 Yves-André Istel, 4.5 Richard Lepeu, 4.6 Ruggero Magnoni, 4.7 Josua Malherbe, 4.8 Simon Murray, 4.9 Dr Frederick Mostert, 4.10 Alain Dominique Perrin, 4.11 Guillaume Pictet, 4.12 Norbert Platt, 4.13 Alan Quasha, 4.14 Lord Renwick of Clifton, 4.15 Dominique Rochat, 4.16 Jan Rupert, 4.17 Gary Saage, 4.18 Jürgen Schrempp and 4.19 Martha Wikstrom. 4.20 The Board further proposes that Maria Ramos be elected to the Board for a term of one year: her biographical details are to be found on page 40 of the Annual Report and Accounts 2011.

5. Election of the Auditors

The Board of Directors proposes that PricewaterhouseCoopers be reappointed for a further term of one year as auditors of the Company.

The financial statements of the Group and of the Company, the directors' report and the related reports of the auditors for the year ended 31 March 2011, which are all contained in the Richemont Annual Report and Accounts 2011, will be available for inspection at the registered office of the Company from 25 July 2011 onwards. The Richemont Annual Report and Accounts 2011 is also available on the Company's website (www.richemont.com). Printed versions of all such documents will be sent to shareholders upon request.

Cards for admission to the Annual General Meeting together with voting forms should be obtained by holders of bearer shares, upon deposit of their shares, from any branch of the following banks up to Friday, 2 September 2011: UBS AG, Lombard Odier Darier Hentsch & Cie, Bank J Vontobel & Co AG and Pictet & Cie. Admission cards will not be issued by the Company itself.

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

A shareholder may appoint a proxy, who need not be a shareholder, as his or her representative at the meeting. Forms of proxy are provided on the reverse of the admission cards. In accordance with Swiss law, each shareholder may be represented at the meeting by the Company, by a bank or similar institution or by Maître Françoise Demierre Morand, Etude Gampert & Demierre, Notaires, 19 rue Général-Dufour, 1204 Geneva, as independent representative of the shareholders. Unless proxies include explicit instructions to the contrary, voting rights will be exercised in support of the proposals of the Board of Directors. Proxy voting instructions must be received by the Company or the independent representative by Friday, 2 September 2011.

The meeting will be held in English with a simultaneous translation into French.

Depository agents, as defined in Article 689d of the Swiss Company Law, are requested to indicate to the Company, as soon as possible and in any event to the admission control prior to the commencement of the meeting, the number and par value of the shares they represent together with the reference numbers of the relevant admission cards. Institutions subject to the Swiss Federal Act on Banks and Savings Banks of 8 November 1934 and professional fund managers and trustees may be considered as depository agents.

For the Board of Directors:

JOHANN RUPERT
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

RICHARD LEPEU
DEPUTY CHIEF EXECUTIVE OFFICER

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