RICHEMONT

Annual Report and Accounts 2008

Contents

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 and Montblanc.

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

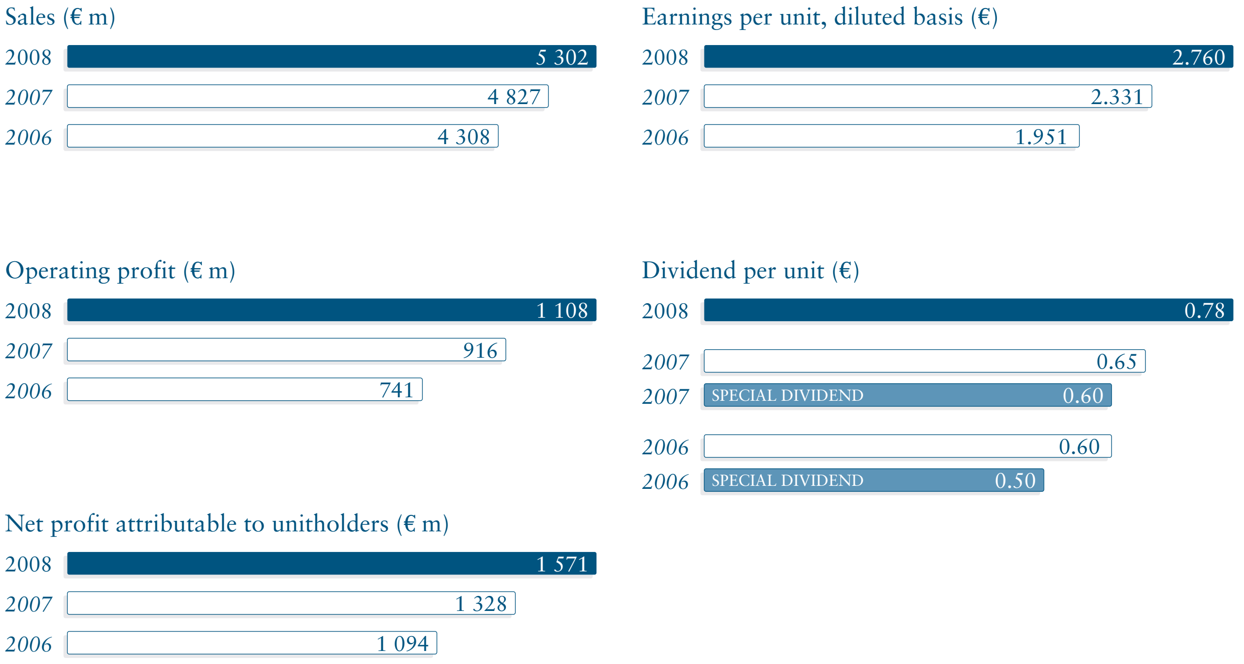
The individual heritage and identity of each Maison is rigorously guarded, the designers and craftsmen being constantly challenged to keep the heritage alive through a continuous process of reinvention and innovation.

In addition to its luxury goods businesses, Richemont also holds a significant investment in British American Tobacco – one of the world's leading tobacco groups.

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.

Our year

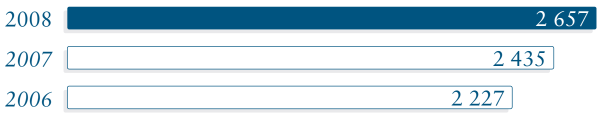
Financial highlights



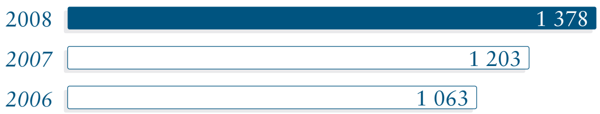
- Sales increased by 10 per cent to € 5 302 million.
- Operating profit from the luxury goods businesses increased by 21 per cent to € 1 108 million.
- Net profit, including the Group's share of the results of British American Tobacco, increased by 18 per cent to € 1 570 million. Excluding the impact of non-recurring items in both years, net profit attributable to unitholders increased by 17 per cent to € 1 582 million.
- Cash generated by the Group's luxury goods operations was € 968 million.
- The ordinary dividend for the year, at € 0.78 per unit, represents an increase of 20 per cent over that paid in 2007.

Sales by business area

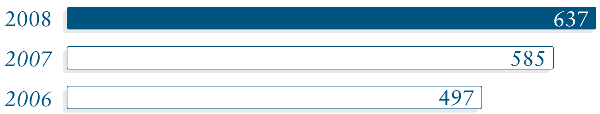
Jewellery Maisons (€ m)



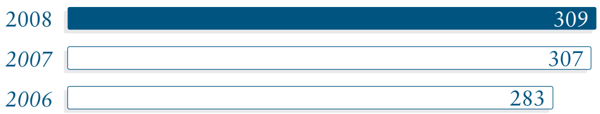
Specialist Watchmakers (€ m)



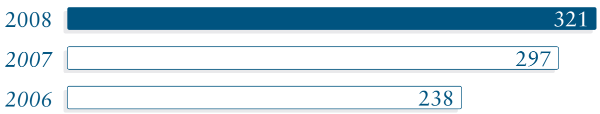
Writing Instrument Maisons (€ m)

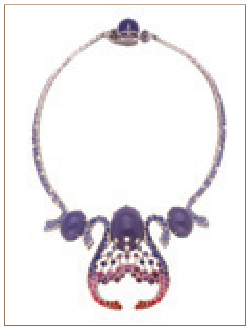


Leather and Accessories Maisons (€ m)



Other Businesses (€ m)

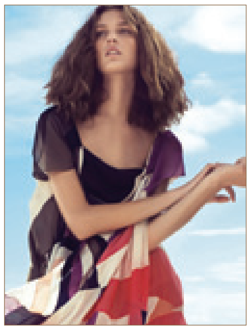



Jewellery Maisons


Specialist Watchmakers


Writing Instruments Maisons


Leather and Accessories Maisons


Other Businesses

Executive Chairman's review

JOHANN RUPERT, EXECUTIVE CHAIRMAN

Richemont's good results reflect the strength of our Maisons.

OVERVIEW
As we approach the 20th anniversary of the foundation of the Group in September 1988, I am pleased to be able to report that Richemont's performance during the past year has demonstrated its capacity to weather the challenging economic environment. The business has grown across a broad geographic base with sales increasing by 10 per cent to € 5 302 million and operating profit growing by 21 per cent to € 1 108 million. All of the Maisons enjoyed a good year, with some performing exceptionally well. In this respect, I must compliment Cartier, Van Cleef & Arpels, Piaget, IWC and Jaeger-LeCoultre for their excellent performances. We see the global market for true luxury goods as continuing to expand, as consumers seek more sophisticated, authentic and elegant products.

BUSINESS DEVELOPMENTS
Richemont's Maisons have positioned themselves to take advantage of opportunities in existing and new market areas. In established markets we invest in optimising our boutique locations and have a comprehensive boutique refurbishment programme across all of our Maisons. In new market areas we seek to invest prudently, where we believe the potential exists to develop strong businesses in the medium to long term.

In China for example, we have followed the same principles as we apply elsewhere – opening stores either directly or with local partners to ensure a good geographic coverage. It has been important to realise that consumers in new markets expect to see the same breadth of product offering as they see when travelling abroad and, to this end, we are taking care to ensure that our boutiques are both opened in the most prestigious locations and offer the full range of products. Both Montblanc and Alfred Dunhill have been quick to grasp the retail growth opportunities which the Chinese market offers and Cartier has also invested in this important market and now operates 18 stores in mainland China, in addition to the nine stores in Hong Kong and Macau.

BRITISH AMERICAN TOBACCO
During the year Richemont benefited from a further significant contribution to profits from its associated company, British American Tobacco ('BAT'). The equity accounted share of BAT's profits increased by 13 per cent to € 609 million. As a consequence of BAT's share buy-back programme, the Group's effective interest in the company grew during the year to reach 19.3 per cent by 31 March 2008. By the end of April 2008, Richemont's interest in BAT – taken together with that of our joint venture partner, Remgro Limited ('Remgro') – reached 30 per cent of BAT's capital. At the BAT Annual General Meeting held in April, its shareholders once again approved the special waiver, which allows Richemont and Remgro to hold more than 30 per cent of BAT's equity without any obligation arising on the partners to make a full bid for the shares in BAT that they do not already own.

Our Maisons depend on highly skilled craftsmen to create sophisticated luxury products

DIVIDENDS

Given the strong results of the Group's businesses this year, the Board has decided to recommend an increase of 20 per cent in the level of ordinary dividend to bring it to € 0.78 per unit. The dividend will be payable to unitholders immediately after the annual shareholders' meeting to be held in September.

Over each of the past three years, Richemont has paid a special dividend in order to return to unitholders the proceeds of the disposal in 2004 of the BAT preference shares, received at the time of the merger with Rothmans International in 1999. In total, the Group has paid some € 890 million in such special dividends. Given that the proceeds of the preference shares have now been repaid in full to shareholders and in the light of the potential restructuring referred to below, the Board considers that it would not be appropriate to make a further special dividend payment this year.

CORPORATE GOVERNANCE

At last year's Annual General Meeting, shareholders of Compagnie Financière Richemont SA elected Mrs Anson Chan to the Board of Directors. Prior to taking up her position and attending her first board meeting, Mrs Chan intimated that she was considering standing for election to the Hong Kong Legislative Council and that she felt that membership of the Board of Richemont might prove to be incompatible with once again taking up public office in Hong Kong. The Board regretfully accepted Mrs Chan's view in this matter and, accordingly, she stood down from the Board in November 2007.

No further changes to the Board of Compagnie Financière Richemont SA are proposed this year.

GROUP RESTRUCTURING PROPOSALS

In November 2007, Richemont announced that it was studying plans which might lead to a separation of its luxury goods operations from its other interests, which include its investment in BAT.

Richemont has conducted an extensive review of potential alternatives open to the Group in anticipation of the elimination of Luxembourg 1929 holding companies at the end of 2010. Richemont SA, the Group's principal holding entity, currently benefits from the 1929 holding company status, as does the joint venture vehicle used by Richemont and Remgro to hold the BAT interest.

The review has resulted in the development of proposals, which would see Richemont separated into two entities: a luxury business, headquartered in Switzerland, and an investment vehicle, which it is currently proposed should be based in Luxembourg and structured as an investment fund.

In addition to retaining their shares in the luxury goods business, it is envisaged that Richemont unitholders would receive shares in the investment vehicle and would be able to receive a substantial part of their interest in the BAT shares directly.

Subject to receipt of appropriate confirmations from Swiss regulators and SWX Swiss Exchange ('SWX'), the luxury goods business would continue to be listed on SWX, whilst it is expected that the new investment vehicle would be listed in Luxembourg, subject to the approval of Luxembourg regulators and the Bourse de Luxembourg. Appropriate arrangements would be put in place to allow holders of Richemont South African depository receipts ('DRs') to hold and trade DRs in respect of both the luxury goods and investment entities, subject to the approval of the JSE Limited, which operates the Johannesburg stock exchange.

Unique jewellery pieces respect the traditional values of Richemont's Maisons

Discussions are in progress with BAT, which has provided a commitment, if so requested, to apply for a secondary listing of its shares on the Johannesburg stock exchange. This would enable South African residents who currently hold Richemont DRs to hold BAT shares directly.

Significant progress has been made to date in developing and refining the proposals. However, restructuring the Group is complex, involving the co-operation of Remgro and BAT, as well as the co-ordination of a large number of legal, fiscal and regulatory requirements and approvals in various jurisdictions. To date, not all of the necessary approvals have been obtained and a number of specific conditions must be fulfilled before the proposed restructuring can be implemented.

The proposed restructuring remains subject inter alia to the necessary conditions and approvals, which will include approval by the Board of Compagnie Financière Richemont SA as well as approval by unitholders in their capacity as shareholders of Compagnie Financière Richemont SA and participation certificate holders of Richemont SA. There can be no certainty that the proposed restructuring as outlined above or any modified proposals will be put forward for approval by unitholders or that such a restructuring would actually take place.

GLOBAL ENVIRONMENT AND OUTLOOK

"The pessimist complains about the situation, the optimist hopes it will improve, and the realist plans and acts according to circumstances."

The crisis currently affecting the global economy is a cause for concern. We are carefully monitoring the performance of our businesses in all markets to establish whether consumer purchasing trends are changing.

Over the first 20 years of its existence we have positioned Richemont well to face the challenges of the global economy. The Group has no net debt and a strong balance sheet and we have invested our surplus funds prudently.

We fully intend to ensure that the luxury goods business will remain financially strong after any possible restructuring. The Company will possess adequate resources to finance organic growth or, should appropriate opportunities present themselves, expansion through acquisitions.

Furthermore, the Group's business model is straightforward, the Maisons drawing on the intellectual property inherent in their history, the creative talent within them and the skill and craftsmanship of their employees. The Maisons aspire to produce intrinsically desirable products, which respect and interpret their traditional values, and offer these through a global distribution and after-sales service network designed to meet our partners' and customers' expectations.

Despite turbulent times, sales during the first quarter of 2008 showed growth of 11 per cent at actual exchange rates and that pattern has been repeated in the month of April, with sales growth of 16 per cent at actual exchange rates and 24 per cent in local currency terms.

I am confident in the strength of Richemont and look forward to the next 20 years with a well-founded degree of confidence and optimism.

Johann P. Rupert.

JOHANN RUPERT
EXECUTIVE CHAIRMAN
COMPAGNIE FINANCIÈRE RICHEMONT SA
GENEVA, 22 MAY 2008

Group Chief Executive Officer's review

NORBERT PLATT, GROUP CHIEF EXECUTIVE OFFICER

The success of our Maisons has been enhanced by the Group's initiatives around the world.

GROUP DEVELOPMENT

The year ended 31 March 2008 will be remembered as the year when Group operating profit not only exceeded € 1 billion for the first time but exceeded € 1.1 billion. Levels of demand were high in all of our markets but each of the Group's Maisons has worked hard to turn that demand into sales. Equally, our people have monitored expenses throughout the organisation and kept these strictly under control; the 10 per cent growth in sales has been translated into a 21 per cent increase in operating profit.

The year also saw the acquisition of a number of small watch component manufacturing businesses, which bolster our in-house component sourcing capabilities.

In November, the Group acquired Donzé-Baume SA, a specialist manufacturer of watch cases. This family-owned business is a principal supplier of watch cases to Swiss manufacturers and has strong connections with the Group, which date back for decades. The family members viewed Richemont as an obvious partner to take over the business. The family connections are being maintained in running the business and Richemont will be investing to expand capacity at the principal manufacturing site at Les Breuleux in the Swiss canton of Jura.

The Group also acquired an interest in 'Best in Class', a leading company in the important field of watch component micropolishing.

Last September, we also announced the acquisition of the component manufacturing activities of the watchmaker Roger Dubuis SA. The manufacturing facilities are based in Geneva and provide Richemont with additional manufacturing capacity for watch components at a time when we have experienced shortages. The premises are also being adapted to provide Cartier with its own, Geneva-based watch manufacturing facility. This has enabled Cartier to offer a new limited-edition range of watches bearing the 'Poinçon de Genève' engraving with official recognition and certification by the Geneva cantonal authorities. The new watches were premiered at the Salon International de la Haute Horlogerie ('SIHH') in April 2008.

The joint venture with Polo Ralph Lauren Inc for the launch of watches and jewellery ranges under the Ralph Lauren name is progressing, with management and design teams having been set up and product concepts defined. The first models from the joint venture will be exhibited at the SIHH in January 2009.

GROUP INFRASTRUCTURE

The year saw the continuing roll-out of the Richemont Enterprise Resource Planning IT system, implemented as part of the Company's long-term strategy of developing a single global IT solution for its operations and following the successful launch in the US market in 2006. The in-house team responsible for the introduction in the US took on the task of implementing the roll-out at our principal distribution facility at Fribourg in Switzerland. This was a major task and not without risk – a problem here could have jeopardised shipments to all of our retail partners and regional distribution centres around the world. In August 2007, we switched to the new system and no delays were experienced in meeting customer orders. This was a great achievement by everyone involved. Maisons and regions are now pressing to be brought online to benefit from the additional functionality that the systems offer. That is perhaps the best testimony to the success of our teams involved in the implementation.

The new extensions to IWC's home in Schaffhausen incorporate state-of-the art energy saving technologies

On the manufacturing side, the high level of demand for the Maisons' watch models has put the respective manufacturing facilities and our distribution system under some stress. Whilst it is nice to have the problem of high demand, we were frustrated not to be able to offer our retail partners and ultimately their customers quicker delivery of products. In many cases this was due to component shortages, often linked to supply chain constraints. It is this sort of issue that we are striving to avoid through improved systems and by expanding our in-house manufacturing capacity. The situation is being monitored closely and the Group will be investing significantly over the next few years to improve our degree of autonomy in watch component supply, whilst maintaining an appropriate balance of in-house manufacturing and third-party sourcing.

DEVELOPMENTS IN THE REGIONS

In the European region, we have continued to shorten the logistics supply chain for our watch and jewellery brands. Following the introduction of direct shipments from our central distribution platform in Fribourg to all points of sales in Benelux and Scandinavia last year, from the summer of 2007 we extended the same process to all customers in the UK and Ireland.

The Group is strengthening its presence in the rapidly developing markets of Eastern Europe. Richemont's wholly-owned Russian subsidiary has continued to grow successfully, supporting the Maisons in the opening of four new boutiques in Moscow, to bring the Group's presence there to ten stores. In addition, Montblanc has opened its first external boutique in St Petersburg, whilst Cartier has opened a boutique with a local partner in Baku, Azerbaijan. In Central Europe, Cartier opened its first internal boutique in Prague, in spring 2007.

In the Middle East, we have continued to build our regional platform in Dubai, in order to support the growth of our businesses in this important region. The past year has seen the integration of more Maisons onto the regional platform and the opening of further internal and external boutiques in the region.

The Asia-Pacific region offers long-term opportunities, driven by the changes being seen in China. Although mainland China is a significant contributor to growth in the region, destinations such as Hong Kong and Macau have also seen strong increases in sales.

The creation of a Richemont subsidiary in China that services the watch and jewellery Maisons has allowed the Group to support the continued development of those businesses by facilitating direct shipments of product into the country since 2007, minimising handling time and customs delays.

During the year, customer service functions were restructured in China in order to provide customers with a faster and more responsive service. This included the full renovation and upgrading of the two main workshops in Shanghai and Beijing. Group standards and procedures covering the wide range of customer service functions were implemented and the regional team now employs some 200 staff to meet client needs.

In the Americas, the principal development during the year was the opening of the Richemont North America Technical Centre in Dallas, Texas. The new state-of-the-art facility will serve as the primary technical centre for the region's watch repair operations, encompassing all of the Group's Maisons. The facility will also operate a watch-making school and technical training centre in order to further Richemont's objective of developing technical watchmaking expertise in the region. The entire technical centre encompasses over 3 000 square metres and will employ over 100 people.

HOW OUR BUSINESS OPERATES

Each of the Maisons in the Group enjoys a high degree of autonomy. To complement those businesses, the Group has established central functions and a regional structure around the world to provide central controlling and support services.

Compagnie Financière Richemont SA

Richemont SA, Luxembourg

Strategic Product & Communication Committee

The Committee's objective is to guide the Maisons by verifying that decisions made in respect of communication, products and distribution are appropriate and consistent with the individual Maison's identity and strategy.

Regional Support Platforms
Europe, Asia-Pacific, North America, Japan

The regional distribution centres provide world-class support to the Maisons' local activities, including logistics, IT, human resources, finance, general services and after-sales service.

Central Support Services

In addition to the Group's role of directing and formulating policies and processes, specialist teams provide support in areas including market intelligence, manufacturing and logistics services, intellectual property, human resources, real estate, IT, legal and finance.

The Maisons

Each Maison within the Group's portfolio is run as an independent entity. This safeguards each Maison's heritage and allows individual creativity to flourish, ensuring that each Maison remains distinctive and unique.

Jewellery Maisons
Cartier
Van Cleef & Arpels

Specialist Watchmakers
Piaget
A. Lange & Söhne
Jaeger-LeCoultre
Vacheron Constantin
Officine Panerai
IWC
Baume & Mercier

Writing Instrument Maisons
Montblanc
Montegrappa

Leather and Accessories Maisons
Alfred Dunhill
Lancel

Other Businesses
Chloé
Azzedine Alaïa
Purdey

Pure, endless brilliance.
Magnificent necklace Eclat
in white gold with diamonds
(total carat weight 58,75 carats)
and Montblanc diamond of
6,12 carats

During the year, Richemont North America successfully rolled out the pilot Richemont Enterprise Resource Planning IT System across the North American market. Key store openings in the region during the year included the first North American boutique for Jaeger-LeCoultre in Boca Raton, Florida and IWC's first boutique in the region in Las Vegas.

Richemont Japan extended and consolidated the services it provides to the Maisons during the year. Montblanc and Van Cleef & Arpels were fully integrated into the established Richemont structure in terms of warehousing, local distribution and customer service. For Alfred Dunhill and Chloé, the distribution platform was restructured within the standard Richemont shared service framework, improving service levels and optimising efficiencies.

Steps were taken to develop an awareness of corporate responsibility issues amongst Richemont staff in Japan, with presentations including the risks posed by global warming. Within the Japanese service platform, a harmonised approach to human resources has also been implemented, which should lead to improved career opportunities and mobility of people between the Group's businesses.

EMPLOYEES

The year under review saw our employee numbers increase by some 2 400 to 18 800, of which some 6 100 are employed in Switzerland. Of the total complement, some 32 per cent are involved in manufacturing, including product design and development, some 43 per cent in distribution, including the Group's own retail stores, and 25 per cent in after-sales service and administration, both in the Maisons, in the regions and at the centre. It has been a very successful but demanding year for everyone in the organisation. All of the Maisons, regional and central teams have shown themselves to be totally committed to Richemont during the year and I would like to express my gratitude to all our employees for their enthusiasm and contribution to the good results that we have been able to report.

NORBERT PLATT
GROUP CHIEF EXECUTIVE OFFICER
COMPAGNIE FINANCIÈRE RICHEMONT SA
GENEVA, 22 MAY 2008

Jewellery Maisons

Key results

Sales (€ m)

2008	2 657
2007	*2 435*
2006	*2 227*

Operating profit (€ m)

2008	767
2007	*667*
2006	*616*

Percentage of Group sales

2008

Jewellery Maisons **50%**

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

Cartier's capacity to marry tradition with creativity and heritage with innovation is at the heart of this prestigious house's unique identity and distinctive style. The constant renewal and enrichment of its creative inspiration over 160 years has earned the Maison its enviable status as a worldwide leader in the market for exclusive jewellery and luxury watches.

2007 was another excellent year for Cartier. Amongst its successes were two significant product launches which further reinforce the Maison's strengths as a jeweller and watchmaker. The high jewellery collection *Inde Mystérieuse*, whose unique pieces feature contemporary designs using carved stones such as emeralds and tourmalines, was inspired by Cartier's tradition of openness, particularly to the East. This exclusive collection was unveiled at a glamorous event in London at which almost 600 Cartier high jewellery pieces were displayed. In watches, the *Ballon bleu* made an immediate impact, with its original and audacious communication campaign. Winning the 2007 Grand Prix d'Horlogerie de Genève ladies' watch award, it is poised to become a Cartier classic.

Other notable products launched during the year were the *Cartier Libre*, an adventurous new jewellery watch line and the *Pasha Seatimer* chronograph watch. The successful introduction of the *Marcello* bag underlines the Maison's legitimacy and increased presence in leather goods and prestige accessories. The *Love* jewellery collection performed well again in 2007, complemented by its unique programme of PR and charity events.

Cartier's unrivalled capabilities in bespoke products, which range from individual high jewellery pieces to watches, accessories and perfume, generated excellent results as the Maison continued to fulfil the ever more demanding wishes of its increasingly wealthy and discerning clientele.

Whilst Cartier has a well-balanced turnover in geographic terms, 2007 saw particular progression in Europe and strong performances in Asia and key emerging markets. Russia, China and South-East Asia performed exceptionally well, benefiting from a newly wealthy clientele with a cultural affinity for the Maison's values. Other noteworthy successes in the year were the Middle East, where Cartier's unique identity is now firmly established, and the US, where the Maison's diamond jewellery business, including its bridal offering, continued to flourish.

Cartier prides itself on its ability to remain exclusive whilst increasing its worldwide renown. This careful balancing act is evident in the Maison's strategy for optimising its select boutique network which combines expansion with continuous quality improvement. In 2007 there were 18 new boutique openings. These included openings in Istanbul, Johannesburg, the famous GUM department store in Moscow, Union Square in Hong Kong and four in China, bringing the total number of Cartier boutiques in China to 18. London's New Bond Street historical 'temple' underwent a major renovation in 2007, as did the Zürich flagship boutique, Brussels and the Bur Jurman Centre in Dubai. The San Francisco boutique was relocated to a considerably larger site and Cartier has extended its external visibility to the entire building occupied by the boutique in Ginza, Tokyo.

Ballon bleu de Cartier watch, 18 carat pink gold set with diamonds. Cartier automatic movement

Platinum 'stomacher' brooch which can be transformed into a necklace. 2 briolette-cut diamonds, 37 yellow diamonds, 2 engraved rubies (45.55 carats and 15.94 carats), 9 emerald beads (149.63 carats), 2 natural white pearls, 49 natural pearls and 779 brilliants

Cartier

Since its foundation, Cartier has set itself the most exacting standards, none more important than its level of customer service. The extensive programme of personal coaching for each member of the Maison's sales staff, launched in 2006, continued during the year.

The Maison further reinforced its strong international presence through a range of prestigious PR events and exhibitions. In addition to the *Inde Mystérieuse* and *Love* events, high points included the exhibition of *Collection Cartier* pieces at the Kremlin in Moscow, which afforded Cartier the privilege of being the first internationally renowned Maison to hold such an exhibition in this unique venue. Polo events were staged in Singapore and Dubai and the Maison maintained its long association with the prestigious Saint Moritz and Windsor polo tournaments. In October 2007, the first Cartier Women's Initiative Awards were presented to five promising female entrepreneurs in Deauville, the stylish French resort which also hosts the annual American Film Festival at which Cartier played a leading sponsorship role.

Cartier's high profile within the world of contemporary art was underlined by the Fondation Cartier's 'Rock 'n' Roll' exhibition, held to great acclaim in Paris, and by the Fondation's presence at the premier international art shows, Art Basel and Art Basel Miami. Exhibits under the Fondation's patronage were also to be found at exhibitions by American video artist Gary Hill in London and Düsseldorf, by US filmmaker and artist David Lynch at the Triennale Design Museum in Milan and by Australian sculptor Ron Mueck in Ottawa, Canada. These represent some of the most important exhibitions and most prestigious museums in the contemporary art world.

Such events contribute to Cartier's strong visibility, complemented by the continuous refreshment of the distribution network and imaginative communication initiatives. 2007 marked the release of a powerful new advertising campaign, featuring the famous red box to emphasise the Maison's unparalleled credentials as a jeweller.

At the beginning of the 20th century, the future King Edward VII of England proclaimed Cartier 'Jeweller of Kings and King of Jewellers'. Over a century later, in a fast-changing social and economic environment, Cartier has successfully nurtured the key attributes which make this epithet as valid today as it was then – exacting standards and exceptional savoir-faire, coupled with a pioneering spirit and boundless creative flair – timeless qualities on which Cartier's future success will also be assured.

BERNARD FORNAS
CHIEF EXECUTIVE

Brooch. 303 yellow diamonds and 530 brilliants, one briolette-cut yellow diamond (7.15 carats), 1 yellow diamond, 2 emerald eyes, onyx

Van Cleef & Arpels

Established 1906

22 place Vendôme
Paris France

Chief Executive
Stanislas De Quercize

Finance Director
Burkhart Grund

www.vca-jewelers.com

The spirit of the Maison of Van Cleef & Arpels was born with the love story of Alfred Van Cleef and Estelle Arpels in 1906 and enriched over the years by femininity, refinement and a daring kind of elegance, all expressing a unique philosophy: time is renewal.

Inspired by themes such as nature, couture, arts, the magic of fairies and ballerinas, Van Cleef & Arpels' astonishing pieces of jewellery sublimely demonstrate the Maison's technical mastery, legendary craftsmanship, use of exceptional stones and taste for innovation and transformation. Today, as a century ago, Van Cleef & Arpels' creations adorn celebrities and connoisseurs, proof that the Maison's style transcends time, its youthful spirit being perpetually renewed.

In 2007, Van Cleef & Arpels launched two new High Jewellery collections, *l'Atlantide* and *Ballet Précieux*. With its *l'Atlantide* collection the Maison recreates the submerged mysterious Atlantean paradise and explores the shores of an underwater imaginary world. The *Ballet Précieux* collection, with exceptional emeralds, rubies and diamonds, celebrates the 40th anniversary of the ballet 'Jewels', created in 1967 and inspired by the meeting between Claude Arpels and choreographer, George Balanchine.

The year also saw a new addition to evening jewellery lines. *Flowerlace*, born of nature and faithful to couture, sparkles with interlaced petals of diamonds and white gold.

With *Sweet Alhambra*, the Maison has created a charming collection of pendants and bracelets for mothers and daughters featuring the famous good luck clover and butterfly motifs.

Through its unique timepieces, Van Cleef & Arpels seeks to associate technical skills and rare craftsmanship with dreams and poetry. The Maison provides collectors not only with genius incarnate, in the complexity of a mechanical movement, but also with a delicate and feminine approach to telling the time. The *Féerie* watch is a vibrant example of this 'poetical complication'.

In 2007 six new Van Cleef & Arpels boutiques were opened – in Macau, Las Vegas, Kuala Lumpur, Singapore, Sapporo and in the GUM department store in Moscow. The Maison now has a network of 65 boutiques across four continents.

Bouquet necklace. White gold set with round and baguette-cut diamonds, red gold and emerald mystery setting

Van Cleef & Arpels

During the year, a new advertising campaign was launched featuring collections in an 'Alice in Wonderland' universe. These new visuals contribute a breath of sensitivity and elegance to Van Cleef & Arpels' advertising expression.

A series of imaginative and striking events were created for VIP clients and press to showcase the Maison's High Jewellery collections – celebrities attending the launch of *l'Atlantide* in Hong Kong experienced this amazing underwater world with a journey through three different realms to the mythical kingdom; the launch of the *Ballet Précieux* collection was marked by a performance of the ballet 'Jewels' and a gala dinner at London's Royal Opera House.

In 2008, thanks to the expansion of its network around the globe, Van Cleef & Arpels aims to attract more new clients and connoisseurs. Through amazing pieces of jewellery and watches they will discover the Maison's creativity and unsurpassed 'savoir-faire', which together embody High Jewellery.

STANISLAS DE QUERCIZE
CHIEF EXECUTIVE

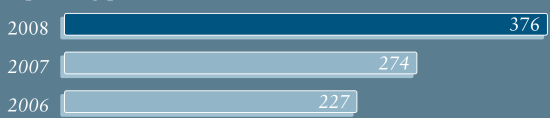
Lady Arpels Féerie Watch. 38mm white gold case set with diamonds (2.82 carats). Blue enamel dial and diamond-set fairy. Deep blue satin strap with diamond-set white gold buckle

Specialist Watchmakers

Key results

Sales (€ m)

Operating profit (€ m)



Percentage of Group sales

Specialist Watchmakers **26%**

PIAGET

OFFICINE PANERAI
FIRENZE 1860

A. LANGE & SÖHNE
GLASHÜTTE I/SA

IWC
INTERNATIONAL WATCH CO. SCHAFFHAUSEN
SWITZERLAND, SINCE 1868

JAEGER-LECOULTRE

BAUME & MERCIER
GENEVE · 1830

VACHERON CONSTANTIN
Manufacture Horlogère. Genève, depuis 1755.

Established 1874

37 chemin du Champ-des-Filles
Geneva Switzerland

Chief Executive
Philippe Léopold-Metzger

Finance Director
Christophe Grenier

www.piaget.com

PIAGET

Creativity is at the heart of Piaget, the exclusive, glamorous Swiss Maison with unrivalled credentials as both a watchmaker and jeweller. Each year's new collections of watches and jewellery pieces are the fruit of the Maison's boundless creative talent and technical mastery coming from its design team and totally integrated manufacture.

Following its worldwide launch in October 2007, the innovative, instantly recognisable *Magic Hour* watch was heralded as a design revolution and is already a Piaget icon product. Developed in the secrecy of the Piaget workshops, it features an invisible mechanism which, thanks to its rotating oval bezel, allows a timepiece to be three watches in one. Supported by a powerful advertising campaign and events in Hong Kong, Taipei, Munich and Geneva, the *Magic Hour* was one of the highlights of the year.

The Maison created several exceptional high jewellery watches during the year, including a unique *Piaget Emperador* model. This exquisite masterpiece of high jewellery and high watchmaking expertise required 2 000 hours to set the 1 211 diamonds, which together totalled 97 carats.

Piaget's creativity and expertise were expressed through the *Limelight Party II* collection of watches and jewellery, inspired by a festive, party ambience. The *Miss Protocole* ring recalls the legendary Piaget ladies' watch, featuring pink sapphires, lilac amethyst, blue topaz, white diamonds or fuchsia-pink rhodolites.

In July 2007 the Maison presented 'Extravaganza', a dazzling exhibition held in Tokyo's National Art Centre at which 102 Piaget museum pieces and 76 pieces from the current collection were displayed for a single day. The exhibition was subsequently hosted by the three leading Tokyo department stores, Isetan, Seibu and Mitsukoshi. Other promotional activities included sponsorship of the Los Angeles *Spirit Awards*.

Piaget continued to strengthen its boutique network with nine openings – amongst them three in Beijing, a third in Macau and a second in Moscow.

Chinese customers now account for a significant proportion of Piaget's worldwide sales and the Maison is ideally positioned to capitalise on the development of this fast-growing luxury market.

Piaget is committed to the development of mechanical watches and its future plans include further exceptional movements which will underline its leading position amongst watchmakers. The boutique network will be enhanced and flagship stores will be opened in Geneva and Hong Kong, which will also provide for the display of the Maison's historical collections.

Magic Hour in 18 carat pink gold

Philippe Léopold-Metzger

PHILIPPE LÉOPOLD-METZGER
CHIEF EXECUTIVE

A. LANGE & SÖHNE
GLASHÜTTE I/SA

Founded in 1845

Altenberger Strasse 15
Glashütte Germany

Chief Executive
Fabian Krone

Finance Director
Beat Bührer

www.lange-soehne.com

With sophisticated complications and classical design, A. Lange & Söhne's exceptional mechanical timepieces represent 'state-of-the-art tradition'. From the manufacture of each individual component to the manual assembly of the movement, scrupulous quality controls guarantee the highest precision and absolute faultlessness.

The year 2007 witnessed some landmark events in the Maison's development. In July, the first A. Lange & Söhne boutique was opened in the historic centre of Dresden. The furnishings and ambience of this exclusive 'embassy' for the Maison reflect the same spirit of craftsmanship and technological innovation expressed in the watches of A. Lange & Söhne. The Lange leitmotif is visible throughout, from the hand-painted murals in the VIP room to the detail of the decorative stucco ceiling. The boutique boasts the latest in communication, presentation and security technology and brings the art of watchmaking to life with the presence of a master watchmaker, available to inspect and service watches.

Another milestone was the inauguration of the 'A. Lange & Söhne Akademie', a purpose-built training centre offering a comprehensive programme for Lange's official retailers. Its purpose is to give these partners a genuine understanding of the Maison's history, philosophy, culture and manufacturing activities in order to strengthen their bond with the Maison and provide them with the expertise to advise even the most knowledgeable potential purchaser.

The year also marked A. Lange & Söhne's entry to the Indian market with the opening of the Maison's first official retailer in the city of Mumbai.

At the Geneva Salon International de la Haute Horlogerie in April 2007, the Maison unveiled the *Lange 31* model and relaunched the distinctive *Saxonia* family of watches. *The Lange 31*, a manually-wound timepiece with outsize date, a 31-day power reserve and a constant force escapement, features 406 meticulously hand-finished individual parts. The *Grand Saxonia Automatik* is a watch of true grandeur and horological expertise, featuring the ingenious 'Zero Reset' mechanism to simplify synchronisation with an official time signal.

The Maison's sponsorship of targeted cultural and artistic events continued during 2007, with the aim of expanding its appeal beyond the pure connoisseur customer. In addition to its support for the promotion and preservation of the Dresden State Art Collections, the Maison provided sponsorship for the international singing contest of Italian opera, the 'Competizione dell'Opera'. The Maison is also the exclusive sponsor of the Salzburg Whitsun Festival, directed by Italian conductor, Riccardo Muti.

The year ahead includes further distribution network developments, particularly in the Asia-Pacific region.

FABIAN KRONE
CHIEF EXECUTIVE

The Lange 31 with a power reserve of 31 days and constant force escapement

Established 1833

La Golisse 8
Le Sentier Switzerland

Chief Executive
Jérôme Lambert

Finance Director
François Bach

www.jaeger-lecoultre.com

Jaeger-LeCoultre

Jaeger-LeCoultre is widely regarded as one of the most innovative players in high-end watchmaking. The combination of understated design and technical mastery results in innovative and distinctive timepieces that reflect this highly respected Maison's pioneering spirit and ethos of integrity and refinement.

In 2007 Jaeger-LeCoultre was recognised with a total of 31 prestigious watchmaking awards. These included ten awards for its new *Complications* collection, the *Duomètre à Chronographe*, launched at the Salon International de la Haute Horlogerie in April. This watch illustrates perfectly the Maison's technical innovation with its 'Dual-wing' calibre, featuring two independent power reserves, one for the classic time functions and one for the chronograph. The launch of the new *Master Compressor Diving* technical sports watch collection also generated great interest, supported by a powerful media and online presence.

All collections performed well during the year, the business as a whole achieving double-digit sales growth for the fourth consecutive year. The Maison enjoyed continued success in the Tourbillon market, thanks to its *Master Tourbillon*. Momentum was also maintained with Jaeger-LeCoultre's iconic Reverso offering, with deliveries of the *Reverso Squadra* collection, launched in 2006.

Ten new boutiques opened in the year, including those at the Taipei 101 building in Taiwan and the Raffles Hotel, Singapore. New displays and the continued roll-out of the new 'shop-in-shop' concept increased visibility. An intensive training programme for sales staff from around the world was undertaken to ensure excellent customer service.

Prominent advertising and more editorial coverage contributed to brand awareness, most significantly in the US, Japan and France. An active internet marketing programme was deployed, with online advertising and coverage of the Maison's sponsorship of the Venice Film Festival and the launch of the *Master Compressor Diving* technical sports watch collection.

In October 2007, Jaeger-LeCoultre inaugurated its Heritage Gallery in the original Le Sentier building where Antoine LeCoultre founded his business in 1833. This extensive showcase of the Manufacture's calibres and exceptional timepieces underscores the Maison's contribution to watchmaking history.

2008 will mark the Manufacture's 175th anniversary. New timepieces will reinforce its position amongst the elite of fine watchmakers. Construction has begun on the extension to the Le Sentier Manufacture, adding much needed production capacity, and should be available from 2010. Jaeger-LeCoultre looks to the future with great confidence.

Jérôme Lambert

JÉRÔME LAMBERT
CHIEF EXECUTIVE

Duomètre à Chronographe, the new Complications collection launched at SIHH 2007

Manufacture Horlogère. Genève, depuis 1755.

Established 1755

7 quai de l'Ile
Geneva Switzerland

Chief Executive
Juan-Carlos Torres

Finance Director
Robert Colautti

www.vacheron-constantin.com

In 1819, François Constantin, one of Vacheron Constantin's founding fathers, stated his philosophy: "Do better if possible, which is always possible". Throughout more than 250 years of continuous production the craftsmen of Vacheron Constantin have demonstrated their unwavering commitment to this spirit of perfection or 'Excellence Horlogère'.

In 2007, the redeveloped *Patrimony* line was unveiled, featuring three new movements, all accredited with the Geneva Hallmark, the ultimate horological distinction. The *Patrimony Contemporaine Retrograde Day and Date*, winner of the 'Watch of the Year 2007' award, together with the *Patrimony Traditionnelle* range of models are the embodiment of Vacheron Constantin's technical expertise, harmonious aesthetics and superlative finishing.

The year also saw the launch at the Salon International de la Haute Horlogerie in Geneva of the *Métiers d'Art 'Les Masques'* collection, inspired by the world's largest private collection of primitive art at Geneva's Barbier-Mueller Museum. The Maison's attachment to the arts and commitment to the craft of the master engraver are illustrated in the intricate designs of these exceptional pieces. This collection was the focal point of the *Métiers d'Art* exhibitions staged in Zurich, Taipei and Los Angeles.

Through a contemporary art exhibition staged at the Vacheron Constantin *manufacture*, the Maison held the most important event since its 250th anniversary in Geneva. The event was attended by more than 500 guests, underscoring the Maison's role as a Geneva institution.

The *Patrimony* line was fêted at the opening night of Tosca at the Paris Opéra Bastille, a gala evening hosted by Vacheron Constantin as patron of the French National Opera. This was also the occasion for the official inauguration of a monumental clock in the atrium of the Opéra Bastille. The same week, in Shanghai's magnificent Grand Theatre, over 1 200 guests from across Asia attended a *Patrimony* concert created and directed by the internationally renowned Chinese composer and conductor, Tan Dun.

The Maison honoured the winners of its first Arabic Poetry Contest in Dubai. The contest encourages young poets across the Middle East.

During the year, the Maison continued to strengthen its position in Russia and mainland China, the eighth Chinese boutique being officially opened in Beijing in January 2008.

With characteristic boldness and dynamism, the Maison launched its web-based discussion forum 'www.thehourlounge.com', an independent platform for open and easy dialogue between Vacheron Constantin aficionados.

This aspiration towards ever higher standards is the cornerstone of Vacheron Constantin's long history of success and of its future strategy. Its team of designers, engineers, master watchmakers and other craftsmen do not work under any time pressure, only under pressure to ensure the preservation of 'Excellence Horlogère'.

Patrimony Contemporaine Retrograde Day and Date

JUAN-CARLOS TORRES
CHIEF EXECUTIVE

Established 1860

Piazza San Giovanni 16R
Palazzo Arcivescovile
Florence Italy

Chief Executive
Angelo Bonati

Finance Director
Giorgio Ferrazzi

www.panerai.com

OFFICINE PANERAI
FIRENZE 1860

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

The Luminor 1950 Tourbillon GMT, featuring Panerai's own calibre P2005 movement

In 2007 Officine Panerai extended its record of continuous growth and increasing market presence achieved since the Maison's acquisition by Richemont in 1997. This impressive performance has been founded on the Maison's technical and aesthetic research which, this year, resulted in the launch of a range of new products within the increasingly important *Manifattura* collection. These included the *Radiomir 10 Days GMT*, the *Luminor 1950 8 Days Chrono Monopulsante GMT* and the *Luminor 1950 Tourbillon GMT*. Following the success of the Maison's first in-house movement launched in 2006, the calibre P2002, these watches feature Panerai's new exclusive movements – the calibres P2003, P2004 and P2005 – each designed, engineered and produced entirely by Panerai's own manufacture in Neuchâtel, Switzerland.

The *Ferrari* collection, engineered by Officine Panerai, was enhanced this year by the addition of the *Perpetual Calendar* watch, in steel or 18 carat pink gold.

Cultivating its maritime heritage and pioneering spirit, Panerai maintained its prestigious sponsorship of the Panerai Classic Yachts Challenge which presented another season of events across the Mediterranean as well as in Caribbean and US waters. The Maison also entered a partnership with South African explorer and adventurer, Mike Horn, to support his four-year global expedition *Pangaea*, in which he is seeking to engage young adults in the active preservation of the earth's natural resources.

The year saw continued progress in the Maison's key markets – the USA, Europe and Asia – as well as good business growth in developing markets such as Latin America.

Panerai continued to operate through an extremely selective distribution network, with fewer than 500 points of sale worldwide and five boutiques. These include the Maison's historical Piazza San Giovanni site in Florence, which housed the original boutique, workshop and watchmaking school in the early 1900s, and the US flagship in Los Angeles, which presents the most exclusive Panerai creations, aimed at a market of connoisseurs and collectors. Other boutiques are located in Hong Kong, Shanghai and Portofino, Italy.

In 2008, Panerai will continue to build on its strong traditions of creativity, technical ability and design excellence to produce unique luxury watches which satisfy and exceed the demands of its most discerning clients.

ANGELO BONATI
CHIEF EXECUTIVE

IWC

INTERNATIONAL WATCH CO. SCHAFFHAUSEN
SWITZERLAND, SINCE 1868

Established 1868

Baumgartenstrasse 15
Schaffhausen Switzerland

Chief Executive
Georges Kern

Chief Financial Officer
Matthias Schuler

www.iwc.com

Since its foundation in 1868, IWC Schaffhausen has been at the forefront of technological developments in highly complicated precision watchmaking. The indisputable 'engineers of fine watchmaking' are renowned for creating watches which are both classical in style and easy to use.

In 2007, IWC reinforced this reputation with the launch of the new *Da Vinci* product family, comprising three lines – the *Da Vinci Chronograph, Da Vinci Perpetual Calendar Kurt Klaus* and *Da Vinci Automatic*, all in tonneau-shaped cases. Over 80 international journalists attended the pre-launch of these models in February 2007 at a three-day event held in Florence. The official launch took place at the Salon International de la Haute Horlogerie in Geneva in April before a star-studded audience. The high point of this glamorous gala event was the world première performance of 'Leo and Lisa', a short stage play produced and performed by Academy Award-winning actor, Kevin Spacey, together with English actress, Thandie Newton.

Other product innovations in 2007 included the *Big Ingenieur* and the *Pilot's Watch Double Chronograph Edition Top Gun*.

As part of a strategic focus on developing in-house movements, the first IWC chronograph movement was introduced with the *Da Vinci Chronograph* models.

In June 2007, the inauguration of the new IWC Museum and Boutique in Schaffhausen took place. The Museum charts the rich history and traditions of IWC, displaying over 230 exhibits in luxurious surroundings.

New boutiques were opened during the year in Kuala Lumpur, Istanbul, Beijing, Hong Kong and Abu Dhabi, bringing the total number of IWC boutiques to 20.

IWC prides itself on a firm and active commitment to Social Responsibility. In 2007, the Maison launched the book 'Let the Children Play', conceived by IWC and produced in collaboration with the Laureus Sport for Good Foundation. The book features projects supported by the Foundation with the objective of raising awareness of the Foundation's mission: using sport to achieve social change in deprived communities. IWC also announced a new partnership with British adventurer and environmentalist, David de Rothschild, who undertakes expeditions to some of the world's most environmentally challenged areas in order to win attention for these endangered areas and problematic issues.

In 2008, IWC will continue to focus on the expansion of its boutique network and on the further development of its own movements. Following a substantial increase in production volumes, the much-needed extension to the manufacturing site in Schaffhausen will be officially opened in June 2008.

Da Vinci Chronograph, including IWC's first proprietary chronograph movement, analogue time display and tonneau-shaped case

GEORGES KERN
CHIEF EXECUTIVE

Established 1830

50 chemin de la Chênaie
Bellevue Geneva Switzerland

Chief Executive
Michel Nieto

Finance Director
Jean-Baptiste Dembreville

www.baume-et-mercier.com

BAUME & MERCIER GENEVE · 1830

Baume & Mercier has earned its enviable reputation amongst luxury watchmakers through 178 years of creating perfectly crafted timepieces with an enduring appeal. The brand's core collections – *Hampton, Riviera, Diamant* and *Classima* – have all achieved iconic status, reflecting the Maison's talent for perpetually refreshing classic designs whilst remaining true to its original values.

A powerful combination of strong product launches and effective communication ensured excellent exposure for Baume & Mercier during 2007. The year witnessed the launch of two striking new models, the *Hampton Magnum* and *Riviera Magnum*, both high-performance sports watches which clearly demonstrate the Maison's ability to evolve its emblematic product lines to suit the tastes and lifestyles of the day.

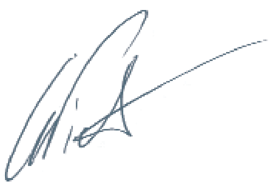
The highly successful international advertising campaign 'Baume & Mercier & Me' entered its third consecutive year, with American screen stars Teri Hatcher and Ashton Kutcher taking over from previous brand ambassadors Kim Basinger and Gary Sinise. The royalties generated from this campaign are donated to a range of charitable causes jointly chosen by the celebrities and the Maison.

Brand visibility was further enhanced by a programme of international PR events around the theme of photography, chosen by Baume & Mercier as an expression of the passing of time and a moment of creativity. Highlights included the Maison's presence at the Photo España festival in Madrid, the Paris Photo international photography fair and the 60th anniversary of the New York photographic agency Magnum.

The business achieved growth in all markets, with particularly strong results in the US, Italy, France, Asia and the Middle East. China continues to be a key market focus, with Baume & Mercier's first Beijing boutique opening during the year.

Some exciting initiatives are in store for the future. A new ladies' watch, *Ilea*, was launched at the 2008 Salon International de la Haute Horlogerie in Geneva. This round-shaped watch will be central to the Maison's offering for women. Other projects include a limited edition collection, which will reflect Baume & Mercier's respect for its heritage and commitment to the Maison's traditions of exceptional craftsmanship and technical expertise.

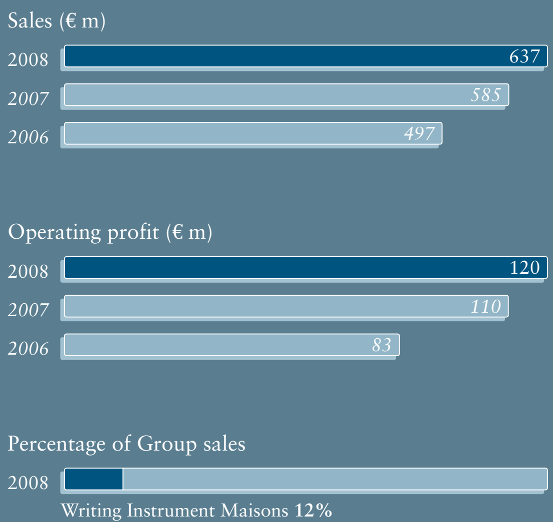
Classima Executives in steel. Automatic XL, featuring opaline silvered dial with line guilloché décor and open balance



MICHEL NIETO
CHIEF EXECUTIVE

Writing Instrument Maisons

Key results



MONT BLANC

1912 Montegrappa ITALIA

Established 1906

Hellgrundweg 100
Hamburg Germany

Chief Executive
Lutz Bethge

Finance Director
Roland Hoekzema

www.montblanc.com

Imagination, expertise and passion are unique gifts that inspire Montblanc's master craftsmen to create products that go beyond their functional purpose and timeless beauty to embody something special – a soul. It is this soul that transforms Montblanc products into personal heirlooms, rich in memories, handed down from generation to generation.

Montblanc has been known for a century as a manufacturer of sophisticated, high quality writing instruments including outstanding limited editions. The historic roots and authentic craftsmanship on which this reputation is founded have allowed Montblanc to evolve its product range to encompass exceptional watches, exquisite male and female silver jewellery, diamond jewellery and fine leather goods.

2007 was an excellent year for Montblanc in its core segment of writing instruments as well as in all other product categories. Limited edition writing instruments launched during the year included the *Prince Rainier III Limited Edition 81* fountain pen, inspired by the Monaco royal crown and emblem. The *Marlene Dietrich Special Edition* writing instrument was also introduced during the year, celebrating the enduring appeal and charisma of the legendary Hollywood actress, entertainer and singer.

In watches, the year marked a historic milestone for the Maison. The 'Institut Minerva de Recherche en Haute Horlogerie' was established at Minerva, a Swiss haute horlogerie *manufacture* founded in 1858. The new partnership between Montblanc and Minerva provides a platform for research and development. It will also create a limited number of handcrafted masterpieces for the *Montblanc Collection Villeret 1858*. The first pieces from this exceptional collection were launched in September 2007, marking the beginning of a new era for Montblanc watches.

Montblanc's existing 'Le Locle' *manufacture* contributed to the Maison's enhanced reputation as a watchmaker, with the creation of a new in-house movement, launched at the 2008 Salon de la Haute Horlogerie in Geneva. The first watch to feature this movement is the manual winding chronograph *Montblanc Star Rieussec*, produced as a tribute to Nicolas Rieussec, inventor of the Chronograph.

As a jeweller, the Maison enjoyed further success with the Montblanc Diamond Jewellery collections. The Montblanc Diamond, a patented cut in the form of the Montblanc emblem, was created to mark the Maison's centenary in 2006 and has since become the centrepiece of Montblanc's fine jewellery collection. This unique diamond now adorns a range of very precious and sophisticated jewellery pieces. The Maison's unique range of stylish, contemporary jewellery also performed well during the year. The *Montblanc 4810* ring collection featuring white, yellow and red gold creations with diamonds emerged as the best-selling product range in Asia, Europe and the Americas.

Created to honour a prince who achieved great things for a small country, the precious Prince Rainier III Limited Edition 81 reflects the noble tradition of Monaco

In leather goods, the development of a new handbag line has stimulated ladies' interest in the Montblanc brand. The newly-launched *Montblanc Starisma,* an eye-catching range including the *Alcina Limited Edition*, crafted in soft suede with a seductive shape and intriguing details, will certainly appeal to the sophisticated, modern woman.

During the year, boutiques were opened in Macau, Kuala Lumpur, Mexico City, Las Vegas and in CITIC Square, Shanghai where Montblanc's largest flagship store was inaugurated in November 2007. The existing boutiques in San Francisco, Zürich, Vienna and Düsseldorf underwent major renovations during the year.

Reflecting the growing importance of jewellery and watches to the Maison's retail sales strategy, dedicated areas for these product categories were created in the boutique network, featuring a new concept in furniture, colours and lighting.

Patronage of the arts is at the heart of the brand's communication concept. In 2007, the world-renowned young Chinese pianist, Lang Lang, was elected as the new Chairman of the Montblanc de la Culture foundation which supports and honours individuals who have given their time, energy and money to encourage cultural life to flourish.

Montblanc's ambassadors play a central role in brand advertising campaigns and PR events. The successful advertising campaign with the charity theme 'Helping others gives success a true meaning' continued, refreshed by new ambassadors such as the pianist Lang Lang and actress Eva Green.

The Maison has long demonstrated its commitment to social responsibility. In 2007, it launched an initiative entitled 'The Power to Write' in conjunction with UNICEF, with the objective of combating childhood illiteracy.

The business enjoyed growth in all markets in 2007. Of particular note was the progress achieved in China, Montblanc's third largest market and projected to become its second largest by 2009. Shanghai was chosen as the venue for the world première Haute Joaillerie pieces 'A Tribute to Women' which generated valuable media interest at a local and international level.

In the year ahead, Montblanc will continue to enhance its attractiveness for female customers and develop its Swiss watchmaking reputation.

LUTZ BETHGE
CHIEF EXECUTIVE

Montblanc Star Rieussec Monopusher Chronograph Platinum – Montblanc movement, Caliber MB R100, Unique Rotating Counters

Established 1912

43-45 Via Ca' Erizzo
Bassano del Grappa Italy

Acting Chief Executive
Roberta Facciano

Finance Director
Paolo Valente

www.montegrappa.com

1912 Montegrappa ITALIA

Montegrappa's exquisite writing instruments embody the core values of this distinctly Italian Maison – tradition, creativity, craftsmanship and design – and capture the essence of a rich cultural heritage and Italian lifestyle.

These qualities are at the heart of the Maison's 2007 strategic product launches in both regular and limited edition lines. In regular lines, the *NeroUno* adds a modern twist to the signature Montegrappa features – the octagonal shape, the rotating sphere at the tip of the clip, the '1912' logo on the top of the cap. This elegant writing instrument is designed to appeal to the sophisticated urban customer. In limited editions, the *Genio Creativo* collection will pay homage each year to a creative genius of the past, reflecting elements of the life and work of the chosen personage in details of the writing instrument. The 2007 edition is dedicated to the famed Italian manufacturer of fine stringed musical instruments, Antonio Stradivari.

Precious and refined materials remain a distinctive feature of Montegrappa's creations. In 2007, extensions were made to the *Extra 1930* line, with a new bamboo black colour, and to the *Emblema*, with a pearl grey addition. With the iconic *Emblema*, Montegrappa won the 2007 prize for modern and contemporary pens at the prestigious 'Premier Middle East Watches, Jewellery and Pens Awards' at the Bahrain Jewellery Fair.

Significant efforts were made during the year to raise Montegrappa's profile worldwide. In key markets such as Italy, Russia, the US and United Arab Emirates, the Maison has successfully strengthened the brand's reputation, while in all other markets good progress was made in developing the awareness for Montegrappa writing instruments. The partnership between Montegrappa and its ambassador, Paulo Coelho, continued to flourish, the internationally acclaimed author attending major launch events in Madrid and Paris.

The Maison continued to develop its distribution network with a new boutique in Hong Kong's 'Elements' shopping mall and enhancements to existing shop-in-shops to support the brand's image and visual identity. Further investments were made in the Bassano factory in northern Italy, to optimise production processes, improve quality and fully exploit the Italian touch and art of manufacturing.

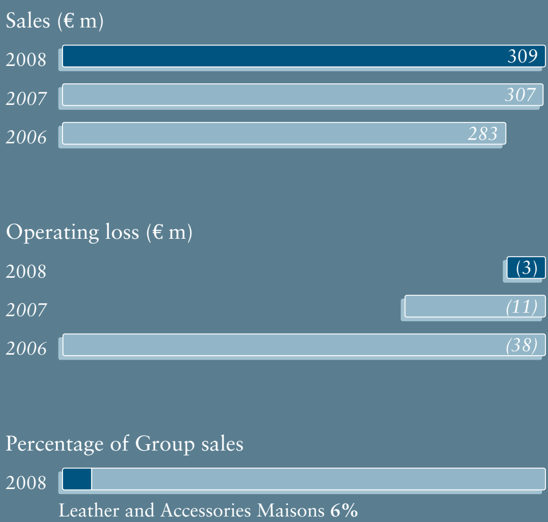
Montegrappa has exciting plans for the future. With the launch of a stylish new collection inspired by Italian lifestyle and flair, the Maison will seek to capture a new audience of modern, cosmopolitan women and become a key player in the market of ladies' writing instruments. These developments will be supported by initiatives for PR, communication and the distribution network, further enhancing Montegrappa's visibility and international renown.

NeroUno combines the Montegrappa character of almost one century of highly-skilled craftsmanship with the soul of Italy

ROBERTA FACCIANO
ACTING CHIEF EXECUTIVE

Leather and Accessories Maisons

Key results



dunhill
LONDON

LANCEL
PARIS

Established 1893

Bourdon House
2 Davies Street
London United Kingdom

Chief Executive
Christopher M. Colfer

Finance Director
Mike Woodcock

www.dunhill.com

dunhill
LONDON

Alfred Dunhill, the quintessentially British brand, is the definitive destination for exceptional luxury goods for men. Its inherent style, wit and expertise in leather goods and menswear create truly indulgent products, which are both innovative and functional, in the spirit of the brand's historical philosophy.

Tradition canvas holdall, handcrafted in our workshop in London, combines handstitched canvas material, best quality vegetable-tanned calf leather and nickel plated hardware

The *Sentryman* collection was launched in 2007, spearheaded by the distinctive and masculine *Sentryman* writing instrument, alongside a range of men's jewellery and leather goods. The signature *Tradition* leather goods collection was relaunched during the year. Still handcrafted in Alfred Dunhill's London workshop, the range has been updated with fresh styles and colours.

There were significant transformations in menswear, including the introduction of the 'engineered fit' and the highly successful launch of the *dunhill jean*, using the very best Japanese denim, which follows the original 1930s manufacturing process.

The opening of the first 'Home of Alfred Dunhill' in Ginza, Tokyo was a landmark event, attended by British actor Jude Law, now the face of Alfred Dunhill internationally. On three floors and boasting a bar and lounge, a barber and valet service, this unique store concept will be followed in 2008-2009 by similar ones in London, Shanghai and Hong Kong, all of which will offer a range of exclusively designed products.

The new boutique concept, now proven to generate very positive sales growth for almost all converted points of sale, was rolled out to 51 different locations. Of these, 24 were in China, one of Alfred Dunhill's three principal markets, together with Japan and Hong Kong. A quarter of the retail network has now been converted.

In 2007, Russia showed significant growth with four new stores opening and the development of the wholesale business. The brand's commitment to India as a key market of the near future was demonstrated by the opening of the first three Alfred Dunhill stores there; two in Delhi and one in Bangalore.

The Alfred Dunhill Links Championship, now firmly established as the world's premier 'pro-am' golf tournament, was won this year by English golfer Nick Dougherty. As ever, the event was attended by a strong professional field, as well as screen stars and sporting legends.

A range of exciting initiatives is planned for the coming year, including the relaunch of dunhill.com, a new flagship opening in New York and the relaunch of the Custom programme to satisfy individual customer requirements across tailoring, shirting and leather goods.

Christopher M. Colfer

CHRISTOPHER M. COLFER
CHIEF EXECUTIVE

Established 1876

261 boulevard Raspail
Paris France

Chief Executive
Marc Lelandais

Finance Director
Eric Langon

www.lancel.com

Lancel prides itself on a heritage of over 130 years of creating innovative, luxury leather goods of the highest quality. In recent years, the Maison has refocused its strategy on this core strength, with a competitive offering of attractive women's bags and a distinctive brand image, underpinned by operational excellence in its supply chain and retail operations.

In 2007, this strategy paved the way for a dynamic development of the brand's image in both the French and international arenas and for profitable growth based on solid foundations.

Lancel's product range has been entirely redesigned around the *Elsa* and *Flirt* lines to provide an exclusive, unrivalled offering. Since its launch in 2006, *Premier Flirt* has established itself as a best-seller with exceptional sales volumes across all regions in the very competitive market for luxury bags.

Lancel's stylistic revival has been supported by a high-impact advertising campaign, featuring Olympic champion Laure Manaudou and actress Alice Taglioni. At the same time, the spectacular 'Lancel Red Parties' held in Hong Kong, Beijing, Moscow and at London's Olympia catapulted the brand into the spotlight of the luxury world.

The Maison's highly effective communication campaign has generated unprecedented editorial coverage both in the European and Asian press, significantly enhancing brand visibility.

A number of high-profile boutique openings attracted significant attention during the year – Hong Kong's 'Elements' mall, the Venetian Hotel in Macau and the 'Festival City' and 'Waffi' shopping centres in Dubai. In France, the flagship stores in Deauville and Saint-Germain-des-Prés were refurbished and the relocation of the Cannes 'La Croisette' boutique was completed.

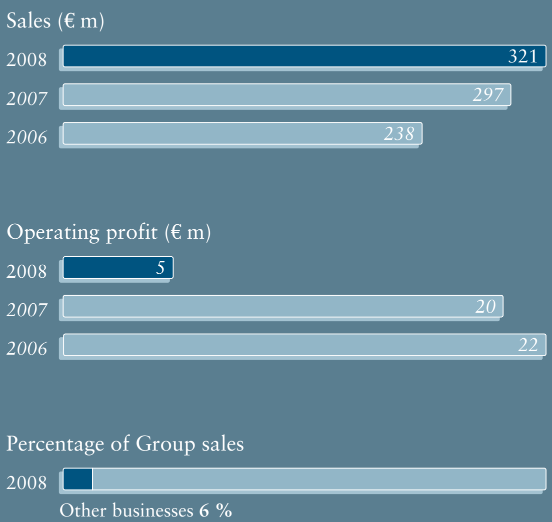
In the year ahead, Lancel will begin a new phase in the implementation of its strategy, with a particular emphasis on the brand's international development. The Maison will draw upon a long tradition of savoir-faire to produce original, attractive products for the luxury leather goods market. A new boutique concept will be rolled out globally whilst Isabelle Adjani, the internationally acclaimed actress, will lend a touch of French 'légèreté' in her new role as brand ambassador, embodying the frivolity and natural charm reflected in the unique spirit of Lancel.

MARC LELANDAIS
CHIEF EXECUTIVE

Pirate: Large shoulder bag

Other Businesses

Key results



Chloé

ALAÏA PARIS

PURDEY

and other manufacturing and retail activities

Chloé

Established 1952

5-7 avenue Percier
Paris France

Chief Executive
Ralph Toledano

Finance Director
Rémy Husson

www.chloe.com

Femininity, sensuality, energy, lightness and romanticism – these qualities are as recognisable in Chloé's clothing and accessories today as they were upon the brand's creation over 50 years ago. Chloé's talent for evolving its style while remaining true to these underlying values has earned the brand its iconic status amongst the world's most fashion-conscious, sophisticated women.

In 2007, the Maison successfully continued the extension of its signature ready-to-wear collection and its *See by Chloé* line. The childrenswear collection, developed in 2006 and available in selected boutiques, performed exceptionally well.

Chloé's reputation for creating the most sought-after women's handbags was maintained, with the launch of two new lines, *Héloise* and *Saskia*, both of which made an immediate impact on the fashion world and achieved excellent retail sales results.

The outstanding performance of the new eyewear line, most notably the *Myrte* sunglasses, was another highlight of the year.

2007 saw the impressive launch of the new *Chloé* fragrance, introduced worldwide towards the end of the year. The launch party was a stunning event held at the historic Hôtel de la Monnaie in Paris in October 2007. This was followed by a powerful advertising campaign, featuring actresses Clémence Poésy and Chloë Sevigny and model Anja Rubik, three celebrities reflecting the attitude of the Chloé woman.

Continuing its retail expansion, the Maison opened new stores in Singapore, Taipei, Osaka, Kuala Lumpur, Jakarta, Istanbul, Bahrain and Las Vegas, as well as the Lithuanian city of Vilnius and the Sardinian resort of Porto Cervo. In China, the brand consolidated its presence with new openings in the cities of Suzhou and Shenyang and the integration of its four existing boutiques in Beijing and Shanghai.

Chloé Saskia handbag

The year's successful retail performance was supported by effective communication and PR initiatives and improvements in the business's systems and operations. Advertising campaigns focused on Chloé's essential spirit and vision of romantic, sensual, ultra-feminine fashion. Highlights in public relations included the reopening of the Madison Avenue boutique in New York following its refurbishment, which generated widespread editorial coverage.

In March 2008, Chloé announced the appointment of Hannah MacGibbon as Creative Director. This news has been extremely well received by the fashion industry.

The Maison has grown rapidly in recent years and has implemented significant improvements throughout the organisation to ensure ever-higher standards of customer service. We look forward to the next phase of its development.

RALPH TOLEDANO
CHIEF EXECUTIVE

Established 1983

7 rue de Moussy
Paris France

Azzedine Alaïa is an internationally renowned Parisian Maison best known for creative clothing designs and unique, contemporary style.

Established 25 years ago and still under the artistic control of Mr Alaïa, the Maison has developed a reputation for originality and high creativity. His choice and cutting of materials and attention to details have attracted a discerning and devoted clientele. Each piece is unique. It is painstakingly crafted with traditional dressmaking skills in Mr Alaïa's Parisian workshop.

Mr Alaïa studied sculpture at the Beaux Arts in Tunis before moving to Paris in 1957 and started designing clothes for a small private clientele. Regarded as one of fashion's greatest creators and probably the last living couturier, he continues to receive the highest accolades from leading fashion critics.

The Maison's bespoke pieces are complemented by a ready-to-wear business, the *Intemporelles* line of mostly iconic designs, footwear and other leather goods. The footwear range, launched in 2003, has been particularly successful.

In addition to the rue de Moussy showroom and workshop in Paris, Azzedine Alaïa clothes and leather goods are available in prestigious department stores worldwide, including the US, Italy, UK, France, Russia, China, Hong Kong, Japan and Korea.

The Maison joined Richemont in October 2007. The Group is supporting the development of the Alaïa Foundation, which will house unique pieces and the archives of all the collections and patterns from three decades' work.

Traditional dressmaking skills and contemporary style come together in the Parisian workshop

PURDEY

Established 1814

Audley House
57-58 South Audley Street
London England

Chief Executive
Nigel Beaumont

Finance Director
Marion Shaw

www.purdey.com

Since 1814 Purdey has been manufacturing shotguns and rifles of the very highest quality. Renowned throughout the sporting world for creating guns with an exquisite finish, Purdey appeals as no other gun-maker to connoisseurs within the international shooting community. In recent years the company has expanded its offering to include a range of superior clothing and accessories which represents an increasingly important activity for the business.

In 2007, the number of orders taken for bespoke guns and rifles was the highest for seven years. This was achieved despite the weak US dollar, the US traditionally being Purdey's strongest market for guns. Demand from European, and in particular UK customers, saw a significant increase, with a high proportion of pairs of guns being ordered.

The new *Sporter* shotgun was introduced to the market during the year and was well received, with good orders on the books. This model is offered with three engraving variations. Strong positive press and trade commentary helped to promote this exceptionally well-made, superbly-finished product which is designed to compete in the clay target shooting market at the sporting gun level.

The ninth Purdey Awards for Game and Conservation were presented in November 2007 by Julian Fellowes, the English actor and screenwriter. The value generated by these awards in raising awareness of the environmental benefits of game conservation work is increasing year-on-year. For Purdey this initiative generates significant positive feedback from inside and outside the shooting world and enhances Purdey's reputation.

Since its opening in 2006, the Purdey boutique in El Corte Inglés, Madrid has generated good sales growth, an encouraging performance in this key market. The wholesale business in clothing and accessories performed well during the year.

Future priorities for Purdey include enhancing the brand profile and raising awareness of its products through effective consumer advertising and further PR activities.

Nigel. Beaumont

NIGEL BEAUMONT
CHIEF EXECUTIVE

The new 12-Bore Over and Under Purdey Sporter

Business review

Financial review

Group results

in € millions	March 2008	March 2007	
Sales	**5 302**	4 827	+10 %
Cost of sales	**(1 897)**	(1 753)	
Gross profit	**3 405**	3 074	+11 %
Net operating expenses	**(2 297)**	(2 158)	+6 %
Operating profit	**1 108**	916	+21 %
Net financial income	**47**	31	
Profit before taxation	**1 155**	947	
Taxation	**(195)**	(158)	
Net profit – parent and subsidiaries	**960**	789	+22 %
Share of post-tax profit of associates	**610**	540	+13 %
Net profit	**1 570**	1 329	+18 %
Analysed as follows:			
Net profit attributable to unitholders	**1 571**	1 328	
Net profit/(loss) attributable to minority interests	**(1)**	1	
	1 570	1 329	

Earnings per unit – diluted basis	**€ 2.760**	€ 2.331	+18 %
Dividends			
Ordinary dividend per unit	**€ 0.78**	€ 0.65	+20 %
Special dividend per unit	**–**	€ 0.60	–
Total dividend per unit	**€ 0.78**	€ 1.25	–

RICHARD LEPEU, GROUP FINANCE DIRECTOR

Financial highlights

- Sales increased by 10 per cent to € 5 302 million. Good growth seen during the earlier part of the year continued in the fourth quarter.
- Operating profit from the luxury goods businesses increased by 21 per cent to € 1 108 million.
- Net profit, including the Group's share of the results of British American Tobacco, increased by 18 per cent to € 1 570 million. Excluding the impact of non-recurring items in both years, net profit attributable to unitholders increased by 17 per cent to € 1 582 million.
- Cash generated by the Group's luxury goods operations was € 968 million.
- The ordinary dividend for the year, at € 0.78 per unit, represents an increase of 20 per cent over that paid in 2007.

Review of Group results

SALES

Sales increased by 10 per cent to € 5 302 million, with particularly strong sales growth at the Group's specialist watchmakers. Sales growth by region was mixed, with double-digit sales growth in most regions except Japan. Further analyses of sales developments are given on pages 37 to 40.

GROSS MARGIN

The gross margin percentage increased by 0.5 percentage points to 64.2 per cent. This was largely due to manufacturing efficiencies combined with channel and product mix effects. Price changes during the year broadly offset negative exchange rate impacts. Sales growth and the improved margin percentage generated an 11 per cent increase in gross profit to € 3 405 million. In percentage terms, the 0.5 per cent increase in the gross margin can be attributed to the following:

	%
Impact of foreign exchange rate movements on sales	(1.7)
Impact of foreign exchange rate movements on cost of sales	0.7
Other, primarily price increases, channel mix and hedging results	1.5
Net increase in gross margin percentage	0.5

OPERATING PROFIT

Operating profit increased by 21 per cent to € 1 108 million. Excluding a net non-recurring gain, the underlying operating profit of € 1 108 million from the Group's luxury businesses represented an increase of 23 per cent, compared to € 900 million in the prior year.

NET OPERATING EXPENSES

in € millions	March 2008	March 2007	
Selling and distribution expenses	**(1 181)**	(1 090)	+8 %
Communication expenses	**(607)**	(570)	+6 %
Administration expenses	**(522)**	(503)	+4 %
Other operating income	**13**	5	–
Net operating expenses	**(2 297)**	(2 158)	+6 %

Net operating expenses increased by 6 per cent. The increase reflected the growth in selling and distribution expenses linked to the Group's expanding boutique network as well as higher communication costs.

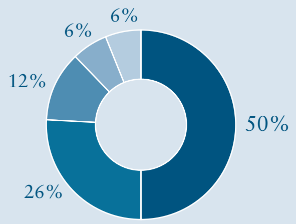
The 6 per cent increase in communication costs included the costs associated with new product launches and initiatives in new markets. As a percentage of sales, communication costs were marginally lower than the prior year at 11.4 per cent.

Administration expenses increased by 4 per cent overall. Within this figure, the Group's central support service costs increased by 7 per cent excluding provisions for costs associated with the Group restructuring project. Net operating expenses included stock option charges amounting to € 31 million (2007: € 33 million).

Other operating income in the comparative year included a net, non-recurring gain of € 16 million in respect of a property lease disposal attributable to Alfred Dunhill.

ANALYSIS OF SALES AND OPERATING RESULTS BY BUSINESS AREA

Sales by business area



- **Jewellery Maisons** € 2 657 million
- **Specialist Watchmakers** € 1 378 million
- **Writing Instrument Maisons** € 637 million
- **Leather and Accessories Maisons** € 309 million
- **Other Businesses** € 321 million

Sales and operating results of the Group's main areas of activity were as follows:

in € millions	March 2008	March 2007	
Sales			
Jewellery Maisons	**2 657**	2 435	+9 %
Specialist Watchmakers	**1 378**	1 203	+15 %
Writing Instrument Maisons	**637**	585	+9 %
Leather and Accessories Maisons	**309**	307	+1 %
Other Businesses	**321**	297	+8 %
Total sales	**5 302**	4 827	+10 %
Operating results			
Jewellery Maisons	**767**	667	+15 %
Specialist Watchmakers	**376**	274	+37 %
Writing Instrument Maisons	**120**	110	+9 %
Leather and Accessories Maisons	**(3)**	(11)	–
Other Businesses	**5**	20	-75 %
	1 265	1 060	+19 %
Corporate costs	**(157)**	(144)	+9 %
Central support services	**(146)**	(137)	+7 %
Other operating expense, net	**(11)**	(7)	+57 %
Operating profit	**1 108**	916	+21 %
Further analysed as follows:			
Underlying operating profit from luxury business	**1 108**	900	+23 %
Non-recurring item – Leather and Accessories Maisons	**–**	16	–
Operating profit	**1 108**	916	+21 %

In the table above, those Maisons which are principally engaged in a specific business area have been grouped together. By way of example, those businesses which have a heritage as producers of high jewellery and jewellery watches – Cartier and Van Cleef & Arpels – are grouped together as 'Jewellery Maisons'. Their entire product ranges, including watches, writing instruments and leather goods, are reflected in the sales and operating result for that business area. Charges for stock options have been allocated to operating costs within the relevant business areas and central support services.

JEWELLERY MAISONS

Cartier reported good growth at constant exchange rates in all regions with the exception of Japan, which saw modest growth. Van Cleef & Arpels also enjoyed very good growth in sales; albeit from a significantly lower base. Operating profit for the business area as a whole increased by 15 per cent to € 767 million. Operating margin for the business area improved by 1 percentage point to 29 per cent.

SPECIALIST WATCHMAKERS

The Group's seven specialist watchmakers enjoyed very strong demand throughout the year, leading to sales growth of 15 per cent. Sales at IWC and Jaeger-LeCoultre were particularly strong. The increase in sales combined with operating leverage generated a 37 per cent increase in operating profit.

WRITING INSTRUMENT MAISONS

Montblanc's sales growth of 9 per cent included strong growth through its expanding retail network, with an increasing proportion of sales being generated by leather goods, watches and jewellery lines. Operating profit for the business area, which includes Montegrappa, increased by 9 per cent and the operating margin remained stable at 19 per cent.

LEATHER AND ACCESSORIES MAISONS

Alfred Dunhill reported continuing sales growth, primarily through its own boutique network. Sales in the Asia-Pacific region grew strongly but sales in Japan were flat in local currency terms. Excluding one-off gains, Alfred Dunhill was close to breakeven. This represents a significant improvement over the prior year, when operating losses were € 8 million after taking into account the benefit of a non-recurring gain of € 16 million on the disposal of a property.

Lancel's sales were lower than the prior year, reflecting steps to reposition its product ranges at higher price points with improved margins. The repositioning provides a basis for further expansion, particularly in the fast-growing Asia-Pacific region. Lancel's operating losses increased from € 3 million in the prior year to € 4 million in the year under review.

OTHER BUSINESSES

Chloé's sales were in line with the prior year.

Sales of this business area included the impact of acquisitions made during the current financial year. These included watch component manufacturing businesses and the Azzedine Alaïa Maison.

Operating profit in this business area fell significantly, largely due to losses from watch component manufacturing activities. These issues are being addressed. In addition, the costs of developing the joint venture in terms of watches and jewellery manufacturing with Polo Ralph Lauren Inc, which has not yet started trading, are reported in this business area.

CORPORATE COSTS

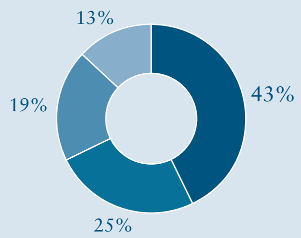
Corporate costs include central support services such as strategic management, marketing and functional support, legal services, manufacturing and logistics, intellectual property, finance, human resources and information technology together with central marketing initiatives. These and other net expenses are not allocated to specific business areas. Costs are well controlled, the increase in other operating expenses being largely due to costs associated with the Group restructuring project.

OPERATING PROFIT

After corporate costs, Group operating profit amounted to € 1 108 million, an increase of 21 per cent over the prior year. This increase reflects the growth in sales, the improvement in the gross margin percentage and continuing cost control. The Group's overall operating profit margin increased from 19 per cent to 21 per cent.

SALES BY REGION

Sales by region



			Movement at	
in € millions	March 2008	March 2007	Constant exchange rates	Actual exchange rates
Europe	**2 293**	2 042	+14 %	+12 %
Asia-Pacific	**1 296**	1 070	+31 %	+21 %
Americas	**1 014**	984	+13 %	+3 %
Japan	**699**	731	+3 %	-4 %
	5 302	4 827	+16 %	+10 %

EUROPE

Europe remains the Group's most important market by far, with sales representing 43 per cent of turnover. The 12 per cent increase reflects good growth in established markets and double-digit sales growth in developing markets in the region, including the Middle East.

ASIA-PACIFIC

Sales growth was very strong, particularly in China and Hong Kong. Despite the negative impact of exchange rate movements relative to the euro, sales increased by 21 per cent. Overall sales in the region now represent 25 per cent of total sales.

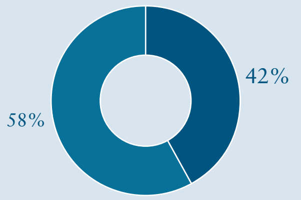
AMERICAS

The Americas region reported good underlying growth for the year as a whole. Sales during the final quarter of the year proved to be very resilient in local currency terms. The significant decrease in the value of the dollar relative to the euro during the year resulted in sales growth for the year as a whole being limited to 3 per cent at actual exchange rates. Sales in the Americas represent 19 per cent of total sales.

JAPAN

The Japanese market was challenging throughout the year, with local currency sales in the fourth quarter being slightly below the prior year's levels. Notwithstanding the limited growth in underlying sales the weakness of the yen resulted in sales in euro terms being down by 4 per cent. Sales in Japan now represent 13 per cent of total Group sales.

SALES BY DISTRIBUTION CHANNEL



in € millions	March 2008	March 2007	
Retail	**2 214**	2 009	+10 %
Wholesale	**3 088**	2 818	+10 %
	5 302	4 827	+10 %

RETAIL

Retail sales increased by 10 per cent to € 2 214 million. This high level of growth reflected good trading at established boutiques and the expansion of the network of Group-owned points of sale. The total retail network increased by 158 to 1 312 boutiques. This increase includes the opening or internalisation of boutiques by Montblanc, Alfred Dunhill and Chloé in particular. At the end of March 2008, the Group's Maisons owned 738 boutiques. A further 574 points of sale were operated by franchise partners.

WHOLESALE

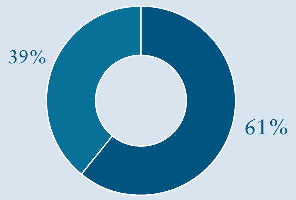
Wholesale sales increased by 10 per cent. Strong sales at certain specialist watchmakers and Van Cleef & Arpels contributed to this double-digit growth rate. Sales to franchise partners are treated as wholesale sales.

RETAIL NETWORK (NUMBER OF POINTS OF SALE)

	Owned	Franchised	Total
Cartier	**163**	**94**	**257**
Van Cleef & Arpels	**45**	**20**	**65**
Piaget	**29**	**23**	**52**
Montblanc	**221**	**109**	**330**
Alfred Dunhill	**122**	**76**	**198**
Lancel	**68**	**156**	**224**
Chloé	**58**	**34**	**92**
Other Maisons	**32**	**62**	**94**
	738	**574**	**1 312**

SUMMARY INCOME STATEMENT AND RESULTS OF ASSOCIATED UNDERTAKINGS

Net profit



in € millions	March 2008	March 2007
Operating profit	**1 108**	916
Net finance income	**47**	31
Profit before taxation	**1 155**	947
Taxation	**(195)**	(158)
Share of post-tax results of associated undertakings	**610**	540
Before non-recurring expenses	**621**	578
Share of non-recurring expenses	**(11)**	(38)
Net profit	**1 570**	1 329
Attributable to unitholders	**1 571**	1 328
Attributable to minority interests	**(1)**	1
Net profit	**1 570**	1 329

NET FINANCE INCOME

Net finance income amounting to € 47 million includes net interest income, net foreign exchange gains and losses and net fair value changes. Net fair value gains amounted to € 9 million (2007: € 16 million gain), including the appreciation of certain listed and unlisted investments. Under IFRS, such investments and other 'fair value financial assets' must be revalued at the balance sheet date with reference to market valuations. This 'mark to market' approach inevitably creates volatility in the reported finance income line.

TAXATION

Excluding the Group's share of the results of its investment in British American Tobacco, the Group's effective taxation rate was 16.9 per cent compared with 16.7 per cent last year. The effective taxation rate in general reflects the lower level of corporate taxes in Switzerland compared to other jurisdictions. The lower effective taxation rate in the prior year reflected principally the first time deductibility of costs related to share-based payments.

ASSOCIATED UNDERTAKINGS

The Group's principal associate is British American Tobacco plc. At 31 March 2008, Richemont had an effective interest of 19.3 per cent in British American Tobacco, with a market value of € 9 250 million.

The Group also has a number of smaller investments which are classified as associated undertakings. The Group's share of results of these smaller investments amounted to a profit of € 1 million (2007: a profit of € 1 million).

BRITISH AMERICAN TOBACCO PLC ('BAT')

The Group's share of the results of BAT increased by 13 per cent to € 609 million. Excluding non-recurring income and expense from both years, the Group's share of the results of BAT would have increased by 7 per cent to € 620 million.

Non-recurring items in respect of BAT are reported net of taxation and minority interests in this review. Non-recurring items include those of BAT's subsidiary companies as well as its own associated companies. Further details of non-recurring items are given on page 43 of this review.

In its financial year ended 31 March 2008, Richemont accounted for BAT's nine months ended 31 December 2007 and three months ended 31 March 2008. In the comparative period, the same approach was applied. The following table presents the Group's effective interest in BAT applied in the current and the prior year periods. The increases in the Group's interest in both the current and prior year were due to the share buy-back programme carried out by BAT.

	2007/08 %	2006/07 %
1 April to 30 June	**19.1**	18.8
1 July to 31 December	**19.3**	18.9
1 January to 31 March	**19.3**	19.0

BAT reports its results in sterling. The average euro:sterling exchange rate for the Group's financial year was 0.71, compared with 0.68 in the prior year. Consequently, there was a 4 per cent negative impact on the Group's share of BAT's results on translation into euros due to exchange rate movements.

In cash flow terms, the Group received dividends totalling € 325 million from BAT during the year (2007: € 280 million).

In BAT's financial year to 31 December 2007, its adjusted, diluted earnings per share, a good indicator of its underlying performance, grew by 11 per cent to 108.53 pence per share, principally as a result of the strong growth in profit from operations, partly offset by the adverse impact from foreign exchange movements. Basic earnings per share were higher at 105.19 pence compared to the prior year of 92.08 pence.

The following commentary is condensed from BAT's annual report for the year ended 31 December 2007.

BAT's cigarette sales volumes from subsidiaries for the year ended 31 December 2007 decreased by 1 per cent to 684 billion, mainly as a result of the high level of trade buying in some markets at the end of 2006, supply chain disruptions in the Middle East and the loss of StiX in Germany. BAT's four Global Drive Brands achieved an overall volume growth of 10 per cent, which led to share improvements in many markets. BAT's revenue increased by 3 per cent to £ 10 018 million but, at comparable rates of exchange, would have increased by 5 per cent as a result of more favourable pricing and an improving product mix. Profit from operations was 11 per cent higher at £ 2 905 million or 7 per cent higher if exceptional items were excluded. However, profit from operations at comparable rates of exchange and excluding exceptional items would have been 11 per cent higher, with all regions contributing to this strong result.

In Europe, profit at £ 842 million was up £ 61 million or 8 per cent, at both current and comparable rates of exchange, mainly as a result of higher margins in Russia, Romania, Hungary and Spain, which more than offset the impact of reduced volumes in a number of markets. Volumes were down 1 per cent at 245 billion, with reductions in Russia, Ukraine, Germany, Italy and Spain partly offset by increases in Romania.

In Asia-Pacific, profit rose by £ 56 million to £ 672 million, mainly attributable to strong performances from Australasia, Vietnam, Pakistan and Bangladesh, despite the adverse impact of exchange rates. At comparable rates of exchange, profit would have increased by £ 66 million or 11 per cent. Volumes at 145 billion were 2 per cent higher as a result of strong growth in Pakistan, South Korea and Vietnam, partially offset by declines in Malaysia and Bangladesh.

Profit in Latin America increased by £ 69 million to £ 680 million due to good performances in key markets such as Brazil and Venezuela, partly offset by lower profit in Mexico and the adverse impact of some weaker local currencies. At comparable rates of exchange, profit would have increased by £ 86 million or 14 per cent. Volumes were 1 per cent down at 151 billion as the increases in Brazil, Venezuela and Chile were more than offset by declines in Mexico, Argentina and Central America.

Profit in the Africa and Middle East region was £ 2 million higher at £ 470 million due to exchange rate movements. However, at comparable rates of exchange, profit would have increased by £ 53 million or 11 per cent with strong performances from South Africa and Nigeria. Volumes were 4 per cent lower at 101 billion, resulting from supply chain disruption in the Middle East and a change in the distribution model in Turkey.

The profit from the America-Pacific region increased by £ 22 million to £ 446 million as a result of higher profit in local currency in Japan and Canada, partly offset by the impact of weaker exchange rates. At comparable rates of exchange, profit would have increased by £ 45 million or 11 per cent. Volumes decreased by 3 per cent to 42 billion, mainly as a result of the decline in industry volumes in Canada, partly offset by the increase in Japan.

BAT's associated companies comprise Reynolds American, ITC and Skandinavisk Tobakskompagni ('ST'). BAT's share of the post-tax results of its associates increased by £ 11 million, or 3 per cent to £ 442 million, after taxation of £ 246 million. Excluding exceptional items, BAT's share of the post-tax results of associates was £ 449 million. However, BAT's share of these results was particularly affected by the weakening of the average US dollar rate against sterling from 1.844 to 2.001 and, at comparable rates of exchange, the increase would have been 11 per cent.

In terms of recent developments, BAT announced an agreement to acquire 100 per cent of the ST's cigarette and snus business in exchange for its 32.25 per cent holding in ST and payment of DKK 11 384 million in cash. This transaction is subject to approval by the European Commission. ST accounts for more than 60 per cent of cigarette sales in Scandinavia. In addition, BAT won the public tender for the cigarette assets of Tekel, the Turkish state owned tobacco company, with a bid of US$ 1 720 million. On completion, which is expected later this year and is subject to regulatory approvals, the acquisition will raise BAT's market share in Turkey, the eighth largest cigarette market in the world, to some 36 per cent from just over 7 per cent prior to acquisition.

Further information in respect of BAT can be obtained from that company's website: www.bat.com

ANALYSIS OF UNDERLYING NET PROFIT ATTRIBUTABLE TO UNITHOLDERS

	March 2008			March 2007		
in € millions	Underlying	Non-recurring items	IFRS	Underlying	Non-recurring items	IFRS
Sales	5 302	–	5 302	4 827	–	4 827
Operating profit	1 108	–	1 108	900	16	916
Net profit – parent and subsidiaries	961	–	961	772	16	788
Share of post-tax profit of associates	621	(11)	610	578	(38)	540
Net profit attributable to unitholders	1 582	(11)	1 571	1 350	(22)	1 328
Earnings per unit						
Basic	€ 2.819		€ 2.800	€ 2.405		€ 2.366
Diluted	€ 2.780		€ 2.760	€ 2.369		€ 2.331

During the year under review, there were no significant non-recurring items in operating profit.

During the prior year, the Group realised non-recurring income of € 16 million, being a net gain on the disposal of a retail property lease by Alfred Dunhill.

The non-recurring items included in the Group's share of the results of its associate, BAT, amounted to a net charge of € 11 million in the year under review (2007: € 38 million). This primarily reflected restructuring charges, net of gains and losses on the disposal of businesses and brands as well as termination fees received by Reynolds American, an associated company of BAT. Non-recurring items in respect of BAT are reported net of taxation and minority interests in the analysis above. Non-recurring items include those of BAT's subsidiary companies as well as its own associated companies.

Excluding non-recurring items from both years, attributable net profit in the year to 31 March 2008 would have been € 1 582 million compared to € 1 350 million in the prior year, an increase of 17 per cent.

Excluding non-recurring items, Richemont's basic earnings per unit would have increased by 17 per cent from € 2.405 to € 2.819 and diluted earnings per unit would have increased by 17 per cent from € 2.369 to € 2.780.

CASH FLOW

in € millions	March 2008	March 2007
Operating profit	**1 108**	916
Depreciation, amortisation and other items, net	**134**	175
Increase in working capital	**(274)**	(121)
Cash generated from operations	**968**	970
Dividends received from associate	**325**	280
Net interest received	**41**	27
Taxation paid	**(171)**	(177)
Net acquisitions of tangible fixed assets	**(265)**	(201)
Net acquisitions of intangible assets	**(30)**	(20)
Other investing activities, net	**(102)**	(126)
Net cash inflow before financing activities	**766**	753
Dividends paid to unitholders	**(701)**	(612)
Ordinary dividend	**(364)**	(334)
Special dividend	**(337)**	(278)
Increase/(decrease) in borrowings and other financing activities	**69**	(14)
Net cash flow in respect of treasury units	**(37)**	63
Exchange rate effects	**51**	17
Increase in cash and cash equivalents	**148**	207
Cash and cash equivalents at the beginning of the year	**1 623**	1 416
Cash and cash equivalents at the end of the year[1]	**1 771**	1 623
Borrowings	**(525)**	(482)
Net cash at the end of the year	**1 246**	1 141

[1]Cash and cash equivalents are as per the consolidated cash flow statement on page 71 of the consolidated financial statements.

Gross acquisition of tangible fixed assets

The Group's net cash position at 31 March 2008 was € 1 246 million compared with € 1 141 million twelve months earlier. The increase in net cash largely reflects the net cash inflow before financing activities of € 766 million, partly offset by the payment of ordinary and special dividends to unitholders in September 2007.

Cash generated from operations totalled € 968 million for the year. An increase in working capital, due to higher inventories, largely offset the higher contribution from operating profit. The increase in net inventories principally reflected higher raw material stocks and work in progress.

Dividends received from the Group's associate, BAT, comprised the final dividend in respect of its financial year ended 31 December 2006, received in May 2007 and the interim dividend for the 2007 financial year, received in September 2007.

Net acquisitions of tangible fixed assets amounted to € 265 million. This amount included investments in the Group's network of boutiques as well as the further investment in the Maisons' manufacturing facilities.

Other investing activities included the acquisition of the watch component production facilities of Manufacture Roger Dubuis SA, the watch case maker Donzé-Baume SA and the Azzedine Alaïa Maison. The cash outflow from these investing activities was partly offset by proceeds from the disposal of financial assets.

In order to hedge executive stock option grants, the Group exercised options to purchase Richemont units for a consideration of € 60 million and bought further call options over Richemont 'A' units for a consideration of € 20 million. The cost of these purchases was partly offset by proceeds from the exercise of stock options by executives, leading to a net cash outflow of € 37 million.

SUMMARISED BALANCE SHEET

in € millions	31 March 2008	31 March 2007
Non-current assets		
Fixed assets	**1 207**	922
Investment in associated undertakings	**3 008**	3 506
Other non-current assets	**493**	546
	4 708	4 974
Net current assets	**1 866**	1 594
Net operating assets	**6 574**	6 568
Net cash	**1 246**	1 141
Cash and cash equivalents	**1 771**	1 623
Borrowings	**(525)**	(482)
Other non-current liabilities	**(168)**	(196)
	7 652	7 513
Equity		
Unitholders' equity	**7 648**	7 511
Minority interests	**4**	2
	7 652	7 513

At 31 March 2008, the Group's interest in BAT's ordinary shares amounted to 19.3 per cent and BAT's market capitalisation, based on 2 016 million ordinary shares in issue, amounted to £ 38 126 million (€ 47 815 million). The fair value of the Group's investment in BAT therefore amounted to £ 7 376 million (€ 9 250 million). The carrying value of the investment amounted to £ 2 391 million (€ 2 998 million) on that date. Details of movements in the Group's effective interest in BAT ordinary shares during the year are given in the commentary on page 42. The carrying value of investments in other associated undertakings at 31 March 2008 was € 10 million.

Net current assets increased by € 272 million compared to March 2007. The value of inventories increased by 20 per cent to € 2 076 million. The inventory increase largely reflects the purchase of raw materials and an increase in the work in progress inventories. Consequently, the inventory rotation rate has slowed by 1.3 months to 16.4 months. The increases in inventories were partly offset by increases in current liabilities.

At 31 March 2008, net cash amounted to € 1 246 million. 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, namely, euros, yen, US dollars, Hong Kong dollars and Swiss francs. Borrowings reflect the financing of net operating assets in the countries concerned.

Unitholders' equity amounted to € 7 648 million, net of the cost of repurchased treasury units and related instruments. These treasury units are held as a hedge against the exercise of executive unit options. At 31 March 2008, the Group held 13.1 million treasury units, representing 2.5 per cent of the total number of the 'A' bearer units in issue.

BUSINESS STRUCTURE AND STRATEGY

Compagnie Financière Richemont SA is the ultimate holding company for some of the world's leading luxury goods businesses, encompassing jewellery, watches, writing instruments and other luxury products. In addition, the Group owns a significant interest in British American Tobacco plc ('BAT'), one of the world's leading tobacco companies, together with interests in a number of smaller investments both in and ancillary to the luxury goods sector.

The Group's luxury businesses operate globally and are structured in four main business areas, each focusing on a specific aspect of the business – jewellery, watches, writing instruments and leather and accessories. A fifth business area includes smaller businesses and component manufacturing activities.

The Group's largest market is Europe, which generated 43 per cent of sales during the year under review. Details of sales by geographic region are given on page 39 of this report. The Group believes the diversity of its geographical operations, with a lack of dependency on any one market, represents a long-term competitive advantage.

Maintaining and enhancing the tradition, heritage and character of the Maisons is critical to ensuring the future development and success of the Group. Product quality is paramount. Each Maison also focuses on increasing awareness and desirability by developing creative products and marketing programmes and anticipating future market trends. The Maisons' products are sold through a network of boutiques owned by the Group, through franchise operations and through boutiques owned by third parties.

FACTORS AFFECTING RESULTS

The Group's products can be considered discretionary purchases. Declining confidence in local or international economies can therefore impact consumer spending. Global events such as regional conflicts, terrorism, disease and natural disasters may also affect the consumer's willingness to purchase luxury products.

The products sold by Group companies rely on the considerable skill and craftsmanship of their employees and on the availability of components from suppliers. Suppliers, likewise, are dependent on the availability of skilled labour. The recruitment, training and retention of craftsmen is therefore a long-term investment, both for the Group and its suppliers.

Attracting and retaining creative, management and craft talent are critical to the Group in meeting its long-term objectives. The Group has developed global human resources strategies in concert with the Maisons and the regional platforms to attract, retain and motivate talented individuals. Performance objectives are established between the Group, Maisons and platforms and are reviewed annually.

The Maisons manufacture their products in western Europe, primarily in Switzerland, France and Germany. In contrast, some 57 per cent of Group sales are made outside Europe, exposing the Group to significant foreign exchange risk. Fluctuations in exchange rates may be compensated by the pricing applied to products. The Group also uses a variety of short-term and long-term hedging strategies to further safeguard its assets and operational flows against such risks. The gross exposure to sales in these foreign currencies is partly offset by local operating costs and, in the case of the US dollar, purchases of diamonds, gemstones and precious metals. Short-term strategies include the twelve-month forward sale of foreign currencies, particularly the US dollar, the Hong Kong dollar and the Japanese yen, against the Swiss franc and euro. The rolling twelve-month programme aims to hedge forward some 70 per cent of the Group's forecast net exposure in these key currencies. Longer-term hedging strategies include borrowing in local currency to finance local assets.

Labour and other production costs represent the principal element of the Group's cost of sales. Raw material costs are an important element. Prices of precious stones, gold and other materials vary, dependent on international market prices.

Whilst short-term foreign currencies and manufacturing cost fluctuations may be absorbed, the Group seeks to maintain its margins through price adjustments, wherever possible, to reflect the impact of more sustained movements in foreign exchange rates.

Richemont equity accounts its interest in its associated undertaking, BAT. In the year under review, the contribution from BAT amounted to 39 per cent of the Group's net profit. Net profit will therefore reflect movements in the Group's effective interest in BAT, the results of BAT itself and movements in the euro:sterling exchange rate. Dividends received from BAT represent a considerable proportion of the Group's cash flow and are likewise dependent upon the results and dividend policy of BAT as well as movements in the Group's effective interest and in exchange rates.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The accounting policies are presented in full on pages 72 to 77 of this report. The following are the critical accounting policies requiring significant judgements and estimates.

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. Sales returns amount to some 4 per cent of gross sales. At the time of sale, the Group also records estimates for a variety of sales deductions, including target bonuses, early payment discounts, commissions related exclusively to wholesale sales and other incentives. Target bonuses and third-party commissions relate to negotiated programmes with the wholesale trade and are generally accrued as a percentage of gross sales. Early payment discounts, which vary based on region, are offered to encourage prompt payment of trade balances. The Group records these deductions based on management's best estimates of individual programmes in the individual regions. The difference between gross and net sales is historically 1 per cent of gross sales.

In accordance with IFRS, the Group's policy is to capitalise the fair value of trademarks, patents and designs acquired using management estimates of future expected cash flows. However, intellectual property rights relating to trade names associated with the Group's principal Maisons are not reflected in the Group's consolidated balance sheet as these rights were carried at nil in the Group's balance sheet prior to the adoption of IFRS in 2005.

The Group provides for income tax it expects to pay on its profits. Operating throughout the world, it is subject to differing tax codes and administrative practices. Amounts provided are based on management's interpretation of country-specific tax rules.

PROPOSED DIVIDEND

	Gross dividend per unit	Withholding tax @ 35%	Net payable per unit
The ordinary dividend will be paid as follows:			
Richemont SA, Luxembourg	€ 0.720	–	€ 0.720
Compagnie Financière Richemont SA, Switzerland	€ 0.060	(€ 0.021)	€ 0.039
	€ 0.780	(€ 0.021)	€ 0.759

The Board has proposed an ordinary dividend of € 0.78 per unit, an increase of 20 per cent over the prior year's level. Withholding tax is payable on the proposed dividend to be paid by Compagnie Financière Richemont SA, Switzerland as detailed in the table above.

The dividends will be payable following the Annual General Meeting in September 2008. The meeting is currently scheduled to take place on Wednesday, 10 September 2008. The currently anticipated dividend payment dates are as follows:

'A' unit dividend: Monday, 15 September 2008

The dividend in respect of Richemont 'A' units is payable in euros.

South African Depository Receipt dividend: Friday, 26 September 2008

The South African Depository Receipt dividend is payable in rand to residents of the South African Common Monetary Area ('CMA') but may, dependent upon status, be payable in euros to non-CMA residents.

RICHARD LEPEU
GROUP FINANCE DIRECTOR
GENEVA, 22 MAY 2008

Corporate responsibility

Corporate responsibility ('CR') defines the way in which we run our business. This is entirely consistent with our own values and commitments. It reflects the integrity of our Maisons and fulfils society's growing expectations about the way in which companies should behave.

A common framework
Delivering corporate responsibility performance requires a common framework across the Group and clearly defined management processes.

Our common framework is provided by our *Code of Business Ethics*. The code sets out our commitments succinctly. The code was launched in 2005 and revised in November 2007. A fuller account of our commitments is given in the *Corporate Social Responsibility Guidelines*. The guidelines set a more detailed framework to guide our day-to-day business practices with customers, employees, community, the environment, business partners and shareholders. They include a model *Supplier Code of Conduct* and a model *Environmental Code of Conduct*. Recognising the differing nature of our enterprises these may be adopted fully by subsidiary companies or, in agreement with the Group's Corporate Social Responsibility ('CSR') Committee, amended to reflect the operations of individual Maisons.

Consistent governance
The Group's CSR Committee, which is chaired by the Director of Corporate Affairs, guides the corporate responsibility activities of the Group considering external developments, CR risks and opportunities and the sharing of good practice within the Group. A separate Health and Safety Committee, chaired by the Manufacturing Director, co-ordinates issues across Maisons and regional operations.

Compliance with our guidelines is monitored in collaboration with the internal audit function and external consultants are used as necessary to monitor and evaluate performance. Both the Group's CSR Committee and the Board receive regular updates on the findings.

Taking account of external expectations
Richemont's CR strategy must evolve to meet new challenges and the growing expectations of society. These are monitored in a number of ways, including ongoing monitoring of civil society and investor expectations as well as dialogue with investors, our peers and Non-Governmental Organisations.

SUPPLY CHAIN

The various supply chains of raw materials for many of the Group's different products lie beyond the Group's direct control, however, they are still key to ensuring that we carry out our business in a way that is clearly responsible. Richemont recognises that companies should seek to influence ethical, social and environmental responsibilities within the supply chain.

The approach we have taken to this issue reflects the nature of our supply chain. Some other industries have supply chains that are characterised by short-term relationships with suppliers, high emphasis on price competitiveness and less concern about quality. Richemont's Maisons require a different approach if they are to ensure that their heritage, individuality, traditional values and commitment to quality are conveyed to customers through their products and services.

To attain our CR ambitions in the supply chain we act at Group level, at Maison level and in collaboration with others within our industry.

Code of conduct for suppliers
The key tool to assist our action is our model *Supplier Code of Conduct*, which is in itself a sub-set of the *Corporate Social Responsibility Guidelines*. We see this model code within the context of building and maintaining relationships with business partners that are based on fair, honest and mutually rewarding dealings that contribute to high standards of products and services. Application of the code offers the opportunity of improving practice on the ground. Our intention is that the code should generate actions for improvement and the maintenance of high

standards. Richemont reserves the right to terminate supplier contracts where the code is violated.

In common with accepted good practice, the code includes an endorsement of the Universal Declaration of Human Rights, International Labour Organisation Conventions and other internationally recognised standards of labour practices. It enjoins suppliers to comply with the principles outlined in Richemont's *Environmental Code of Conduct*.

The code also addresses specific industry related issues. This is an extension to accepted good practice but, we believe, adds significantly to the relevance and usefulness of the code for our suppliers. The industry issues addressed include animal testing, preservation of endangered and protected species, conflict free diamonds and responsible gold procurement. We know that these are matters of concern to our customers and society at large.

The code is a Group document. Maisons have taken it and customised it for their own business needs. The fact that the actual codes used with suppliers are so adapted increases their relevance and effectiveness.

Compliance with the code must be a part of normal commercial practice. Each Maison is responsible for working with its own suppliers and how each Maison goes about this reflects the nature of the industry and the history of relations with the suppliers. Some of our Maisons – for example in watchmaking – share a number of suppliers. To facilitate internal collaboration, we have set up new tools to be used by the Maisons to share information and identify common suppliers who have been advised of the Group's expectations in this area.This year, using a risk-based approach, Maisons have started using third parties to audit compliance with the code by a number of suppliers. As always, some areas for improvement were identified. These will be followed up as part of the ongoing supplier relationship.

Collaborative action in the Supply Chain

In a number of areas it is imperative that we and companies who have a common interest promote action within the supply chain. This is particularly the case where supply chains are long, complex and involve different types of organisations all around the globe. Working together we are stronger than if we attempt to act separately.

The Council for Responsible Jewellery Practices ('CRJP') is a prime example of positive collaboration. It is also a relatively recent development. Established in May 2005, it has grown from 14 founder members, which included Cartier, to over 80 members in under five years. Crucially the membership is drawn from the whole of the diamond and gold value chains from mining through to retail.

The CRJP acts as a mechanism to define, raise and maintain standards throughout the industry. It carries out its mission transparently and in full dialogue with key external stakeholder groups.

Besides devising its succinct 18 point CRJP Principles, in consultation with stakeholder groups CRJP has devised a detailed *Responsible Practices Framework*. The framework deals with aspects as varied as money laundering, working with hazardous substances and product and packaging design. All CRJP members agree to apply the framework as a condition of membership. The implementation model, which is currently being devised and will be consulted upon, will encompass self-assessments and independent third-party monitoring.

Counterfeiting

Counterfeiting is the unauthorised copying of an item when the clear intention is to pass that item off as being that of the genuine product.

The counterfeiting phenomenon is not new and Richemont is working hard at all levels to minimise the impact of counterfeiting on its business and to inform consumers about the dangers of buying counterfeit product. Richemont was a key supporter of the 'Fakes Cost More' campaign recently launched in Brussels by the Authentics Foundation and continues to work with law enforcement and customs worldwide to tackle this issue. Richemont is also very active in bringing civil litigation cases against large-scale counterfeiters both operating on-line and off-line.

RICHEMONT PEOPLE

Richemont directly employs some 18 800 people. Two-thirds of the employees are based in Europe where most of the manufacturing takes place. One quarter of the employees are based in the Far East, in retail, distribution, after sales service and administration functions. The Americas region is the third significant area of employment.

Training

High-quality goods can only be produced by high-quality, highly-skilled employees who are passionate about the history and heritage of their brand. This devotion to product excellence is not confined to design and production but must infuse the broader customer experience.

Employees must develop, refresh and build their key skills. The Group has no single prescription for this. Each Maison develops the approach that most closely fits its tradition, brand and process. There are, however, certain commonalities. Each Maison has a rigorous approach to staff appraisal and development, for example.

Training is not limited to any particular channel. In some instances there is no substitute for on-the-job training, for learning from experienced, skilled colleagues. In other cases staff benefit significantly from external training opportunities. We also encourage self development.

Many of our Maisons have established dedicated training academies to foster key design, development or customer service skills. In addition, the Maisons operate training schemes – either independently or together – with industry or government sponsored programmes to train the next generations of craftsmen and women. A new training facility for after-sales service technicians was also launched in the United States in collaboration with the Watchmakers of Switzerland Training and Education Programme ('WOSTEP'). Richemont collaborates with WOSTEP in a number of locations to develop watchmaking skills with a view to ensuring the quality of training for skilled craftsmen in customer service centres around the world.

Health and safety

The Group recognises its responsibility for the health, safety and general well-being of employees as they perform their duties. This can go beyond the requirements of statute. Wherever possible we involve employees directly in the propagation of safe working practices at work. Each Maison is responsible for finding the most effective way to fulfil this duty within its own workplace context.

ENVIRONMENT

Being a responsible corporate citizen includes our environmental performance. The nature of our products and services mean that we do not have major, direct environmental impacts. Nonetheless we consistently seek to reduce those impacts that we do have. Our *Environmental Code of Conduct* acts as our guide and we commend it to our suppliers. It is built on national and international norms and standards for environmental management. Besides tackling universal environmental issues such as energy, water, waste and emissions our code addresses industry-specific issues such as the environmental impacts of leather product production.

The high quality of the materials and craftsmanship that go into our products means that they are used over a long period of time and are frequently passed from one generation to another. This naturally lessens the negative environmental impacts associated with the disposal of our products.

Climate change

Climate change is currently the biggest single environmental issue for our planet. We are committed to playing our part. We have used a template based on the World Business Council for Sustainable Development Greenhouse Gas Protocol to measure our carbon footprint. The overall volume of carbon dioxide, at 67 000 tonnes, is relatively small. Nonetheless, we believe that it is important that we recognise our responsibilities to the environment and have decided to take action to mitigate this impact by setting a target of achieving carbon neutrality for the Group by 2009. Action has been taken to make all employees aware of the climate change issue and to encourage energy saving in the

International postgraduate students at the Creative Academy in Milan

workplace and in their daily lives. To this end, every employee in the Group has received a booklet setting out the implications of climate change and what he or she can do to help reduce energy consumption and CO_2 emissions. We are now engaged in identifying the optimal way to achieve our goal. This is likely to come from increasing energy efficiency and reducing waste and we will offset the remaining CO_2 generated through the purchase of carbon credits.

Biodiversity

The threat to the natural abundance of the earth, to its biodiversity, is a matter of increasing concern. Our direct impact upon biodiversity is low but nonetheless we make a contribution through our efforts in respect to climate change, our careful disposal of waste products and the management of the grounds of our offices and other sites.

As users of leather and other animal products our indirect impact on biodiversity could be somewhat greater. As strict adherents of the Convention on International Trade in Endangered Species ('CITES') we set out to avoid any adverse effects on biodiversity through our product sourcing.

DEVELOPING DESIGN TALENT

The Creative Academy

The activity of Creative Academy, the postgraduate school created in Milan in 2004 by the Group, continued this year with the fifth programme for students seeking to graduate with its Master of Arts in Design. Twenty successful students from all over the world have been admitted into the course.

The Academy's course has openings for those who have already completed a course of studies in disciplines related to design. The Master of Arts in Design seeks to give young designers specialised training in applied arts, in particular in the fields of jewellery, watchmaking and accessories. The degree offers seven months of studies in Milan, involving contributions from CEOs of Richemont Maisons and other experts, as well as three months of internship across the Group's businesses. A Masters Degree is awarded upon completion of the programme.

The school has close strategic ties with Poli.Design, a venture of the Politecnico di Milano, which participates actively in the planning of the courses, and with the SDA School of Management of the Bocconi University in Milan, one of the major international management institutions. Having successfully completed their Masters course, many students now work for Richemont's Maisons, while others work as freelancers or as employees in other branches of the luxury world.

Further information on the Creative Academy can be obtained at www.creative-academy.com

THE ART OF FINE WATCHMAKING

Fondation de la Haute Horlogerie

Richemont is, together with Audemars Piguet and Girard-Perregaux, a founder member of the Fondation de la Haute Horlogerie ('FHH'), established in 2005 in Geneva.

The Fondation is an independent resource which seeks to open new perspectives for fine watchmaking. Its primary mission is to promote and develop, through its creativity and exceptional know-how, the art and expertise of fine watchmaking as it applies to technical and jewellery timepieces.

The Fondation operates training courses and promotes the concept of fine watchmaking globally. Each year it organises international thematic exhibitions, most notably the prestigious Salon International de la Haute Horlogerie, in Geneva.

Further information on the FHH can be obtained at www.hautehorlogerie.org

2008 Corporate Responsibility Report

Richemont has chosen to publish its full annual CR report on the Group's website. This can be accessed at www.richemont.com/csr. Further details on each of the topics mentioned here can be found on the website.

Corporate governance

GENERAL PRINCIPLES

Richemont 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 SWX Swiss Exchange. In addition to Swiss law, the Group complies with the listing requirements of SWX Swiss Exchange, which embody the relevant aspects of the European Union Prospectus Directive, Market Abuse Directive and Transparency Directive. 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 both Compagnie Financière Richemont SA and Richemont SA, Luxembourg, in the Corporate Governance Regulations and in the terms of reference of the Audit, Compensation and Nomination 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 SWX 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

Richemont equity units comprise shares in Compagnie Financière Richemont SA indivisibly twinned with participation certificates issued by its wholly-owned subsidiary, Richemont SA, Luxembourg. As such, the Board of Compagnie Financière Richemont SA is the Group's supervisory board, composed of a majority of non-executive directors, whilst the Board of Richemont SA, Luxembourg acts as the Group's management board.

Compagnie Financière Richemont SA is a Swiss domiciled company with its registered office at 50, chemin de la Chênaie, CH 1293 Bellevue, Geneva.

Richemont SA is a Luxembourg domiciled company with its registered office at 35 boulevard Prince Henri, L 1724 Luxembourg.

The businesses in the Group operate in five identifiable main business areas: (i) jewellery, (ii) specialist watchmaking, (iii) writing instruments, (iv) leather and accessories and (v) 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, including the market capitalisation of the Group's listed associate, British American Tobacco plc, are set out in note 36 to the consolidated financial statements on page 113 of this report. The market capitalisation and ISIN number of the Richemont 'A' units are given in section 2 of the corporate governance report, which deals with the capital structure.

Compagnie Financière Rupert

Compagnie Financière Rupert, a partnership limited by shares established in Switzerland, holds 52 200 000 Richemont 'B' registered units representing 9.1 per cent of the equity of the Group and controlling 50 per cent of the voting rights at the level of Compagnie Financière Richemont SA. Mr Johann Rupert, the Executive Chairman of Richemont, is the sole General Managing Partner of Compagnie Financière Rupert. Mr Jürgen Schrempp and Mr Ruggero Magnoni, both non-executive directors of

Compagnie Financière Richemont SA, and Mr Jan Rupert, an executive director of the Company, were appointed as partners of Compagnie Financière Rupert in June 2006.

Compagnie Financière Rupert does not hold any Richemont 'A' units. Trusts and other entities in the shareholding structure above Compagnie Financière Rupert have indicated to the Company that they, together with parties closely related thereto, held a total of 160 703 'A' units, or the equivalent thereof in the form of Depository Receipts, as at 31 March 2008.

Other significant shareholders
Public Investment Corporation Limited ('PIC'), Pretoria, South Africa formally notified the Company on 22 February 2008 that, at that date, accounts under its management held Richemont South African Depository Receipts equivalent to 32 633 436 'A' bearer units in Compagnie Financière Richemont SA. At that date, PIC's holding indirectly represented 3.13 per cent of the voting rights at the level of Compagnie Financière Richemont SA.

The formal notification by PIC of its interest in the Company was triggered by an amendment to the Swiss Federal Stock Exchange Act, effective from 1 December 2007. The amendment *inter alia* lowered the threshold for notifiable interests from 5 per cent to 3 per cent. Under transition arrangements, interests of between 3 per cent and 5 per cent became notifiable no later than 29 February 2008.

As at the date of this report, the Company has received no other notifications of significant shareholdings representing in excess of 3 per cent of the voting rights.

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

2. CAPITAL STRUCTURE

Shares and participation certificates
In accordance with the articles of incorporation of both companies, shares issued by Compagnie Financière Richemont SA have been twinned with participation certificates issued by its wholly-owned subsidiary Richemont SA, Luxembourg to form Richemont 'A' and 'B' units. There are 522 000 000 'A' bearer units and 52 200 000 'B' registered units in issue. Richemont 'A' bearer units are listed on the SWX Swiss Exchange and traded on SWX Europe, whilst the 'B' registered units are not listed and are held by Compagnie Financière Rupert, as detailed above.

Each 'A' bearer share in Compagnie Financière Richemont SA with a par value of CHF 1.00 is twinned with one participation certificate in Richemont SA of no par value to form one Richemont 'A' unit in bearer form. Every ten 'B' registered shares in Compagnie Financière Richemont SA with a par value of CHF 0.10 each are twinned with one registered participation certificate in Richemont SA with no par value to form one 'B' unit, issued in registered form. Further details are given in note 16 to the consolidated financial statements on page 94 of this report.

Holders of 'A' and 'B' units enjoy equal dividend rights.

No changes to the capital structure have been effected over the three years ended 31 March 2008.

At 31 March 2008, Richemont's market capitalisation, based on a closing price of CHF 55.70 per unit and a total of 522 000 000 'A' equity units in issue, was CHF 29 075 million. The overall valuation of the Group at the year end, reflecting the value of both the listed 'A' units and the unlisted 'B' units, was CHF 31 983 million.

The ISIN of Richemont 'A' units is CH0012731458 and the Swiss 'Valorennummer' is 1273145.

Dividend
In respect of the financial year ended 31 March 2008, a dividend of € 0.78 per unit has been proposed. The ordinary dividend will be paid jointly by Richemont SA, Luxembourg – which will pay € 0.72 per unit – and Compagnie Financière Richemont SA – which will pay € 0.06 per unit.

Unit buy-back programmes
Over the course of the period from March 1999 to 31 March 2008, the Group has repurchased a total of 32 845 960 'A' units through the market in support of unit-based compensation schemes for executives. In February 2004, the Board of Compagnie Financière Richemont SA approved the buy-back of a further 10 000 000 units over the period to February 2006. That programme was subsequently extended to February 2008. During the year under review, the Group repurchased 3 000 000 'A' units through the exercise of over-the-counter call options; these purchases are reflected in the aggregate figure of 32 845 960 units referred to above. Taking into account the exercise of options by executives during the course of the year, the balance of 'A' units held in treasury at 31 March 2008 was 13 143 475 units.

During the year under review, the Group continued to hedge its obligations under the Richemont unit-based compensation scheme by purchasing over-the-counter call options over 3 523 077 units. During the year, executives exercised options over 2 697 893 units. Details of the Group's stock option plan are set out in section 5 of this report and in note 32 to the consolidated financial statements on page 110 of this report. The operating expense charged to the income statement in respect of the fair value of options granted to executives during the year under review is set out under the heading 'Stock option plan' on page 64 of this report.

When 'A' units are bought back, a reserve for treasury units, equal to the cost value of units purchased in the market, is established as an element of unitholders' equity in the consolidated balance sheet. As units 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 units increased by a net € 4 million as a consequence of the repurchase of 'A' units, as described above, largely offset by the exercise of options by executives and the consequent delivery of 'A' units from the Group to those executives. Further details are given in note 16 to the consolidated financial statements on page 95 of this report.

On 21 May 2008, the Board of Compagnie Financière Richemont SA approved the buy-back of a further

10 000 000 'A' units through the market over the period to May 2010. The 10 million 'A' units represent 1.74 per cent of the capital of the Group and 0.96 per cent of the voting rights of Compagnie Financière Richemont SA.

Voting rights

As previously noted, shares in Compagnie Financière Richemont SA have been indivisibly twinned with participation certificates issued by Richemont SA, Luxembourg to form Richemont 'A' and 'B' units.

Holders of Richemont units may attend and vote at meetings of shareholders of Compagnie Financière Richemont SA. 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 units that may be held by any given party nor any restriction on the voting rights attaching to those units.

The statutes of Richemont SA provide that holders of participation certificates may vote on all issues which have a direct bearing on the participation certificate capital. They may attend in person or may appoint the Company or a third party to represent them at any such meeting. Compagnie Financière Richemont SA holds the entire issued share capital of Richemont SA. Accordingly, participation certificate holders have no right to attend meetings of shareholders of Richemont SA.

Richemont 'A' and 'B' units have equal rights to share in dividends and capital. As a consequence, however, of the differing nominal values of the 'A' and 'B' shares in Compagnie Financière Richemont SA, each 'B' unit conveys the right, in normal circumstances, to ten votes at meetings of shareholders of Compagnie Financière Richemont SA, whereas each 'A' unit conveys the right to one vote at such a meeting. Richemont 'B' units, which represent 9.1 per cent of the Group's equity, therefore control 50 per cent of the votes at meetings of shareholders of Compagnie Financière Richemont SA. The 'B' registered units are entirely held by Compagnie Financière Rupert. In accordance with Swiss company law, certain resolutions 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 of Compagnie Financière Richemont SA is the ultimate decision-making forum of the Company. 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 2008 is currently due to be held on 10 September 2008 at the Four Seasons Hotel des Bergues, Geneva. The agenda for that meeting is set out on page 128 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' units, which reflects a holding of 'A' shares in Compagnie Financière Richemont SA 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 AG, a wholly-owned subsidiary of Compagnie Financière Richemont SA, 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' unit. The terms and conditions applicable to DRs are set out in the Deposit Agreement entered into between Richemont Securities AG, as Depository, and Compagnie Financière Richemont SA and Richemont SA, Luxembourg, as issuers.

In its capacity as Depository, Richemont Securities AG holds one 'A' unit in safe custody for every ten DRs in issue. Richemont Securities AG's interest in the 'A' units that it holds is therefore non-beneficial. At 31 March 2008, Richemont Securities AG held 170 753 803 Richemont 'A' units, representing some 33 per cent of the 'A' units, in safe custody in respect of DRs in issue.

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

Holders of DRs issued by Richemont Securities AG 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 AG, which then represents the holders as their proxy at the Annual General Meeting.

Transferability of units

Richemont's listed 'A' units are issued in bearer form. Accordingly, there is no register of shareholdings and there are no restrictions on transfers of unit holdings, transfers being effected by the delivery of the relevant unit certificate. Unit certificates embody both the share certificate in respect of Compagnie Financière Richemont SA and the related participation certificate in respect of Richemont SA. Given this indivisible twinning of shares in Compagnie Financière Richemont SA with participation certificates issued by Richemont SA, which is reflected in the statutes of both companies, a transfer of shares cannot be effected without the corresponding transfer of the related participation certificate.

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

3. BOARD OF DIRECTORS

Responsibilities and membership

The Board of Directors of Compagnie Financière Richemont SA, the parent company, 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 the annual meeting of shareholders.

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 15 members at 31 March 2008. Board members are elected at each year's Annual General Meeting 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 Annual General Meeting published on page 128 of this annual report and in the press. The proposal to the Annual General Meeting is that the Board be elected on an individual basis. 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. As part of its schedule of meetings, the Board meets with executive management for two days each year to review the strategic direction of the Group's businesses. During the period from 1 April 2007 to 31 March 2008, the Board of Directors of Compagnie Financière Richemont held five meetings. These included a two-day meeting with senior management of certain Maisons at which brand strategy, marketing plans and new products are presented. The Executive Chairman, Group Chief Executive Officer and Group Finance Director establish agendas for meetings of the Board, financial reports and supporting information in respect of agenda items being circulated to members of the Boards in advance of each meeting. Directors may ask that an item be placed on the agenda for any meeting.

Three directors of the Richemont SA management board, the Director of Corporate Finance, the Director of Corporate Affairs and the Strategic and Chief Intellectual Property Counsel regularly attend board meetings. Other members of senior management may be invited to attend periodically to address specific subjects. The Board may invite external counsel and specialists to attend meetings.

At the annual meeting of shareholders of Compagnie Financière Richemont SA held on 13 September 2007, Mrs Anson Chan, former Chief Secretary of the Hong Kong Government, was elected to the Board of the Company. Having announced her candidacy to the Hong Kong Legislative Council in October 2007, she subsequently concluded that her participation on the Board would be incompatible with a position on the Council, were she to be elected. Accordingly, Mrs Chan resigned from the Board in November 2007.

One director of Richemont SA resigned from that company's Board during the year under review. Mr Piet Beyers retired from his position as Marketing Services Director and left the Board with effect from 30 June 2007.

Board Committees

In terms of the Group's framework of corporate governance, the Board of Compagnie Financière Richemont SA 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 below. No corporate governance committees have been established by the Board of Richemont SA, Luxembourg, given its role as the Group's management board.

Each 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 of Compagnie Financière Richemont SA. 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 four members of the Audit Committee are non-executive directors. The Group Finance Director 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 2008, meetings took place on three occasions. 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 to 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;

Section 3 of the corporate governance report continues on page 59

Board of directors of Compagnie Financière Richemont SA

Johann Rupert
Executive Chairman
South African, age 58

Mr Rupert was appointed to the Board in 1988 and has served as Executive Chairman of Compagnie Financière Richemont SA since 2002. He is Chairman of the Nominations Committee and of the Strategic Product and Communication Committee.

Mr Rupert studied economics and company law at the University of Stellenbosch, South Africa and has had an extensive career in international business, banking and finance. After working for the Chase Manhattan Bank and Lazard Frères in New York he founded Rand Merchant Bank in 1979. In 1985 he joined the Rembrandt Group. Three years later he founded Richemont and became Group Chief Executive. Appointed as Executive Chairman in September 2002, he served as Group Chief Executive Officer during the period from October 2003 to September 2004. He is Non-Executive Chairman of Remgro Limited and of VenFin Limited and the Managing Partner of Compagnie Financière Rupert. Any salary he receives at Richemont, Remgro and VenFin is donated to charity.

The University of Stellenbosch awarded him an honorary doctorate in Economics in 2004. In 2006 he was appointed as Chairman of the Peace Parks Foundation. He has been a Trustee of the Nelson Mandela Children's Foundation since its inception.

Jean-Paul Aeschimann
Deputy Chairman
Swiss, age 74

Since 1988, Maître Aeschimann has served as Non-Executive Deputy Chairman. He is Chairman of the Audit Committee and a member of the Compensation Committee and the Nominations Committee.

Maître Aeschimann graduated in law from the University of Neuchâtel, studied at Harvard University and has been admitted to the Bar of Geneva. He is a practising lawyer and is Counsel to Lenz & Staehelin, based in Geneva. He serves as Vice-Chairman and Chairman of the Audit Committee of the Board of Barclays Bank (Suisse) SA as well as director of a number of Swiss subsidiaries of international groups.

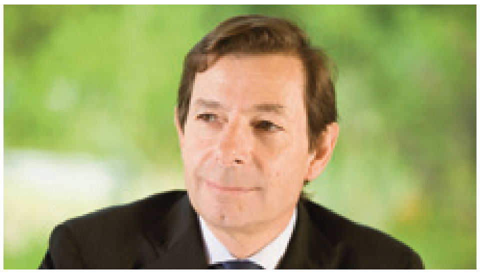
Lenz & Staehelin acts as legal counsel to Richemont and to Compagnie Financière Rupert and Maître Aeschimann is the Special Auditor of Compagnie Financière Rupert.

Norbert Platt
Group Chief Executive Officer
German, age 61

Mr Platt was appointed to the Board in September 2005.

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 Fototechnic in Germany.

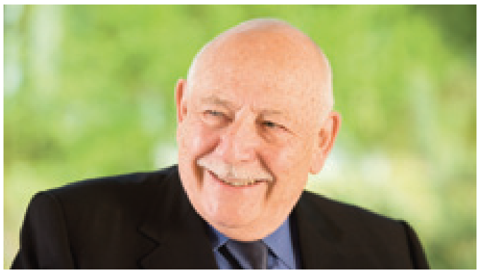
He joined Montblanc in 1987 and was President and CEO of Montblanc International. Mr Platt was elected to the Board of Richemont SA in 2000 and appointed Group Chief Executive Officer in September 2004. He remains a member of the management board of Montblanc International Holding and is Non-Executive President of Montblanc International.



Richard Lepeu
Group Finance Director
French, age 56

Mr Lepeu was appointed to the Board in September 2004.

He 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 before being appointed Chief Executive in 1995. He served as Chief Operating Officer of Richemont from 2001 until his appointment as Group Finance Director in May 2004. Mr Lepeu is also a member of the Boards of Richemont SA, Richemont Japan and Richemont North America.



Franco Cologni
Italian, age 73

Dr Cologni was appointed to the Board in 2002 and now serves as an advisor to the Executive Chairman. He provides strategic input to the Maisons and is a regular contributor to the Strategic Product and Communication 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, and is the publisher and editor-in-chief of the 'Cartier Art' magazine. 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 since 2005 has served as Chairman of the Fondation de la Haute Horlogerie in Geneva. He is founder of the Richemont Creative Academy which offers Masters degrees in design and creative management. He is also Vice-Chairman of Fondazione Laureus Italia.

Lord Douro
British, age 62

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

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 and of Pernod Ricard and Abengoa Bio Energia. He is a senior adviser to the Crédit Agricole Group and is 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.

Yves-André Istel
American, age 72
Mr Istel was appointed to the Board in 1990. A Non-Executive Director, he is a member of the Audit Committee, the Nominations Committee and the Compensation Committee.

Mr Istel graduated in 1957 with a BA in economics 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 Inc.

Mr Istel is a Non-Executive Director of Imperial Sugar Company, a member of its Audit Committee, and Chairman of its Nominating & Governance Committee; and a director, and member of the Governance Committee of Analog Devices, Inc. He also serves as Non-Executive Director of Tiedemann Trust Company and is a member of the Advisory Board of Healthpoint Partners LLC.

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 serves as a board member of a broad range of international institutions and foundations and is a member of the Economic Club of New York and the Bretton Woods Committee.

Ruggero Magnoni
Italian, age 57
Mr Magnoni was elected as Non-Executive Director in September 2006 and is a member of the Audit and Nominations Committee. In June 2006 he became a partner of Compagnie Financière Rupert.

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

Since joining Lehman Brothers in 1977, he has held a number of senior roles across that firm's international activities and played a prominent role in several of its most significant transactions. From 1987 to 1994, he was responsible for Lehman Brothers' activities in Italy and has been the key driver of the development of Lehman's Italian operations. 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.

Mr Magnoni is Chairman of the Board of Spumador SpA and a member of the boards of Omniainvest SpA and 422 BV. He is a founding investor in Sopaf SpA and Hanseatic Americas Limited and is involved with various philanthropic activities, amongst them, Fondazione Laureus Italia, Fondazione Oltre Onlus and Fondazione Dynamo. He is a member of the Board of Lehman Brothers' Foundation Europe and a member of the Campaign Board of Bocconi University in Milan.

Simon Murray
British, age 68
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 and its subsidiary GEMS (General Enterprise Management Services Ltd), a private equity investment management company. Mr Murray is a director of Vodafone Group, UK and Cheung Kong (Holdings) Limited, Hong Kong.

Alain Dominique Perrin
French, age 65
Mr Perrin has served as Executive Director on the Board of Compagnie Financière Richemont SA since 2003.

He 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. Mr Perrin was Chief Executive of Richemont SA from 2001 to 2003, overseeing the Group's luxury goods businesses from 1999 to 2003. He was responsible for the creation of the Fondation Cartier pour l'Art Contemporain in Paris and the launch of the annual Salon International de la Haute Horlogerie.

Mr Perrin serves on the management committees of a number of non-profit organisations and is President of the Ecole de Dirigeants et Créateurs d'entreprise (E.D.C.), the Fondation Cartier and the Jeu de Paume Museum, Paris.

Alan Quasha
American, age 58
Mr Quasha was elected as 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, an investment management business based in New York.

Mr Quasha served as a director of Richemont SA, Luxembourg from 1988 up until his appointment to the Board of Compagnie Financière Richemont SA and was Chief Executive Officer of North American Resources Limited, a former joint venture between Richemont and the Quasha family, between 1988 and 1998.

He is Chairman of Carret Asset Management Group LLC, Chairman of HKN Inc., and was a director of American Express Funds from 2002 to 2005. He is a former Governor of the American Stock Exchange, a former Chairman of the Visiting Committee of Harvard University's Weatherhead Centre for International Affairs and is Chairman of the American Brain Trauma Foundation.

Lord Renwick of Clifton
British, age 70
Lord Renwick was appointed to the Board in 1995. He is a Non-Executive Director, Chairman of the Compensation Committee and 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. He is currently Vice Chairman, Investment Banking of JPMorgan Europe and of JPMorgan Cazenove.

He is Chairman of Fluor Limited and a director of Fluor Corporation and SAB Miller. He is also a trustee of The Economist.

Board of directors of Compagnie Financière Richemont SA continued

Jan Rupert
Manufacturing Director
South African, age 52

Mr Jan Rupert was appointed to the Board of Compagnie Financière Richemont SA in September 2006. Mr Rupert was appointed to the Board of Richemont SA in 2000 and in June 2006 became a partner of Compagnie Financière Rupert.

Since joining the Group in 1999, he has held the position of Manufacturing Director, with overall responsibility for the Group's manufacturing strategy.

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, age 63

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

A graduate in mechanical engineering from the University of Applied Science in Offenburg, Germany, Mr Schrempp holds a Professorship of the Federal State of Baden-Württemberg in Germany, an honorary doctorate of the University of Graz, Austria, and an honorary doctorate in Commerce of the University of Stellenbosch, South Africa.

Between 2000 and 2005, Mr Schrempp was Chairman of DaimlerChrysler AG. He served as President of Mercedes-Benz of South Africa (1980-1982), President of EUCLID, USA (1982-1984) as well as Chairman of Daimler-Benz Aerospace AG (1989-1995). He was Chairman of Daimler-Benz AG from 1995 until his appointment first as Co-Chairman then as Chairman of the merged DaimlerChrysler group.

Mr Schrempp continues to serve as Non-Executive Director of Mercedes-Benz of South Africa and is a Non-Executive Director of the South African Coal, Oil and Gas Corporation (SASOL), South African Airways and Vodafone Group, UK.

He is a member of the International Investment Council of the President of South Africa and Chairman of the Southern Africa Initiative of German Business (SAFRI).

Mr Schrempp is Commander of the French Legion of Honour and holds South Africa's highest civilian award, the Order of Good Hope. He is Chairman Emeritus of the Global Business Coalition on HIV/AIDS and Honorary Consul-General of the Republic of South Africa.

Martha Wikstrom
American, age 51

A Non-Executive Director, Ms Wikstrom was appointed to the Board in 2005 and is a member of the Nominations 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's, one of America's leading specialty retailers, 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 Fund 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 Non-Executive Director of Bally International Limited and of Space NK Limited.

Continued from page 55

- 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 commitment approval 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.

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

The purpose of the Committee is to advise the Board of Compagnie Financière Richemont SA in all aspects of compensation policy insofar as it relates to members of the board of directors, the management board 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 directors of Compagnie Financière Richemont SA together with that of the Executive Chairman and for reviewing the compensation of all other members of senior management.

The Committee oversees the administration of the Group's long-term, unit-based compensation scheme for executives 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 executive directors. 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. Meetings of the Committee are held on an ad hoc basis, as required. During the year ended 31 March 2008, one meeting took place.

The principal functions of the Committee are to advise the Board of Compagnie Financière Richemont SA 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 board committees and the management board.

Management Committees
In addition to the Committees of the Board of Compagnie Financière Richemont SA, there are a number of management committees. Key amongst these are the Chairman's Committee and the Strategic Product and Communication Committee.

The Chairman's Committee comprises the Executive Chairman, Johann Rupert, the Group Chief Executive Officer, Norbert Platt, the Group Finance Director, Richard Lepeu, and the Manufacturing Director, Jan Rupert. Other executives may be 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. In the year under review the Committee met four times.

The Strategic Product and Communication Committee ('SPCC') comprises the Executive Chairman and the Group Chief Executive Officer, other executive and non-executive directors of the Boards of Compagnie Financière Richemont SA and Richemont SA being invited on an ad hoc basis to deal with specific matters. The Committee's objective is to guide the Group's Maisons by verifying that decisions made in respect of communication, products and distribution are appropriate and consistent with the individual Maison's identity and strategy. During the year ended 31 March 2008, five meetings took place.

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

4. SENIOR MANAGEMENT
The Board of Richemont SA, a directly held, wholly-owned subsidiary of Compagnie Financière Richemont SA, functions as the Group's management board.

The Board of Richemont SA typically meets five times per annum, for half a day to a day. During the year under review, Board meetings took place on four occasions. The Board of this company is composed of the Executive Chairman, the Group Chief Executive Officer and the Group Finance Director together with the Chief Executive Officers of certain leading business units as well as functional heads. The Chief Executive Officers of all Maisons are invited to attend meetings on a rotational basis. At 31 March 2008, the Board had twelve members, four of whom also served on the Board of Compagnie Financière Richemont SA during the year under review. Appointments to the management board are made by the Board of Compagnie Financière Richemont SA upon the recommendation of the Nominations Committee.

Section 4 of the corporate governance report continues on page 62

Board of directors of Richemont SA

Johann Rupert
Executive Chairman
(For biographical details see page 56)

Norbert Platt
Group Chief Executive Officer
(For biographical details see page 56)

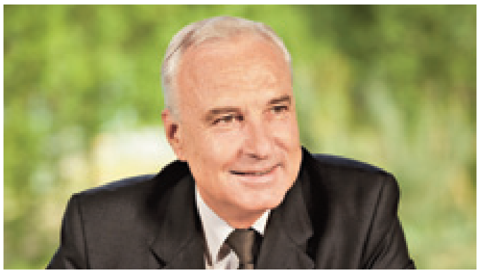
Richard Lepeu
Group Finance Director
(For biographical details see page 56)

Jan Rupert
Manufacturing Director
(For biographical details see page 58)

Giampiero Bodino
Group Art Director
Italian, age 47
Appointed to the Board 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, accessories and writing instruments. In February 2002, he became Creative Director for the Group and is a key contributor to the Strategic Product and Communication Committee. He was subsequently appointed Cartier Creative Director and in February 2004 became Group Art Director and a member of the Board of Richemont SA.

Pilar Boxford
Group Public Relations Director
British, age 56
Appointed to the Board 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, age 61
Appointed to the Board 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 from 1973 to 1976 and the International Gold Corporation, where he was Jewellery Division Manager until 1983. He then moved to Guerlain, in the field of perfumes and cosmetics, 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 was appointed Vice President of the Comité Colbert in 2007.

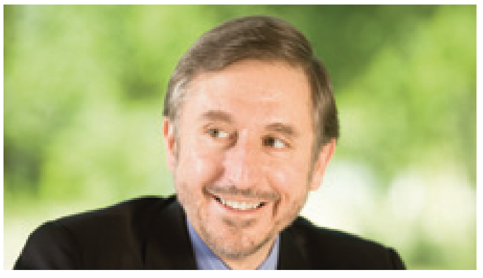
Alan Grieve
Director of Corporate Affairs
British, age 56
Appointed to the Board 2004
Mr Grieve holds a degree in business administration from Heriot-Watt University, Edinburgh and is a member of the Institute of Chartered Accountants of Scotland.

Prior to joining Richemont's predecessor companies in 1986, he worked with Price Waterhouse & Co (now PricewaterhouseCoopers) and Arthur Young (now Ernst & Young). He served as Company Secretary of Richemont from its formation in 1988 until being appointed to the Board of Richemont SA in February 2004. He has been involved in many aspects of the Group's financial management, serving also on the boards of a number of the Group's subsidiary companies. He is a director of various subsidiary companies within the Remgro Limited and VenFin Limited groups. He was appointed to the board of Klinik Hirslanden AG, the Swiss subsidiary of the Medi-Clinic organisation, in February 2008. Mr Grieve is a founding member of the Laureus Sport for Good Global Foundation.

Albert Kaufmann
General Counsel
Swiss, age 60
Appointed to the Board 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 as Group General Counsel in 1999.

Mr Kaufmann is a member of the board of the Federation of the Swiss Watch Industry.

Thomas Lindemann
Group Human Resources Director
German, age 44
Appointed to the Board 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 April 2005.



Eloy Michotte
Corporate Finance Director
Belgian, age 60
Appointed to the Board 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 for mergers and acquisitions and serves on the boards of a number of companies in which the Group has an interest, including Net-à-Porter Limited and the GEMS funds.

Frederick Mostert
Lead Counsel and Chief Intellectual Property Counsel
South African, age 48
Appointed to the Board 1994
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 has 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.

Dr Mostert is a past President of the International Trademark Association, serves on the Advisory Board of the University of San Francisco McCarthy Institute for Intellectual Property and Technology Law and is a guest professor at Peking University.

Continued from page 59

The executive management is charged by the Board of Directors of Compagnie Financière Richemont SA 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 of Compagnie Financière Richemont SA 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, board members receive a financial report, summarising recent Group, divisional and Maison financial performance as well as operational developments.
- The Group Chief Executive Officer and Group Finance Director report to the Board at each meeting. Supplementary reports are provided, as required, by the Director of Corporate Affairs, the Director of Corporate Finance and the Lead Counsel and Chief Intellectual Property Counsel as well as 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 of Compagnie Financière Richemont SA monitor performance against these targets on an ongoing basis and report progress to the Board.
- There is regular interaction between members of the two Boards, for example, through the presence of certain executive directors on a regular or ad hoc basis at board meetings and board committee meetings, as outlined above. Members of the Board of Compagnie Financière Richemont SA 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 and through the Strategic Product and Communication Committee.
- 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

With the exception of the contract between Atelier Fund, LLC and Atelier Management, LLC described in note 31 on page 108 of this report, there are no contracts between the Group and any third parties for the management of any subsidiary or associated company in the Group.

5. COMPENSATION, UNITHOLDINGS AND LOANS

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

The Group's compensation policies are designed to ensure that Group companies attract and retain management talent, 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 Compensation Committee of the Board of Compagnie Financière Richemont SA is responsible for setting the compensation of the non-executive directors and the executive directors of Compagnie Financière Richemont SA together with that of the Executive Chairman and for reviewing the compensation of all other members of senior management.

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 bonus, 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. Increases in base salary are determined by reference to a set of competencies required to fulfil the role, the length of time in the position and market benchmarking statistics provided by an external consultant.

The level of bonus is dependent on performance against a range of individual key performance indicators and collective strategic objectives, established at the beginning of the year. These indicators and objectives relate to the potential of the area of the business for which the individual is responsible. The bonus level for executives is typically between 30 per cent and 40 per cent of base salary, with further incentives for exceptional performance.

Executives are also eligible to participate in the Group's stock option plan, details of which are set out on page 64 of this report. Option awards are linked to each executive's salary level and performance. The Group does not operate any schemes to issue shares or units to executives as part of their compensation package.

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.

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 or units 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 € 3 050 (CHF 5 000) and € 6 100 (CHF 10 000), respectively, for each Committee meeting.

Directors' compensation

The total level of compensation paid to members of the Board of Compagnie Financière Richemont SA and of Richemont SA, the management board, including pension contributions, benefits in kind and all other aspects of compensation, amounted to € 41 054 358. This figure includes all payments made during the year under review to an executive director who left the Group during the period. 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 other short-term benefit payments received by Mr Johann Rupert from Richemont and from its related parties, Remgro Limited and VenFin Limited, are donated to charity.

Me Jean-Paul Aeschimann, the Deputy Chairman, is counsel to the Swiss legal firm, Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling € 505 000 from Group companies for advice on legal and taxation matters.

During the year, the Group gave donations of € 342 000 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, an executive director of Compagnie Financière Richemont SA, is the President of the Foundation.

In addition to his non-executive director's fee, Lord Douro received fees, pension contributions and other benefits totalling € 155 067 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.

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

The Group has interests in three closed-ended investment funds managed by General Enterprise Management Services Limited. Mr Simon Murray has an effective interest of 25 per cent in this investment management company. The cash received from the fund during the year, net of amounts invested, was € 3 435 292.

For the year ended 31 March 2008		Salary, bonus payments, directors' fees and other short-term benefits €	Long-term benefits €	Post-employment benefits €	Stock option cost* €	Total 2008 €
Board of Directors of Compagnie Financière Richemont SA						
Johann Rupert	Executive Chairman	1 473 190	–	1 549 938	3 196 482	**6 219 610**
Jean-Paul Aeschimann	Non-Executive Deputy Chairman	102 621	–	–	–	**102 621**
Norbert Platt	Group Chief Executive Officer	4 598 776	–	65 409	2 030 234	**6 694 419**
Richard Lepeu	Group Finance Director	2 546 310	–	61 591	1 402 216	**4 010 117**
Franco Cologni	Executive Director	506 119	–	11 609	–	**517 728**
Lord Douro	Non-Executive Director	228 282	–	–	–	**228 282**
Yves-André Istel	Non-Executive Director	97 621	–	–	–	**97 621**
Simon Murray	Non-Executive Director	73 215	–	–	–	**73 215**
Alain Dominique Perrin	Executive Director	1 446 914	–	–	–	**1 446 914**
Alan Quasha	Non-Executive Director	73 215	–	–	–	**73 215**
Lord Renwick	Non-Executive Director	88 469	–	–	–	**88 469**
Jan Rupert	Manufacturing Director	976 788	–	46 029	838 471	**1 861 288**
Jürgen Schrempp	Non-Executive Director	73 215	–	–	–	**73 215**
Martha Wikstrom	Non-Executive Director	73 215	–	–	–	**73 215**
Total		12 357 950	–	1 734 576	7 467 403	**21 559 929**
Board of Directors of Richemont SA		11 238 029	1 995 000	1 016 107	5 245 293	**19 494 429**
Total Directors' compensation		23 595 979	1 995 000	2 750 683	12 712 696	**41 054 358**

* The cost for stock options is determined in accordance with IFRS 2 *Share-based Payment*. Details of the valuation model and significant inputs to this model are to be found in note 32 to the consolidated financial statements.

On 28 February 2006, the Group committed to invest US$ 65 million in a subsidiary company, Atelier Fund, LLC, a limited liability investment company specialising in high potential brand/retail opportunities in the luxury goods sector. Ms Martha Wikstrom holds a one third interest in Atelier Management, LLC, the managing company of this investment fund. During the year under review, fees of € 1 171 241 were paid to the managing company for fund management and other services not specific to Atelier Fund, LLC.

The Board of Richemont SA, a directly held, wholly-owned subsidiary of Compagnie Financière Richemont SA, functions as the Group's executive management board. The Board of Richemont SA also includes the Executive Chairman, the Group Chief Executive Officer, the Group Finance Director and the Manufacturing Director. The compensation of these four directors is disclosed above as members of the Board of Compagnie Financière Richemont SA and is therefore excluded from the total compensation of the Board of Directors of Richemont SA. Details of other members of the Board of Richemont SA are included in section 4 of the corporate governance report on pages 60 and 61.

No fees or other benefits were paid to Mrs Anson Chan in respect of the two-month period when she was a member of the Board of Compagnie Financière Richemont SA.

Highest compensation paid to a member of the executive management board

The total level of compensation of the highest paid director of the Richemont SA board was € 6 694 419, which was paid to Mr Norbert Platt, Group Chief Executive Officer.

Compensation of Board sub-committees

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

Compensation for former members of governing bodies

During the year under review, a former executive director received a fee of € 141 418 from the Group for services provided to an entity in which the Group is a joint venture partner.

Allotment of units

No units were allotted to directors or members of the management board during the year under review.

Unit ownership

As at 31 March 2008, non-executive directors and parties closely linked to them owned a total of 45 500 Richemont 'A' units. Executive directors and members of the management board and parties closely linked to them held a total of 90 000 Richemont 'A' units at that date. As noted above, Mr Johann Rupert is the General Managing Partner of Compagnie Financière Rupert, which holds the 52 200 000 'B' registered units in the Group. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 160 703 'A' units or 'A' unit equivalents at 31 March 2008. The interest of individual directors in Richemont 'A' units was as follows:

	At 31 March 2008
Board of Directors of Compagnie Financière Richemont SA	
Lord Douro	**18 000**
Yves-André Istel	**16 000**
Simon Murray	**7 500**
Lord Renwick	**4 000**
	45 500
Board of Directors of Richemont SA	
Alan Grieve	**90 000**
	135 500

Mr Jan Rupert, Group Manufacturing Director, is a director of a company which holds 2 375 005 Richemont 'A' units. He is also one of a group of family members who are beneficiaries of certain trusts which are, directly or indirectly, shareholders in that company and which hold Richemont 'A' units and 'A' unit 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.

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

Mr A D Perrin, an executive director, holds no Richemont 'A' units. However, he has an indirect holding of derivative instruments, the value of which is determined by the market price of Richemont 'A' units, linked to 720 779 underlying units. The derivative instruments have expiry dates from 19 December 2008 to 20 February 2009.

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

Stock option plan

The Group operates a long-term unit-based compensation scheme whereby executives are awarded options to acquire units at predetermined market-linked prices. No awards under the stock option plan have been made to 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 'A' units to meet the obligations arising under its unit-based compensation schemes. By using its own capital to acquire these units, Richemont has effectively always reflected the financing cost of the unit-based compensation schemes in the income statement. In addition, since 2004, Richemont has purchased over-the-counter call options with a third party to purchase treasury units at the same strike price as the unit options granted to executives. These call options, together with the units held, provide a comprehensive hedge of the Group's anticipated obligations arising under its unit option scheme.

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 unitholders' interests.

In accordance with IFRS 2 *Share-based Payment*, the Group recognises in its financial statements an operating expense in respect of the fair value of options granted to executives. The aggregate charge in respect of each option grant is amortised over the vesting period of the award. Further details are given in note 32 to the consolidated financial statements on page 110 of this report. For the year under review the IFRS 2 charge amounted to € 31 million (2007: € 33 million).

With effect from the 2005 award, the terms of the Group's long-term unit-based compensation scheme have been amended to permit executives not only to exercise but also to trade options once they have vested.

Details of options held by executive directors and members of the management board under the plan at 31 March 2008 are shown in the table below.

Loans to members of governing bodies

As at 31 March 2008, 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 meetings of shareholders and participation certificate holders are given above in section 2 of the corporate governance report under the heading 'Capital Structure'.

7. CHANGE OF CONTROL AND DEFENCE MECHANISMS

In terms of the Swiss Stock Exchange and Securities Trading Act ('SESTA'), Compagnie Financière Richemont SA 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 unitholders. In accordance with the Act, any party that would directly or indirectly or acting in concert with third parties acquire more than 33⅓ per cent 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 per cent 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 per cent of the voting rights at the level of Compagnie Financière Richemont SA.

	Number of options							
	1 April 2007	Granted in year	Exercised in year	Retiree in year	31 March 2008	Weighted average grant price CHF	Exercise period	Latest expiry date
Board of Directors of Compagnie Financière Richemont SA								
Johann Rupert	6 104 000	–	–	–	6 104 000	26.23	Apr 2008-Jul 2011	June 2013
Norbert Platt	908 000	250 000	(233 334)	–	924 666	49.97	Apr 2008-Jul 2013	June 2016
Richard Lepeu	1 041 666	120 000	(166 666)	–	995 000	39.75	Apr 2008-Jul 2013	June 2016
Jan Rupert	510 000	100 000	(40 000)	–	570 000	41.59	Apr 2008-Jul 2013	June 2016
Board of Directors of Richemont SA								
Piet Beyers *	219 000	–	–	(219 000)	–	–	–	–
Giampiero Bodino	291 666	40 000	(91 666)	–	240 000	50.13	Jul 2008-Jul 2013	June 2016
Pilar Boxford	89 750	10 000	(19 517)	–	80 233	43.80	Jul 2008-Jul 2013	June 2016
Bernard Fornas	539 000	50 000	(86 000)	–	503 000	44.55	Apr 2008-Jul 2013	June 2016
Alan Grieve	176 000	30 000	–	–	206 000	42.17	Apr 2008-Jul 2013	June 2016
Albert Kaufmann	496 670	100 000	(36 670)	–	560 000	43.86	Apr 2008-Jul 2013	June 2016
Thomas Lindemann	103 750	40 000	(6 750)	–	137 000	53.79	Jul 2008-Jul 2013	June 2016
Eloy Michotte	250 000	50 000	(74 445)	–	225 555	40.59	Apr 2008-Jul 2013	June 2016
Frederick Mostert	216 666	80 000	–	–	296 666	52.04	Apr 2008-Jul 2013	June 2016

* In accordance with the rules of the Group's stock option plan, the vesting dates for all unvested options held by Mr Beyers were accelerated to his retirement date of 30 June 2007. Options are not cancelled as a consequence of the holder's retirement.

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 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, which are typical in terms of such schemes 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 of Compagnie Financière Richemont SA through the Audit Committee, which also supervises the Group's relationship with the auditors.

PricewaterhouseCoopers SA were reappointed by the shareholders of Compagnie Financière Richemont SA at the 2007 Annual General Meeting as the auditors of the financial statements of the Company and of the consolidated financial Statements of the Group. 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 Annual General Meeting. 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 (formerly Coopers & Lybrand) were initially appointed as auditors of Compagnie Financière Richemont SA and the Group in 1993. 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 paid or accrued as payable to PricewaterhouseCoopers for the audit of the financial statements of the Company and the Group and related services were € 6.1 million in respect of the financial year ended 31 March 2008. Fees paid or accrued as payable in respect of the financial year to PricewaterhouseCoopers for non-audit services amounted to € 2.2 million. 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 20 May 2008 at which the financial statements were reviewed. For further information on the role of the Audit Committee, please refer to section 3 of the corporate governance report.

9. INFORMATION POLICY

The Group reports to unitholders in accordance with the guidance provided by SWX Swiss Exchange. The annual report is the principal source of financial and business information for unitholders. The Group's preliminary announcement of the results for the financial year is issued in May each year. In addition to the annual report, Richemont publishes its half-yearly financial report in November each year as well as interim management statements, covering material events and key business developments. The interim management statements are typically issued in July and January each year covering the Group's performance during the first and third quarters of the financial year, respectively. Additionally, an announcement as to current trading performance is made each year at the Annual General Meeting, 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 unitholders, in accordance with the specific guidelines laid down by SWX 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.

All news announcements other than the annual and half-yearly financial reports are distributed by email. 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 email (secretariat@cfrinfo.net) or by registering on the Group's website (www.richemont.com).

Copies of the annual and half-yearly financial reports, the preliminary announcement, interim management statements and ad hoc press releases may also be downloaded from the Richemont website. Copies of the statutes of both Compagnie Financière Richemont SA and Richemont SA, Luxembourg, 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 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. In line with the requirements of the European Union Transparency Directive, all announcements made under the periodic reporting and shareholding disclosure requirements are also distributed by one of the Regulatory Information Services accredited by the UK Financial Services Authority.

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 subsidiary and associated undertakings (together, 'the Group') for the year ended 31 March 2008. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 2008 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 115 to 118.

The agenda for the Annual General Meeting, which is currently due to be held in Geneva on 10 September 2008, is set out on page 128.

Further information on the Group's activities during the year under review is given in the Financial review on pages 34 to 47.

Consolidated financial statements

Company financial statements

Consolidated balance sheet
at 31 March

	Notes	2008 € m	2007 € m
Assets			
Non-current assets			
Property, plant and equipment	*6*	**975**	808
Intangible assets	*7*	**232**	114
Investments in associated undertakings	*8*	**3 008**	3 506
Deferred income tax assets	*9*	**251**	268
Financial assets held at fair value through profit or loss	*10*	**68**	113
Other non-current assets	*11*	**174**	165
		4 708	4 974
Current assets			
Inventories	*12*	**2 076**	1 732
Trade and other receivables	*13*	**641**	658
Derivative financial instruments	*14*	**72**	15
Prepayments and accrued income		**147**	121
Cash at bank and on hand	*15*	**2 094**	1 881
		5 030	4 407
Total assets		**9 738**	9 381
Equity and liabilities			
Equity			
Share capital	*16*	**334**	334
Participation reserve	*16*	**645**	645
Treasury units	*16*	**(268)**	(264)
Hedge and unit option reserves	*16*	**176**	151
Cumulative translation adjustment reserve		**(348)**	113
Retained earnings		**7 109**	6 532
Total unitholders' equity		**7 648**	7 511
Minority interest		**4**	2
Total equity		**7 652**	7 513
Liabilities			
Non-current liabilities			
Borrowings	*17*	**246**	203
Deferred income tax liabilities	*9*	**59**	32
Retirement benefit obligations	*19*	**42**	103
Provisions	*20*	**52**	61
Other long-term liabilities		**15**	–
		414	399
Current liabilities			
Trade and other payables	*21*	**563**	488
Current income tax liabilities		**188**	160
Borrowings	*17*	**12**	28
Derivative financial instruments	*14*	**8**	2
Provisions	*20*	**95**	90
Accruals and deferred income		**216**	192
Short-term loans	*17*	**267**	251
Bank overdrafts	*15*	**323**	258
		1 672	1 469
Total liabilities		**2 086**	1 868
Total equity and liabilities		**9 738**	9 381

The notes on pages 72 to 113 are an integral part of these consolidated financial statements.

Consolidated income statement
for the year ended 31 March

	Notes	2008 € m	2007 € m
Sales	5	**5 302**	4 827
Cost of sales		**(1 897)**	(1 753)
Gross profit		**3 405**	3 074
Selling and distribution expenses		**(1 181)**	(1 090)
Communication expenses		**(607)**	(570)
Administrative expenses		**(522)**	(503)
Other operating income	22	**13**	5
Operating profit		**1 108**	916
Finance costs	25	**(114)**	(58)
Finance income	25	**161**	89
Share of post-tax profit of associated undertakings	8	**610**	540
Profit before taxation		**1 765**	1 487
Taxation	9	**(195)**	(158)
Net profit	23	**1 570**	1 329
Attributable to:			
Unitholders		**1 571**	1 328
Minority interest		**(1)**	1
		1 570	1 329
Earnings per unit for profit attributable to unitholders during the year (expressed in € per unit)			
– basic	26	**2.800**	2.366
– diluted	26	**2.760**	2.331

The notes on pages 72 to 113 are an integral part of these consolidated financial statements.

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

		Equity attributable to unitholders						Minority interest	Total equity
	Notes	Unitholders' capital € m	Treasury units € m	Other reserves € m	Cumulative translation adjustment reserve € m	Retained earnings € m	Total € m	€ m	€ m
Balance at 1 April 2006		979	(408)	72	38	6 092	6 773	8	6 781
Currency translation adjustments		–	–	–	75	–	75	–	75
Cash flow hedges:									
– net gains	*16*	–	–	22	–	–	22	–	22
– recycle to income statement	*16*	–	–	(3)	–	–	(3)	–	(3)
Net share of expense of associated undertakings recognised directly in equity	*8*	–	–	–	–	(97)	(97)	–	(97)
Tax on items recognised directly in equity	*16*	–	–	29	–	–	29	–	29
Net income/(expense) recognised directly in equity		–	–	48	75	(97)	26	–	26
Net profit		–	–	–	–	1 328	1 328	1	1 329
Total recognised income		–	–	48	75	1 231	1 354	1	1 355
Acquisition of minority interest		–	–	–	–	–	–	(7)	(7)
Net share of transactions of associated undertakings with their equity holders	*8*	–	–	–	–	(98)	(98)	–	(98)
Net changes in treasury units	*16*	–	144	–	–	(81)	63	–	63
Employee unit option scheme	*16*	–	–	31	–	–	31	–	31
Dividends paid	*27*	–	–	–	–	(612)	(612)	–	(612)
Balance at 31 March 2007		**979**	**(264)**	**151**	**113**	**6 532**	**7 511**	**2**	**7 513**
Currency translation adjustments		**–**	**–**	**–**	**(461)**	**–**	**(461)**	**3**	**(458)**
Cash flow hedges:									
– net gains	*16*	**–**	**–**	**31**	**–**	**–**	**31**	**–**	**31**
– recycle to income statement	*16*	**–**	**–**	**(13)**	**–**	**–**	**(13)**	**–**	**(13)**
Net share of expense of associated undertakings recognised directly in equity	*8*	**–**	**–**	**–**	**–**	**(87)**	**(87)**	**–**	**(87)**
Tax on items recognised directly in equity	*16*	**–**	**–**	**(24)**	**–**	**–**	**(24)**	**–**	**(24)**
Net income/(expense) recognised directly in equity		**–**	**–**	**(6)**	**(461)**	**(87)**	**(554)**	**3**	**(551)**
Net profit/(loss)		**–**	**–**	**–**	**–**	**1 571**	**1 571**	**(1)**	**1 570**
Total recognised income/(expense)		**–**	**–**	**(6)**	**(461)**	**1 484**	**1 017**	**2**	**1 019**
Net share of transactions of associated undertakings with their equity holders	*8*	**–**	**–**	**–**	**–**	**(173)**	**(173)**	**–**	**(173)**
Net changes in treasury units	*16*	**–**	**(4)**	**–**	**–**	**(33)**	**(37)**	**–**	**(37)**
Employee unit option scheme	*16*	**–**	**–**	**31**	**–**	**–**	**31**	**–**	**31**
Dividends paid	*27*	**–**	**–**	**–**	**–**	**(701)**	**(701)**	**–**	**(701)**
Balance at 31 March 2008		**979**	**(268)**	**176**	**(348)**	**7 109**	**7 648**	**4**	**7 652**

The notes on pages 72 to 113 are an integral part of these consolidated financial statements.

Consolidated cash flow statement
for the year ended 31 March

	Notes	2008 € m	2007 € m
Cash flows from operating activities			
Cash flow generated from operations	*28*	**968**	970
Interest received		**82**	60
Interest paid		**(41)**	(33)
Dividends from associated undertaking		**325**	280
Taxation paid		**(171)**	(177)
Net cash generated from operating activities		**1 163**	1 100
Cash flows from investing activities			
Acquisition of subsidiary undertakings, net of cash acquired	*30*	**(145)**	(19)
Acquisition of associated undertakings		**(1)**	(4)
Acquisition of minority interest	*30*	**–**	(20)
Acquisition of property, plant and equipment		**(271)**	(207)
Proceeds from disposal of property, plant and equipment		**6**	6
Acquisition of intangible assets		**(33)**	(40)
Proceeds from disposal of intangible assets		**3**	20
Acquisition of other non-current assets		**(44)**	(102)
Proceeds from disposal of other non-current assets		**88**	19
Net cash used in investing activities		**(397)**	(347)
Cash flows from financing activities			
Proceeds from borrowings		**179**	284
Repayment of borrowings		**(107)**	(295)
Dividends paid		**(701)**	(612)
Payment for treasury units		**(80)**	(14)
Proceeds from sale of treasury units		**43**	77
Capital element of finance lease payments		**(3)**	(3)
Net cash used in financing activities		**(669)**	(563)
Net increase in cash and cash equivalents		**97**	190
Cash and cash equivalents at beginning of year		**1 623**	1 416
Exchange gains on cash and cash equivalents		**51**	17
Cash and cash equivalents at end of year	*15*	**1 771**	1 623

The notes on pages 72 to 113 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
at 31 March 2008

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, Vacheron Constantin, Jaeger-LeCoultre, IWC, A. Lange & Söhne, Officine Panerai, Baume & Mercier, Montblanc, Alfred Dunhill, Chloé and Lancel. In addition to its luxury goods businesses, the Group holds a significant investment in British American Tobacco ('BAT') – one of the world's leading tobacco groups.

The Company is registered in Bellevue, Geneva, Switzerland. Shares of the Company are indivisibly twinned with participation certificates issued by its wholly-owned subsidiary, Richemont SA, Luxembourg to form Richemont units. Richemont units are listed on SWX Swiss Exchange and traded on SWX Europe Limited and are included in the Swiss Market Index ('SMI') of leading stocks. Depository Receipts in respect of Richemont units 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 ('the Board') on 21 May 2008.

2. Summary of significant accounting policies

2.1. Basis of preparation

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

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

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

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

IFRS 7 *Financial Instruments: Disclosures* and the complementary amendment to IAS 1 *Presentation of Financial Statements – Capital Disclosures* become effective for the year ended 31 March 2008. These introduce new disclosures relating to financial instruments and do not have any impact on the classification and valuation of the Group's financial instruments or the disclosures relating to taxation and trade, and other payables.

2.2. Basis of consolidation

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

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

Uniform accounting policies have been adopted.

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

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

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

Associated undertakings are defined as those undertakings, not classified as subsidiary undertakings, where the Group is able to exercise a significant influence. Associated undertakings are accounted for under the equity method. The Group's share of the results and attributable net assets of the principal associated undertaking, BAT, is derived from accounts drawn up at 31 March of each year. The Group's shares of other associated undertakings results and net assets are derived by reference to the last audited accounts available.

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

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

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

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

2.3. Segment reporting

Details on the Group's business segments can be found under note 5. The Group uses business segments as the primary segments while geographical segments are considered secondary.

2.4. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in millions of euros (the 'presentation currency'), which is also the Company's functional currency.

(b) Transactions and balances

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

(c) Subsidiary and associated undertakings

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at that balance sheet date;

(ii) income and expenses for each income statement are translated at the average exchange rate; and

(iii) all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment reserve).

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

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

2.5. Property, plant and equipment

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

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

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

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

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

Land and assets under construction are not depreciated.

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

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

Notes to the consolidated financial statements continued

2.6. Intangible assets

(a) Goodwill

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

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

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

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

(b) Computer software and related licences

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

(c) Research and development, patents and trademarks

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

(d) Leasehold rights and key money

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

2.7. Impairment of assets

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

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

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

2.8. Other financial asset investments

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

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

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

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

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

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

(b) Loans and receivables

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

(c) Held-to-maturity investments

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

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

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

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

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

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

2.13. Equity
(a) Share capital and participation reserve
Shares issued by the Company are indivisibly twinned with participation certificates issued by its wholly-owned subsidiary, Richemont SA, Luxembourg, to form Richemont units and are classified as share capital and participation reserves attributable to unitholders, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Bonus plans
The Group recognises a liability and an expense for bonuses 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 units. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement over the remaining vesting period and a corresponding adjustment to equity.

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

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

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

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

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

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

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

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

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

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

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

2.21. Changes to IFRS

Certain new accounting standards issued by IASB and new interpretations issued by IFRIC are not yet effective for the year ended 31 March 2008 and have not been applied in preparing these consolidated financial statements.

- IFRS 2 (amended) (effective for accounting periods beginning on or after 1 January 2009) deals with two matters. It clarifies that vesting conditions can be service conditions and performance conditions only. Other features of share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This has no impact for the Group.
- IFRS 8 *Operating Segments* which is effective for accounting periods beginning on or after 1 January 2009 requires segmental information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. It is expected that the application of this new standard will lead to less segmental information in the disclosure of the Group's operating segments.
- IAS 1 (amended) *Presentation of Financial Statements* (effective from 1 January 2009). It primarily affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosures of specific transactions and other events required by other IFRSs.
- Revised IAS 23 *Borrowing Costs* (effective from 1 January 2009) requires that an entity capitalise, as part of the cost of the asset, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This is the Group's existing policy, therefore the revised standard will not impact the Group's consolidated financial statements.
- IAS 27 Revised *Consolidated and Separate Financial Statements* must be applied for annual periods beginning on or after 1 July 2009. The amendments to this standard relate to the accounting for non-controlling interests and loss of control of a subsidiary. These revisions concerning the accounting for changes in Group ownership of subsidiaries will be considered when necessary.
- IAS 32 and IAS 1 (amended) (effective from 1 January 2009). The amendment requires certain puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity rather than as a liability.
- IFRS 3 Revised *Business Combinations* is effective for business combinations with an acquisition date on or after 1 July 2009. These revisions concern the accounting for business combinations in Group and separate financial statements. The Group will apply the requirements of these standards to business combinations with an acquisition date on or after 1 July 2009.
- IFRIC 12 *Service Concession Arrangements* provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 will become mandatory for the Group's 2009 financial statements but it is not expected to have any impact on the consolidated financial statements.
- IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes with their customers. IFRIC 13 will become mandatory for the Group's 2009 financial statements but it is not expected to have any impact on the consolidated financial statements.
- IFRIC 14 *IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognised as an asset and is effective for periods beginning on or after 1 January 2008. The Group has not yet determined the potential of the interpretation.

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.

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 financial instruments and non-derivative financial instruments, and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

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

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

Notes to the consolidated financial statements continued

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

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 tables below shows the pre-tax increase/(decrease) in equity and profit or loss that would result from the noted percentage change in listed exchange rates, all other factors remaining constant. These arise principally from the re-pricing of derivative contracts. The analysis is performed on the same basis as for 2007.

	Change in rate		Equity		Income statement	
	2008	2007	2008 € m	2007 € m	2008 € m	2007 € m
USD strengthening against CHF	11%	7%	(4)	2	(2)	(2)
JPY strengthening against CHF	8%	7%	(17)	(9)	(1)	(1)
HKD strengthening against CHF	11%	7%	(18)	(11)	(6)	(1)
CNY* strengthening against HKD	–	3%	–	–	–	1
SGD strengthening against CHF	9%	–	(2)	–	–	–
CNY* strengthening against CHF	13%	–	–	–	(4)	–
HKD strengthening against EUR	11%	–	–	–	(9)	–
JPY strengthening against EUR	12%	–	–	–	(12)	–
USD strengthening against EUR	10%	6%	–	–	(5)	–
CHF strengthening against EUR	6%	–	–	–	34	–

	Change in rate		Equity		Income statement	
	2008	2007	2008 € m	2007 € m	2008 € m	2007 € m
USD weakening against CHF	11%	7%	3	(1)	2	3
JPY weakening against CHF	8%	7%	14	10	1	1
HKD weakening against CHF	11%	7%	14	13	5	2
CNY* weakening against HKD	–	3%	–	–	–	(1)
SGD weakening against CHF	9%	–	2	–	–	–
CNY* weakening against CHF	13%	–	–	–	3	–
HKD weakening against EUR	11%	–	–	–	11	–
JPY weakening against EUR	12%	–	–	–	13	–
USD weakening against EUR	10%	6%	–	–	7	–
CHF weakening against EUR	6%	–	–	–	(34)	–

*Chinese yuan/renminbi

(ii) Price risk

The Group is exposed to equity securities' price risk because of investments held by the Group and classified in the consolidated balance sheet as financial assets held at fair value through profit or loss. The Group is exposed to commodity price risk relating to the purchase of precious metals and stones for use in its manufacturing processes.

The Group is exposed to price risk related to anticipated purchases of certain commodities. There is no financial risk as the commodities are for use as raw materials by the Group's businesses. A change in those prices may alter the gross margin of specific businesses. The Group does not enter into commodity futures, forwards or option contracts to manage fluctuation in prices or anticipate purchases.

The Group holds both listed and unlisted investments.

At 31 March 2008, the Group held a small number of listed investments with a total maket value of € 3 million. These investments are listed in the UK and the US. Any market movement would not have a significant impact for the Group's consolidated financial statements. At 31 March 2007, the Group had an interest in a listed Hong Kong investment. This was sold during the year under review. For 2007, a movement of plus/(minus) 10 per cent in the Hong Kong market, all other variables held constant, would have had a pre-tax impact of plus/(minus) € 5 million.

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

(iii) Interest rate risk

- Fair value interest rate risk
  The Group's fair value interest rate risk arises primarily from its long-term fixed rate borrowings. The Group's policy is to maintain all long-term borrowings in fixed rate instruments. Long-term borrowings are carried at amortised cost, therefore a change in market interest rates does not impact profit or loss or equity.

- Cash flow sensitivity for variable interest rate instruments
  An increase/(decrease) of 100 basis points in interest rates at the reporting date would have impacted net profit by plus/(minus) € 12 million (2007: plus/(minus) € 11 million), all other variables remaining constant. The analysis is performed on the same basis for 2007.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The minimum credit rating requirements of trading and deposit counterparties are a long-term credit rating of Aa3/AA- and a short-term credit rating of P1/A-1+. Group Treasury only invests in AAA rated Money Market Funds and uses a range of fund providers. The Group has policies that limit the amount of credit exposure to any financial institution. Investment in any single fund is limited to a maximum of € 200 million per fund or 10 per cent of the total assets of a fund if this represents a lower number. At 31 March 2008, 66 per cent of the Group's cash was invested in AAA rated Government Bond Funds (2007: 67 per cent in Money Market Funds with institutions having a credit rating of AAA).

The balance of the funds are held as cash.

(c) Liquidity risk

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

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

3.2. Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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 14. Movements in the hedge reserve in unitholders' equity are shown in note 16.5.

(a) Cash flow hedge

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

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

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

(b) Derivatives that do not qualify for hedge accounting

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

3.3. Fair value estimation

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

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

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

3.4. Capital risk management

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

From time to time the Group will approve special dividends. These distribute to unitholders, 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 unitholders' equity, excluding buy-backs, in excess of 10 per cent.

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

4. Critical accounting estimates and judgements

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

(a) the determination of sales deductions, including rebates, returns, discounts and incentives, which are reported as a reduction in sales;

(b) the determination of carrying values for property, plant and equipment, intangible assets and inventories, especially as they relate to the purchase price allocation for newly acquired entities;

(c) the assessment and recording of liabilities in respect of retirement benefit obligations;

(d) the recognition of provision for income taxes, including deferred taxation, taking into account the related uncertainties in the normal course of business; and

(e) the determination of fair values for unlisted equity investments.

5. Segment information

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

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

(a) Primary reporting format – business segments

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

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

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

Amounts included in Corporate represent the costs of the Group's corporate operations which cannot be meaningfully attributed to the segments.

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

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

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

5. Segment information continued

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

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

	Sales		Inter-segment sales		Total segment sales	
	2008 € m	2007 € m	2008 € m	2007 € m	2008 € m	2007 € m
Sales						
Jewellery Maisons	**2 657**	2 435	**1**	1	**2 658**	2 436
Specialist Watchmakers	**1 378**	1 203	**7**	5	**1 385**	1 208
Writing Instrument Maisons	**637**	585	**1**	11	**638**	596
Leather and Accessories Maisons	**309**	307	**–**	–	**309**	307
Other Businesses	**321**	297	**105**	97	**426**	394
	5 302	4 827	**114**	114	**5 416**	4 941

	2008 € m	2007 € m
Operating result		
Jewellery Maisons	**767**	667
Specialist Watchmakers	**376**	274
Writing Instrument Maisons	**120**	110
Leather and Accessories Maisons	**(3)**	(11)
Other Businesses	**5**	20
Corporate	**(157)**	(144)
Operating profit	**1 108**	916
Finance costs	**(114)**	(58)
Finance income	**161**	89
Operating profit before share of results of associated undertakings	**1 155**	947
Share of post-tax profit of associated undertakings	**610**	540
Profit before taxation	**1 765**	1 487
Taxation	**(195)**	(158)
Net profit	**1 570**	1 329

Net segment assets at 31 March are as follows:

	Segment assets		Segment liabilities		Net segment assets	
	2008 € m	2007 € m	2008 € m	2007 € m	2008 € m	2007 € m
Net segment assets						
Jewellery Maisons	**1 777**	1 656	**(295)**	(259)	**1 482**	1 397
Specialist Watchmakers	**1 019**	843	**(164)**	(135)	**855**	708
Writing Instrument Maisons	**446**	362	**(86)**	(80)	**360**	282
Leather and Accessories Maisons	**181**	169	**(60)**	(67)	**121**	102
Other Businesses	**459**	211	**(111)**	(86)	**348**	125
Corporate	**503**	485	**(233)**	(206)	**270**	279
	4 385	3 726	**(949)**	(833)	**3 436**	2 893
Investments in associated undertakings	**3 008**	3 506	**–**	–	**3 008**	3 506
Cash and cash equivalents	**2 094**	1 881	**(323)**	(258)	**1 771**	1 623
Short-term loans and borrowings	**–**	–	**(525)**	(482)	**(525)**	(482)
Retirement benefit obligations	**–**	–	**(42)**	(103)	**(42)**	(103)
Deferred and current income tax, net	**251**	268	**(247)**	(192)	**4**	76
	9 738	9 381	**(2 086)**	(1 868)	**7 652**	7 513

5. Segment information continued

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

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

	Capital expenditure		Depreciation/ amortisation charge	
	2008 € m	2007 € m	2008 € m	2007 € m
Items related to property, plant, equipment and intangible assets				
Jewellery Maisons	**107**	104	**63**	54
Specialist Watchmakers	**61**	49	**31**	26
Writing Instrument Maisons	**43**	33	**21**	19
Leather and Accessories Maisons	**25**	20	**11**	11
Other Businesses	**36**	20	**19**	10
Corporate	**39**	34	**29**	24
	311	260	**174**	144

	Unit option costs	
	2008 € m	2007 € m
Other non-cash items		
Jewellery Maisons	**6**	6
Specialist Watchmakers	**5**	4
Writing Instrument Maisons	**2**	2
Leather and Accessories Maisons	**1**	1
Other Businesses	**1**	1
Corporate	**16**	19
	31	33

(b) Secondary reporting format – geographical segments

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

	Sales		Segment assets at 31 March		Capital expenditure	
	2008 € m	2007 € m	2008 € m	2007 € m	2008 € m	2007 € m
Europe	**2 293**	2 042	**3 273**	2 587	**194**	178
France	**493**	462	**508**	470	**25**	26
Switzerland	**257**	211	**1 911**	1 364	**92**	88
Germany, Italy and Spain	**690**	671	**492**	445	**30**	33
Other Europe	**853**	698	**362**	308	**47**	31
Asia	**1 995**	1 801	**676**	690	**75**	54
China/Hong Kong	**791**	600	**239**	278	**34**	21
Japan	**699**	731	**293**	276	**30**	22
Other Asia	**505**	470	**144**	136	**11**	11
Americas	**1 014**	984	**436**	449	**42**	28
USA	**777**	771	**345**	393	**36**	25
Other Americas	**237**	213	**91**	56	**6**	3
	5 302	4 827	**4 385**	3 726	**311**	260

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

6. Property, plant and equipment

	Land and buildings € m	Plant and machinery € m	Fixtures, fittings, tools and equipment € m	Assets under construction € m	Total € m
1 April 2006					
Cost	416	260	783	14	1 473
Depreciation	(88)	(203)	(440)	–	(731)
Net book value at 1 April 2006	328	57	343	14	742
Exchange adjustments	(8)	(1)	(17)	(1)	(27)
Acquisition of subsidiary undertakings	1	–	–	–	1
Additions	21	26	124	47	218
Disposals	(1)	–	(3)	(1)	(5)
Depreciation charge	(14)	(16)	(91)	–	(121)
Transfers and reclassifications	(1)	4	8	(11)	–
31 March 2007					
Cost	419	270	833	48	1 570
Depreciation	(93)	(200)	(469)	–	(762)
Net book value at 31 March 2007	326	70	364	48	808

	Land and buildings € m	Plant and machinery € m	Fixtures, fittings, tools and equipment € m	Assets under construction € m	Total € m
1 April 2007					
Cost	**419**	**270**	**833**	**48**	**1 570**
Depreciation	**(93)**	**(200)**	**(469)**	**–**	**(762)**
Net book value at 1 April 2007	**326**	**70**	**364**	**48**	**808**
Exchange adjustments	**3**	**3**	**(23)**	**(2)**	**(19)**
Acquisition of subsidiary undertakings	**35**	**17**	**2**	**–**	**54**
Additions	**20**	**37**	**163**	**58**	**278**
Disposals	**(1)**	**–**	**(5)**	**(1)**	**(7)**
Depreciation charge	**(15)**	**(18)**	**(106)**	**–**	**(139)**
Transfers and reclassifications	**13**	**6**	**28**	**(47)**	**–**
31 March 2008					
Cost	**493**	**342**	**909**	**56**	**1 800**
Depreciation	**(112)**	**(227)**	**(486)**	**–**	**(825)**
Net book value at 31 March 2008	**381**	**115**	**423**	**56**	**975**

Depreciation expense of € 30 million has been charged to cost of sales in the year (2007: € 28 million).

Included above is property, plant and equipment held under finance leases with a net book value of € 25 million (2007: € 18 million) comprising building € 12 million (2007: € 12 million), plant and machinery € 7 million (2007: € 2 million), fixtures, fittings, tools and equipment € 6 million (2007: € 4 million).

Borrowing costs capitalised during the current and prior year were immaterial (2008 rates of: 4.0 per cent, 2007 rates of: 3.2 per cent).

Committed capital expenditure not reflected in these financial statements amounted to € 28 million at 31 March 2008 (2007: € 52 million).

7. Intangible assets

	Goodwill €m	Leasehold and distribution rights €m	Computer software and related licences €m	Development costs and other €m	Total €m
1 April 2006					
Cost	–	127	32	35	194
Amortisation	–	(90)	(25)	(12)	(127)
Net book value at 1 April 2006	–	37	7	23	67
Exchange adjustments	–	(1)	1	(2)	(2)
Acquisition of subsidiary undertakings	–	2	–	16	18
Additions:					
– internally developed	–	–	6	14	20
– other	–	6	7	9	22
– acquisition of minority interest	13	–	–	–	13
Disposals	–	(1)	–	–	(1)
Amortisation charge	–	(9)	(3)	(11)	(23)
31 March 2007					
Cost	13	130	45	69	257
Amortisation	–	(96)	(27)	(20)	(143)
Net book value at 31 March 2007	13	34	18	49	114

	Goodwill €m	Leasehold and distribution rights €m	Computer software and related licences €m	Development costs and other €m	Total €m
1 April 2007					
Cost	**13**	**130**	**45**	**69**	**257**
Amortisation	**–**	**(96)**	**(27)**	**(20)**	**(143)**
Net book value at 1 April 2007	**13**	**34**	**18**	**49**	**114**
Exchange adjustments	**(1)**	**(1)**	**3**	**1**	**2**
Acquisition of subsidiary undertakings	**–**	**2**	**–**	**85**	**87**
Additions:					
– internally developed	**–**	**–**	**–**	**14**	**14**
– other	**–**	**4**	**7**	**8**	**19**
Goodwill arising on acquisition of subsidiary undertakings	**32**	**–**	**–**	**–**	**32**
Disposals	**–**	**–**	**–**	**(1)**	**(1)**
Amortisation charge	**–**	**(9)**	**(5)**	**(21)**	**(35)**
Transfers	**–**	**–**	**2**	**(2)**	**–**
31 March 2008					
Cost	**44**	**130**	**57**	**173**	**404**
Amortisation	**–**	**(100)**	**(32)**	**(40)**	**(172)**
Net book value at 31 March 2008	**44**	**30**	**25**	**133**	**232**

7. Intangible assets continued

Amortisation expense of € 7 million (2007: € 1 million) relating to intangibles has been charged to cost of sales.

The remaining amortisation periods for intangible assets range between one and 20 years.

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

Goodwill is the only identified intangible with an indefinite life.

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

The carrying amount of the goodwill was determined to be lower than its recoverable amount, therefore no impairment loss was recognised.

The recoverable amount of € 11 million (2007: € 13 million) for a Hong Kong-based clothing and accessories retailer was determined by discounting the future cash flows generated from the continuing operations, applying the following key assumptions:

- pre-tax cash flows are based on the approved five-year business plan;
- revenue growth was projected between 15 and 18 per cent in years 2009-2013; and
- a pre-tax discount rate of 10.6 per cent was applied in determining the recoverable amount of the unit.

The above estimate is particularly sensitive in the following areas:

- an increase of 22 per cent in the discount rate would have resulted in an impairment loss of € 1 million; and
- a 45 per cent decrease in future planned revenue would have resulted in an impairment loss of € 2 million.

The goodwill of € 32 million recognised during the year arises from the Group's acquisition of certain manufacturing entities. The recoverable amount for the manufacturing entities, was determined by discounting the future cash flows generated from the continuing operations, applying the following key assumptions:

- pre-tax cash flows are based on the approved ten-year business plan;
- revenue growth was projected at 5 per cent in years 2010-2013; and
- a pre-tax discount rate of 8.5 per cent was applied in determining the recoverable amount of the unit.

The above estimate is particularly sensitive in the following areas:

- an increase of 10.5 per cent in the discount rate would have resulted in an impairment loss of € 1 million; and
- a 32 per cent decrease in future planned revenue would have resulted in an impairment loss of € 2 million.

8. Investments in associated undertakings

	BAT € m	Other € m	Total € m
At 1 April 2006	3 343	4	3 347
Exchange adjustments	90	–	90
Share of post-tax profit	539	1	540
Dividends received	(280)	–	(280)
Acquisition of associated undertakings	–	4	4
Other equity movements arising from:			
– expenses recognised directly in equity	(97)	–	(97)
– transactions with equityholders	(98)	–	(98)
At 31 March 2007	**3 497**	**9**	**3 506**
Exchange adjustments	**(523)**	**(1)**	**(524)**
Share of post-tax profit	**609**	**1**	**610**
Dividends received	**(325)**	**–**	**(325)**
Acquisition of associated undertakings	**–**	**1**	**1**
Other equity movements arising from:			
– expenses recognised directly in equity	**(87)**	**–**	**(87)**
– transactions with equityholders	**(173)**	**–**	**(173)**
At 31 March 2008	**2 998**	**10**	**3 008**

Investments in associated undertakings at 31 March 2008 include goodwill of € 2 200 million (2007: € 2 583 million).

British American Tobacco plc ('BAT')

The summarised financial information in respect of the Group's share of results, assets and liabilities of its principal associated undertaking, BAT, is as follows:

	2008 € m	2007 € m
Operating profit	**826**	748
After:		
Share of other expense	**(27)**	(41)
Finance costs	**(137)**	(106)
Finance income	**53**	28
Share of post-tax profit of associates	**134**	118
Profit before taxation	**876**	788
Taxation	**(223)**	(205)
Net profit	**653**	583
Attributable to:		
Shareholders' equity	**609**	539
Minority interest	**44**	44
	653	583

8. Investments in associated undertakings continued

Accounts are drawn up at 31 March of each year in respect of BAT, and the Group's share of results and retained reserves is derived therefrom. Summarised financial information regarding the BAT group appearing in such accounts is as follows:

	2008 £ m	2007 £ m
Shareholders' equity	**7 088**	6 824
Revenue	**10 327**	9 697
Profit from operations (after other (expense)/income)	**3 028**	2 690
Attributable profit for the year	**2 234**	1 939

Total assets and liabilities are taken from BAT's latest published financial statements, which are drawn up to 31 December. No significant transactions or events have occurred since that date, which would materially change the amounts disclosed.

	31 December 2007 £ m	31 December 2006 £ m
Total assets	**18 728**	17 776
Total liabilities	**(11 630)**	(11 088)

Richemont accounts for its effective interest in BAT under the equity method. At 31 March 2008, the Group held an effective interest of 19.3 per cent in BAT. The Group has joint control of R&R Holdings SA, Luxembourg ('R&R') which holds 30.0 per cent of BAT, and this joint venture has the ability to exert significant influence over BAT, including representation on the Board of Directors. Thus, Richemont considers BAT to be an associated undertaking.

Changes in the Group's percentage holding of BAT during the years ended 31 March 2008 and 2007 relate to the share buy-back programme carried out by BAT. The following table indicates the percentages applied to BAT's profits:

	Percentage
For the year ended 31 March 2008	
1 April 2007 to 30 June 2007	**19.1**
1 July 2007 to 31 March 2008	**19.3**
For the year ended 31 March 2007	
1 April 2006 to 30 June 2006	18.8
1 July 2006 to 31 December 2006	18.9
1 January 2007 to 31 March 2007	19.0

The market capitalisation of BAT ordinary shares at 31 March 2008 was £ 38 126 million (2007: £ 32 658 million). The fair value of the Group's effective interest of 19.3 per cent in BAT ordinary shares at that date was € 9 250 million (2007: effective interest 19.0 per cent, fair value € 9 130 million).

BAT has contingent liabilities in respect of litigation regarding product liability, overseas taxation and guarantees in various countries. Despite the quality of defences judged by BAT to be available, there is a possibility that its operating results or cash flows could be materially affected by the outcomes of such matters, which could give rise to a consequent effect on the Group's share of results and attributable net assets.

Other associated undertakings

In September 2007, the Group's interest in Net-à-Porter Ltd, an online retailer of women's designer branded ready-to-wear fashion clothing shoes and accessories, decreased to 32.3 per cent as a result of an increase in shares issued by Net-à-Porter Ltd. The Group also holds a 20 per cent interest in Greubel Forsey, a Swiss specialist watchmaker.

	2008 € m	2007 € m
Share of associates' assets	**43**	32
Share of associates' liabilities	**(23)**	(18)
	20	14

9. Taxation

9.1. Deferred income tax

Deferred income tax assets

	1 April 2006 € m	Exchange adjustments € m	(Charge)/credit for year € m	Recognised directly in equity € m	31 March 2007 € m
Depreciation	25	–	3	–	28
Provision on inventories	20	–	3	–	23
Bad debt reserves	2	–	–	–	2
Retirement benefits	13	–	1	–	14
Unrealised gross margin elimination	128	–	(8)	–	120
Tax losses carried forward	45	–	(31)	–	14
Deferred tax on option scheme	–	–	–	29	29
Other	28	(1)	11	–	38
	261	(1)	(21)	29	268

	1 April 2007 € m	Exchange adjustments € m	(Charge)/credit for year € m	Recognised directly in equity € m	31 March 2008 € m
Depreciation	**28**	**–**	**(3)**	**–**	**25**
Provision on inventories	**23**	**–**	**(2)**	**–**	**21**
Bad debt reserves	**2**	**–**	**1**	**–**	**3**
Retirement benefits	**14**	**–**	**(3)**	**–**	**11**
Unrealised gross margin elimination	**120**	**–**	**10**	**–**	**130**
Tax losses carried forward	**14**	**–**	**(10)**	**–**	**4**
Deferred tax on option scheme	**29**	**1**	**15**	**(21)**	**24**
Other	**38**	**–**	**(2)**	**(3)**	**33**
	268	**1**	**6**	**(24)**	**251**

Deferred income tax liabilities

	1 April 2006 € m	Exchange adjustments € m	(Charge)/credit for year € m	Purchase accounting € m	31 March 2007 € m
Depreciation	(10)	(2)	4	–	(8)
Provision on inventories	(11)	(1)	1	–	(11)
Other	(12)	(3)	2	–	(13)
	(33)	(6)	7	–	(32)

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

At 31 March 2008, the Company and its subsidiary undertakings had taxation losses carried forward of € 268 million (2007: € 269 million) in respect of which deferred tax assets had not been recognised as the future utilisation of these losses is uncertain. Of this amount, € 242 million can be carried forward with no expiry dates. Based on current rates of taxation, future utilisation of these losses would result in the recognition of deferred tax assets at 31 March 2008 of € 80 million (2007: € 82 million).

The Company and its subsidiary undertakings also had temporary differences of € 46 million (2007: € 62 million) in respect of which deferred tax assets had not been recognised as the future utilisation of these temporary differences is uncertain. Based on current rates of taxation, future utilisation of these temporary differences would result in the recognition of deferred tax assets at 31 March 2008 of € 14 million (2007: € 19 million).

9. Taxation continued

9.2. Taxation charge

Taxation charge in the income statement:

	2008 € m	2007 € m
Current tax	**204**	144
Deferred tax (credit)/charge	**(9)**	14
	195	158

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 2008 and 2007 were 16.9 per cent and 16.7 per cent respectively.

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:

	2008 € m	2007 € m
Profit before taxation	**1 765**	1 487
Less: share of post-tax profit of associated undertakings	**(610)**	(540)
Adjusted profit before taxation	**1 155**	947
Tax on adjusted profit calculated at statutory tax rate	**243**	199
Difference in tax rates	**(65)**	(43)
Non-taxable income	**(3)**	(4)
Non-deductible expenses	**6**	4
Utilisation and recognition of prior year tax losses	**(10)**	(10)
Non-recognition of current year tax losses	**4**	3
Withholding and other taxes	**15**	21
Prior year adjustments	**5**	(12)
Taxation charge	**195**	158

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

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

	2008 € m	2007 € m
Investments in listed and unlisted undertakings	**68**	113

All of the above assets were designated as held at fair value through profit or loss on initial recognition. These assets, primarily unlisted investments acquired through the Group's venture capital/investment fund entities, are managed and their performance is evaluated on a fair value basis. Management reviews performance and valuation of these investments on a regular basis.

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

Commitments for future investments have been disclosed in note 29.

Notes to the consolidated financial statements continued

11. Other non-current assets

	2008 € m	2007 € m
Maisons' collections	**90**	83
Lease deposits	**58**	52
Loans and receivables	**10**	12
Other assets	**16**	18
	174	165

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.

12. Inventories

	2008 € m	2007 € m
Raw materials and work in progress	**803**	571
Finished goods	**1 273**	1 161
	2 076	1 732

The cost of inventories recognised as an expense and included in cost of sales amounted to € 1 713 million (2007: € 1 569 million).

The Group reversed € 24 million (2007: € 36 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 € 75 million (2007: € 84 million) in the write-down of inventory as a charge to cost of sales.

13. Trade and other receivables

	2008 € m	2007 € m
Trade receivables	**519**	525
Less: provision for impairment	**(19)**	(15)
Trade receivables – net	**500**	510
Loans and receivables	**109**	120
Other receivables	**32**	28
	641	658

Trade and other receivables are 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 € 68 million (2007: € 64 million) and cash balances as disclosed in note 15 which are considered to be loans and receivables.

13. Trade and other receivables continued

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

	2008 € m	2007 € m
Europe	290	269
France	83	81
Switzerland	53	31
Germany, Italy and Spain	106	118
Other Europe	48	39
Asia	120	130
China/Hong Kong	43	46
Japan	57	63
Other Asia	20	21
Americas	90	111
USA	78	99
Other Americas	12	12
	500	510

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

	2008 € m	2007 € m
Wholesale customers	435	428
Retail customers	65	82
	500	510

The Group's most significant customer, a European wholesale customer, accounts for € 8 million of the total trade receivables carrying amount at March 2008 (2007: € 6 million).

Impairment losses

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

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

	2008 € m	2007 € m
Balance at 1 April	(15)	(15)
Exchange adjustments	1	1
Provision charged to income statement	(14)	(7)
Utilisation of provision	1	2
Reversal of unutilised provision	8	4
Balance at 31 March	(19)	(15)

At 31 March 2008, trade receivables of € 31 million (2007: € 18 million) were impaired.

Receivables past due but not impaired:

	2008 € m	2007 € m
Up to three months past due	116	119
Three to six months past due	21	24
Over six months past due	10	9
	147	152

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 value of trade and other receivables approximate to their book value.

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

14. Derivative financial instruments

The Group uses the following derivatives 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 units at pre-determined prices as treasury stock to partially hedge the Group's obligations arising under the unit option scheme (note 16).

(f) Currency basket options: option instruments that have all the characteristics of a standard option, except that the strike price is based on a weighted value of the component currencies.

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

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

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

	Nominal amount		Fair value assets		Fair value liabilities	
	2008 € m	2007 € m	2008 € m	2007 € m	2008 € m	2007 € m
Derivatives designated as cash flow hedges						
Qualifying cash flow hedges						
Currency derivatives						
– currency forwards	**399**	394	**26**	5	**–**	(1)
– currency options	**10**	40	**1**	1	**–**	–
Non-hedge derivatives						
Accrual style option forwards	**87**	108	**18**	5	**(4)**	–
Currency basket options	**300**	80	**12**	2	**–**	(1)
Interest rate swap derivatives	**–**	75	**–**	1	**–**	–
Currency forwards	**266**	140	**15**	1	**(4)**	–
			72	15	**(8)**	(2)

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

14. Derivative financial instruments continued

The contractual maturity of derivative instruments held is as follows:

	Less than 6 months		Between 6 and 12 months		Between 1 and 2 years	
	2008 € m	2007 € m	2008 € m	2007 € m	2008 € m	2007 € m
Derivatives designated as cash flow hedges						
Qualifying cash flow hedges						
Currency derivatives						
– currency forwards	**156**	179	**237**	209	**6**	6
– currency options	**3**	–	**4**	30	**3**	10
Non-hedge derivatives						
Accrual style option forwards	**70**	95	**17**	13	**–**	–
Currency basket options	**100**	–	**200**	80	**–**	–
Interest rate swap derivatives	**–**	–	**–**	75	**–**	–
Currency forwards	**126**	140	**95**	–	**45**	–
	455	414	**553**	407	**54**	16

Nominal amount

Nominal amounts represent the following:

- currency forwards: the sum of all contract volumes, bought or sold, outstanding at the year end;
- currency options: the sum of the amounts underlying the options outstanding at the year end; and
- 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 € 87 million and € 364 million.

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

Non-hedge derivatives

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

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 2008, the weighted average interest charge of the Group was 3.6 per cent (2007: 3.1 per cent).

15. Cash and cash equivalents

	2008 € m	2007 € m
Cash at bank and on hand	**2 094**	1 881
Bank overdrafts	**(323)**	(258)
	1 771	1 623

The effective interest rate on bank overdrafts was 4.1 per cent (2007: 3.7 per cent). The effective interest rate on cash at bank was 4.3 per cent (2007: 3.2 per cent).

Included within cash and cash equivalents is restricted cash of € 14 million (2007: € 34 million) that has been deposited in an account to satisfy the conditions of the guarantee arrangement described in note 29.

Notes to the consolidated financial statements continued

16. Equity

16.1. Share capital

	2008 € m	2007 € 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

16.2. Participation reserve

	2008 € m	2007 € m
Reserve in respect of 574 200 000 participation certificates with no par value issued by Richemont SA	**645**	645

16.3. Unitholders’ capital

In accordance with the articles of incorporation of the respective companies, the shares issued by the Company and the participation certificates issued by Richemont SA have been twinned as follows:

(a) Each ‘A’ bearer share in the Company with a par value of CHF 1.00 is twinned with one bearer participation certificate in Richemont SA with no par value to form one ‘A’ unit, issued to bearer.

(b) Every ten ‘B’ registered shares in the Company with a par value of CHF 0.10 each are twinned with one registered participation certificate in Richemont SA with no par value to form one ‘B’ unit, issued in registered form.

The total number of units in issue is made up as follows:

	2008 Units	2007 Units
(a) ‘A’ bearer units, each comprising one ‘A’ bearer share in the Company and one bearer participation certificate in Richemont SA	**522 000 000**	522 000 000
(b) ‘B’ registered units, each comprising ten ‘B’ registered shares in the Company and one registered participation certificate in Richemont SA	**52 200 000**	52 200 000
	574 200 000	574 200 000

In view of this indivisible twinning of shares and participation certificates, the participation reserve of Richemont SA is presented in the consolidated balance sheet of the Company as a component of unitholders’ capital. For the same reason, information that would normally be stated on a per share basis is stated in these financial statements on a per unit basis.

Options granted to executives in respect of Richemont ‘A’ units under the terms of the unit option scheme are described in note 32.

16. Equity continued

16.4. Treasury units

In order to hedge partially its obligations arising under the unit option scheme, the Group has purchased Richemont 'A' units. Changes in the holding of this treasury stock of units are shown as movements in unitholders' equity as follows:

	Units millions	€ m
Movements in treasury units		
Balance at 1 April 2006	18.2	408
Units sold	(5.4)	(144)
Balance at 31 March 2007	**12.8**	**264**
Units purchased	**3.0**	**61**
Units sold	**(2.7)**	**(57)**
Balance at 31 March 2008	**13.1**	**268**

The cost value of the 2.7 million units (2007: 5.4 million units) sold during the year to scheme participants who exercised their options was € 57 million (2007: € 144 million).

The Group has entered into over-the-counter purchased call options with a third party to purchase treasury units at the same strike prices as the unit options granted to executives in June 2007, 2006, 2005 and 2004. These call options together with treasury units provide a comprehensive hedge of the Group's obligations arising under the unit option scheme. The costs of these call options together with the loss realised on units sold during the year to scheme participants amounting to € 33 million (2007: € 81 million) were recognised directly in retained earnings.

The market value of the 13.1 million units (2007: 12.8 million units) held by the Group at the year end, based on the closing price at 31 March 2008 of CHF 55.70 (2007: CHF 67.95), amounted to € 467 million (2007: € 536 million).

16.5. Hedge and unit option reserves

	Hedge reserve € m	Unit option reserve € m	Total € m
Balance at 1 April 2006	(11)	83	72
Exchange adjustments	–	(2)	(2)
Movements in hedge reserve			
– fair value gains	22	–	22
– recycle to income statement	(3)	–	(3)
Movement in employee unit option reserve			
– expense recognised in the year	–	33	33
Tax on items recognised directly in equity	–	29	29
Balance at 31 March 2007	**8**	**143**	**151**
Movements in hedge reserve			
– fair value gains	**31**	**–**	**31**
– recycle to income statement	**(13)**	**–**	**(13)**
Movement in employee unit option reserve			
– expense recognised in the year	**–**	**31**	**31**
Tax on items recognised directly in equity	**(3)**	**(21)**	**(24)**
Balance at 31 March 2008	**23**	**153**	**176**

16.6. Legal reserves

Legal reserves amounting to € 95 million (2007: € 95 million) are included in the reserves of Group companies but are not available for distribution.

17. Borrowings

	2008 € m	2007 € m
Non-current		
Bank borrowings	**238**	195
Finance lease obligations	**8**	8
	246	203
Current		
Short-term loans	**267**	251
Bank borrowings	**8**	24
Finance lease obligations	**4**	4
	279	279
Total borrowings	**525**	482

	Short-term loans		Bank borrowings		Finance lease obligations		Total	
Amounts repayable within the financial year ending 31 March	2008 € m	2007 € m	2008 € m	2007 € m	2008 € m	2007 € m	2008 € m	2007 € m
2008	**–**	251	**–**	24	**–**	4	**–**	279
2009	**267**	–	**8**	78	**4**	4	**279**	82
2010	**–**	–	**176**	114	**4**	3	**180**	117
2011	**–**	–	**62**	3	**4**	2	**66**	5
	267	251	**246**	219	**12**	13	**525**	483
Interest	**–**	–	**–**	–	**–**	(1)	**–**	(1)
	267	251	**246**	219	**12**	12	**525**	482

Bank and other borrowings are subject to market-linked rates of interest ranging from 1.0 per cent to 6.9 per cent.

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

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

	2008 € m	2007 € m
Euro	**23**	26
Hong Kong dollar	**101**	120
Japanese yen	**137**	160
Swiss franc	**91**	43
US dollar	**68**	47
Chinese yuan/renminbi	**59**	45
Other	**46**	41
	525	482

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.

18. Liquidity risk

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

31 March 2008

Non-derivative financial liabilities

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

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

Derivative financial liabilities

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

	Contractual cash flow € m	Carrying amount € m
Total financial liabilities	1 584	1 419

31 March 2007

Non-derivative financial liabilities

	6 months or less € m	Contractual cash flow € m	Carrying amount € m
Current financial liabilities			
Other short-term loans	253	253	251
Trade and other payables	488	488	488
Bank overdrafts	258	258	258
	999	999	997

	Within 1 year € m	Between 1-2 years € m	Between 2-5 years € m	Contractual cash flow € m	Carrying amount € m
Non-current financial liabilities					
Long-term borrowings (including current portion)	31	82	122	235	231

Derivative financial liabilities

	6 months or less € m	Between 6-12 months € m	Contractual cash flow € m	Carrying amount € m
Currency forwards	151	45	196	2

	Contractual cash flow € m	Carrying amount € m
Total financial liabilities	1 430	1 230

19. Retirement benefit obligations

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

	2008 € m	2007 € m
Present value of funded obligations	**(635)**	(563)
Fair value of plan assets	**723**	642
Net funded obligations	**88**	79
Present value of unfunded obligations	**(38)**	(100)
Unrecognised actuarial gain	**(19)**	(4)
Amount not recognised due to asset limit	**(73)**	(78)
Net liabilities	**(42)**	(103)

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

	2008 € m	2007 € m
Balance at 1 April	**(663)**	(632)
Exchange adjustments	**15**	7
Current service cost	**(29)**	(28)
Contributions by plan participants	**(15)**	(14)
Interest cost	**(26)**	(25)
Actuarial gain	**44**	9
Gains on curtailments	**4**	2
Liabilities extinguished on settlements	**1**	3
Liabilities assumed in business combinations	**(32)**	–
Benefits paid	**28**	15
Balance at 31 March	**(673)**	(663)
Present value of funded obligations	**(635)**	(563)
Present value of unfunded obligations	**(38)**	(100)
	(673)	(663)

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

	2008 € m	2007 € m
Balance at 1 April	**642**	590
Exchange adjustments	**(14)**	(9)
Expected return on plan assets	**31**	29
Actuarial (losses)/gains	**(45)**	1
Assets distributed on settlements	**–**	(3)
Contributions paid by employer	**90**	35
Contributions paid by plan participants	**15**	14
Assets acquired in business combinations	**32**	–
Benefits paid	**(28)**	(15)
Balance at 31 March	**723**	642

19. Retirement benefit obligations continued

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

	2008 € m	2007 € m
Equities	**248**	256
Bonds	**280**	241
Property	**75**	70
Other assets, including insurance policies	**120**	75
Fair value of plan assets	**723**	642

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

The expected rate of return on plan assets during the coming year is 5.3 per cent (2007: 4.9 per cent). This expected rate of return was derived as a weighted average of the long-term expected rates of return on each of the major asset classes at the measurement date taking account of government bond yields available at the balance sheet date and investment market expectations for future returns in excess of government bond yields for each asset class. The actual return on plan assets was a loss of € 14 million (2007: gain of € 30 million).

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

	2008 € m	2007 € m
Current service cost	**29**	28
Interest cost	**26**	25
Expected return on plan assets	**(31)**	(29)
Net actuarial losses recognised in the year	**18**	2
Adjustment to recognise the effect of asset limit	**(7)**	12
Gains on curtailment and/or settlement	**(5)**	(1)
	30	37

	2008 € m	2007 € m
Expense charged in:		
Cost of sales	**12**	14
Net operating expenses	**18**	23
	30	37

Total pension costs are included in employee benefits expense (note 24).

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

	2008 € m	2007 € m
Balance at 1 April	**(103)**	(101)
Exchange adjustments	**1**	–
Total expense charged to the income statement	**(30)**	(37)
Contributions paid	**90**	35
Balance at 31 March	**(42)**	(103)

The Group expects to contribute € 36 million to such plans during 2009.

Notes to the consolidated financial statements continued

19. Retirement benefit obligations continued

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

	2008 range	Weighted average	2007 range	Weighted average
Discount rate	**1.4% to 6.6%**	**4.5%**	1.8% to 5.7%	4.1%
Expected return on plan assets	**2.0% to 6.1%**	**5.3%**	2.0% to 6.2%	4.9%
Future salary increases	**1.4% to 6.0%**	**2.8%**	1.6% to 4.7%	2.9%
Future pension increases	**2.3% to 3.4%**	**3.1%**	2.2% to 3.0%	2.8%

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

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

In Switzerland, the Group operates a foundation covering the majority of employees in Switzerland, which holds assets separately to the Group. The foundation operates as a defined contribution plan with the Group's annual contribution being a fixed percentage of salary. Under IAS 19 *Employee Benefits*, the foundation is accounted for as a defined benefit plan on account of underlying benefit guarantees. For 2008, the expense recognised in the Group's consolidated income statement in respect of the foundation is equal to the Group's contribution.

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

In Germany, retirement benefits have been changed this year with employees having various options. In 2007/2008 contributions were made into an external Contractual Trust Agreement that will be used to finance the old German pension plan benefits. These plans are now therefore treated as funded plans. With effect from 1 January 2008 a new plan has been set up. Although this plan is largely defined contribution in nature, it is accounted for under IAS 19 as a defined benefit plan due to some underlying guarantees applying. The new plan is currently available to most new hires and current employees who chose to move from the old plan.

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

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

Defined benefit pension plans for the current and previous periods:

	2008 € m	2007 € m	2006 € m	2005 € m	2004 € m
Present value of defined benefit obligation	**(673)**	(663)	(632)	(562)	(505)
Fair value of plan assets	**723**	642	590	501	430
Surplus/(deficit) in plan	**50**	(21)	(42)	(61)	(75)
Experience adjustments on plan liabilities	**44**	9	(30)	(20)	–
Experience adjustments on plan assets	**(45)**	1	46	9	–

20. Provisions

	Warranties and sales related € m	Restructuring and property related € m	Employee benefits € m	Other € m	Total € m
At 1 April 2007	**68**	**35**	**30**	**18**	**151**
Acquired in a business combination	–	–	–	1	1
Charged/(credited) to the income statement:					
– additional provisions	42	8	17	8	75
– unused amounts reversed	(5)	(10)	(4)	(3)	(22)
Net charge/(credit)	37	(2)	13	5	53
Utilised during the year	(33)	(10)	(5)	(4)	(52)
Transfers	–	5	–	(5)	–
Exchange adjustments	(1)	(4)	(1)	–	(6)
At 31 March 2008	71	24	37	15	147

	2008 € m	2007 € m
Total provisions at 31 March:		
– non-current	**52**	61
– current	**95**	90
	147	151

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 € 71 million (2007: € 68 million) has been recognised for expected sales returns and warranty claims. It is expected that € 60 million (2007: € 58 million) of this provision will be used within the following twelve months and the remaining € 11 million (2007: € 10 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 the restructuring provision will be fully utilised in the coming year. Certain property obligations will remain until 2014.

Employee benefits provisions

These include social security charges on the Group's unit option scheme. An amount of € 10 million is expected to reverse in the coming twelve months. The remainder will reverse in the next two to ten years.

Other provisions

These provisions relate to legal and constructive obligations. It is not expected that the outcomes of legal claims will give rise to any significant losses beyond the amounts provided at 31 March 2008.

21. Trade and other payables

	2008 € m	2007 € m
Trade creditors	**299**	273
Other creditors	**264**	215
	563	488

22. Other operating income

	2008 € m	2007 € m
Royalty income – net	**15**	13
Profit on sale of an interest in a leasehold property	**–**	19
Other expenses	**(2)**	(27)
	13	5

23. Net profit

Net profit is stated after the following items of expense/(income):

	2008 € m	2007 € m
Depreciation of property, plant and equipment (note 6)	**139**	121
Amortisation of intangible assets (note 7)	**35**	23
Operating lease rentals	**283**	317
Sub-lease rental income	**(2)**	(2)
Cash flow hedge – transfer from unitholders' equity	**(13)**	(3)
Research and development costs	**19**	17
Loss on disposal of property, plant and equipment	**1**	–
Profit on disposal of intangible assets	**(2)**	(19)
Restructuring charges	**5**	9

24. Employee benefits expense

	2008 € m	2007 € m
Wages and salaries including termination benefits € 6 million (2007: € 13 million)	**855**	804
Social security costs	**153**	144
Unit option expense	**31**	33
Long-term employee benefits	**11**	8
Pension costs – defined contribution plans	**11**	7
Pension costs – defined benefit plans (note 19)	**30**	37
	1 091	1 033

	2008 number	2007 number
Average number of employees:		
Switzerland	**5 839**	4 952
Rest of the world	**12 436**	11 369
	18 275	16 321

25. Net finance income

	2008 € m	2007 € m
Finance income:		
Interest income on bank and other deposits	**82**	62
Dividend income on financial assets at fair value through profit or loss	**6**	2
Net changes in fair value of financial assets at fair value through profit or loss	**9**	16
Net foreign exchange gains on derivatives	**64**	9
Finance income	**161**	89
Finance costs:		
Interest expense:		
– bank borrowings	**(35)**	(32)
– other financial expenses	**(1)**	(2)
Net foreign exchange losses on monetary items	**(78)**	(24)
Finance costs	**(114)**	(58)
Net finance income	**47**	31

Foreign exchange gains resulting from effective hedge derivative instruments of € 13 million (2007: gains of € 3 million) were reflected in cost of sales during the year. Gains and losses on all non-hedge derivatives are included in net finance income.

26. Earnings per unit

26.1. Basic

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

	2008	2007
Profit attributable to unitholders of the Company (€ millions)	**1 571**	1 328
Weighted average number of units in issue (millions)	**561.1**	561.4
Basic earnings per unit (€ per unit)	**2.800**	2.366

26.2. Diluted

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

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

	2008	2007
Profit attributable to unitholders of the Company (€ millions)	**1 571**	1 328
Weighted average number of units in issue (millions)	**561.1**	561.4
Adjustment for unit options (millions)	**8.0**	8.4
Weighted average number of units for diluted earnings per unit (millions)	**569.1**	569.8
Diluted earnings per unit (€ per unit)	**2.760**	2.331

27. Dividends per unit

In September 2007, a dividend of € 0.65 per unit (September 2006: € 0.60 per unit) was paid, together with a special dividend of € 0.60 per unit (September 2006: € 0.50 per unit).

Notes to the consolidated financial statements continued

28. Cash flow generated from operations

	2008 € m	2007 € m
Operating profit	**1 108**	916
Depreciation of property, plant and equipment	**139**	121
Amortisation of intangible assets	**35**	23
Loss on disposal of property, plant and equipment	**1**	–
Profit on disposal of intangible assets	**(2)**	(19)
Increase in provisions	**2**	14
(Decrease)/increase in retirement benefit obligations	**(60)**	2
Non-cash items	**19**	34
Increase in inventories	**(308)**	(145)
Increase in trade debtors	**(11)**	(56)
Increase in other receivables, prepayments and accrued income	**(13)**	(37)
Increase in current liabilities	**58**	117
Cash flow generated from operations	**968**	970

29. Financial commitments and contingent liabilities

At 31 March 2008, 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. Contingent liabilities of the Group arising from the contingent liabilities reported by its principal associated undertaking BAT are described in note 8. Details of the Group's commitments in respect of financial derivatives are given in note 14 and in respect of property, plant and equipment in note 6.

At 31 March 2008, the Group has provided a short-term guarantee to a bank up to a maximum of € 14 million (2007: € 31 million). The Group has a lien over certain third-party assets as security for this guarantee.

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.

At 31 March 2008, the Group had signed non-cancellable operating leases in respect of which the following minimum rentals are payable:

	Land and buildings		Other assets		Total	
	2008 € m	2007 € m	2008 € m	2007 € m	2008 € m	2007 € m
Within one year	**159**	147	**10**	10	**169**	157
Between two and five years	**353**	375	**20**	20	**373**	395
Thereafter	**249**	239	**2**	13	**251**	252
	761	761	**32**	43	**793**	804

At 31 March 2008, the Group had committed to invest a further € 307 million (2007: € 25 million) in unlisted undertakings until 2010. This amount includes a purchase commitment for a potential subsidiary which is subject to the minority shareholder not exercising his pre-emption rights.

30. Business combinations

Acquisitions of subsidiary undertakings

Business operations

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

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

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

30. Business combinations continued

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

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

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

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

Investment funds
The Group's venture capital/investment funds did not make any business combinations during the year.

Net assets acquired in the year ended 31 March 2008

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

In the year ended 31 March 2007 the following business combinations were made:

Business operations
On 9 October 2006, for a cost of € 7 million, the Group acquired 100 per cent of the voting rights of Fabrique d'Horlogerie Minerva SA, a company specialising in the development and manufacture of high-quality mechanical watch movements. In April 2006, the Group also acquired certain distribution activities in China and Switzerland previously performed by third parties for a total cost of € 12 million. These acquired businesses contributed revenues of € 44 million for the period from acquisition to 31 March 2007 and were net profit neutral for the same period. If the acquisitions had occurred on 1 April 2006, there would have been no significant change to the contribution of both revenue and net profit for the year to 31 March 2007.

Investment funds
The Group invested in Mary Norton Inc. in July 2006 and Harry's Shoes Limited in November 2006 at a total acquisition cost of € 7 million through its subsidiary undertaking Atelier Fund LLC. For the period from acquisition till 31 March 2007 the contributions to both revenue and net profit were not significant.

30. Business combinations continued

Net assets acquired in the year ended 31 March 2007

	Business operations acquired		Investment fund acquisitions		Total 2007	
	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	1	1	–	–	1	1
Intangible assets	14	–	4	–	18	–
Inventories	4	4	–	–	4	4
Receivables	1	1	1	1	2	2
Cash and cash equivalents	–	–	7	7	7	7
Liabilities	(1)	(1)	(2)	(2)	(3)	(3)
Borrowings, current and deferred tax	–	–	(3)	(3)	(3)	(3)
Net assets	19	5	7	3	26	8
Fair value of net assets acquired	19		7		26	
Goodwill	–		–		–	
Purchase consideration – cash paid	19		7		26	
Cash and cash equivalents acquired	–		(7)		(7)	
Cash outflow on acquisition	19		–		19	

Acquisition of minorities

In the year ended 31 March 2007, the Group acquired an additional 38.58 per cent in a Hong Kong-based luxury clothing and accessories retailer for € 20 million in cash, increasing the Group ownership from 61.28 per cent to 99.86 per cent. The carrying amount of the net assets in the consolidated financial statements on the date of acquisition was € 7 million. The Group recognised a decrease in minority interests of € 7 million and goodwill of € 13 million.

31. Related-party transactions

Compagnie Financière Rupert, Bellevue, Geneva holds 52.2 million 'B' registered units, each unit comprising ten 'B' registered shares in Compagnie Financière Richemont SA indivisibly twinned with a 'B' registered participation certificate issued by Richemont SA, Luxembourg. Compagnie Financière Rupert therefore has an interest in 50 per cent of the voting rights in Compagnie Financière Richemont SA. In addition, Compagnie Financière Rupert has advised that parties related to it held a total of 160 703 Richemont 'A' bearer units, or the equivalent thereof in the form of Depository Receipts, as at 31 March 2008, representing 0.02 per cent of the voting rights of the Company.

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

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

- Richemont's associated undertakings (see note 8);
- Richemont's joint venture interests (see note 33);
- Remgro Limited, a public company incorporated in South Africa;
- VenFin Limited, a private 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

	2008 € m	2007 € m
Sales to Net-à-Porter	**3**	3
Receivables outstanding at 31 March:		
Net-à-Porter – sales of goods	**1**	1

31. Related-party transactions continued

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

	2008 € m	2007 € m
Goods and services bought from and other transactions with entities under common control:		
Ventek International – acquisition of IT services and equipment	–	(2)
Falconair Limited – provision of aviation services and reimbursement of third-party expenses	(2)	(2)
Montblanc Kulturstiftung – donation	(1)	–
Payables outstanding at 31 March:		
Falconair Limited – provision of aviation services and reimbursement of third-party expenses	–	(1)
Receivables outstanding at 31 March:		
Fondation Antoine LeCoultre	1	–

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

	2008 € m	2007 € m
Services provided and other income from:		
Laureus World Sports Awards Limited – sponsorship	(5)	(4)
Goods and services sold to and other transactions with its joint ventures:		
R&R – dividends received	341	284
Laureus World Sports Awards Limited – reimbursement of staff costs and office rental	2	2
Receivables outstanding at 31 March:		
R&R	1 353	155
Laureus World Sports Awards Limited	2	–

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

	2008 € m	2007 € m
Goods and services bought from and other transactions with its investment entities:		
Kaenon Polarized – purchase of goods	(1)	–
Receivables outstanding at 31 March:		
Kaenon Polarized	1	–

(e) Individuals

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

Me Jean-Paul Aeschimann, the Deputy Chairman, is counsel to the Swiss legal firm, Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling € 0.5 million (2007: € 0.4 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 € 0.2 million (2007: € 0.2 million) in connection with his role as director and non-executive chairman of Richemont Holdings (UK) Limited, the holding company for the Group's UK interests, and in respect of consultancy services provided to the Group.

The Group has interests in three closed-ended investment funds managed by General Enterprise Management Services Limited. Mr Simon Murray, a non-executive director of the Company, has an effective interest of 25 per cent in this investment management company. The cash received from the fund during the year, net of amounts invested, was € 3 million (2007: net invested € 2 million).

On 28 February 2006, the Group committed to invest US$ 65 million in a subsidiary company, Atelier Fund, LLC, a limited liability investment company specialising in high potential brand/retail opportunities in the luxury sector. Ms Martha Wikstrom, a non-executive director of the Company holds a one-third interest in Atelier Management, LLC, the managing company of this investment fund. During the year, fees of € 1.1 million (2007: € 2.0 million) were paid to the managing company for fund management and other services not specific to Atelier Fund, LLC.

Notes to the consolidated financial statements continued

31. Related-party transactions continued

(f) Key management compensation

	2008 € m	2007 € m
Salaries and other short-term employee benefits	**23**	21
Long-term employee benefits	**2**	3
Termination benefits	**–**	2
Post-employment benefits	**3**	3
Unit option expense	**13**	15
	41	44

Board and executive 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.

Directors' compensation for the year ended 31 March 2008

		Salary, bonus payments, directors' fees and other short-term benefits €	Long-term benefits €	Post-employment benefits €	Stock option cost* €	Total 2008 €
Board of Directors of Compagnie Financière Richemont SA						
Johann Rupert	Executive Chairman	1 473 190	–	1 549 938	3 196 482	**6 219 610**
Jean-Paul Aeschimann	Non-Executive Deputy Chairman	102 621	–	–	–	**102 621**
Norbert Platt	Group Chief Executive Officer	4 598 776	–	65 409	2 030 234	**6 694 419**
Richard Lepeu	Group Finance Director	2 546 310	–	61 591	1 402 216	**4 010 117**
Franco Cologni	Executive Director	506 119	–	11 609	–	**517 728**
Lord Douro	Non-Executive Director	228 282	–	–	–	**228 282**
Yves-André Istel	Non-Executive Director	97 621	–	–	–	**97 621**
Simon Murray	Non-Executive Director	73 215	–	–	–	**73 215**
Alain Dominique Perrin	Executive Director	1 446 914	–	–	–	**1 446 914**
Alan Quasha	Non-Executive Director	73 215	–	–	–	**73 215**
Lord Renwick	Non-Executive Director	88 469	–	–	–	**88 469**
Jan Rupert	Manufacturing Director	976 788	–	46 029	838 471	**1 861 288**
Jürgen Schrempp	Non-Executive Director	73 215	–	–	–	**73 215**
Martha Wikstrom	Non-Executive Director	73 215	–	–	–	**73 215**
Total		12 357 950	–	1 734 576	7 467 403	**21 559 929**
Board of Directors of Richemont SA		11 238 029	1 995 000	1 016 107	5 245 293	**19 494 429**
Total directors' compensation		23 595 979	1 995 000	2 750 683	12 712 696	**41 054 358**

* The cost for stock options is determined in accordance with IFRS 2 *Share-based Payment*. Details of the valuation model and significant inputs to this model are found in note 32.

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

The Board of Richemont SA, a directly held, wholly-owned subsidiary of Compagnie Financière Richemont SA, functions as the Group's management board. In addition to the Executive Chairman, the Group Chief Executive Officer, the Group Finance Director and the Manufacturing Director, the Board comprises the following members:

Piet Beyers (resigned June 2007)
Marketing Services Director
Giampiero Bodino
Group Art Director
Pilar Boxford
Group Public Relations Director

Bernard Fornas
Chief Executive of Cartier
Alan Grieve
Director of Corporate Affairs
Albert Kaufmann
General Counsel

Thomas Lindemann
Group Human Resources Director
Eloy Michotte
Corporate Finance Director
Frederick Mostert
Lead Counsel and Chief Intellectual Property Counsel

31. Related-party transactions continued

(f) Key management compensation (continued)

Highest paid compensation to a member of the management board

The total level of compensation of the highest paid director of the Richemont SA management board was € 6 694 419, which was in respect of Mr Norbert Platt, Group Chief Executive Officer. Mr Platt's compensation is disclosed above as a member of the Board of Compagnie Financière Richemont SA. It is therefore excluded from the total compensation of the Board of Directors of Richemont SA.

Compensation of advisory committees

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

Compensation for former executive directors

During the year under review, a former executive director received € 0.1 million (2007: nil) from the Group for services provided to an entity in which the Group is a joint venture partner.

Unit ownership

As at 31 March 2008, non-executive directors and parties closely linked to them owned a total of 45 500 Richemont 'A' units. Executive directors and members of the management board and parties closely linked to them held a total of 90 000 Richemont 'A' units at that date. Mr Johann Rupert is the General Managing Partner of Compagnie Financière Rupert, which holds the 52 200 000 'B' registered units in the Group. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 160 703 'A' units or 'A' unit equivalents at 31 March 2008. The interest of individual directors in Richemont 'A' units is as follows:

	At 31 March 2008
Board of Directors of Compagnie Financière Richemont SA	
Lord Douro	**18 000**
Yves-André Istel	**16 000**
Simon Murray	**7 500**
Lord Renwick	**4 000**
	45 500
Board of Directors of Richemont SA	
Alan Grieve	**90 000**
	135 500

Mr Jan Rupert, Group Manufacturing Director, is a director of a company which holds 2 375 005 Richemont 'A' units. He is also one of a group of family members who are beneficiaries of certain trusts which are, directly or indirectly, shareholders in that company and which hold Richemont 'A' units and 'A' unit 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.

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

Mr A D Perrin, an executive director, holds no Richemont 'A' units. However, he has an indirect holding of derivative instruments, the value of which is determined by the market price of Richemont 'A' units, linked to 720 779 underlying units. The derivative instruments have expiry dates from 19 December 2008 to 20 February 2009.

Mr Alan Grieve, an executive director of Richemont SA, also serves as a director of certain private companies established when the Group was founded and linked to former investors in Compagnie Financière Rupert. These companies hold in total 9 791 954 Richemont 'A' units. Mr Grieve has no beneficial interest in those companies or in the 'A' units 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 2008, there were no loans or other credits outstanding to any current or former executive or non-executive directors. The Group 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.

31. Related-party transactions continued

(f) Key management compensation (continued)

Stock option plan

The Group operates a long-term unit-based compensation scheme whereby executives are awarded options to acquire units at pre-determined market-linked prices. No awards under the stock option plan have been made to non-executive directors.

Details of options held by executive directors and members of the management board under the plan at 31 March 2008 are as follows:

	Number of options							
	1 April 2007	Granted in year	Exercised in year	Retiree in year	31 March 2008	Weighted average grant price CHF	Exercise period	Latest expiry date
Board of Directors of Compagnie Financière Richemont SA								
Johann Rupert	6 104 000	–	–	–	6 104 000	26.23	Apr 2008-Jul 2011	June 2013
Norbert Platt	908 000	250 000	(233 334)	–	924 666	49.97	Apr 2008-Jul 2013	June 2016
Richard Lepeu	1 041 666	120 000	(166 666)	–	995 000	39.75	Apr 2008-Jul 2013	June 2016
Jan Rupert	510 000	100 000	(40 000)	–	570 000	41.59	Apr 2008-Jul 2013	June 2016
Board of Directors of Richemont SA								
Piet Beyers*	219 000	–	–	(219 000)	–	–	–	–
Giampiero Bodino	291 666	40 000	(91 666)	–	240 000	50.13	Jul 2008-Jul 2013	June 2016
Pilar Boxford	89 750	10 000	(19 517)	–	80 233	43.80	Jul 2008-Jul 2013	June 2016
Bernard Fornas	539 000	50 000	(86 000)	–	503 000	44.55	Apr 2008-Jul 2013	June 2016
Alan Grieve	176 000	30 000	–	–	206 000	42.17	Apr 2008-Jul 2013	June 2016
Albert Kaufmann	496 670	100 000	(36 670)	–	560 000	43.86	Apr 2008-Jul 2013	June 2016
Thomas Lindemann	103 750	40 000	(6 750)	–	137 000	53.79	Jul 2008-Jul 2013	June 2016
Eloy Michotte	250 000	50 000	(74 445)	–	225 555	40.59	Apr 2008-Jul 2013	June 2016
Frederick Mostert	216 666	80 000	–	–	296 666	52.04	Apr 2008-Jul 2013	June 2016

* In accordance with the rules of the Group's stock option plan, the vesting dates for all unvested options held by Mr Beyers were accelerated to his retirement date of 30 June 2007. Options are not cancelled as a consequence of the holder's retirement.

32. Share-based payment

Unit option scheme

The Group has a long-term unit-based compensation plan whereby executives are awarded options to acquire units at a pre-determined price. Awards under the unit option scheme vest over periods of three to eight years and have expiry dates, the date after which unexercised options lapse, of between five and 13 years from the date of grant. The executive must remain in the Group's employment until vesting.

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

	Weighted average exercise price in CHF per unit	Number of options
Balance at 1 April 2006	28.56	26 654 164
Awarded	53.10	3 343 800
Exercised	23.18	(5 405 424)
Lapsed	32.44	(533 017)
Balance at 31 March 2007	**33.10**	**24 059 523**
Awarded	**75.10**	**2 368 400**
Exercised	**25.97**	**(2 697 893)**
Lapsed	**37.81**	**(550 413)**
Balance at 31 March 2008	**38.11**	**23 179 617**

Of the total options outstanding at 31 March 2008, options in respect of 7 337 178 units had vested and were exercisable (2007: 5 232 751 units).

The weighted average unit price at the date of exercise for options exercised during the year was CHF 76.42 (2007: CHF 63.28).

32. Share-based payment continued

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

	Exercise price	Weighted average exercise price	Number of options	Weighted average remaining contractual life
31 March 2008	**CHF 20.00-24.25**	**CHF 22.50**	**6 563 849**	**2.9 years**
	CHF 29.10-33.10	**CHF 31.51**	**6 981 768**	**5.3 years**
	CHF 41.25	**CHF 41.25**	**4 031 600**	**6.2 years**
	CHF 53.10	**CHF 53.10**	**3 248 500**	**7.2 years**
	CHF 75.10	**CHF 75.10**	**2 353 900**	**8.2 years**
31 March 2007	CHF 20.00-22.10	CHF 20.10	3 732 427	5.2 years
	CHF 24.25	CHF 24.25	4 674 963	3.0 years
	CHF 29.10-33.55	CHF 31.74	8 101 533	6.3 years
	CHF 41.25	CHF 41.25	4 230 600	7.2 years
	CHF 53.10	CHF 53.10	3 320 000	8.2 years

The average fair value of options granted during the period determined using the Black Scholes model (2007: binomial valuation model) was CHF 27.38 (2007: CHF 18.89). The significant inputs into the model were the unit price of CHF 73.40 (2007: CHF 53.10) at the grant date, the exercise prices shown above, a standard deviation of expected unit price returns of 33.0 and 34.0 per cent (2007: 35.0 per cent), an expected option life of seven to nine years, a dividend yield of 1.46 per cent (2007: 1.73 per cent) and a risk-free interest rate of 3.0 per cent to 3.1 per cent (2007: 2.0 per cent to 2.5 per cent). The volatility measured at the standard deviation of expected unit price returns is based on statistical analysis of daily unit prices over the last seven to nine years.

The amount recognised in the income statement, before social security and taxes, for equity-settled share-based payment transactions was € 31 million (2007: € 33 million).

33. Joint ventures

The Group has the following interests in joint ventures:

- Richemont holds its interest in BAT through the joint venture R&R. The joint venture partner is Remgro Limited ('Remgro'). Remgro is considered to be a related party. Mr Johann Rupert, Executive Chairman, is also Chairman of Remgro.

  R&R holds 604 336 627 (2007: 604 336 627) ordinary shares in BAT, which represents 30.0 per cent (2007: 29.4 per cent) of the equity of BAT.

  Richemont owns two-thirds of the ordinary equity of R&R; Remgro holds the remaining one-third of the ordinary equity.

  In addition to its holding of the ordinary equity, Remgro holds 19 281 686 (2007: 19 281 686) R&R 2005 Participation Securities, which entitle it to the sole rights and benefits attached to 19 281 686 (2007: 19 281 686) ordinary shares in BAT held by R&R. In addition, the R&R 2005 Participation Securities entitle Remgro to receive the related BAT shares prior to any distribution to holders of R&R ordinary shares upon a liquidation of R&R. Richemont's effective interest in BAT ordinary shares, through R&R, therefore amounts to 390 036 627 (2007: 390 036 627) shares. At 31 March 2008, Richemont's interest in BAT amounted to 19.3 per cent (2007: 19.0 per cent) of the ordinary equity of BAT.

  At the time of the formation of R&R, Richemont and Remgro also subscribed to non-interest bearing debentures issued by R&R. The debentures are convertible into ordinary shares in that company. During the year ended 31 March 2006, R&R repaid £ 285 million to Richemont in partial redemption of its holding of debentures. Although Remgro would have been entitled to redeem £ 142.5 million of its holding, no debentures held by Remgro were redeemed.

  Should the R&R debentures ever be converted into ordinary shares in R&R, the parties have agreed that Richemont shall have the right to subscribe for ordinary shares in R&R or require Remgro to partially redeem its holding of debentures, such that Richemont will maintain its two-thirds holding of the ordinary equity of R&R, post conversion. Recognising Remgro's entitlement to the income earned by R&R on the funds which were retained by R&R rather than reimbursed to Remgro, R&R issued 2006 Participation Securities ('the 2006 PSs'). The 2006 PSs issued to Remgro entitle it, subject to a special dividend being declared by R&R, to receive a special dividend equal to the amount of interest that R&R earns on cash retained in the R&R structure. Upon a liquidation of R&R, the 2006 PSs entitle the holder only to repayment of the nominal value paid up for each 2006 PS. The 2006 PSs do not impact in any way on Richemont's interest in the underlying holding of BAT ordinary shares owned by R&R.

Notes to the consolidated financial statements continued

33. Joint ventures continued

- Richemont holds an interest of 50 per cent in Laureus World Sports Awards Limited, a company registered in the UK. The company manages the Laureus World Sports Awards, which honour the achievements of the world's greatest sportsmen and women on an annual basis and contributes to the Laureus Sport for Good Foundation, a charity registered in the UK which oversees the activities of Laureus Sport for Good Foundations around the world. The Group's partner in Laureus World Sports Awards Limited is Daimler AG.
- During the year under review, Richemont became a 50 per cent owner of the newly formed entity The Polo Ralph Lauren Watch and Jewellery 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 consolidated balance sheet and income statement. The figures are before elimination of intra-Group transactions and balances.

	2008 € m	2007 € m
Balance sheet		
Investments in associated undertaking	**2 998**	3 497
Current assets	**7**	6
Current liabilities	**(1 362)**	(160)
Non-current liabilities	**(1)**	(1)
	1 642	3 342

	2008 € m	2007 € m
Income statement		
Operating loss	**(4)**	(4)
Finance income	**4**	3
Taxation	**(1)**	–
Share of post-tax profit of associated undertaking	**609**	539
Net profit	**608**	538

BAT has contingent liabilities as described in note 8.

34. Ultimate parent company

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

35. Post balance sheet events

A dividend of € 0.72 per unit is proposed for approval at the Annual General Meeting of Richemont SA Luxembourg to be held in September 2008. Also, at the Annual General Meeting of the Company, currently due to be held on Wednesday, 10 September 2008, a dividend of € 0.06 per unit is proposed for approval. These financial statements do not reflect these dividends payable, which will be accounted for as an appropriation of retained earnings to be effected during the year ending 31 March 2009.

36. Principal Group Companies

Details of principal companies within the Group:

Country of incorporation	Location	Name of company	Effective interest	Share capital (currency 000s)
Subsidiary undertakings				
China	Shanghai	Richemont Commercial Company Limited	100.0%	CNY 82 700
	Shanghai	Montblanc Commercial (China) Co. Limited	100.0%	CNY 40 000
	Shanghai	Alfred Dunhill (Shanghai) Trading Company Limited	100.0%	US$ 650
France	Paris	Cartier SA	100.0%	€ 24 392
	Paris	Chloé International SAS	100.0%	€ 6 000
	Paris	Lancel Sogedi SA	100.0%	€ 27 500
	Paris	Van Cleef & Arpels Holding France SAS	100.0%	€ 17 519
Germany	Münich	Richemont Northern Europe GmbH	100.0%	€ 13 064
	Glashütte	Lange Uhren GmbH	100.0%	€ 550
	Hamburg	Montblanc – Simplo GmbH	100.0%	€ 1 724
Hong Kong	Hong Kong	Richemont Asia Pacific Limited	100.0%	HK$ 2 500
Italy	Milan	Richemont Italia SpA	100.0%	€ 10 000
	Milan	Officine Panerai Marketing e Communicazione Srl	100.0%	€ 90
Japan	Tokyo	Richemont Japan Limited	100.0%	JPY 250 000
	Tokyo	Richemont F&A Japan Limited	100.0%	JPY 110 000
	Tokyo	Montblanc Japan Limited	100.0%	JPY 90 000
Luxembourg	Luxembourg	Richemont Finance SA	100.0%	€ 350 000
	Luxembourg	Richemont Luxury Group SA	100.0%	€ 3 000 000
Netherlands	Amsterdam	Cartier International BV	100.0%	€ 17 697
	Amsterdam	Montblanc International BV	100.0%	€ 2 886
Russia	Moscow	Limited Liability Company RLG	100.0%	RUR 50 000
Spain	Madrid	Richemont Iberia, SL	100.0%	€ 3 005
Switzerland	Geneva	Baume & Mercier SA	100.0%	CHF 100
	Geneva	Cartier SA	100.0%	CHF 1 000
	Geneva	Cartier International SA Genève	100.0%	CHF 500
	Villars-sur-Glâne	Richemont International SA	100.0%	CHF 1 007 500
	Schaffhausen	IWC International Watch Co. AG	100.0%	CHF 100
	Le Sentier	Manufacture Jaeger-LeCoultre SA	100.0%	CHF 100
	Le Locle	Montblanc Montre SA	100.0%	CHF 250
	La Côte-aux-Fées	Piaget SA	100.0%	CHF 128
	Geneva	Richemont Suisse SA	100.0%	CHF 4 850
	Geneva	Richemont Securities AG	100.0%	CHF 100
	Geneva	Vacheron & Constantin SA	100.0%	CHF 100
	Villars-sur-Glâne	Van Cleef & Arpels SA	100.0%	CHF 31 387
United Arab Emirates	Dubai	Richemont (Dubai) FZE	100.0%	AED 9 000
United Kingdom	London	Alfred Dunhill Limited	100.0%	£ 159 421
	London	Cartier Limited	100.0%	£ 4 200
	London	James Purdey & Sons Limited	100.0%	£ 6 635
	London	Richemont Holdings (UK) Limited	100.0%	£ 174 672
United States of America	Delaware	Richemont North America Inc.	100.0%	US$ 127 179
Joint venture – tobacco				
Luxembourg	Luxembourg	R&R Holdings SA (see note 33)	66.7%	£ 948 000
Associated undertaking – tobacco				Market capitalisation
United Kingdom	London	British American Tobacco plc*	19.3%	£ 38 126 million

* British American Tobacco ordinary shares are quoted on the London Stock Exchange (ISIN GB 0002875804).

Report of the Group auditors

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

As auditors of the Group, we have audited the consolidated financial statements, presented on pages 68 to 113 consisting of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes of Compagnie Financière Richemont SA for the year ended 31 March 2008.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements 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 and comply with Swiss law.

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

PricewaterhouseCoopers SA

David Mason
Auditor in charge

Adriana Konca

Geneva, 21 May 2008

Compagnie Financière Richemont SA

Income statement
for the year ended 31 March

	Notes	2008 CHF m	2007 CHF m
Income			
Dividend income		**373.1**	315.6
Interest income		**31.7**	16.7
Other income		**3.9**	3.4
		408.7	335.7
Expenses			
General expenses	*2, 3*	**14.3**	11.3
Profit before taxation		**394.4**	324.4
Taxation		**3.0**	1.7
Net profit		**391.4**	322.7

Balance sheet
at 31 March

	Notes	2008 CHF m	2007 CHF m
Long-term assets			
Investments	*4*	**702.2**	702.2
Property, plant and equipment		**0.1**	0.1
		702.3	702.3
Current assets			
Current accounts receivable from Group companies		**1 570.5**	1 224.4
Debtors		**0.2**	0.6
Cash and cash equivalents		**1.1**	1.2
		1 571.8	1 226.2
		2 274.1	1 928.5
Shareholders' equity			
Share capital	*5*	**574.2**	574.2
Legal reserve	*6*	**117.6**	117.6
Reserve for own shares	*7*	**104.1**	98.0
Retained earnings	*8*	**1 466.9**	1 131.4
		2 262.8	1 921.2
Current liabilities			
Accrued expenses		**4.6**	1.1
Taxation		**3.3**	2.3
Current accounts payable to Group companies		**1.1**	1.5
		9.0	4.9
Long-term liabilities		**2.3**	2.4
		2 274.1	1 928.5

Compagnie Financière Richemont SA

Notes to the financial statements
at 31 March 2008

Note 1 – Basis of preparation of the financial statements
The financial statements represent the financial position of Compagnie Financière Richemont SA ('the Company') at 31 March 2008 and the results of its operations for the year then ended, prepared in accordance with Swiss law.

Note 2 – General expenses
General expenses comprise the following:

	2008 CHF m	2007 CHF m
Personnel expenses	**3.5**	5.1
Other	**10.8**	6.2
	14.3	11.3

Note 3 – Board and executive compensation disclosures
Details of compensation in accordance with the Swiss Code of Obligations, art. 663 and following, can be found in the consolidated financial statements of the Company, note 31, in the Richemont annual report.

Note 4 – Investments
These comprise investments in wholly-owned subsidiary companies, which are stated at cost.

Company	Domicile	Purpose	Share capital	2008 CHF m	2007 CHF m
Richemont SA	Luxembourg	Investment holding company	EUR 215 000 000	**700.0**	700.0
Columbus VC Sàrl	Switzerland	Investment holding company	CHF 2 000 000	**2.0**	2.0
Richemont Securities AG	Switzerland	Depository/issuer of Richemont South African Depository Receipts	CHF 100 000	**0.1**	0.1
Richemont Holdings AG	Switzerland	Investment holding company	CHF 100 000	**0.1**	0.1
				702.2	702.2

Note 5 – Share capital

	2008 CHF m	2007 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 6 – Legal reserve
The general legal reserve of CHF 117.6 million (2007: CHF 117.6 million) is not available for distribution.

Note 7 – Reserve for own shares
The reserve is created in respect of Richemont 'A' units purchased by a subsidiary company.

During the year, the subsidiary company acquired 3 000 000 'A' units through the exercise of call options (2007: no call options were exercised). The Company and its subsidiaries did not purchase any 'A' units in the open market or from executives in 2008 or 2007.

During the year, 2 682 893 'A' units (2007: 5 348 888 'A' units) were sold to executives under the Richemont unit option plan.

At 31 March 2008, following these transactions, subsidiary companies held 13 143 475 Richemont 'A' units (2007: 12 826 368 Richemont 'A' units) with a cost of € 268.6 million (2007: € 263.9 million). The reserve for own shares of CHF 104.1 million (2007: CHF 98.0 million) represents 25 per cent of this amount. The remaining 75 per cent is recorded in the balance sheet of Richemont SA.

A Richemont 'A' unit is composed of one 'A' bearer share issued by the Company and one participation certificate issued by Richemont SA. At the time of formation of Richemont, 25 per cent of the value of an 'A' unit was attributed to the 'A' bearer share issued by the Company and 75 per cent to the participation certificate issued by Richemont SA. In terms of the reserve for own shares established in respect of the units purchased, an amount of CHF 6.1 million has been transferred to the reserve for own shares (2007: CHF 55.8 million transferred out of the reserve for own shares). The remaining 75 per cent of the net cost of units purchased and sold has been transferred to a reserve for own participation certificates in the balance sheet of Richemont SA.

During the year, a subsidiary company purchased call options to acquire 3 523 077 'A' units (2007: call options to acquire 3 717 600 'A' units were purchased) in order to hedge obligations under the Richemont unit option plan. No part of these option contracts was exercised in 2008 or 2007.

Notes to the financial statements continued

Note 8 – Retained earnings

	2008 CHF m	2007 CHF m
Balance at 1 April of prior year retained earnings	**1 131.4**	797.1
Dividend paid	**(49.8)**	(44.2)
Net transfer (to)/from reserve for own shares	**(6.1)**	55.8
Balance at 1 April, after appropriations	**1 075.5**	808.7
Net profit	**391.4**	322.7
Balance at 31 March	**1 466.9**	1 131.4

Note 9 – Contingent liabilities

At 31 March 2008, the Company had given no guarantees, nor at 31 March 2007.

The directors believe that there are no contingent liabilities.

Note 10 – 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 per cent of the voting rights in the Company. In addition, Compagnie Financière Rupert has indicated that parties related to it held or controlled 160 703 'A' bearer shares (either directly or through the medium of South African Depository Receipts), representing 0.02 per cent of the voting rights in the Company as at 31 March 2008.

Also 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 February 2008 from Public Investment Corporation Limited, Pretoria, which invests funds on behalf of South African public sector entities, that accounts under its management held Richemont South African Depository Receipts equivalent to 32 633 436 'A' bearer shares, representing 3.13 per cent of the voting rights in the Company.

Richemont Securities AG, a wholly-owned subsidiary of the Company, acts as depository in respect of Richemont South African Depository Receipts ('DRs'), which are traded on the JSE Limited (the Johannesburg stock exchange). DRs trade in the ratio of ten DRs to each Richemont 'A' unit. In its capacity as depository and on behalf of the holders of DRs, Richemont Securities AG holds one 'A' unit in safe custody for every ten DRs in issue. Richemont Securities AG's interest in Richemont 'A' units is therefore non-beneficial in nature.

All dividends attributable to the 'A' units held in safe custody are remitted by Richemont Securities AG individually to holders of DRs and Richemont Securities AG acts as the approved representative of DR holders in voting at shareholders' meetings of the Company. DR holders may provide Richemont Securities AG with voting instructions as to their holdings of DRs and Richemont Securities AG may only vote on behalf of those DR holders from whom it has received such instructions.

At 31 March 2008, Richemont Securities AG held 170 753 803 Richemont 'A' units (2007: 177 707 518 Richemont 'A' units), representing some 33 per cent (2007: 34 per cent) of the 'A' units, in safe custody in respect of DRs in issue.

Compagnie Financière Richemont SA

Proposal of the Board of Directors for the appropriation of retained earnings
at 31 March 2008

	CHF m
Available retained earnings	
Balance at 1 April 2007	**1 131.4**
Dividend paid	**(49.8)**
Net transfer to reserve for own shares	**(6.1)**
Net profit	**391.4**
	1 466.9

Proposed appropriation

The proposed dividend payable to Richemont unitholders will be € 0.060 per Richemont unit. This is equivalent to € 0.060 per 'A' bearer share in the Company and € 0.006 per 'B' registered share in the Company. It is currently anticipated that the dividend will be payable to Richemont unitholders on 15 September 2008 in respect of coupon number 10, free of charges but subject to Swiss withholding tax at 35 per cent, at the banks designated as paying agents.

The Swiss franc equivalent to be charged to retained earnings will be calculated at the euro:Swiss franc exchange rate prevailing at the date of the shareholders meeting at which the dividend is approved. 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, 21 May 2008

Compagnie Financière Richemont SA

Report of the statutory auditors

Report of the statutory auditors to the general meeting of Compagnie Financière Richemont SA, Geneva

As statutory auditors, we have audited the accounting records and the financial statements presented on pages 115 to 118 (balance sheet, income statement and notes) of Compagnie Financière Richemont SA for the year ended 31 March 2008.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply 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
Auditor in charge

Jürg Hofer

Geneva, 21 May 2008

Richemont SA

Balance sheet
as at 31 March 2008

	Notes	2008 € m	2007 € m
Assets			
Fixed assets			
Financial assets			
Shares in affiliated undertakings	*2.2.1, 3*	**2 670.9**	2 670.9
Current assets			
Debtors			
Amounts owed by affiliated undertakings			
– becoming due and payable after more than one year	*4*	**2 334.7**	2 026.0
Other debtors			
– becoming due and payable within one year		**0.1**	–
Cash at bank, cash in postal cheque accounts, cheques and cash in hand		**1 027.1**	33.8
Prepayments and accrued income		**3.1**	0.1
		3 365.0	2 059.9
Total assets		**6 035.9**	4 730.8
Liabilities			
Capital and reserves			
Subscribed capital	*5*	**215.0**	215.0
Share premium account	*6*	**427.0**	427.0
Legal reserve	*7*	**21.5**	21.5
Participation reserve	*8*	**645.0**	645.0
Reserve for own participation certificates	*9*	**201.9**	194.8
Profit or loss brought forward	*10*	**1 434.3**	1 059.3
Profit or loss for the financial year		**1 336.8**	1 279.4
		4 281.5	3 842.0
Creditors			
Amounts owed to affiliated undertakings			
– becoming due and payable after more than one year	*4*	**1 746.6**	886.1
Other creditors		**0.1**	–
Accruals and deferred income		**7.7**	2.7
		1 754.4	888.8
Total liabilities		**6 035.9**	4 730.8

Profit and loss account
for the year ended 31 March 2008

	2008 € m	2007 € m
Charges		
Other operating charges	**11.1**	4.0
Other taxes not shown under the above item	**1.0**	0.9
	12.1	4.9
Profit for the financial year	**1 336.8**	1 279.4
Total charges	**1 348.9**	1 284.3
Income		
Income from participating interests		
– derived from affiliated undertakings	**1 341.0**	1 283.6
Other interest receivable and similar income	**7.9**	0.6
Foreign exchange gain	**–**	0.1
Total income	**1 348.9**	1 284.3

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements
as at 31 March 2008

Note 1 – General information
Richemont SA (hereafter 'the Company') was incorporated on 5 March 1979 and is organised under the laws of Luxembourg as a Société Anonyme for an unlimited period. The registered office of the Company is established in Luxembourg City, Luxembourg. The Company's financial year starts on 1 April and ends on 31 March of each year. The main activity of the Company is the holding of investments.

Based on the criteria defined by Luxembourg law, the Company is exempted from the obligation to draw up consolidated accounts and a consolidated management report for the year ended 31 March 2008. Therefore, in accordance with the legal provisions, these annual accounts were presented on a non-consolidated basis to be approved by the shareholders during the Annual General Meeting. Richemont SA is included in the consolidated financial statements of Compagnie Financière Richemont SA, forming the largest body of undertakings of which the Company forms a part as a subsidiary undertaking. These accounts can be obtained from the registered office of that company at 50 Chemin de la Chênaie, 1293 Bellevue, Geneva, Switzerland.

Note 2 – Summary of significant accounting policies
2.1 Basis of preparation
The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements.

2.2 Significant accounting policies
The main valuation rules applied by the Company are the following:

2.2.1 Shares in affiliated undertakings
Shares in affiliated undertakings are stated at cost less amounts written off for diminutions in value which are considered by the Directors to be of a permanent nature.

2.2.2 Foreign currency translation
Transactions expressed in currencies other than euro are translated at the exchange rate effective at the time of the transaction. Monetary assets and liabilities expressed in currencies other than euro are translated at the exchange rate ruling at the balance sheet date. The resulting exchange gains or losses are credited or charged to the profit and loss account in the relevant period.

Note 3 – Shares in affiliated undertakings
The movements of the year are as follows:

	€ m
Gross book value – opening balance	**2 670.9**
Additions for the year	–
Disposals for the year	–
Transfers for the year	–
Gross book value – closing balance	**2 670.9**
Depreciation – opening balance	–
Depreciation for the year	–
Reversals for the year	–
Transfers for the year	–
Depreciation – closing balance	–
Net book value – closing balance	**2 670.9**
Net book value – opening balance	**2 670.9**

Undertakings in which the Company holds at least 20 per cent of their share capital are as follows:

Subsidiary	Registered office	Ownership %	Currency	Net equity at last balance sheet date in currency	Profit/(loss) of the last financial year in currency
R&R Holdings SA	Luxembourg	66.7%	GBP	1 708 747 000	411 354 000
Richemont Group Holdings Ltd	Jersey	100.0%	EUR	277 541 158	(1 259 919)
Richemont Holdings SA	Luxembourg	100.0%	EUR	846 092 743	47 666 579
Richemont Luxury Group SA	Luxembourg	100.0%	EUR	7 902 617 000	971 308 097
New RIH Holdings SA	Luxembourg	100.0%	GBP	1 078 582 000	–

Note 4 – Amounts owed by affiliated undertakings
The amounts owed by and to affiliated undertakings are interest-free and are repayable on demand.

Notes to the financial statements continued

Note 5 – Subscribed capital

	2008 € m	2007 € m
The subscribed capital amounts to € 215 000 000 and is divided into 1 914 000 shares, fully paid with no par value	**215.0**	215.0

Note 6 – Share premium account

The general reserve amounting to € 427.0 million (2007: € 427.0 million) is available for distribution subject to the approval of the shareholders.

Note 7 – Legal reserve

The legal reserve amounting to € 21.5 million (2007: € 21.5 million) is not available for distribution.

Note 8 – Participation reserve

	2008 € m	2007 € m
Reserve established in respect of 574 200 000 participation certificates with no par value	**645.0**	645.0

The Company has set aside a participation reserve amounting to € 645.0 million and issued, in respect of this reserve, 522 000 000 (2007: 522 000 000) bearer participation certificates with no par value and 52 200 000 (2007: 52 200 000) registered participation certificates with no par value. Bearer and registered participation certificates have identical rights.

Note 9 – Reserve for own participation certificates

The reserve is created in respect of Richemont 'A' units purchased by a subsidiary company.

During the year, the subsidiary company acquired 3 000 000 'A' units through the exercise of call options (2007: no call options were exercised). The Group did not purchase any 'A' units in the open market or from executives in 2008 or 2007.

During the year, 2 682 893 'A' units (2007: 5 348 888 'A' units) were sold to executives under the Richemont unit option plan.

At 31 March 2008, following these transactions, Richemont held 13 143 475 Richemont 'A' units (2007: 12 826 368 Richemont 'A' units) with a cost of € 268.6 million (2007: € 263.9 million). The reserve for own participation certificates of € 201.9 million represents 75 per cent of this amount. The remaining 25 per cent is recorded in the balance sheet of Compagnie Financière Richemont SA.

A Richemont 'A' unit is composed of one 'A' bearer share issued by Compagnie Financière Richemont SA and one participation certificate issued by the Company. At the time of formation of Richemont, 25 per cent of the value of an 'A' unit was attributed to the 'A' bearer share issued by Compagnie Financière Richemont SA and 75 per cent to the participation certificate issued by the Company. In terms of the reserve for own participation certificates established in respect of the units purchased, an amount of € 7.1 million has been transferred to the reserve for own participation certificates (2007: € 111.1 million transferred out of the reserve for own participation certificates). The remaining 25 per cent of the net cost of units purchased and sold has been transferred to a reserve for own shares in the balance sheet of Compagnie Financière Richemont SA.

Note 10 – Profit or loss brought forward

	2008 € m	2007 € m
Opening balance as at 1 April	**1 059.3**	569.2
Result from prior year	**1 279.4**	1 162.9
Dividend paid on share capital	**(226.8)**	(198.8)
Dividend paid on participation reserve	**(670.5)**	(585.1)
Balance after appropriation	**1 441.4**	948.2
Net transfer (to)/from reserve for own participation certificates	**(7.1)**	111.1
Balance at 31 March	**1 434.3**	1 059.3

Note 11 – Contingent liabilities

At 31 March 2008, the Company had given guarantees totalling € 187.0 million (2007: € 74.8 million) to cover obligations of various Group companies amounting to € 3.9 million (2007: € 4.0 million). The Company does not foresee any liability arising under these guarantees and, therefore, no provision has been made.

The directors believe that there are no other contingent liabilities.

Richemont SA

Proposal of the Board of Directors for the appropriation of retained earnings
as at 31 March 2008

	€ m
Available retained earnings	
Profit and loss brought forward	**1 441.4**
Net transfer to reserve for own participation certificates	**(7.1)**
Net profit for the year	**1 336.8**
	2 771.1

Proposed appropriation

The proposed dividend on the share capital will be payable to Compagnie Financière Richemont SA, Geneva.

The proposed dividend on the participation reserve amounts to an ordinary dividend of € 0.720 per participation certificate. It is currently anticipated that the dividend will be payable to Richemont unitholders on 15 September 2008 in respect of coupon number 11, free of charges and with no withholding tax deduction at the banks designated as paying agents.

The Board of Directors

19 May 2008

Richemont SA

Report of the statutory auditor ('Commissaire')

To the Shareholders of
Richemont SA

Following our appointment by the General Meeting of the Shareholders dated 13 September 2007, we have audited the accompanying annual accounts of Richemont SA, which comprise the balance sheet as at 31 March 2008, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory notes.

Board of Directors responsibility for the annual accounts
The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

'Commissaire's' responsibility
Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the 'Institut des Réviseurs d'Entreprises'. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the 'Commissaire's' judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the 'Commissaire' considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, these annual accounts give a true and fair view of the financial position of Richemont SA as of 31 March 2008, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

PricewaterhouseCoopers Sàrl
Réviseur d'entreprises
Represented by Laurence Demelenne

Luxembourg, 19 May 2008

Five year record

Consolidated income statement

	SWISS GAAP ARR	IFRS			
	2004 € m	2005 € m	2006 € m	2007 € m	2008 € m
Sales	3 375	3 671	4 308	4 827	**5 302**
Cost of sales	(1 283)	(1 415)	(1 588)	(1 753)	**(1 897)**
Gross profit	2 092	2 256	2 720	3 074	**3 405**
Net operating expenses	(1 796)	(1 771)	(2 007)	(2 174)	**(2 297)**
Operating profit	296	485	713	900	**1 108**
Net finance (costs)/income	6	(48)	5	31	**47**
Profit before taxation	302	437	718	931	**1 155**
Taxation	(64)	(97)	(130)	(158)	**(195)**
Profit after taxation	238	340	588	773	**960**
Minority interests	–	(2)	(2)	(1)	**1**
Net profit of the parent and its subsidiaries	238	338	586	772	**961**
Share of results of associated undertakings	422	474	526	578	**621**
Tobacco	422	474	526	577	**620**
Other	–	–	–	1	**1**
Attributable net profit – underlying basis	660	812	1 112	1 350	**1 582**
Gross profit margin	62.0%	61.5%	63.1%	63.7%	**64.2%**
Operating profit margin	8.8%	13.2%	16.6%	18.6%	**20.9%**
Effective taxation rate	21.2%	22.2%	18.1%	17.0%	**16.9%**

Basis of preparation

The income statement is presented on an underlying basis. Under Swiss GAAP ARR, the underlying basis excludes the effect of exceptional items and goodwill amortisation. Under IFRS, the underlying basis excludes the effect of disposal gains, restructuring charges and similar items identified in the financial review. A reconciliation to the results presented on a reported basis is given on page 126.

Analysis of sales

	SWISS GAAP ARR	IFRS			
	2004 € m	2005 € m	2006 € m	2007 € m	2008 € m
Sales by geographic region					
Europe	1 458	1 580	1 811	2 042	**2 293**
Asia-Pacific	637	755	899	1 070	**1 296**
Americas	655	697	875	984	**1 014**
Japan	625	639	723	731	**699**
	3 375	3 671	4 308	4 827	**5 302**
Sales by distribution channel					
Retail	1 392	1 509	1 762	2 009	**2 214**
Wholesale	1 983	2 162	2 546	2 818	**3 088**
	3 375	3 671	4 308	4 827	**5 302**
Sales by product line					
Watches	1 560	1 750	2 053	2 263	**2 555**
Jewellery	789	844	1 011	1 146	**1 254**
Leather goods	240	258	353	463	**498**
Writing instruments	273	297	326	373	**374**
Clothing and other	513	522	565	582	**621**
	3 375	3 671	4 308	4 827	**5 302**

Five year record continued

Consolidated income statement

	SWISS GAAP ARR	IFRS			
	2004 € m	2005 € m	2006 € m	2007 € m	2008 € m
Reconciliation of attributable net profit					
As reported	320	1 212	1 094	1 328	**1 571**
Goodwill amortisation	196	–	–	–	**–**
Share of BAT exceptional items	144	(324)	40	38	**11**
Gain on partial disposal of share of BAT	–	(76)	–	–	**–**
Net disposal gains reported in subsidiaries	–	–	(22)	(16)	**–**
On an underlying basis	660	812	1 112	1 350	**1 582**

Per unit information

	SWISS GAAP ARR	IFRS			
	2004	2005	2006	2007	2008
Earnings per unit as reported					
– basic	€ 0.582	€ 2.212	€ 1.978	€ 2.366	**€ 2.800**
– fully diluted	€ 0.578	€ 2.185	€ 1.951	€ 2.331	**€ 2.760**
Earnings per unit on an underlying basis					
– basic	€ 1.200	€ 1.482	€ 2.010	€ 2.405	**€ 2.819**
– fully diluted	€ 1.193	€ 1.464	€ 1.983	€ 2.369	**€ 2.780**
Dividend per unit	€ 0.400	€ 0.500	€ 0.600	€ 0.650	**€ 0.780**
Special dividend per unit	–	€ 0.500	€ 0.500	€ 0.600	**–**
Closing market price					
Highest price	CHF 34.60	CHF 38.40	CHF 63.20	CHF 72.60	**CHF 82.80**
Lowest price	CHF 17.70	CHF 29.95	CHF 35.30	CHF 50.50	**CHF 52.75**

Cash flow from operations

	SWISS GAAP ARR	IFRS			
	2004 € m	2005 € m	2006 € m	2007 € m	2008 € m
Operating profit	296	561	741	916	**1 108**
Depreciation and other items	151	57	159	175	**134**
(Increase)/decrease in working capital	114	(137)	(126)	(121)	**(274)**
Cash inflow from operating activities	561	481	774	970	**968**
Capital expenditure – net	(118)	(127)	(189)	(221)	**(295)**
Net cash inflow from operating activities	443	354	585	749	**673**

Exchange rates

	2004	2005	2006	2007	2008
Average rates					
€:US$	1.1754	1.2589	1.2176	1.2829	**1.4173**
€:JPY	132.63	135.18	137.70	150.00	**161.59**
€:CHF	1.5459	1.5392	1.5508	1.5871	**1.6390**
€:£	0.6950	0.6821	0.6821	0.6778	**0.7061**

Statutory information

COMPAGNIE FINANCIÈRE RICHEMONT SA

Registered office: 50 chemin de la Chênaie
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Auditors: PricewaterhouseCoopers SA
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1202 Geneva
Switzerland

Company Secretary: Matthew Kilgarriff

RICHEMONT SA

Registered office: 35 boulevard Prince Henri
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Tel: (+352) 22 42 10
Fax: (+352) 22 42 19

Auditors: PricewaterhouseCoopers Sàrl
400 route d'Esch
L 1471 Luxembourg

Company Secretary: Matthew Kilgarriff

Shares of Compagnie Financière Richemont SA are indivisibly twinned with participation certificates issued by its wholly-owned subsidiary, Richemont SA, to form Richemont units. Richemont units are listed on SWX Swiss Exchange and traded on SWX Europe Limited, formerly virt-x Exchange Limited, (Reuters 'CFR.VX'/Bloombergs 'CFR:VX') and are included in the Swiss Market Index ('SMI') of leading stocks. The ISIN of Richemont 'A' units is CH0012731458 and the Swiss 'Valorennummer' is 1273145. South African depository receipts in respect of Richemont units are traded on the Johannesburg stock exchange operated by JSE Limited (Reuters 'RCHJ.J'/Bloombergs 'RCH:SJ').

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Notice of meeting

The Annual General Meeting of shareholders of Compagnie Financière Richemont SA is currently anticipated to be held at 10.00 am at the Four Seasons Hotel des Bergues, 33 Quai des Bergues, 1201 Geneva on Wednesday, 10 September 2008.

AGENDA

1. Business Report

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 2008.

2. Appropriation of profits

At 31 March 2008, the retained earnings available for distribution amounted to CHF 1 466 875 885. The Board of Directors proposes that a dividend of € 0.060 be paid per Richemont unit. This is equivalent to € 0.060 per 'A' bearer share in the Company and € 0.006 per 'B' registered share in the Company. In euro terms this represents a total dividend payable of € 34 452 000, subject to a waiver by Richemont Employee Benefits Limited of its entitlement to receive dividends on an estimated 13 million Richemont 'A' units held in treasury. The Swiss franc equivalent of the dividend payable will be calculated using the euro:Swiss franc exchange rate prevailing at the date of the Annual General Meeting. The Board of Directors proposes that the remaining available retained earnings of the Company at 31 March 2008 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 2008.

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: Johann Rupert, Jean-Paul Aeschimann, Dr Franco Cologni, Lord Douro, Yves-André Istel, Richard Lepeu, Ruggero Magnoni, Simon Murray, Alain Dominique Perrin, Norbert Platt, Alan Quasha, Lord Renwick of Clifton, Jan Rupert, Prof Jürgen Schrempp and Martha Wikstrom.

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 consolidated financial statements of the Group and of the financial statements of the Company.

The financial statements of the Group and of the Company along with the related reports of the auditors together with the Directors' report for the year ended 31 March 2008 will be available for inspection at the registered office of the Company from 11 August 2008 onwards. A copy of the financial statements, reports of the auditors and the Directors' report, which are contained in the Richemont Annual Report 2008, 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 share certificates, from any branch of the following banks up to 5 September 2008: 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, 5 September 2008.

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

NORBERT PLATT
GROUP CHIEF EXECUTIVE OFFICER

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