RICHEMONT
INTERNATIONAL HOLDING SA

Annual Report and Accounts 2020

Richemont International Holding SA

Part of the Compagnie Financière Richemont Group, the interests of which encompass some of the most prestigious names in luxury goods, including Cartier, Van Cleef & Arpels, Buccellati, Piaget, Vacheron Constantin, Jaeger-LeCoultre, IWC, and Montblanc.

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

Cautionary statement regarding forward-looking statements

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

Financial review

in € millions	March 2020	March 2019	% change
Sales	**11 685**	11 563	1%
Cost of sales	**(6 782)**	(6 754)	0%
Gross profit	**4 903**	4 809	2%
Net operating expenses	**(4 814)**	(4 429)	9%
Operating profit	**89**	380	-77%
Net financial (costs)/income	**(140)**	(64)	119%
Share of post-tax results of equity-accounted investments	**11**	1 369	-99%
Profit before taxation	**(40)**	1 685	-102%
Taxation	**(114)**	(117)	-3%
Profit for the year	**(154)**	1 568	-110%
Net (debt)/cash position	**(4 073)**	(3 304)	-23%

Sales

Sales for the year increased by 1% at actual exchange rates but declined by 1% at constant rates. Excluding Yoox Net-a-Porter ('YNAP') and Watchfinder (together 'Online Distributors'), sales declined by 2% during the year.

All regions enjoyed growth, with the exception of Asia Pacific, where street protests in Hong Kong SAR and the outbreak of Covid-19 first identified in China in January 2020 combined to reduce sales by 5%. Overall, online retail sales were strong, offsetting a decline in retail and wholesale sales.

Further details of sales by region, distribution channel and segment are given in the Review of Operations.

Gross profit

Gross profit was higher than prior year at € 4 903 million. Overall, gross margin increased by 40 basis points to 42.0 %.

Operating profit

Operating profit decreased by 77% with an operating margin of 0.8%, reflecting the significant disruption caused by the worldwide outbreak of Covid-19, which weighed on fourth quarter sales. Measures taken to mitigate these impacts take longer to have an impact on results.

Net operating expenses, which increased by 9% compared to prior year, include the amortisation of intangible assets recognised on the acquisitions of YOOX NET-A-PORTER GROUP SpA ('YNAP') and Watchfinder.co.uk Limited ('Watchfinder') during the period, amounting to € 181 million.

Profit for the year

Loss for the year amounted to € 154 million, a significant decrease comparing to prior year. Prior year result comprised the € 1 369 million post-tax non-cash accounting gain on the revaluation of the YNAP shares held before the tender offer. Excluding this amount, profit for the period decreased by € 353 million, primarily driven by higher operating expenses.

Cash flow

Cash flow generated from operating activities decreased by € 61 million to € 518 million. The decrease reflects a lower operating profit and higher working capital requirements (€ 705 million outflow compared to € 338 million outflow in the prior year).

Net investment in tangible fixed assets amounted to € 374 million. This is predominantly a result of selective investments relating to the renovation of existing stores in the Maisons' network of boutiques together with investments in external points of sale with our multi-brand retail partners. Acquisition of intangible assets relates to software development at YNAP.

The acquisition of the Buccellati group, which was completed during the period, led to a cash outflow of € 228 million.

Balance sheet

Inventories at the year-end amounted to € 4 942 million (2019: € 4 540 million), representing 9.6 months of cost of sales, a decline of 0.8 months compared to the prior year.

At 31 March 2020, the Group's net debt position amounted to € 4 073 million (2019: € 3 304 million).

Shareholders' equity represented 36% of total equity and liabilities, to be compared with 41% in the prior year.

Impact of Covid-19 outbreak

The current outbreak of Covid-19 and related economic slowdown has led to significant disruption to the Group's operations, including the temporary closure of a number of boutiques and distribution centres. Revenue in the final quarter of the year fell by 20% compared to the same period in the prior year. As the scope and duration of the outbreak and the measures taken to control it remain uncertain at the date of this report, it is not possible to quantify the impact on the Group's results for the coming year; however, the Group has enacted numerous cash preservation measures, including strict cost control, in order to prepare for the rebound in client demand.

Review of operations

Sales by region

			Movement at:	
in € millions	31 March 2020	31 March 2019	Constant exchange rates*	Actual exchange rates
Europe	**4 171**	4 023	+3%	+4%
Asia Pacific	**4 990**	5 238	-6%	-5%
Americas	**1 016**	886	+11%	+15%
Japan	**1 212**	1 148	-1%	+6%
Middle East and Africa	**296**	268	+10%	+10%
	11 685	11 563	-1%	+1%

* Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2019.

The following comments on Group sales refer to year-on-year movements at constant exchange rates unless otherwise stated.

Europe

Europe accounted for 36% of overall sales. Full year sales increased by 3%, supported by the inclusion of the Online Distributors, YNAP and Watchfinder, which have a strong presence in Europe, and by strong sales in the United Kingdom.

Asia Pacific

Sales in Asia Pacific registered a decline of 6%. The combined impact of the Covid-19 outbreak and street protests in Hong Kong SAR have led to significant reduction in sales in that territory; while sales in mainland China increased significantly in response during the first nine months of the year, revenue in Q4 declined following temporary boutique closures in response to the coronavirus outbreak.

The region still accounts for majority of Group sales at 43% for the current year.

Americas

Sales in the Americas showed double-digit growth of 11%. The region's contribution to Group sales amounted to 9%.

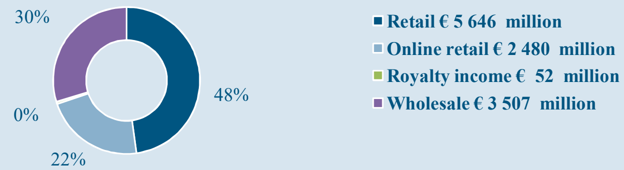
Japan

Japan posted a 6% increase in sales at actual rates; however, in constant currencies, sales declined by 1%.

Middle East and Africa

Sales in the Middle East and Africa make up 2% of the Group's total revenue.

Sales by distribution channel



in € millions	31 March 2020	31 March 2019	Movement at: Constant exchange rates*	Actual exchange rates
Retail	**5 646**	5 723	-3%	-1%
Online retail	**2 480**	2 137	+14%	+16%
Royalty income	**52**	65	-20%	-20%
Wholesale	**3 507**	3 638	-5%	-4%
	11 685	11 563	-1%	+1%

* Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2018.

The following comments on Group sales refer to year-on-year movements at constant exchange rates unless otherwise stated.

Retail

The contribution of retail sales, through the Maisons' directly operated boutiques, has decreased to 48% of Group sales from 49% a year ago. Overall retail sales declined by 3%, primarily as a result of temporary boutique closures in China from January 2020 and in other territories from March.

Wholesale

The Group's wholesale business, including sales to franchise partners, reported a 5% decrease.

Online Retail

The online retail channel makes up 22% of Group sales and primarily relates to sales by the Online Distributors. Sales grew by 14%.

Sales and operating result by segment

Jewellery Maisons

in € millions	31 March 2020	31 March 2019	Change
Sales	**5 497**	5 443	+1%
Operating result	**479**	486	-1%
Operating margin	**8.7%**	8.9%	-20 bps

At actual exchange rates, sales grew by 1% with positive retail sales and strong online sales, including the opening of the Cartier flagship store on TMall's Luxury Pavilion in January 2020. Jewellery sales were higher and watch sales moderately lower over the prior year, particularly impacted by protests in Hong Kong SAR and the Covid-19 outbreak. Sales growth in Europe and Japan more than offset the contraction in Asia Pacific.

Operating results decreased by 1% compared to the prior year, reflecting muted sales growth and a modest increase in costs. Operating margin was down 20 basis points to 8.7%.

Sales and operating result by segment continued

Specialist Watchmakers

in € millions	31 March 2020	31 March 2019	Change
Sales	**2 451**	2 564	-4%
Operating result	**134**	179	-25%
Operating margin	**5.5%**	7.0%	-150 bps

The 4% decline in Specialist Watchmakers' sales reflected a challenging environment, initially in Hong Kong SAR due to the street protests and thereafter in all markets with the spread of Covid-19. Regionally, performance was varied, with Japan showing positive performance. Both retail and wholesale sales contracted.

Operating results decreased by 25% to € 134 million. As a result, operating margin decreased by 150 basis points to 5.5%.

Online Distributors

in € millions	31 March 2020	31 March 2019 re-presented	Change
Sales	**2 427**	2 105	+ 15%
Operating result	**(241)**	(99)	-143%
Operating margin	**-9.9%**	-4.7%	-520 bps

Sales by the Online Distributors accounted for 21% of Group sales. The comparative period includes sales for YOOX NET-A-PORTER GROUP (YNAP) and Watchfinder & Co. (Watchfinder) from 1 May and 1 June 2018, respectively.

With sales up 15%, Online Distributors recorded a double digit increase in almost all regions led by the Americas. At YNAP, all business lines posted double digit growth. The NET-A-PORTER flagship store on Tmall Luxury Pavilion continues to build momentum. Watchfinder has successfully pursued its international expansion strategy and is now present in France, Germany and Hong Kong SAR, amongst others.

Online Distributors recorded a € 241 million operating loss due to a highly competitive pricing environment at YNAP, international expansion investments at Watchfinder and increased investments in information technology, mostly linked to MR PORTER's and more recently NET-A-PORTER's global technology and logistics platform migration. Results in the fourth quarter were also impacted by the temporary closures of distribution centres due to the Covid-19 outbreak.

Operating results exclude the amortisation of intangible assets recognised on acquisition, amounting to € 181 million.

Other

in € millions	31 March 2020	31 March 2019 re-presented	Change
Sales	**1 363**	1 511	-10%
Operating result	**(76)**	(12)	- 533 %
Operating margin	**-5.6%**	-0.8%	- 480 bps

'Other' includes Montblanc and the Group's Fashion & Accessories businesses.

Sales for the Other business area were 10% lower than the prior year. Retail sales were lower while online sales grew strongly, driven by Montblanc and Peter Millar.

In the year under review, operating losses of € 76 million included a € 39 million charge in relation to impairment of tangible assets at Alaïa, dunhill and Purdey.

Corporate social responsibility

Richemont International Holding S.A. (hereafter “RIHSA” or the “Company”) is a holding company based in Luxembourg. RIHSA holds and manages participations in various forms in companies located in Luxembourg and abroad. It may borrow in any form and proceed to the issuance of bonds. RIHSA provides general assistance to its affiliated companies with the aim of developing its investments. The Company is also entitled to act as wholesaler or retailer and exercise any industrial, commercial or financial activities. RIHSA is a subsidiary of Compagnie Financière Richemont SA (“CFR” or, together with its subsidiaries and equity-accounted investments, “the CFR Group” or “Richemont”). As a subsidiary of CFR, the Company adheres to the corporate social responsibility principles put in place at the level of the CFR Group which can be read on page 35 of the 2020 annual report of the CFR Group, to be found at www.richemont.com.

Corporate governance

Contents

1. Introduction

Compagnie Financière Richemont SA ('CFR' or 'Richemont') and its subsidiaries (together 'the Group') are committed to maintaining a high standard of corporate governance. CFR's Corporate Governance report adheres to the recommendations of the SIX Swiss Exchange's Directive on Information relating to Corporate Governance ('DCG'). In addition to Swiss law, such as the Swiss Code of Obligations (the 'CO'), the Financial Market Infrastructures Act of 19 June 2015 ('FMIA') and its implementing ordinances, as well as the "Minder" Ordinance on Excessive Compensation of 20 November 2013 ('OEC'), CFR complies with the Listing Rules of the SIX Swiss Exchange. With a secondary listing of the depository receipts issued by Richemont Securities SA ('Richemont Securities') in respect of CFR's shares, 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 principles of corporate governance are codified in the Articles of Incorporation of CFR (the 'Articles'), in its Organisational Regulations and in the terms of reference of the Audit, Compensation, Nominations and Strategic Security Committees of the Board. The Articles and the Organisational Regulations are available on the Group's website at www.richemont.com/group/corporate-governance.html

Despite not being subject to the so-called Ten Principles of the Luxembourg stock exchange, the Board of Directors of RIHSA believes that CFR's corporate governance arrangements serve its corporate interest and therefore complies fully with CFR's corporate governance principles and practices. Both the Board of CFR and the Board of RIHSA are confident that the CFR Group's governance structure reinforces its ability to deliver a strategy of growing value for shareholders over the long term through the sustained growth of its Maisons.

The sections that follow provide information on the Company's structure, the Sub-Group of CFR of which it is the parent company and details regarding the Board of Directors and the Audit Committee of RIHSA.

2. Group structure and shareholders

Structure

The Company is a *Société Anonyme* registered in Luxembourg with its registered office located at 35, Boulevard Prince Henri, L-1724 Luxembourg. It was incorporated on 10 June 1997 for an indefinite term with registration number B59435.

RIHSA operates one boutique in Luxembourg City whose primary activities are the retail sale of luxury goods.

RIHSA opened a branch office in Switzerland on 13 November 2008, whose primary activity is the financing of companies belonging directly or indirectly to Compagnie Financière Richemont.

On 15 March 2018, the Company successfully placed a euro denominated bond transaction amounting to € 4 billion. The transaction comprised of three tranches maturing in 2026, 2030 and 2038. The notes are priced with a coupon of 1.0% for the € 1.5bn 8 year maturity note, 1.5% for the € 1.25bn 12 year note and 2.0% for the € 1.25bn 20 year note. The notes, which received a rating of A+ (stable) in line with the rating assigned to CFR by S&P Global Ratings, are guaranteed by CFR and listed on the Luxembourg Stock Exchange

CFR is a Swiss company with its registered office at 50, chemin de la Chênaie, CH-1293 Bellevue, Geneva. CFR's Board is the Group's supervisory board, composed of a majority of non-executive directors.

The Group's luxury goods businesses are reported within: (i) Jewellery Maisons; (ii) Specialist Watchmakers; (iii) Online Distributors; and (iv) Other. Each of the Maisons and Online Distributors 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 support functions and a regional functions structure around the world to provide specialised support in terms of distribution, finance, legal, IT and administration.

Details of the most significant non-listed companies within the Group are set out in note 38 ('Principal Group Companies') to the Group's consolidated financial statements for 2020.

RIHSA is the holding company for CFR's Europe, Asia-Pacific and UK regional sub-structure. RIHSA is also the holding company for all the Van Cleef & Arpels and Montblanc companies worldwide as well as for Yoox Net-A-Porter Group and the recently acquired Buccellati Group.

Companies belonging to the Group are identified in note 4 to the Company's financial statements for 2020

Significant shareholders of CFR

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

Parties associated with Mr Johann Rupert and CF Rupert held a further 2 836 664 'A' shares or 'A' share equivalents at 31 March 2020.

As at 31 March 2020, there were no other significant shareholders in CFR, i.e. with at least 3% of the voting rights.

Significant shareholders of RIHSA

CFR is the sole shareholder of RIHSA, holding all 24,137,402 shares.

As of 31 March 2020, there were no other shareholders in RIHSA.

Cross-shareholdings

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

3. Capital structure

Shares

The subscribed and paid-in capital of RIHSA is set out at € 603 435 050 divided into 24 137 402 shares with a nominal value of € 25 each.

Further details are given in note 17 to the Group's consolidated financial statements.

Voting rights

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

There is no limit on the number of shares that may be held by any given party.

Statutory quorums

The general meeting of shareholders is RIHSA's ultimate decision-making forum. Where the company has a sole shareholder, it shall exercise the powers reserved to the general meeting of shareholders.

Resolutions of the ordinary general meetings have no attendance quorum requirements and are adopted by a majority of the votes of the shareholders present or represented at the meeting. Decisions related to the Company's shares, share capital, shareholders' rights and changing the Company's name require amending the Company's articles of incorporation. Amendments to the Company's articles of incorporation must be passed at an extraordinary general meeting of the shareholders before a Luxembourg notary. Decisions require on a first call, the approval of two-thirds of the shareholders representing half of the Company's share capital. On a second call, the resolution must be adopted with at least two-thirds of the votes cast regardless of the proportion of the capital represented.

The increase of the shareholders' commitments can only be decided unanimously.

The Annual General Meeting (hereafter "AGM"), in respect of the financial year ended 31 March 2020, will be held at the registered office of RIHSA at 11:00 am CET on or about 31 July 2020. The provisional agenda for that meeting is set out on page 90 of this report. The notice period and agenda in respect of the meeting follow the requirements of the Luxembourg law of 10 August 1915 on commercial companies, as amended (the "Luxembourg Company Law").

One or more shareholders holding together at least 10% of the subscribed share capital of RIHSA may request that one or more items are added to the agenda of any general meeting of the Company. Such request must be sent to the Company's registered office by registered mail at least 5 days prior to the holding of the meeting.

Transferability of shares

RIHSA's shares are issued as registered securities within the meaning of the Luxembourg Company Law. Following entry into the share register, shareholders may request in writing and at their expense the issuance of certificates of such registration. The certificates so issued shall be in such form and bear such legends and numbers of identification as shall be determined by the Company's Board of Directors. Such certificates shall be signed manually or by facsimile by two members of the Company's Board or by the delegate of the Company's Board.

The shares are freely transferable in accordance with the provisions of the Luxembourg Company Law.

The transfers of shares are registered in the share register of the Company, which is held at the registered office of the Company.

4. Board of Directors

Responsibilities and membership

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

The Board of RIHSA is composed of executive and non-executive directors with diverse professional and business backgrounds. Four nationalities are currently represented on the Board of RIHSA, which was composed of five (5) members on 31 March 2020. Board members of RIHSA shall be elected by the shareholders at their AGM for a period of maximum (6) six years and shall hold office until their successors are elected. RIHSA shall be managed by a Board of Directors composed of at least three (3) members. There is no restriction on the number of times a director may seek re-election and no formal age limit for directors. Neither age nor the number of years served on the Board is deemed to affect a director's independence.

Up until 31 May 2018, the non-executive members of the Board of RIHSA, were Me. Yves Prussen, Mr. Kurt Nauer, Mr. Rupert Brooks and Mr. John Fontaine. The executive director was Mr. Swen Grundmann.

Messrs Rupert Brooks and Kurt Nauer stood down from the Board on 31 May 2018 and were replaced by Messrs Burkhart Grund and John McAnulty.

Commencing 31 May 2018, the members of the Board of RIHSA are Mr. Swen Grundmann as Chairman, Mr. John Fontaine, Me. Yves Prussen, Mr. Burkhart Grund and Mr. John McAnulty.

The Chairman establishes the agendas for the meetings of the Board. The directors may ask that an item is placed on the agenda of any meeting. Financial reports and supporting information in respect of agenda items are circulated to members of the Board in advance of each meeting. The Board of RIHSA may invite external advisors to attend their meetings.

Corporate governance continued

Board Committees
The Board has so far decided to create one committee, the Audit Committee, the composition and duties of which are described here below. The Audit Committee exercises its activities under the Board responsibility.

Richemont International Holding S.A. Audit Committee
As of 26 March 2018 RIHSA is a "public interest entity" (EU-PIE) according to article 1 (20) of the Luxembourg law of 23 July 2016 concerning the audit profession (the "Audit Law") following which an audit committee (the "Audit Committee") is put in place at the level of RIHSA.

The members of the newly formed Audit Committee are Me Yves Prussen (Chairman), Mr. Burkhart Grund, and Mr. John Fontaine. The members are all non-executive directors. Representatives of PricewaterhouseCoopers, Société coopérative, the Company's external auditor, may be asked to attend meetings.

Meetings of the Audit Committee will be held at least twice per annum.

The Audit Committee's principal tasks
The Audit Committee duties are (i) oversight responsibilities and (ii) audit oversight and selection:

(i) In respect of its oversight duties, the Audit Law states that the Audit Committee must:

- Monitor the financial reporting process and submit recommendations or proposals to ensure its integrity,
- Monitor the effectiveness of the internal quality control, risk management systems and internal audit (where applicable), regarding the financial reporting of the audited entity, without breaching its independence,
- Monitor the performance of audits– taking into account the findings and conclusions of the audit reviews carried out by the *Commission de Surveillance du Secteur Financier,*

(ii) Regarding its duties relating to the audit oversight and selection, the Audit Committee must:

- Monitor the statutory audit fees- including the 70% fee cap for permitted non-audit services.
- Oversee the process by which the *Réviseur d'Entreprises* assesses the provision of permitted services.
- Assesses the threats to independence and the safeguards that the *Réviseur d'Entreprise agréé* will apply to mitigate these threats, before approving permitted services. All permitted services require approval from the Audit Committee following this assessment.
- Assesses and recommends potential *Réviseurs d'Entreprises*. The Audit Committee is responsible for the procedure and recommendation for the selection of the *Réviseur d'Entreprises agréé*. The recommendation should consist of two choices for the audit engagement and the justified preference for one of them. Tender documents should contain transparent and non-discriminatory selection criteria to be used for the evaluation of proposals. The audited entity has to prepare a report on the conclusions of the selection procedures which is validated by the Audit Committee.
- Recommend extension of audit tenure only if appropriate. The maximum initial period (of up to ten years) may be extended only if the Audit Committee recommends at the general meeting of shareholders that the engagement be renewed, and the proposal is approved,
- Monitor audit independence. The *Réviseur d'Entreprises agréé* should confirm its independence annually to the Audit Committee and discuss any threats to its independence as well as the safeguards applied to mitigate those threats.

(iii) The scope of services provided by the external auditor is reviewed annually by the Audit Committee and the relative weight of non-audit work provided by the external auditor is also kept under close review.

In this context the Audit Committee will review the provision by the *Réviseur d'Entreprises* of specified prohibited non-audit services which are authorized to be provided under the audit profession law subject to the fulfillment of certain conditions and pre-approve permissible non-audit services. The Committee will further determine the instances where it is appropriate for the *Réviseur d'Entreprise* to provide specified prohibited services and for the pre-approval of permissible non-audit services. The Audit Committee Chairman will report on the outcome of any reviews to the Board of RIHSA, in sufficient depth in order to enable the Board of RIHSA to fulfil its legal obligations.

The Committee adopted a policy on the provision of non-audit services at its meeting held on 13 March 2019.

(iv) The Audit Committee will advise the Chairman of the Board of RIHSA on any relevant matters, including any matter on which the Audit Committee believes the Board of RIHSA should be taking action and the Audit Committee's recommendation thereon.

Committees reporting to the Board of RIHSA
From time to time, other committees may be established to determine the Company's policy in specific business areas, including finance, health and safety matters.

5. Information policy

The Company reports to the sole shareholder in accordance with the requirements of the Luxembourg law. The annual report is the principal source of financial and business information for the sole shareholder.

6. COVID-19

Group management have taken immediate protective measures to safeguard, to the full extent possible, the health of employees, clients, partners and the communities in which we operate. The outbreak necessitated temporary closures of a number of the Group's boutiques, distribution centres, manufacturing facilities and offices and these have been and are being progressively re-opened in line with local regulations. To counteract the effect of Covid-19 on the financial position of the company, the Group has enacted numerous cash preservation measures, including strict cost control and increased selectively in its investments, while all business units are preparing for the rebound in client demand.

Consolidated financial statements

Directors' Report

The Board of Directors of Richemont International Holding SA ('Richemont International' or 'the Company') is pleased to submit its report on the activities of the Company, its subsidiaries and equity-accounted investments (together, 'the Group') for the year ended 31 March 2020. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 2020 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 68 to 82.

Further information on the Group's activities during the year under review is given in the financial review on pages 1 to 4.

Consolidated financial statements

Company financial statements

Consolidated balance sheet
at 31 March

	Notes	2020 €m	2019 €m
Assets			
Non-current assets			
Property, plant and equipment	*7*	**1 226**	1 215
Goodwill	*8*	**3 178**	3 080
Other intangible assets	*9*	**2 383**	2 506
Right of use assets	*10*	**2 199**	–
Equity-accounted investments	*11*	**64**	63
Deferred income tax assets	*12*	**173**	161
Other non-current assets	*13*	**217**	230
		9 440	7 255
Current assets			
Inventories	*14*	**4 942**	4 540
Trade receivables and other current assets	*15*	**1 181**	1 356
Cash at bank and on hand	*16*	**1 479**	1 811
Assets held for sale	*34*	**7**	19
		7 609	7 726
Total assets		**17 049**	14 981
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital	*17*	**603**	603
Share premium	*17*	**3 511**	2 711
Cumulative translation adjustment reserve		**(68)**	–
Retained earnings	*17*	**2 071**	2 817
		6 117	6 131
Non-controlling interests	*38*	**47**	15
Total equity		**6 164**	6 146
Liabilities			
Non-current liabilities			
Borrowings	*18*	**4 585**	3 941
Lease liabilities	*10*	**1 815**	–
Deferred income tax liabilities	*12*	**284**	311
Employee benefit obligations	*19*	**44**	45
Provisions	*20*	**19**	21
Other long-term financial liabilities	*21*	**34**	98
		6 781	4 416
Current liabilities			
Trade payables and other current liabilities	*22*	**2 190**	2 728
Current income tax liabilities		**331**	320
Borrowings	*18*	**–**	658
Lease liabilities	*10*	**456**	–
Provisions	*20*	**160**	197
Bank overdrafts	*16*	**967**	516
		4 104	4 419
Total liabilities		**10 885**	8 835
Total equity and liabilities		**17 049**	14 981

The notes on pages 15 to 60 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 March

	Notes	2020 €m	2019 €m
Revenue	*6*	**11 685**	11 563
Cost of sales		**(6 782)**	(6 754)
Gross profit		**4 903**	4 809
Selling and distribution expenses		**(2 558)**	(2 488)
Communication expenses		**(885)**	(816)
Fulfilment expenses		**(322)**	(229)
Administrative expenses		**(816)**	(728)
Other operating expenses	*23*	**(233)**	(168)
Operating profit		**89**	380
Finance costs	*26*	**(174)**	(114)
Finance income	*26*	**34**	50
Share of post-tax results of equity-accounted investments	*11*	**11**	1 369
(Loss)/profit before taxation		**(40)**	1 685
Taxation	*12*	**(114)**	(117)
(Loss)/profit for the year		**(154)**	1 568
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial gains/(losses)	*19*	**4**	(1)
Tax on defined benefit plan actuarial gains/(losses)	*12*	**(2)**	–
Share of other comprehensive income of equity-accounted investments	*11*	**–**	–
		2	(1)
Items that are or may be reclassified subsequently to profit or loss			
Currency translation adjustments			
– movement in the year		**(68)**	179
Share of other comprehensive income of equity-accounted investments	*11*	**–**	–
		(68)	179
Other comprehensive income, net of tax		**(66)**	178
Total comprehensive (loss)/income		**(220)**	1 746
(Loss)/profit attributable to:			
Owners of the parent company		**(149)**	1 568
Non-controlling interests		**(5)**	–
		(154)	1 568
Total comprehensive (loss)/income attributable to:			
Owners of the parent company		**(215)**	1 746
Non-controlling interests		**(5)**	–
		(220)	1 746

The notes on pages 15 to 60 are an integral part of these consolidated financial statements.

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

		Equity attributable to owners of the parent company					Non-controlling interests	Total equity
	Notes	Share capital €m	Share premium €m	Cumulative translation adjustment reserve €m	Retained earnings €m	Total €m	€m	€m
Balance at 1 April 2018		603	2 711	(179)	1 742	4 877	–	4 877
Comprehensive income								
Profit for the year		–	–	–	1 568	1 568	–	1 568
Other comprehensive income		–	–	179	(1)	178	–	178
		–	–	179	1 567	1 746	–	1 746
Transactions with owners of the parent company recognised directly in equity								
Employee share-based compensation	28	–	–	–	8	8	–	8
Tax on employee share-based compensation	12	–	–	–	(1)	(1)	–	(1)
Increase in non-controlling interest		–	–	–	(99)	(99)	15	(84)
Dividends paid	27	–	–	–	(400)	(400)	–	(400)
		–	–	–	(492)	(492)	15	(477)
Balance at 31 March 2019		**603**	**2 711**	**–**	**2 817**	**6 131**	**15**	**6 146**
Comprehensive income								
Profit for the year		**–**	**–**	**–**	**(149)**	**(149)**	**(5)**	**(154)**
Other comprehensive income		**–**	**–**	**(68)**	**2**	**(66)**	**–**	**(66)**
		–	**–**	**(68)**	**(147)**	**(215)**	**(5)**	**(220)**
Transactions with owners of the parent company recognised directly in equity								
Employee share-based compensation	28	**–**	**–**	**–**	**15**	**15**	**–**	**15**
Tax on employee share-based compensation	12	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Contribution from the parent	17	**–**	**800**	**–**	**–**	**800**	**–**	**800**
Change in non-controlling interest		**–**	**–**	**–**	**5**	**5**	**37**	**42**
Initial recognition of put options over non-controlling interests		**–**	**–**	**–**	**(19)**	**(19)**	**–**	**(19)**
Dividends paid	27	**–**	**–**	**–**	**(600)**	**(600)**	**–**	**(600)**
		–	**800**	**–**	**(599)**	**201**	**37**	**238**
Balance at 31 March 2020		**603**	**3 511**	**(68)**	**2 071**	**6 117**	**47**	**6 164**

The notes on pages 15 to 60 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 March

	Notes	2020 €m	2019 €m
Cash flows from operating activities			
Cash flow generated from operations	29	**518**	579
Interest received		**34**	33
Interest paid		**(145)**	(78)
Taxation paid		**(168)**	(197)
Net cash generated from operating activities		**239**	337
Cash flows from investing activities			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	33	**(228)**	(2 635)
Proceeds from disposal of subsidiary undertakings, net of cash		**–**	9
Acquisition of equity-accounted investments		**(1)**	–
Acquisition of property, plant and equipment		**(374)**	(453)
Proceeds from disposal of property, plant and equipment		**–**	20
Payments capitalised as right of use assets		**(2)**	–
Acquisition of intangible assets		**(135)**	(140)
Proceeds from disposal of intangible assets		**1**	4
Acquisition of other non-current assets		**(18)**	(27)
Proceeds from disposal of other non-current assets		**7**	17
Net cash used in investing activities		**(750)**	(3 205)
Cash flows from financing activities			
Proceeds from borrowings	30	**–**	11
Repayment of borrowings	30	**(3)**	(321)
Dividends paid	27	**(600)**	(400)
Acquisition of non-controlling interests in subsidiaries		**–**	(195)
Contribution from non-controlling interests		**34**	–
Contribution from the parent		**800**	–
Lease payments - principal	30	**(466)**	–
Capital element of finance lease payments	30	**–**	(5)
Net cash used in financing activities		**(235)**	(910)
Net change in cash and cash equivalents		**(746)**	(3 778)
Cash and cash equivalents at the beginning of the year		**1 295**	4 818
Exchange (gains)/losses on cash and cash equivalents		**(37)**	255
Cash and cash equivalents at the end of the year	16	**512**	1 295

The notes on pages 15 to 60 are an integral part of these consolidated financial statements.

1. General information

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

These financial statements should be read in conjunction with the consolidated financial statements of CFR Group, which can be obtained from that company's registered office at 50 Chemin de la Chenaie, 1293 Bellevue, Switzerland.

The Company is registered in Luxembourg City, Luxembourg. The Company's debt is listed and has been admitted for trading on the regulated market of the Luxembourg Stock.

The shares of CFR are listed on the SIX stock exchange and are included in the Swiss Market Index ('SMI') of leading stocks. Depository Receipts in respect of CFR shares are traded on the Johannesburg Stock Exchange operated by JSE Limited.

These consolidated financial statements have been approved by the Board of Directors of the Company ('the Board') for issue on 15 May 2020 and are subject to approval at the shareholders' general meeting.

2. Summary of significant accounting policies

2.1. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations (together 'IFRS') as endorsed by the European Union.

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.

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

2.2 Adoption of new accounting standards

Other than the accounting standards mentioned below, no other amendments to IFRSs effective for the financial year ended 31 March 2020 have a material impact on the Group.

IFRS 16 *Leases*

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

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

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

Notes to the consolidated financial statements continued

Amendment to IFRS 3 *Business combinations*

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

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

2.3. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary undertakings together with the Group's share of the results and net assets of equity-accounted investments.

(a) Subsidiary undertaking

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

(b) Associates and joint ventures

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

2.4. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the Company is Euro.

The consolidated financial statements are presented in millions of euros (the 'presentation 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 profit or loss.

(c) Group companies

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

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

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

When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

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

2.5. Impairment of non-financial assets

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

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

2.6. Other accounting policies

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

2.7. New standards and interpretations not yet adopted

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

3. Risk assessment

The CFR Group has a risk management process which gives consideration to both strategic and operational risks. All material identified risks are modelled according to their probability of occurrence and potential impact and subsequently prioritised by CFR Group Management. A consolidated risk report, which includes action plans prepared by the CFR Group executive directly responsible for addressing the risk, is reviewed annually by the CFR Audit Committee and the Board of Directors.

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

4. Critical accounting estimates and assumptions

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

(a) Taxation

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

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

(b) Recoverable amount of cash-generating units for goodwill impairment testing

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

Details of the goodwill impairment testing done in the year are given in note 8.

(c) Impact of the Covid-19 outbreak

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

5. Segment information

(a) Information on reportable segments

Management has determined the operating segments based on the reports regularly reviewed by the chief operating decision maker ('CODM') in making strategic decisions. Decisions regarding the allocation of resources are not typically taken at Richemont International level, but rather at the CFR Group level as a whole. Therefore, management has concluded that the CODM is CFR, as represented by the Senior Executive Committee of that Group.

Each operating segment is managed separately by a dedicated Chief Executive Officer and management team allowing management to maintain and develop the specific identity of each brand ("Maison") or distributor. These operating segments have been aggregated into reportable segments as follows:

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

Buccellati is presented as part of Jewellery Maisons for the first time following its recent acquisition (note 33).

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

Other operating segments include Montblanc, dunhill, Chloé, Peter Millar, Alaïa, Serapian, Purdey and other manufacturing entities.

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

5. Segment information continued

(a) Information on reportable segments continued

The non-separable costs of operating multi-brand regional functions are allocated to individual operating segments using allocation keys most relevant to the nature of the expense being allocated. Unallocated corporate costs represent the costs of the Group's corporate operations which are not attributed to the segments.

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

Revenue by business area is as follows:

Year to 31 March 2020	Jewellery Maisons €m	Specialist Watchmakers €m	Online Distributors €m	Other €m	Eliminations €m	Total Revenue €m
Revenue						
External revenue	**5 495**	**2 448**	**2 427**	**1 315**	**-**	**11 685**
Inter-segment revenue	**2**	**3**	**-**	**48**	**(53)**	**-**
	5 497	**2 451**	**2 427**	**1 363**	**(53)**	**11 685**

Year to 31 March 2019	Jewellery Maisons €m	Specialist Watchmakers €m	Online Distributors €m	Other €m	Eliminations €m	Total Revenue €m
Revenue						
External revenue	5 442	2 562	2 105	1 454	-	11 563
Inter-segment revenue	1	2	-	57	(60)	-
	5 443	2 564	2 105	1 511	(60)	11 563

The operating result by business area is as follows:

	2020 €m	2019 re-presented €m
Operating result		
Jewellery Maisons	**479**	486
Specialist Watchmakers	**134**	179
Online Distributors	**(241)**	(99)
Other	**(76)**	(12)
	296	554
Elimination of internal transactions	**(3)**	2
Impact of valuation adjustments on acquisitions	**(190)**	(167)
Unallocated corporate costs	**(14)**	(9)
Consolidated operating profit before finance and tax	**89**	380
Finance costs	**(174)**	(114)
Finance income	**34**	50
Share of post-tax results of equity-accounted investments	**11**	1 369
Profit before taxation	**(40)**	1 685
Taxation	**(114)**	(117)
Profit for the year	**(154)**	1 568

	2020 €m	2019 re-presented €m
Depreciation and amortisation costs included within the segment operating results		
Jewellery Maisons	**330**	123
Specialist Watchmakers	**151**	54
Online Distributors	**171**	104
Other	**143**	57
Unallocated	**275**	198
	1 070	536

5. Segment information continued

(a) Information on reportable segments continued

In the year to 31 March 2020 an impairment charge of € 39 million was included in the 'Other' segment (2019: nil).

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

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

	2020 €m	2019 €m
Segment assets		
Jewellery Maisons	**2 919**	2 769
Specialist Watchmakers	**837**	859
Online Distributors	**1 007**	902
Other	**565**	568
	5 328	5 098
Eliminations	**(17)**	(21)
	5 311	5 077

	2020 €m	2019 €m
Total segment assets	**5 311**	5 077
Property, plant and equipment	**1 226**	1 215
Goodwill	**3 178**	3 080
Other intangible assets	**2 383**	2 506
Right of use assets	**2 199**	–
Equity-accounted investments	**64**	63
Deferred income tax assets	**173**	161
Other non-current assets	**217**	230
Other receivables	**812**	819
Cash at bank and on hand	**1 479**	1 811
Assets held for sale	**7**	19
Total assets	**17 049**	14 981

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

	2020 €m	2019 €m
Additions to non-current assets:		
Property, plant and equipment and other intangible assets		
Jewellery Maisons	**199**	201
Specialist Watchmakers	**51**	53
Online Distributors	**172**	197
Other	**59**	72
Unallocated	**38**	83
	519	606

5. Segment information continued

(b) Information about geographical areas

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

	2020 €m	2019 €m
Europe	**4 171**	4 023
United Kingdom	**1 023**	878
Germany, Italy and Spain	**1 162**	1 134
France	**728**	788
Switzerland	**357**	367
Other Europe	**901**	856
Middle East and Africa	**296**	268
Asia	**6 202**	6 386
China	**3 085**	3 479
of which mainland China	***1 797***	*1 571*
of which Hong Kong SAR and Macau SAR	***1 288***	*1 908*
Japan	**1 212**	1 148
South Korea	**818**	707
Other Asia	**1 087**	1 052
Americas	**1 016**	886
USA	**751**	617
Other Americas	**265**	269
	11 685	11 563

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

Other than investments in subsidiary companies, there are no significant non-current assets located in Luxembourg, the Company's domicile. Total non-current assets, other than financial instruments and deferred tax assets, located in the rest of the world are as follows:

	2020 €m	2019 €m
Italy	**4 374**	4 042
United Kingdom	**1 980**	1 812
France	**690**	195
China	**321**	164
Rest of the world	**1 696**	682
	9 061	6 895

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

5. Segment information continued

(c) Information about products

External sales by product are as follows:

	2020 €m	2019 €m
Watches	**4 114**	4 211
Jewellery	**3 889**	3 826
Leather goods and accessories	**1 320**	1 300
Readywear	**1 518**	1 334
Writing instruments	**329**	362
Other	**515**	530
	11 685	11 563

(d) Major customers

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

6. Revenue

Accounting policy

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

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

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

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

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

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

	2020 €m	2019 €m
Revenue from contracts with customers	**11 633**	11 498
Royalty income	**52**	65
	11 685	11 563

Notes to the consolidated financial statements continued

6. Revenue continued

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

Year to 31 March 2020	Asia €m	Europe €m	Japan €m	Americas €m	Middle East & Africa €m	Total €m
Jewellery Maisons	**2 881**	**1 603**	**771**	**146**	**96**	**5 497**
Specialist Watchmakers	**1 392**	**779**	**210**	**46**	**24**	**2 451**
Online Distributors	**294**	**1 239**	**84**	**700**	**110**	**2 427**
Other	**430**	**571**	**150**	**144**	**68**	**1 363**
	4 997	**4 192**	**1 215**	**1 036**	**298**	**11 738**
Intersegment eliminations	**(7)**	**(21)**	**(3)**	**(20)**	**(2)**	**(53)**
	4 990	**4 171**	**1 212**	**1 016**	**296**	**11 685**

Year to 31 March 2019	Asia €m	Europe €m	Japan €m	Americas €m	Middle East & Africa €m	Total €m
Jewellery Maisons	2 972	1 509	723	147	92	5 443
Specialist Watchmakers	1 506	803	185	47	23	2 564
Online Distributors	264	1 106	84	563	88	2 105
Other	506	628	158	152	67	1 511
	5 248	4 046	1 150	909	270	11 623
Intersegment eliminations	(10)	(23)	(2)	(23)	(2)	(60)
	5 238	4 023	1 148	886	268	11 563

7. Property, plant and equipment

Accounting policy

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

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

Residual values and useful lives are reviewed annually, and adjusted if appropriate. Assets under construction are not depreciated.

Land is not depreciated.

	Land and buildings €m	Plant and machinery €m	Fixtures, fittings, tools and equipment €m	Assets under construction €m	Total €m
1 April 2018					
Cost	152	147	1 808	77	2 184
Depreciation	(48)	(104)	(1 134)	–	(1 286)
Net book value at 1 April 2018	104	43	674	77	898
Exchange adjustments	2	1	20	2	25
Acquisition through business combinations	23	50	48	**38**	159
Additions	20	32	306	109	467
Disposals	–	–	(25)	(15)	(40)
Depreciation charge	(7)	(18)	(250)	–	(275)
Reclassified to assets held for sale	(19)	–	–	–	(19)
Transfers and reclassifications	2	37	61	(100)	–
31 March 2019					
Cost	175	259	2 044	111	2 589
Depreciation	(50)	(114)	(1 210)	–	(1 374)
Net book value at 31 March 2019	125	145	834	111	1 215

7. Property, plant and equipment continued

	Land and buildings €m	Plant and machinery €m	Fixtures, fittings, tools and equipment €m	Assets under construction €m	Total €m
1 April 2019					
Cost	**175**	**259**	**2 044**	**111**	**2 589**
Depreciation	**(50)**	**(114)**	**(1 210)**	**–**	**(1 374)**
Net book value at 1 April 2019	**125**	**145**	**834**	**111**	**1 215**
Exchange adjustments	**(1)**	**(1)**	**(7)**	**(1)**	**(10)**
Acquisition through business combinations (note 33)	**2**	**–**	**5**	**–**	**7**
Additions	**6**	**16**	**229**	**123**	**374**
Disposals	**(1)**	**–**	**(5)**	**(2)**	**(8)**
Depreciation charge	**(12)**	**(23)**	**(261)**	**–**	**(296)**
Impairment charge	**–**	**(1)**	**(32)**	**–**	**(33)**
Reclassified to right of use assets (note 10)	**(16)**	**–**	**(16)**	**–**	**(32)**
Reclassified to assets held for sale (note 34)	**11**	**–**	**–**	**(2)**	**9**
Transfers and reclassifications	**13**	**8**	**74**	**(95)**	**–**
31 March 2020					
Cost	**193**	**282**	**2 170**	**134**	**2 779**
Depreciation	**(66)**	**(138)**	**(1 349)**	**–**	**(1 553)**
Net book value at 31 March 2020	**127**	**144**	**821**	**134**	**1 226**

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

Impairment charges of € 33 million (2019: nil) are included in selling and distribution expenses.

Committed capital expenditure not reflected in these financial statements amounted to € 17 million at 31 March 2020 (2019: € 8 million).

8. Goodwill

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

	€m
Cost at 1 April 2018	38
Goodwill arising on business combinations	3 039
Exchange adjustments	3
Cost at 31 March 2019	**3 080**
Goodwill arising on business combinations (note 33)	**103**
Exchange adjustments	**(4)**
Impairment charge	**(1)**
Cost at 31 March 2020	**3 178**

8. Goodwill continued

Impairment testing for goodwill

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

	2020 €m	2019 €m
Jewellery Maisons	**875**	771
Specialist Watchmakers	**295**	296
Online Distributors	**1 894**	1 898
Other Maisons	**114**	115
	3 178	3 080

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

The Cartier CGU includes goodwill of € 608 million (2019: € 608 million). The discounted cash flow model on which the value-in-use calculation is based includes five years of cash flows and assumes sales and EBITDA growth of 1% (2019: 3%) and a terminal growth rate of 2.2% (2019: 2%), with operating margins remaining stable over the period. The growth rate is based on conservative assumptions given the significant level of headroom in prior years. The pre-tax discount rate used is 7.07% (2019: 8.90%).

Goodwill allocated to the YNAP CGU amounts to € 1 734 million (2019: € 1 734 million). The discounted cash flow model on which the fair value less cost of disposal calculation is based includes ten years of cash flows, based on the long-term nature of the investment, and assumes sales growth of between 12% and 24% per annum, or 17% CAGR (2019: 19% CAGR), based on management forecasts and external industry analysis and a terminal growth rate of 2.25% (2019: 3%), with operating margins expected to improve over the period to a level consistent with expected performance of an online luxury retailer. The pre-tax discount rate used is 8.88% (2019: 9.86%). The valuation was confirmed by using comparable multiples for other listed groups in the luxury e-commerce industry. It is classified as Level 3 in the fair value hierarchy.

A reasonably possible change in key assumptions at 31 March 2020 used for the Cartier CGU would not cause the carrying amount to exceed the recoverable amount. With respect to the YNAP CGU, the estimated recoverable amount of the CGU exceeded its carrying value by € 301 million. The following reasonably possible changes to key assumptions would lead to the recoverable value equalling the carrying amount.

	Key assumption	Change
Terminal growth	**2.3%**	-0.20 ppt
Discount rate	**8.9%**	+0.19 ppt
Revenue growth	**17.5%**	-0.19 ppt
EBITDA margin	**0.2% - 12.4%**	-0.82%

No other CGU has an allocation of goodwill which is significant in comparison with the total carrying amount. For the majority of the Group's CGUs, representing a total goodwill allocation of € 499 million, the recoverable value is calculated using value-in-use. For each CGU, the discounted cash flow model used for impairment testing considers five years of cash flows and a long-term growth rate based on the long-term inflation rate. Sales growth projections are based on Maison management forecasts and growth rates which are fixed at the low end of the Group's past experience. EBITDA margins are assumed to remain stable compared to the margin achieved by the CGU in the current year unless there are Maison-specific reasons to assume otherwise. For certain Maisons which are at the beginning of significant expansion or realignment, the calculation of the recoverable value, which may be based on fair value less cost of disposal where appropriate, includes ten years of cash flows, with sales growth projections including input from independent external analysis on the luxury industry, supplemented by CGU-specific adjustments when deemed necessary, or on historic growth rates experienced by peers.

At 31 March 2020, impairments totalling € 39 million have been identified (2019: nil) arising from three CGUs included within 'Other' for segmental reporting (note 5). This impairment includes € 1 million of goodwill (2019: nil). Following the guidance of IAS 36, the recoverable value has been forecast to be nil. Impairment charges are included in Other operating expenses.

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

9. Other intangible assets

Accounting policy

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

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

Costs that are directly associated with developing, implementing or improving identifiable software products having an expected benefit beyond one year are recognised as other intangible assets. Costs associated with maintaining software are expensed as incurred.

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

Costs incurred on development projects, including internally generated costs, are recognised as other intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. These assets are amortised from the commencement of commercial production of the product. Other development expenditures and research expenditures are expensed as incurred.

	Intellectual property related €m	Leasehold and distribution rights €m	Computer software and related licences €m	Development costs €m	Total €m
1 April 2018					
Cost	17	196	49	16	278
Amortisation	(17)	(105)	(41)	(9)	(172)
Net book value at 1 April 2018	–	91	8	7	106
Exchange adjustments	27	3	–	(1)	29
Acquisition through business combinations	2 200	1	294	–	2 495
Additions:					
– internally developed	–	–	35	3	38
– other	–	2	99	–	101
Disposals	–	(2)	–	–	(2)
Amortisation charge	(136)	(17)	(104)	(4)	(261)
31 March 2019					
Cost	2 245	182	464	15	2 906
Amortisation	(154)	(104)	(132)	(10)	(400)
Net book value at 31 March 2019	2 091	78	332	5	2 506

9. Other intangible assets continued

	Intellectual property related €m	Leasehold and distribution rights €m	Computer software and related licences €m	Development costs €m	Total €m
1 April 2019					
Cost	**2 245**	**182**	**464**	**15**	**2 906**
Amortisation	**(154)**	**(104)**	**(132)**	**(10)**	**(400)**
Net book value at 1 April 2019	**2 091**	**78**	**332**	**5**	**2 506**
Exchange adjustments	**(35)**	**(1)**	**(1)**	**–**	**(37)**
Acquisition through business combinations (note 33)	**107**	**–**	**1**	**–**	**108**
Additions:					
– internally developed	**–**	**–**	**45**	**10**	**55**
– other	**11**	**–**	**79**	**–**	**90**
Disposals	**(33)**	**–**	**(1)**	**–**	**(34)**
Impairments	**(2)**	**–**	**(3)**	**–**	**(5)**
Amortisation charge	**(154)**	**(12)**	**(131)**	**(3)**	**(300)**
31 March 2020					
Cost	**2 281**	**178**	**582**	**22**	**3 063**
Amortisation	**(296)**	**(113)**	**(261)**	**(10)**	**(680)**
Net book value at 31 March 2020	**1 985**	**65**	**321**	**12**	**2 383**

Amortisation of € 4 million (2019: € 6 million) is included in cost of sales; € 13 million (2019: € 14 million) is included in selling and distribution expenses; € 98 million (2019: € 73 million) is included in administration expenses; and € 185 million (2019: € 168 million) is included in other expenses.

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

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

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

Notes to the consolidated financial statements continued

10. Leases

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

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

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

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

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

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

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

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

Right of use assets at 31 March 2020 and on the date of initial application are as follows:

	Land and buildings €m	Other assets €m	Total €m
1 April 2019			
Carrying amount at date of initial application	**2 082**	**21**	**2 103**
	2 082	**21**	**2 103**
Exchange adjustments	**(5)**	**0)**	**(5)**
Acquisition through business combinations (note 33)	**62**	**-**	**62**
Additions	**489**	**14**	**503**
Depreciation charge	**(463)**	**(11)**	**(474)**
Remeasurement	**7**	**-**	**7**
Transfers	**3**	**-**	**3**
31 March 2020			
Gross value	**2 636**	**40**	**2 676**
Depreciation	**(461)**	**(16)**	**(477)**
Net book value at 31 March 2020	**2 175**	**24**	**2 199**

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

10. Leases continued

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

	31 March 2020 €m	1 April 2019 €m
Non-current lease liabilities	**(1 815)**	(1 749)
Current lease liabilities	**(456)**	(410)
	(2 271)	(2 159)

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

31 March 2020	Carrying value €m	Contractual cash flows €m
Less than one year	**(456)**	(486)
Between 1 - 2 years	**(471)**	(501)
Between 2 - 3 years	**(306)**	(322)
Between 3 - 4 years	**(253)**	(264)
Between 4 - 5 years	**(201)**	(208)
More than 5 years	**(584)**	(652)
	(2 271)	(2 433)

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

	2020 €m
Short-term leases	**71**
Low-value asset leases	**18**
Variable rental payments	**353**
	442

Interest charges recognised during the period amounted to €44 million (note 26).

Certain boutique leases contain a variable element, based most commonly on percentage of sales, which links rental payments to boutique revenue. Cash outflows arising from variable rental contracts for the period amounted to € 353 million, which represented 37% of the total rental payments made. Variable rentals are not reflected in the lease liabilities above. In addition, some lease agreements contain extension clauses, which would allow the Group to extend the lease for a specific additional period. Cash flows under such clauses are generally included in the lease liabilities above if the lease terms of the extended period are specified in the original lease agreement.

The total cash outflow for leases for the period amounted to € 944 million.

At 31 March 2020, the Group had commitments totalling € 288 million for lease agreements which had not yet commenced.

10. Leases continued

Transition to IFRS 16

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

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

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

	31 March 2019 as reported €m	Adoption of IFRS 16 €m	1 April 2019 post-transition €m
Assets			
Non-current assets			
Property, plant and equipment	**1 215**	**(32)**	**1 183**
Right of use assets	**–**	**2 103**	**2 103**
Deferred income tax assets	**161**	**341**	**502**
Other non-current assets	**230**	**(23)**	**207**
Current assets			
Trade receivables and other current assets	**1 356**	**(16)**	**1 340**
Liabilities			
Non-current liabilities			
Borrowings	**3 941**	**(12)**	**3 929**
Lease liabilities	**–**	**1 749**	**1 749**
Deferred income tax liabilities	**311**	**341**	**652**
Provisions	**21**	**(1)**	**20**
Other long-term financial liabilities	**98**	**(82)**	**16**
Current liabilities			
Trade payables and other current liabilities	**2 728**	**(24)**	**2 704**
Borrowings	**658**	**(6)**	**652**
Lease liabilities	**–**	**410**	**410**
Provisions	**197**	**(1)**	**196**

Deferred tax assets and liabilities in the table above are presented gross. As the deferred tax asset and deferred tax liability arising from a lease contract are related to taxes levied by the same tax jurisdiction and within the same legal entity, these amounts are presented net in note 12.

10. Leases continued

On transition, the Group recognised lease liabilities for leases which had previously been classified as operating leases under IAS 17 *Leases*. These liabilities are measured at the present value of the remaining lease payments on the date of initial application, discounted using the incremental borrowing rate on 1 April 2019. The weighted average incremental borrowing rate applied was 2.02%. The reconciliation of opening lease liabilities to lease commitments disclosed in the prior year is as follows:

	€m
Operating lease commitments at 31 March 2019	**2 410**
Short-term leases	**(65)**
Low-value asset leases	**(1)**
Leases committed but not yet commenced at 1 April 2019	**(222)**
Change in determination of lease term	**181**
Impact of discounting	**(176)**
Other	**14**
Lease liability at 1 April 2019	**2 141**
Leases capitalised as finance leases under IAS 17	**18**
Total lease liability at 1 April 2019	**2 159**

11. Equity-accounted investments

Accounting policy

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

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

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

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

	€m
At 1 April 2018	1 167
Exchange adjustments	0
Acquisition of equity-accounted investments through business combinations (note 32)	1
Disposal of equity-accounted investments	(2 475)
Share of post-tax results	1 369
Share of other comprehensive income	1
At 31 March 2019	**63**
Exchange adjustments	**(0)**
Acquisition of equity-accounted investments	**1**
Disposal of equity-accounted investments	**(7)**
Share of post-tax results	**7**
At 31 March 2020	**64**

The value of equity-accounted investments at 31 March 2020 includes goodwill of € 37 million (31 March 2019: € 37 million).

The Group's share of post-tax results of equity-accounted investments includes the gain on disposal of the investment in E_Lite SpA of € 4 million. In the prior year, this amount included the revaluation gain of € 1 378 million recorded on the deemed disposal of the existing shareholding of YNAP Group following completion of the voluntary tender offer.

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

		2020 interest held (%)	2019 interest held (%)	Country of incorporation	Country of operation
Associates					
Kering Eyewear SpA	Eyewear manufacturer/distributor	30	30	Italy	Worldwide
E-Lite SpA	Luxury e-commerce	-	49	Italy	Worldwide
Joint ventures					
Laureus World Sports Awards Limited	Sports Awards	50	50	United Kingdom	Worldwide
Montblanc India Retail Private Limited [1]	Distributor	51	51	India	India

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

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

12. Taxation

Accounting policy

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

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

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

Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income in which case the related tax effect is also recognised directly in equity or in other comprehensive income.

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

12.1. Deferred income tax

(a) Deferred income tax assets

	1 April 2018 €m	Exchange adjustments €m	(Charge)/ credit for year €m	Recognised in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2019 €m
Depreciation	27	1	5	–	5	38
Provision for inventories	15	2	40	–	9	66
Provision for impairment of receivables	1	–	1	–	–	2
Employee benefit obligations	21	–	5	–	–	26
Unrealised gross margin elimination	60	–	2	–	–	62
Tax losses carried forward	7	–	25	–	58	90
Equity-settled share plans	4	–	2	(1)	–	5
Other	85	2	(29)	–	20	78
	220	5	51	(1)	92	367
Offset against deferred tax liabilities for entities settling on a net basis	(39)					(206)
	181					161

	1 April 2019 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2020 €m
Depreciation	**38**	**(1)**	**3**	**–**	**1**	**41**
Provision for inventories	**66**	**–**	**(13)**	**–**	**5**	**58**
Provision for impairment of receivables	**2**	**–**	**2**	**–**	**1**	**5**
Employee benefit obligations	**26**	**–**	**(1)**	**(2)**	**–**	**23**
Unrealised gross margin elimination	**62**	**–**	**(12)**	**–**	**5**	**55**
Tax losses carried forward	**90**	**–**	**50**	**–**	**1**	**141**
Equity-settled share plans	**5**	**–**	**(1)**	**–**	**–**	**4**
Leases (IFRS 16)	**–**	**(2)**	**(2)**	**–**	**14**	**10**
Other	**78**	**(1)**	**–**	**7**	**48**	**132**
	367	**(4)**	**26**	**5**	**75**	**469**
Offset against deferred tax liabilities for entities settling on a net basis	**(206)**					**(296)**
	161					**173**

€ 351 million of deferred tax assets are expected to be recovered after more than twelve months (31 March 2019: € 237 million).

12. Taxation continued

12.1. Deferred income tax continued

(b) Deferred income tax liabilities

	1 April 2018 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2019 €m
Depreciation	(12)	–	–	–	(4)	(16)
Provision for inventories	(2)	(1)	(24)	–	–	(27)
Undistributed retained earnings	(22)	–	(3)	–	–	(25)
Other	(6)	(5)	36	–	(474)	(449)
	(42)	(6)	9	–	(478)	(517)
Offset against deferred tax assets for entities settling on a net basis	39					206
	(3)					(311)

	1 April 2019 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2020 €m
Depreciation	**(16)**	**–**	**1**	**–**	**–**	**(15)**
Provision for inventories	**(27)**	**–**	**5**	**–**	**(2)**	**(24)**
Undistributed retained earnings	**(25)**	**–**	**–**	**–**	**–**	**(25)**
Intangible assets recognised in business combinations	**–**	**3**	**22**	**–**	**(472)**	**(447)**
Leases (IFRS 16)	**–**	**1**	**8**	**–**	**(14)**	**(5)**
Other	**(449)**	**4**	**(11)**	**(3)**	**395**	**(64)**
	(517)	**8**	**25**	**(3)**	**(93)**	**(580)**
Offset against deferred tax assets for entities settling on a net basis	**206**					**296**
	(311)					**(284)**

€ 556 million of deferred tax liabilities are expected to be settled after more than twelve months (31 March 2019: € 490 million).

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

(c) Unrecognised deferred tax assets and liabilities

Deferred tax assets are recognised for losses carried forward when it is considered likely that the losses will be utilised against future taxable profits, based on estimated future profitability in the relevant tax jurisdiction. The Group has not recognised a deferred tax asset in respect of tax losses of € 818 million (31 March 2019: € 677 million). € 771 million of the unrecognised tax losses can be carried forward in the applicable jurisdiction of the reporting entity with no expiry dates (31 March 2019: € 646 million). The remainder of the unrecognised tax losses have maximum expiration dates of between five and ten years. Additionally, the Group has not recognised a deferred tax asset in respect of other temporary differences of € 0 million (31 March 2019: € 51 million) and has not recognised deferred tax liabilities in relation to unremitted earnings from its subsidiaries which are not expected to be distributed in the foreseeable future amounting to € 91 million (2019: € 90 million).

12.2. Taxation charge

Taxation charge for the year:

	2020 €m	2019 €m
Current tax	**167**	177
Deferred tax charge/(credit)	**(53)**	(60)
	114	117

The average effective tax rate is calculated in respect of profit before taxation but excluding the share of post-tax results of equity-accounted investments.

12. Taxation continued

12.2. Taxation charge continued

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

	2020 €m	2019 €m
(Loss)/profit before taxation	**(40)**	1 685
Share of post-tax results of equity-accounted investments	**11**	1 369
Adjusted (loss)/profit before taxation	**(51)**	316
Tax on adjusted profit calculated at statutory tax rate	**(13)**	86
Difference in tax rates	**26**	(88)
Non-taxable income	**(14)**	(21)
Non-deductible expenses net of other permanent differences	**30**	(8)
Utilisation and recognition of prior year tax losses	**(4)**	119
Non-recognition of current year tax losses	**49**	34
Withholding and other taxes	**37**	7
Prior year adjustments	**3**	(12)
Taxation charge	**114**	117

The statutory tax rate applied of 24.94% reflects the rate applicable to the Luxembourg company.

13. Other non-current assets

	2020 €m	2019 €m
Maisons' collections	**8**	7
Lease deposits	**118**	113
Loans and receivables	**88**	86
Other assets	**3**	24
	217	230

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

14. Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is determined using either a weighted average or specific identification basis depending on the nature of the inventory. The cost of finished goods and work in progress comprises raw materials, direct labour, related production overheads and, where applicable, duties and taxes. For inventories sold in the off-season business by Online Distributors, cost is determined in accordance with the average cost methodology by product category, which includes acquisition costs and costs incurred to bring inventories to their current location and condition.

	2020 €m	2019 €m
Raw materials and work in progress	**695**	479
Finished goods	**4 498**	4 302
	5 193	4 781
Provision for inventories	**(251)**	(241)
	4 942	4 540

The cost of inventories recognised as an expense and included in cost of sales amounted to € 6 537 million (2019: € 6 539 million).

The Group reversed € 25 million (2019: € 23 million) of previous inventory write-downs during the year as the goods were sold at an amount in excess of the written-down value. The amount reversed has been credited to cost of sales.

The Group recognised € 83 million (2019: € 67 million) of write-down of inventories within cost of sales.

15. Trade receivables and other current assets

Accounting policy

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

	2020 €m	2019 €m
Trade receivables	**388**	552
Less: provision for impairment	**(19)**	(15)
Trade receivables – net	**369**	537
Amounts due from related parties	**307**	285
Loans and other receivables	**178**	207
Current financial assets	**854**	1 029
Sales return asset	**55**	78
Prepayments and other	**272**	249
	1 181	1 356

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

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

In addition to the amounts above there are non-current assets amounting to € 206 million (31 March 2019: € 199 million) and cash balances as disclosed in note 13 which are considered to be loans and receivables.

15. Trade receivables and other current assets continued

Provision for impairment

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

	2020 €m	2019 €m
Balance at 1 April of prior year	**(15)**	(14)
Provision charged to profit or loss	**(16)**	(8)
Utilisation of provision	**2**	1
Reversal of unutilised provision	**10**	5
Acquisition of subsidiary	**–**	1
Balance at 31 March	**(19)**	**(15)**

At 31 March 2020, trade and other receivables of € 25 million (31 March 2019: € 18 million) were impaired.

Receivables past due but not impaired:

	2020 €m	2019 €m
Up to three months past due	**43**	24
Three to six months past due	**5**	5
Over six months past due	**8**	6
	56	35

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

16. Cash and cash equivalents

	2020 €m	2019 €m
Cash at bank and on hand	**1 479**	1 811
Bank overdrafts	**(967)**	(516)
	512	1 295

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

The effective interest rate on cash at bank was 1.8 % (2019: 1.5 %). The effective interest rate on bank overdrafts was 1.2 % (2019: 1.8 %)

17. Equity

17.1. Share capital

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

	2020 €m	2019 €m
Authorised, issued and fully paid:		
24 137 402 registered shares with a par value of € 25 each	**603**	603
	603	603

17.2 Share premium

	2020 €m	2019 €m
Balance at 1 April of prior year	**2 711**	2 711
Capital contribution from the parent company	**800**	–
Balance at 31 March	**3 511**	2 711

17.3. Retained earnings

	2020 €m	2019 €m
Balance at 1 April of prior year	**2 817**	1 742
Profit for the year	**(149)**	1 568
Other comprehensive income:		
- Defined benefit plan actuarial (losses)/gains	**4**	(1)
- Tax on defined benefit plan actuarial losses	**(2)**	–
Dividends paid (note 27)	**(600)**	(400)
Change in non-controlling interests	**5**	(99)
Initial recognition of put options over non-controlling interests	**(19)**	–
Employee share plan expense	**15**	8
Tax on employee share plan expense	**–**	(1)
Balance at 31 March	**2 071**	2 817

18. Borrowings

Accounting policy

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

	2020 €m	2019 €m
Non-current:		
Corporate bonds	**3 935**	3 929
Borrowings from related parties	**650**	–
Finance lease obligations	**–**	12
	4 585	3 941
Current:		
Borrowings from related parties	**–**	652
Finance lease obligations	**–**	6
	–	658
Total borrowings	**4 585**	4 599

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

	2020 €m	2019 €m
Euro	**4 585**	4 595
Other	**–**	4
	4 585	4 599

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

	2020 €m	2019 €m
Fixed rate borrowings	**3 935**	3 929
Floating rate borrowings	**650**	652
Finance lease obligations	**–**	18
	4 585	4 599

The carrying value of the Group's floating rate borrowings approximate their fair values.

In March 2018, the Company issued the following corporate bonds which are listed on the regulated market of the Luxembourg Stock Exchange:

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

These senior unsecured notes are fully guaranteed by Compagnie Financière Richemont SA, the Company's parent entity.

19. Employee benefit obligations

Accounting policy

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive post-employment, usually dependent on one or more factors such as age, years of service and compensation.

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

Past service costs are recognised immediately in profit or loss. Remeasurements, comprising actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest) are charged or credited to other comprehensive income in the period in which they arise.

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

The Group operates a number of post-employment benefit plans throughout the world, which are classified as defined benefit under IFRS. The plans are generally funded through payments to separately administered funds by both employees and relevant Group companies taking into account periodic actuarial calculations.

The Group expects to contribute € 11 million to all such plans during the year ended 31 March 2021. This compares to € 10 million during the year ended 31 March 2020.

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

	2020 €m	2019 €m
Present value of funded obligations	**(173)**	(518)
Fair value of plan assets	**173**	513
Net funded obligations	**–**	(5)
Present value of unfunded obligations	**(44)**	(40)
Amount not recognised due to asset limit	**–**	–
Net liabilities	**(44)**	(45)

	2020 €m	2019 €m
Expense charged in:		
Cost of sales	**3**	3
Net operating expenses	**11**	9
	14	12

Total costs are included in employee benefits expense (note 25).

19. Employee benefit obligations continued

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

	2020 €m	2019 €m
Balance at 1 April of prior year	**513**	514
Exchange differences	**1**	(1)
Interest on plan assets	**2**	11
Actual return on plan assets less interest on plan assets	**(2)**	4
Assets distributed on settlements	**(345)**	–
Contributions paid by employer	**15**	13
Benefits paid	**(9)**	(28)
Assets acquired in a business combination	**(2)**	–
Balance at 31 March	**173**	513

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

	2020 €m	2019 €m
Balance at 1 April of prior year	**(558)**	(559)
Exchange differences	**(1)**	3
Current service cost (employer part)	**(14)**	(11)
Interest on benefit obligations	**(2)**	(12)
Actuarial gains/(losses)	**6**	(7)
Liabilities extinguished on settlements	**345**	–
Liabilities acquired in a business combination	**(2)**	–
Benefits paid	**9**	28
Balance at 31 March	**(217)**	(558)

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

	2020 €m	2019 €m
Balance at 1 April of prior year	**–**	(1)
Change in surplus/(deficit)	**–**	1
Exchange difference	**–**	–
Balance at 31 March	**–**	–

19. Employee benefit obligations continued

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

	2020 €m	2019 €m
Equities	**30**	34
Government bonds	**50**	46
Corporate bonds	**90**	85
Property	**1**	1
Cash	**6**	2
Insurance policies and other assets	**(4)**	345
Fair value of plan assets	**173**	513

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

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

	2020	2019
Discount rate	**1.4%**	1.1%
Future salary increases	**2.9%**	2.9%
Future pension increases	**1.7 %**	1.7%

Assumptions are the weighted average of rates adopted by the individual plans

Should the average discount rate fall by 0.5% per annum, the obligations are expected to rise by around € 11 million (2019: € 13 million) in total with a € 9 million (2019: € 9 million) rise should pension increases and salary increases rise by a similar amount. Except where a fully matching insurance policy has been purchased these sensitivities have been calculated to show the movement in the defined benefit obligation in isolation, and assuming no other changes in market conditions at the accounting date. This is unlikely in practice, for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the plans.

20. Provisions

	Warranties and sales related €m	Employee benefits €m	Other €m	Total €m
At 1 April 2019*	**167**	**36**	**13**	**216**
Charged/(credited) to profit or loss:				
– additional provisions	**683**	**31**	**10**	**724**
– unused amounts reversed	**(35)**	**(5)**	**(6)**	**(46)**
Net charge	**648**	**26**	**4**	**678**
Acquisition through business combinations (note 33)	**–**	**–**	**12**	**12**
Utilised during the year	**(685)**	**(23)**	**(20)**	**(728)**
Reclassifications	**–**	**(5)**	**5**	**–**
Exchange adjustments	**–**	**(1)**	**2**	**1**
At 31 March 2020	**130**	**33**	**16**	**179**

	2020 €m	2019 €m
Total provisions at 31 March:		
– non-current	**19**	21
– current	**160**	197
	179	218

* balances at 1 April 2019 include the impact of the adoption of IFRS 16 (see note 10)

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 € 130 million (2019: € 167 million) has been recognised for expected sales returns and warranty claims. It is expected that € 128 million (2019: € 165 million) of this provision will be used within the following twelve months and that the remaining € 2 million (2019: € 2 million), which relates solely to potential warranty claims, will be utilised over the remainder of the expected warranty period of the products.

Employee benefits provisions

These include obligations arising under the Group's long-term incentive plans and the social costs on the Group's share based compensation plan. An amount of € 19 million (2019: € 20 million) is expected to be utilised in the coming year. The remainder will be utilised in the next two to eight years.

Other provisions

Other provisions include provision for certain legal claims brought against the Group and provision for the Group's obligations arising from committed restructuring activities. Restructuring provisions include lease termination penalties and employee termination payments and are recognised when a detailed, formal plan has been established and communicated to those parties directly affected by the plan. Provisions for legal claims represent management's best estimate of the likely outcome of the claim at the balance sheet date. It is not expected that the outcomes of legal claims will give rise to any material losses beyond the amounts provided at 31 March 2020. The Group's restructuring provision is expected to be utilised in the coming year.

21. Other long-term financial liabilities

	2020 €m	2019 €m
Operating lease liabilities	**7**	91
Other long-term financial liabilities	**27**	7
	34	98

22. Trade and other current liabilities

	2020 €m	2019 €m
Trade payables	**449**	535
Amounts due to related parties	**760**	1 128
Other payables and accruals	**835**	920
Current financial liabilities	**2 044**	2 583
Other current non-financial liabilities	**146**	145
	2 190	2 728

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

23. Other operating income/(expense)

	2020 €m	2019 €m
Royalty expenses	**(1)**	(3)
Amortisation of other intangible assets acquired on business combinations	**(191)**	(167)
Other (expenses)/income	**(41)**	2
	(233)	(168)

24. Operating profit

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

	2020 €m	2019 €m
Depreciation of property, plant and equipment (note 7)	**296**	275
Impairment of property, plant and equipment (note 7)	**33**	–
Amortisation of other intangible assets (note 9)	**300**	261
Impairment of other intangible assets (note 9)	**5**	–
Impairment of goodwill (note 8)	**1**	–
Depreciation of right of use assets (note 10)	**474**	–
Operating lease rentals:		
– minimum lease rental		532
– contingent rental		346
Sub-lease rental income	**(2)**	(2)
Research and development costs	**28**	23
Loss on disposal of property, plant and equipment	**8**	5
Profit on disposal of other intangible assets	**–**	(2)
Restructuring charges	**1**	3

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

24. Operating profit continued

Audit and other fees paid to PricewaterhouseCoopers

Fees for the year ended 31 March 2020 billed and unbilled by PricewaterhouseCoopers, Société cooperative Luxembourg and other members of the PricewaterhouseCoopers network, which relate to the audit of the Company accounts, amounted to € 6.7 million (31 March 2019: € 5.8 million). Such fees are presented under Administrative expenses in the statement of comprehensive income. Fees for non-audit services amounted to € 0.8 million (2019: € 1.2 million).

25. Employee benefits expense

Accounting policies

Termination benefits

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

Incentive plans

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

	2020 €m	2019 €m
Wages and salaries including termination benefits € 14 million (2019: € 14 million)	**1 198**	1 100
Social security costs	**242**	227
Share-based compensation expense (note 28)	**2**	12
Long-term employee benefits	**20**	13
Pension costs – defined contribution plans	**69**	59
Pension costs – defined benefit plans (note 19)	**14**	12
	1 545	1 423

The average number of employees of the Group was 23 975 (2019: 23 753 employees).

26. Finance costs and income

	2020 €m	2019 €m
Finance costs:		
Interest expense:		
– bank borrowings and corporate bond expenses	**(65)**	(65)
– other financial expenses	**(43)**	(49)
– lease liabilities	**(44)**	–
Net foreign exchange losses on monetary items	**(22)**	–
Finance costs	**(174)**	(114)
Finance income:		
Interest income:		
– from financial assets at amortised cost (including bank and other deposits)	**29**	32
– other financial income	**5**	6
Net foreign exchange gains on monetary items	**–**	12
Finance income	**34**	50
Net finance costs	**(140)**	(64)

27. Dividends

Accounting policy
Dividend distributions to the Richemont International Holding SA shareholder are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholder of the Company.

A dividend of € 600 million was paid during the year (year ended 31 March 2019: € 400 million).

28. Share-based payment

Accounting policy
The Group operates equity-settled share-based compensation plans based on options and restricted shares granted in respect of Richemont 'A' shares. The fair value of the employee services received in exchange for the grant of options or restricted shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the option or share granted. At each reporting date, the Group revises its estimate of the number of options or shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss over the remaining vesting period with a corresponding adjustment to equity.

An additional, cash-settled plan was operated for certain employees during the prior year, based on options granted over the shares of a subsidiary company. The fair value of the estimated amount payable was expensed on a straight-line basis over the vesting period. The fair value was remeasured at each reporting date with changes recognised in profit or loss. During the year ended 31 March 2020, this option plan was cancelled and replaced with a cash plan which pays cash bonuses to certain employees after a vesting period in line with the original option plan. The liability for this new cash plan is included in note 20.

Equity-settled option plan

Employees of the Group participate in a long-term share-based compensation plan whereby executives are awarded options to acquire Compagnie Financière Richemont SA ('CFR') shares at the market price on the date of grant. Awards under the stock option plan vest over periods of three to six years and have expiry dates, the date after which unexercised options lapse, of nine years from the date of grant. The executive must remain in the employment of the CFR group until vesting. The options granted between 2008 and 2016 include a performance condition correlated to other luxury goods companies upon which vesting is conditional. All options are settled by CFR; the Group has no obligation to provide CFR shares to its employees upon exercise.

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

	Weighted average exercise price in CHF per share	Number of options
Balance at 1 April 2018	73.51	2 206 915
Granted	92.00	1 126 850
Exercised	62.80	(35 368)
Transferred in	66.69	7 000
Transferred out	80.31	(159 500)
Lapsed	80.57	(43 298)
Balance at 31 March 2019	**79.88**	**3 102 599**
Granted	**82.86**	**209 568**
Exercised	**72.73**	**(252 965)**
Expired	**90.05**	**(5 166)**
Transferred in	**75.18**	**18 800**
Transferred out	**83.43**	**(190 849)**
Lapsed	**80.10**	**(105 654)**
Balance at 31 March 2020	**80.46**	**2 776 333**

Of the total options outstanding at 31 March 2020, options in respect of 678 125 shares (2019: 517 674 shares) had vested and were exercisable.

The weighted average share price at the date of exercise for options exercised during the year was CHF 89.13 (2019: CHF 89.40).

28. Share-based payment continued

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

	Exercise price	Number of options	Weighted average remaining contractual life
31 March 2020	**CHF 54.95**	**77 966**	**0.2 years**
	CHF 57.45	**160 801**	**1.2 years**
	CHF 90.11	**142 099**	**2.2 years**
	CHF 94.00	**168 300**	**3.2 years**
	CHF 83.80	**218 668**	**4.2 years**
	CHF 56.55	**418 235**	**5.2 years**
	CHF 80.20	**428 480**	**6.2 years**
	CHF 92.00	**955 500**	**7.2 years**
	CHF 82.86	**206 284**	**8.2 years**
31 March 2019	CHF 54.95	113 901	1.2 years
	CHF 57.45	204 633	2.2 years
	CHF 90.11	190 932	3.2 years
	CHF 94.00	221 633	4.2 years
	CHF 83.80	270 000	5.2 years
	CHF 56.55	521 600	6.2 years
	CHF 80.20	469 850	7.2 years
	CHF 92.00	1 110 050	8.2 years

The per unit fair value of options granted during the year determined using the Binomial model was CHF 17.66 . The significant inputs to the model were the CFR share price of CHF 82.86 at the grant date, the exercise price shown above, a standard deviation of expected share price returns of 26%, an expected option life of five years, a dividend yield of 2.3% and a 0% risk-free interest rate. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past five years.

Restricted share units

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

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

	Number of shares
Balance at 31 March 2019	–
Granted	**611 097**
Lapsed	**(13 948)**
Balance at 31 March 2020	**597 149**

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

Share-based compensation expense

The amount recognised in profit or loss before social security and taxes for equity-settled share-based payment transactions was € 15 million (2019: € 8 million) and € 3 million release (2019: € 4 million charge) for cash-settled share-based payment transactions. Following cancellation of the cash-settled plan, the remaining liability of € 10 million was released; however, a separate provision for the cash plan has been created (note 20).

29. Cash flow generated from operations

	2020 €m	2019 €m
Operating profit	**89**	380
Depreciation of property, plant and equipment	**296**	275
Amortisation of other intangible assets	**300**	261
Depreciation of right of use assets	**474**	–
Impairment of property, plant and equipment	**33**	–
Impairment of goodwill	**1**	–
Impairment of other intangible assets	**5**	–
Loss on disposal of property, plant and equipment	**8**	5
Profit on disposal of intangible assets	**–**	(2)
Profit on remeasurement of lease	**(2)**	–
Increase in long-term provisions	**5**	5
(Decrease)/increase in retirement benefit obligations	**(1)**	(1)
Non-cash items	**15**	(6)
(Increase)/decrease in inventories	**(366)**	(275)
Decrease in trade receivables	**164**	(48)
Decrease/(increase) in other receivables and prepayments	**69**	30
(Decrease)/increase in current liabilities	**(559)**	(48)
Increase/(decrease) in long-term liabilities	**(13)**	3
Cash flow generated from operations	**518**	579

30. Liabilities arising from financing activities

	Corporate bonds €m	Floating rate borrowings €m	Finance leases €m	Total €m
At 1 April 2018	3 922	653	4	4 579
Additions to finance leases	–	–	10	10
Acquisition through business combination	–	308	10	318
Amortised interest cost	7	–	–	7
Exchange adjustments	–	1	(1)	–
Non-cash movements	7	309	19	335
Proceeds from borrowings	–	11	–	11
Repayment of borrowings	–	(321)	–	(321)
Capital element of finance lease payments	–	–	(5)	(5)
Net cash (paid) received	–	(310)	(5)	(315)
At 31 March 2019	3 929	652	18	4 599
Total liabilities arising from financing activities at 31 March:				
– non-current	3 929	–	12	3 941
– current	–	652	6	658
At 31 March 2019	3 929	652	18	4 599

	Corporate bonds €m	Floating rate borrowings €m	Lease liabilities €m	Total €m
At 1 April 2019 re-presented	**3 929**	**652**	**2 159**	**6 740**
Additions to lease liabilities	**–**	**–**	**506**	**506**
Acquisition through business combination (note 33)	**–**	**3**	**67**	**70**
Amortised interest cost	**6**	**–**	**44**	**50**
Exchange adjustments	**–**	**–**	**4**	**4**
Non-cash movements	**6**	**3**	**621**	**630**
Repayment of borrowings	**–**	**(3)**	**–**	**(3)**
Repayment of accrued interest	**–**	**(2)**	**–**	**(2)**
Repayment of lease liability - interest	**–**	**–**	**(43)**	**(43)**
Repayment of lease liability - principal	**–**	**–**	**(466)**	**(466)**
Net cash (paid) received	**–**	**(5)**	**(509)**	**(514)**
At 31 March 2020	**3 935**	**650**	**2 271**	**6 856**
Total liabilities arising from financing activities at 31 March:				
– non-current	**3 935**	**650**	**1 815**	**6 400**
– current	**–**	**–**	**456**	**456**
At 31 March 2020	**3 935**	**650**	**2 271**	**6 856**

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

31. Financial instruments: fair values and risk management

Accounting policy

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

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

A financial asset is classified in this category if it is a strategic investment, meaning that it is long-term in nature and has not been undertaken with the objective of maximising short-term profits or dividends. The Group has not designated any investments in listed entities at Fair value through comprehensive income at the reporting date.

(b) Financial assets at amortised cost

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

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

All financial assets not included in one of the above-mentioned categories are classified as Fair value through profit or loss.

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

The Group's financial liabilities are classified at amortised cost.

31.1. Fair value estimation

The following table shows the carrying amounts and fair values of financial assets and liabilities:

	Carrying amount	
31 March 2020	Assets at amortised cost €m	Liabilities at amortised cost €m
Financial assets not measured at fair value		
Non-current loans and receivables (note 13)	**88**	–
Non-current lease deposits (note 13)	**118**	–
Trade and other receivables (note 15)	**854**	–
Cash at bank and on hand (note 16)	**1 479**	–
	2 539	–
Financial liabilities not measured at fair value		
Fixed rate borrowings (note 18)	–	**(3 935)**
Floating rate borrowings (note 18)	–	**(650)**
Lease liabilities (note 10)	–	**(2 271)**
Other long-term financial liabilities (note 21)	–	**(34)**
Trade and other payables (note 22)	–	**(2 044)**
Bank overdrafts (note 16)	–	**(967)**
	–	**(9 901)**

31. Financial instruments: fair values and risk management continued

31.1. Fair value estimation continued

	Carrying amount	
31 March 2019	Assets at amortised cost €m	Liabilities at amortised cost €m
Financial assets not measured at fair value		
Non-current loans and receivables (note 13)	86	–
Non-current lease deposits (note 13)	113	–
Trade and other receivables (note 15)	1 029	–
Cash at bank and on hand (note 16)	1 811	–
	3 039	–
Financial liabilities not measured at fair value		
Fixed rate borrowings (note 18)	–	(3 929)
Floating rate borrowings (note 18)	–	(652)
Finance lease obligations (note 18)	–	(18)
Other long-term financial liabilities (note 21)	–	(98)
Trade and other payables (note 22)	–	(2 583)
Bank overdrafts (note 16)	–	(516)
	–	(7 796)

The fair value of the fixed rate corporate bonds at 31 March 2020 was € 3 879 million (2019: € 4 216 million). For all other financial assets and financial liabilities, the carrying value approximates the fair value.

31. Financial instruments: fair values and risk management continued

31.2. Financial risk factors

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

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

(a)(i) Market risk: foreign exchange risk

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

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

The sensitivity analysis presented in the following tables shows the pre-tax increase/(decrease) in profit or loss that would result from the noted percentage change in listed exchange rates, all other factors remaining constant. The analysis is performed on the same basis in 2020 and 2019.

	Change in rate		Profit or loss	
	2020 %	2019 %	2020 €m	2019 €m
JPY strengthening vs EUR	**9%**	8%	**11**	10
USD strengthening vs EUR	**8%**	6%	**18**	(5)
GBP strengthening vs EUR	**8%**	8%	**(3)**	(3)
CHF strengthening vs EUR	**11%**	8%	**(6)**	15

	Change in rate		Profit or loss	
	2020 %	2019 %	2020 €m	2019 €m
JPY weakening vs EUR	**9%**	8%	**(11)**	(10)
USD weakening vs EUR	**8%**	6%	**(18)**	5
GBP weakening vs EUR	**8%**	8%	**3**	3
CHF weakening vs EUR	**11%**	8%	**6**	(15)

(a)(ii) Market risk: price risk

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

- Commodity price risk

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

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

- Fair value interest rate risk

The Group is exposed to fair value interest rate risk linked to its fixed-rate loan commitment (details of the Group's borrowings are presented in note 18). The risk is considered to be the difference between current levels of interest rates and the committed rates.

The Group records its fixed rate borrowings at amortised cost using the effective interest method. The Group does not designate any interest rate swaps as hedging instruments for fair value hedge accounting. Therefore a change in interest rates at 31 March 2020 would not affect the profit for the year.

- Cash flow interest rate risk

The Group is also exposed to future cash flow fluctuation risk due to changes in variable market interest rates. The cash flow risk associated with net cash is such that an increase/(decrease) of 100 basis points in interest rates at the reporting date would have impacted profit for the year by (minus)/plus € 1 million (2019: plus/(minus) € 6 million), all other variables remaining constant. The analysis is performed on the same basis for 2019 and 2020.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has established credit check policies that ensure the high credit-worthiness of its customers. A short-term credit rating of minimum A1/P1 is applied to cash deposits with financial counterparties.

(c) Liquidity risk

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

Local liquidity is ensured by maintaining local bank credit facilities and by funding the excess funding requirements using the Group overlay cash pool. Contractual maturities of lease liabilities are presented in note 10.

31. Financial instruments: fair values and risk management continued

31.2. Financial risk factors continued

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

31 March 2020	Carrying amount €m	Total €m	Contractual cash flows 6 months or less €m	Between 6-12 months €m	Between 1-3 years €m	More than 3 years €m
Non-derivative financial liabilities						
Borrowings	**4 585**	**5 313**	**–**	**59**	**118**	**5 136**
Other long-term financial liabilities	**34**	**33**	**–**	**–**	**6**	**27**
Trade and other payables	**2 044**	**2 044**	**2 044**	**–**	**–**	**–**
Bank overdrafts	**967**	**967**	**967**	**–**	**–**	**–**
	7 630	**8 357**	**3 011**	**59**	**124**	**5 163**

31 March 2019	Carrying amount €m	Total €m	Contractual cash flows 6 months or less €m	Between 6-12 months €m	Between 1-3 years €m	More than 3 years €m
Non-derivative financial liabilities						
Borrowings	4 599	5 481	33	656	125	4 667
Other long-term financial liabilities	98	117	11	11	39	56
Trade and other payables	2 583	2 583	2 583	–	–	–
Bank overdrafts	516	516	516	–	–	–
	7 796	8 697	3 143	667	164	4 723

31. Financial instruments: fair values and risk management continued

31.3. Offsetting financial assets and financial liabilities

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

	Gross amount of recognised asset/ (liability) subject to set-off €m	Gross amount of set-off €m	Net amount presented €m	Related amounts not set-off €m	Total €m
At 31 March 2020					
Trade receivables	**36**	**(9)**	**27**	**–**	**27**
Cash at bank and on hand	**1 479**	**–**	**1 479**	**(947)**	**532**
	1 515	**(9)**	**1 506**	**(947)**	**559**
Trade payables	**(123)**	**9**	**(114)**	**–**	**(114)**
Bank overdrafts	**(967)**	**–**	**(967)**	**947**	**(20)**
	(1 090)	**9**	**(1 081)**	**947**	**(134)**

	Gross amount of recognised asset/ (liability) subject to set-off €m	Gross amount of set-off €m	Net amount presented €m	Related amounts not set-off €m	Total €m
At 31 March 2019					
Trade receivables	92	(15)	77	–	77
Cash at bank and on hand	1 323	–	1 323	(498)	825
	1 415	(15)	1 400	(498)	902
Trade payables	(353)	15	(338)	–	(338)
Bank overdrafts	(498)	–	(498)	498	–
	(851)	15	(836)	498	(338)

The Group is subject to a number of master netting arrangements specific to cash pooling arrangements. These arrangements allow for net settlement of the relevant financial assets and financial liabilities when both parties elect to settle on a net basis. In certain circumstances, such as a default event as defined in the relevant agreement, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

These agreements do not meet the criteria for offsetting in the statement of financial position. The right to set-off is legally enforceable only following certain specified events. In addition the Group and the counterparties do not intend to settle on a net basis.

31.4. 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, maintaining a balance between business returns and a secure capital position. The Board monitors the return of capital to the shareholders, which the Group defines as total equity, excluding non-controlling interests, and the level of dividends to the ordinary shareholder, as well as the net cash/(debt) position of the Group

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

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

32. Financial commitments and contingent liabilities

At 31 March 2020, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which no material losses are anticipated. Details of the Group's commitments in respect of property, plant and equipment are reported in note 7 and in respect of intangible assets in note 9. The Group has commitments of € 23 million with respect to its short term leases.

33. Business combinations

Accounting policy

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

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

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

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

BUCCELLATI

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

33. Business combinations continued

	Buccellati €m
Property, plant and equipment	**7**
Intangible assets	**108**
Right of Use assets	**62**
Other non-current assets	**3**
Inventory	**60**
Cash and cash equivalents	**2**
Trade and other receivables	**11**
Trade and other payables	**(74)**
Current and deferred tax	**(20)**
Lease liabilities	**(66)**
Non-current liabilities	**(3)**
Net assets acquired	**90**
Fair value of net assets acquired	**90**
Goodwill	**103**
Total consideration paid	**193**
Assignment of loans	**37**
Purchase consideration – cash paid	**230**
Cash and cash equivalents acquired	**(2)**
Cash outflow on acquisitions	**228**

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

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

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

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

34. Assets held for sale

At 31 March 2020, assets with net book value of € 7 million were presented as Held for Sale. The sales of these assets, which are not allocated to operating segments in note 5, are expected to be completed in the coming financial year.

35. Related-party transactions

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

The share capital of the Company is wholly owned by Compagnie Financière Richemont SA, Bellevue, Switzerland ('CFR').

Compagnie Financière Rupert, Bellevue, Switzerland, Geneva holds 5 221 000'A' shares and 522 000 000 'B' registered shares representing an interest in 51% of the CFR's voting rights. Parties associated with Mr Johann Rupert, the Chairman of CFR, and Compagnie Financière Rupert held a further 2 836 664 'A' shares or 'A' share equivalents at 31 March 2020, representing 0.3% of the CFR's voting rights.

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

- Richemont International's equity-accounted investments (see note 11);
- Richemont International's foundations (employee and others); and
- various entities under the common control of the Rupert family's interests, including subsidiaries of CFR not included within the scope of the Group.

The following transactions were carried out with related parties giving rise to (expense/payables) and income/receivables:

(a) Transactions and balances between the Group and its equity-accounted investments

	2020 €m	2019 €m
Goods and services bought from and other transactions with its equity-accounted investments:		
Kering Eyewear - purchase of finished goods	**(6)**	(1)
E_Lite SpA - purchase of services	**(3)**	(2)
Goods and services sold to and other transactions with equity-accounted investments:		
YOOX-NET-A-PORTER GROUP S.p.A. – sale of finished goods	**–**	1
Montblanc India Retail Private Limited - sale of finished goods	**4**	5
Kering Eyewear - sale of finished goods	**1**	1
Kering Eyewear - royalties	**7**	–
E_Lite SpA - commission received	**41**	20
E_Lite SpA - other services	**9**	5
Payables outstanding at 31 March:		
Kering Eyewear - trading	**(8)**	(1)
E_Lite SpA -trading	**(8)**	(10)
Receivables outstanding at 31 March:		
Kering Eyewear - trading	**1**	11
E_Lite SpA - trading	**2**	1
Montblanc India Retail Private Limited – trading	**–**	1

Sale of finished goods to YNAP refer to the period prior to acqusition.

Notes to the consolidated financial statements continued

35. Related-party transactions continued

(b) Transactions and balances between the Group and its parent company

	2020 €m	2019 €m
Receivables outstanding at 31 March:		
Compagnie Financière Richemont SA	**–**	–
Payables outstanding at 31 March:		
Compagnie Financière Richemont SA	**–**	–

	2020 €m	2019 €m
Services bought from and other transactions with the immediate parent company:		
Compagnie Financière Richemont SA	**(20)**	(20)
Services provided to and other transactions with the immediate parent company:		
Compagnie Financière Richemont SA	**2**	2

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

	2020 €m	2019 €m
Services bought from and other transactions with entities under common control of the Rupert family's interests:		
Purchase of goods and services	**(4 111)**	(4 284)
Royalty expenses	**–**	(3)
Interest expenses	**(29)**	(29)
Other expenses	**(16)**	(18)
Services provided to and other transactions with entities under common control of the Rupert family's interests:		
Sale of goods and services	**178**	200
Royalty income	**22**	36
Interest income	**3**	2

	2020 €m	2019 €m
Receivables outstanding at 31 March with entities under common control of the Rupert family's interests:		
Trading receivables	**299**	285
Loan receivables	**85**	83
Payables outstanding at 31 March with entities under common control of the Rupert family's interests:		
Trading payables	**(752)**	(1 120)
Loan payables	**(650)**	(652)

(d) Individuals

Maître Yves Prussen, a non-executive director, is a partner of the Luxembourg legal firm, Elvinger Hoss Prussen. During the year under review, Elvinger Hoss Prussen received fees totalling less than € 0.1 million (2019: € 0.1 million) from Group companies for advice on legal and taxation matters.

35. Related-party transactions continued

(e) Key management compensation

	2020 €m	2019 €m
Salaries and short-term employee benefits	**0.8**	0.7
Short-term incentives	**0.3**	0.3
Post-employment benefits	**0.1**	0.1
Share option expense	**0.2**	0.2
Employer social security	**–**	0.1
	1.4	1.4

Key management comprises the Board of Directors of Richemont International Holdings SA, as detailed below.

Board of Directors	
John Fontaine	Director
Burkhart Grund	Director
Swen Grundmann	Director
John McAnulty	Director
Yves Prussen	Director

Neither Mr Grund nor Maître Prussen are remunerated by the Group.

Loans to members of governing bodies

As at 31 March 2020 there were no loans or other credits outstanding to any current or former executive or non-executive director. 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.

36. Ultimate parent company

The Company’s immediate parent company is Compagnie Financière Richemont SA, an entity registered in Bellevue, Switzerland and listed on the SIX Swiss stock exchange, which owns 100% of the Company’s share capital and voting rights.

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

37. Events after the reporting period

There are no post-balance sheet events to report.

38. Principal Group companies

Details of principal companies within the Group are as follows:

Country of incorporation	Location	Name of company	Effective interest	Share capital (currency 000's)
Subsidiary undertakings				
China	Shanghai	Richemont Commercial Company Limited	100.0%	CNY 2 982 700
France	Paris	Société Cartier SAS	100.0%	€ 30 000
Germany	Hamburg	Montblanc Simplo GmbH	100.0%	€ 1 724
	Munich	Richemont Northern Europe GmbH	100.0%	€ 13 070
Hong Kong SAR, China	Hong Kong	Richemont Asia Pacific Limited	100.0%	HK$ 4 162 500
Italy	Milan	Richemont Italia SpA	100.0%	€ 10 000
	Milan	Yoox Net-a-Porter SpA	100.0%	€ 1 384
Japan	Tokyo	Richemont Japan Limited	100.0%	JPY 250 000
Korea	Seoul	Richemont Korea Limited	100.0%	KRW 5 887 560
Netherlands	Amsterdam	RLG Europe BV	100.0%	€ 17 700
Russia	Moscow	Richemont Luxury Goods, LLC (RLG LLC)	100.0%	RUR 50 000
United Kingdom	London	Richemont Holdings (UK) Limited	100.0%	£ 280 672

Full details of Group companies can be found in note 3 to the statutory financial statements of Richemont International Holding SA.

Non-controlling interests in subsidiaries

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

Balance sheet

	2020 €m	2019 €m
Non-current assets	**69**	3
Current assets	**113**	34
Non-current liabilities	**(4)**	–
Current liabilities	**(8)**	(2)
Intra-Group balances	**(5)**	(11)
	165	**24**
Carrying amount of non-controlling interests	**(47)**	(15)

Statement of Comprehensive Income

	2020 €m	2019 €m
Revenue	**58**	15
Profit/(loss)	**(11)**	(1)
Profit/(loss) allocated to non-controlling interests	**(5)**	–

Cash flow statement

	2020 €m	2019 €m
Cash flows from operating activities	**(27)**	2
Cash flows from investing activities	**(5)**	28
Cash flows from financing activities	**95**	–

Audit report

To the Shareholder of
Richemont International Holding S.A.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Richemont International Holding S.A. (the "Company") and its subsidiaries (the "Group") as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 March 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.The non-audit services that we have provided to the Company and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 24 to the consolidated financial statements.

The non-audit services that we have provided to the Company and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 24 to the consolidated financial statements.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Goodwill impairment assessment for Yoox Net-à-Porter ("YNAP") The goodwill allocated to the YNAP CGU amounts to € 1,734 million per 31 March 2020. The assessment of the recoverability of the YNAP goodwill balance is dependent on the estimation of future cash flows. The discounted cash flow model is based on the fair value less cost of disposal methodology based on a 10-year plan. Judgement is required to determine the assumptions relating to the future business results, the growth rate after the forecasted period and the discount rate applied to the forecasted cash flows. The main judgement made by management is that long term assets valuation is not impacted by the Covid-19. The calculation of the discount rate includes market data that could be significantly impacted by the current increased volatility. This judgement has been disclosed as a critical estimate in the consolidated financial statements and a significant estimate in the goodwill impairment test of YNAP. Refer to note 4 – Critical accounting estimates and assumptions and note 8 – Goodwill.	We obtained the Group's impairment assessment for the YNAP CGU and ● tested the mathematical accuracy of the model and assessed the overall appropriateness of the model used with regard to IAS 36 requirements; ● assessed the quality of the cash flows projections by comparing the actual results to prior year budget in order to identify in retrospect whether any of the assumptions might have been too optimistic; ● reconciled the 10-year projections to the model that was subject to scrutiny and approval by management; ● corroborated the judgement that long-term assets valuation is not impacted by the Covid-19 with several external market reports, notably confirming the expectation of an accelerated growth of e-commerce; ● challenged management to substantiate its key assumptions in the cash flow projections during the forecasted period by comparing them to analysts' reports of the industry and peer companies; ● tested, with the support of our valuation specialists, the reasonableness of the cash flows growth after the forecast period assumption of 2.25% and the discount rate of 8.9%; ● updated our acceptable discount rate range at the end of March 2020 and concluded

	that the discount rate used by management was within that range; ● obtained corroborative external evidence that market participants would use a 10-year period cash flow model to value a company operating on a fast-growing industry like Online Luxury; ● reviewed the additional qualitative and quantitative disclosures that have been added in the notes to the consolidated financial statements to address the judgements involved in the YNAP goodwill impairment assessment and the sensitivity to small changes in assumptions. We obtained the Group's sensitivity analysis around key assumptions to ascertain the effect of changes to those assumptions to the fair value less cost of disposal and re-calculated the sensitivity. We assessed the adequacy of the disclosures included in note 8 - Goodwill.
Taxation The Group is subject to taxation in many jurisdictions and management makes judgements about the incidence and quantum of tax liabilities that are subject to the future outcome of assessments by the relevant tax authorities. Accordingly, the calculation of tax expense and the related liability are subject to inherent uncertainty. To make those judgements, management follows an established and structured process whereby they systematically monitor and assess tax risks existence, development and settlement in each of their jurisdictions. The Group main tax risks are transfer pricing being outside an arm's length benchmark range and potential adverse results for ongoing tax audits. In accordance with this methodology, provisions for uncertain tax positions are calculated and accounted for and included within current income tax liabilities (€331 million as at 31 March 2020).	We have confirmed the Group's exposure in various countries through inquiry with local and group management, audited management's process to assess the risk of tax payments in the different jurisdictions because of potential challenges to the tax returns or positions as well as the measurement and timing of recognition of the provision when applicable. We tested transactions with transfer pricing risks and risks of an adverse tax audit result for selected entities to assess that an appropriate level of provision representing the most likely outcome including related penalty and interest is recorded. With the support of our internal tax experts, we examined the documentation outlining the matters in dispute or at risk and the benchmarks relied upon for transfer pricing and used our knowledge of the tax laws and other similar taxation matters to assess the available evidence, management's judgmental processes and the provisions.

Refer to note 4 - Critical accounting estimates and assumptions and note 12 - Taxation.	
IFRS 16 – Leases, initial implementation The initial application of the new accounting standard on leases as of 1 April 2019, using the modified retrospective approach, resulted in a significant impact on the Group's consolidated financial statements. As of 1 April 2019, right-of-use assets in the amount of € 2'103 million and lease liabilities in the amount of € 2'159 million were recognized in the consolidated financial statements. Right-of-use assets amount to 13% of total assets and thus have a material impact on the company's financial position. The implementation of IFRS 16 is considered as a key audit matter to our audit, considering the amounts involved, the volume of existing contracts and the complexity of accounting estimates and judgments applied by management to meet the recognition, measurement and disclosure requirements of the standard. Refer to note 10 – Leases.	In cooperation with our local audit teams and our IFRS specialists, we ● assessed the design and operating effectiveness of the Group's process to identify and record contracts containing a lease; ● assessed the appropriateness of the incremental borrowing rates applied in determining the lease liabilities with assistance of our internal valuation experts; ● considered completeness of lease contracts by tracing a representative sample of identified boutique leases to management reports monitoring individual performance of Group's boutiques; ● analyzed the list of lease contracts for completeness by comparing the lease charges recognized under the former standard on leases (IAS 17) in the comparative period to charges recognized in accordance with IFRS 16 in the current period; ● verified the accuracy and completeness of the underlying lease data included in the calculation by agreeing a sample of leases to the corresponding contracts; ● tested the integrity and mathematical accuracy of the amounts used for accounting purposes for a sample of lease contracts; ● assessed the appropriateness and completeness of the disclosures required by IFRS 16 as included in the notes to the consolidated financial statements, including the information on the initial application.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the management report and the corporate governance statement but does not include the consolidated financial statements and our audit report thereon.

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

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

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement is included in the management report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as “Réviseur d’Entreprises Agréé” of the Company by the General Meeting of the Shareholder on 31 July 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 15 May 2020

François Mousel

Company financial statements
Directors’ Report

The Board of Directors of Richemont International Holding S.A. (‘the Company’) is pleased to submit its report on the activities of the Company for the year ended 31 March 2020. The financial statements on the following pages set out the financial position of the Company at 31 March 2020 and the results of its operations for the year then ended.

Company financial statements

Balance sheet
at 31 March

	Notes	2020 €	2019 €
ASSETS			
Fixed assets			
Tangible assets			
Other fixtures and fittings, tools and equipment		**429 567**	814 995
		429 567	814 995
Financial assets			
Shares in affiliated undertakings	*3*	**6 967 120 674**	8 085 152 354
Loans to affiliated undertakings	*4*	**1 197 270 601**	817 933 767
Investments held as fixed assets		**513**	513
		8 164 391 788	8 903 086 634
Current assets			
Stocks			
Finished goods and goods for resale		**4 340 717**	5 029 702
		4 340 717	5 029 702
Debtors			
Trade debtors			
- becoming due and payable within one year		**–**	84 978
Amounts owed by affiliated undertakings			
- becoming due and payable within one year	*5*	**259 117 622**	652 202 126
Other debtors			
- becoming due and payable within one year		**2 237 141**	1 796 127
		261 354 763	654 083 231
Cash at bank and in hand	*6*	**52 136 797**	490 203 809
Prepayments	*7*	**66 241 389**	72 824 774
TOTAL ASSETS		**8 548 895 021**	10 126 043 145

The notes in the annex form an integral part of the Company Financial Statements.

Balance sheet continued
at 31 March

	Notes	2020 €	2019 €
CAPITAL, RESERVES AND LIABILITIES			
Capital and reserves	*8*		
Subscribed capital		**603 435 050**	603 435 050
Share premium account		**3 511 466 642**	2 711 466 642
Revaluation reserve		**494 777 759**	494 777 759
Reserve			
- Legal reserve		**61 559 335**	61 559 335
Profit or loss brought forward		**1 407 794 490**	278 282 204
Profit or loss for the financial year		**(1 563 347 415)**	1 729 512 286
		4 515 685 861	5 879 033 276
Provisions			
Provisions for taxation		**–**	127 847
Other provisions		**–**	34 499
		–	162 346
Creditors	*9*		
Debenture loans			
Non-convertible loans			
- becoming due and payable after more than one year	*10*	**4 000 000 000**	4 000 000 000
Amounts owed to credit institutions			
- becoming due and payable within one year	*11*	**27 030 133**	241 244 577
Payments received on account of orders			
- becoming due and payable within one year		**356 815**	295 421
Trade creditors			
- becoming due and payable within one year		**28 439**	163 909
Amounts owed to affiliated undertakings			
- becoming due and payable within one year	*12*	**3 146 596**	2 586 210
Other creditors			
- Tax authorities		**195 560**	134 921
- Social security authorities		**96 598**	51 593
- Other creditors becoming due and payable within one year		**962 804**	965 906
		4 031 816 945	4 245 442 537
Deferred income		**1 392 215**	1 404 986
TOTAL CAPITAL, RESERVES AND LIABILITIES		**8 548 895 021**	10 126 043 145

The notes in the annex form an integral part of the Company Financial Statements.

Profit and loss account
for the year ended 31 March

	Notes	2020 €	2019 €
Operating income			
Net turnover		**8 867 910**	7 754 959
Other operating income	*13*	**871 944**	1 823 646
		9 739 854	9 578 605
Operating expenses			
Raw materials and consumables and other external expenses			
- Raw materials and consumables		**(5 400 112)**	(4 646 188)
- Other external expenses		**(3 316 753)**	(3 223 133)
Staff costs	*14*		
- Wages and salaries		**(3 189 109)**	(2 994 496)
- Social security costs relating to pensions		**(219 895)**	(175 538)
- Other social security costs		**(344 865)**	(357 495)
Value adjustments			
- in respect of formation expenses and of tangible and intangible fixed assets		**(426 391)**	(815 550)
- in respect of current assets		**(5 202)**	(1 031 328)
Other operating expenses		**(133 048)**	(134 456)
		(13 035 375)	(13 378 184)
Non-operating income and expense			
Income from other investments and loans forming part of the fixed assets			
- derived from affiliated undertakings	*15*	**188 424 251**	2 746 283 790
Other interest receivable and similar income			
- other interest and similar income	*16*	**54 642 471**	47 887 108
Value adjustments in respect of financial assets and of investments held as current assets	*17*	**(1 672 439 004)**	(927 200 000)
Interest payable and similar expenses			
- concerning affiliated undertakings		**(20 000 000)**	(20 333 333)
- other interest and similar expenses	*18*	**(104 630 087)**	(108 600 447)
		(1 554 002 369)	1 738 037 118
Tax on profit or loss	*19*	**(5 665 615)**	(4 378 905)
Profit or loss after taxation		**(1 562 963 505)**	1 729 858 634
Other taxes	*19*	**(383 910)**	(346 348)
Profit or loss for the financial year		**(1 563 347 415)**	1 729 512 286

The notes in the annex form an integral part of the Company Financial Statements.

Notes to the Company financial statements
at 31 March 2020

1. General Information

Richemont International Holding S.A. (hereafter "the Company") was incorporated on 10 June 1997 and 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. The Company also operates a boutique in Luxembourg whose primary activity is the retail sale of luxury goods.

The Company opened a branch office in Switzerland on 13 November 2008, whose primary activity is the financing of companies belonging directly or indirectly to the Compagnie Financière Richemont SA. This office is located at 50 Chemin de la Chênaie, 1293, Bellevue, Geneva, Switzerland.

The Company also prepares consolidated financial statements of the Richemont International Holding group which are drawn up in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), and are published according to the provisions of Luxembourg law.

The Company is included in the consolidated accounts of Compagnie Financière Richemont SA, forming at once the largest and the smallest body of undertakings of which the Company forms a part as a direct subsidiary undertaking. The registered office of that company is located at 50 Chemin de la Chenaie, 1293 Bellevue, Geneva, Switzerland and the consolidated accounts are available at that address.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention, as well as with generally accepted accounting principles in Luxembourg.

Accounting policies and valuation rules are, besides the ones laid down by the Law of 19 December 2002 (amended on 10 August 2016), determined and applied by the Board of Directors.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period in which the assumptions changed. The Board of Directors believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.2 Significant accounting policies

The main valuation rules applied by the Company are the following:

2.2.1 Foreign currency translation

The Company maintains its books and records in Euros. Transactions expressed in currencies other than Euros are translated into Euros at the exchange rate effective at the time of the transaction. Long-term assets expressed in currencies other than Euros are translated into Euros at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange gains and losses are recorded in the profit and loss account.

Other assets and liabilities are translated individually respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. Realised and unrealised exchange losses are recorded in the profit and loss account. Exchange gains are recorded in the profit and loss account at the moment of their realisation.

2.2.2 Financial assets

Shares in affiliated undertakings/loans to affiliated undertakings are stated at cost less amounts written off for diminutions in value which are considered by the Directors to be of a durable nature. Should the conditions that warranted any value adjustments cease to exist, the value adjustments are reversed.

Notes to the Company financial statements continued

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention, as well as with generally accepted accounting principles in Luxembourg.

Accounting policies and valuation rules are, besides the ones laid down by the Law of 19 December 2002 (amended on 10 August 2016), determined and applied by the Board of Directors.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period in which the assumptions changed. The Board of Directors believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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Shares in affiliated undertakings/loans to affiliated undertakings are stated at cost less amounts written off for diminutions in value which are considered by the Directors to be of a durable nature. Should the conditions that warranted any value adjustments cease to exist, the value adjustments are reversed.

2. Summary of significant accounting policies continued

2.2.3 Tangible assets

Tangible assets comprise mainly motor vehicles (equipment) and fixtures and fittings and are shown at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to allocate the cost of each asset less its residual value over its estimated useful life, which is 4 years on motor vehicles and up to 15 years on fixtures and fittings. The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate.

2.2.4 Stocks

Stocks of finished goods and goods for resale are valued at the lower of purchase price calculated on the basis of weighted average prices or specific identification depending on the nature of the stock, or market value. A value adjustment is recorded where the market value is lower than the purchase price. These value adjustments are reversed if the reasons for which the value adjustments were made have ceased to exist.

2.2.5 Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. Should the conditions that warranted any value adjustments cease to exist, the value adjustments are reversed.

2.2.6 Prepayments

Prepayments include expenditures already incurred but relating to a subsequent financial year. They are recognised as charges over the period to which they relate. Discounts on loans and loan origination costs are amortised over the life of the loans.

2.2.7 Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined, and which, at the balance sheet date, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions may also be created to cover charges that have originated in the financial year under review or in a previous financial year, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

2.2.8 Provision for taxation

Provisions for taxation corresponding to the difference between the tax liability estimated by the Company and the advance payments for the financial years for which the tax return has not yet been filed are recorded under the caption "Provisions for taxation".

2.2.9 Creditors

Debts are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is recorded as an asset and is written off over the period of the debt based on a linear method.

2.2.10 Deferred income

Deferred income includes accrued charges for expenditures not yet incurred but relating to the current financial year.

2.2.11 Net turnover

The net turnover comprises the amounts derived from the sale of products and the provision of services, after deduction of sales rebates and value added tax and other taxes directly linked to the turnover.

3. Shares in affiliated undertakings

Undertakings in which the Company holds at least 20% in their share capital are as follows:

	2020 €	2019 €
RLG Europe BV[1]	**9 540 370 864**	9 540 370 864
Richemont Korea Ltd	**4 247 768**	4 247 768
Cartier (Perfumers) Ltd	**–**	2
RLG do Brasil Varejo Ltda	**134 332 978**	134 332 978
Richemont Luxury (Thailand) Ltd	**9 661 175**	9 661 175
Richemont Holdings (UK) Ltd[1]	**1 697 470 715**	1 697 470 715
RLG Africa (Pty) Ltd	**8 247 150**	8 247 150
Van Cleef & Arpels Ltd	**–**	2
Richemont Luxury (Singapore) Pte Ltd	**68 056 989**	68 056 989
Richemont Canada Inc.	**16 194 704**	16 194 704
Piaget Singapore Pte Ltd	**211 125**	211 125
Richemont Australia Pty Ltd	**8 262 408**	8 262 408
Les Must de Cartier (Asia-Pacific) Pte Ltd	**2**	2
Van Cleef & Arpels (S) Pte Ltd	**129**	129
Richemont Asia Pacific Ltd	**433 562 667**	433 562 667
Richemont Luxury Asia Pacific Ltd	**6 306 199**	6 306 199
Van Cleef & Arpels Asia Pacific Ltd	**129**	129
Watchfinder Asia Pacific Limited (formerly RLG Asia Pacific Ltd)	**–**	–
Cartier Pty Ltd	**1**	1
Montblanc Services BV	**4 614 413**	4 614 413
Richemont Istanbul Luks Esya Dagitim A.S.	**24 513 684**	24 513 684
RLG Deutschland Holding GmbH	**7 111 285**	7 111 285
Montblanc International Holding GmbH	**130 157 037**	130 157 037
Montblanc Pacific Distributors Ltd	**1 618**	1 618
Richemont de Mexico SA de CV	**54 329 238**	54 329 238
Les Must de Cartier SA de CV	**2 548 300**	2 548 300
Richemont do Brasil Distribuição Ltda	**44 553 294**	25 845 968
Richemont Italia Holding SpA	**6 564 621 485**	6 028 921 485
TimeVallee Limited	**1 075**	1 075
RLG Real Estate Advisors SA	**425 785**	425 785
	18 759 802 217	18 205 394 895
less write down of investment in RLG Europe BV[2]	**(8 678 662 693)**	(8 753 662 693)
less write down of investment in Richemont Italia Holding SpA	**(1 745 000 000)**	–
less write down of investment in Richemont Holdings (UK) Ltd[2]	**(1 222 157 115)**	(1 222 157 115)
less write down of investment in RLG do Brasil Varejo Ltda	**(90 405 804)**	(83 255 804)
less write down of investment in Richemont Luxury Asia Pacific Ltd	**(6 306 199)**	(6 306 199)
less write down of investment in RLG Deutschland Holding GmbH	**(851 571)**	(851 571)
less write down of investment in Richemont Istanbul Luks Esya Dagitim A.S.	**–**	(5 960 998)
less write down of investment in Richemont de Mexico SA de CV	**(23 557 911)**	(23 557 911)
less write down of investment in Les Must de Cartier SA de CV	**(1 767 891)**	(1 767 891)
less write down of investment in Richemont do Brasil Distribuição Ltda	**(23 546 573)**	(22 296 573)
less write down of investment in Montblanc Services BV	**(425 786)**	(425 786)
	(11 792 681 543)	(10 120 242 541)
	6 967 120 674	8 085 152 354

[1] *Investment amounts reflect the value at the time of acquisition plus any post-acquisition capital injections made.*
[2] *Write-downs of these investments have been made primarily following the distribution of dividends-in-kind and other dividends in the context of Group reorganisations.*

During the year the Company wrote down investments in affiliated undertakings by EUR 1 753 400 000 (2019: EUR 1 140 200 000) and released provisions on investments in affiliated undertakings by EUR 80 960 998 (2019: EUR 213 000 000).

During the year the Company increased its investments in Richemont Italia Holding SpA by EUR 535 700 000 and in Richemont do Brasil Distribuição Ltda by EUR 18 707 326. During the year the Company recorded a loss on wind up of Van Cleef & Arpels Limited of EUR 1 and a loss on wind up of Cartier (Perfumers) Limited of EUR 1.

Notes to the Company financial statements continued

3. Shares in affiliated undertakings continued

At 31 March 2020

Undertaking's name	Registered office	Ownership (%)	Last balance sheet date	Net equity at balance sheet date €	Profit/(loss) of year ended last balance sheet date €	Book value at year-end €
RLG Europe BV	Netherlands	100%	31 March 2020	861 992 404	70 859 826	861 708 171
Richemont Korea Ltd	Korea	100%	31 March 2020	153 841 212	27 866 869	4 247 768
RLG do Brasil Varejo Ltda	Brazil	100%	31 March 2020	43 954 622	(569 326)	43 927 174
Richemont Luxury (Thailand) Ltd	Thailand	100%	31 March 2020	19 921 429	8 712 776	9 661 175
Richemont Holdings (UK) Ltd[1]	UK	100%	31 March 2020	452 823 010	(10 576 561)	475 313 600
RLG Africa (Pty) Ltd	South Africa	100%	31 March 2020	14 678 311	1 151 518	8 247 150
Richemont Luxury (Singapore) Pte Ltd	Singapore	100%	31 March 2020	132 530 414	12 811 983	68 056 989
Piaget Singapore Pte Ltd	Singapore	100%	31 March 2020	312 405	-	211 125
Richemont Canada Inc	Canada	100%	31 March 2020	26 847 488	3 279 620	16 194 704
Richemont Australia Pty Ltd	Australia	100%	31 March 2020	45 103 819	7 916 710	8 262 408
Les Must de Cartier (Asia-Pacific) Pte Ltd	Singapore	100%	31 March 2020	1	-	2
Van Cleef & Arpels (S) Pte Ltd	Singapore	100%	31 December 2019	(20 083)	-	129
Richemont Asia Pacific Ltd	Hong Kong	100%	31 March 2020	1 193 949 810	167 047 845	433 562 667
Richemont Luxury Asia Pacific Ltd	Hong Kong	100%	31 March 2020	627 554	-	-
Van Cleef & Arpels Asia Pacific Ltd	Hong Kong	100%	31 March 2020	-	-	129
Watchfinder Asia Pacific Limited (formerly RLG Asia Pacific Ltd)	Hong Kong	100%	31 March 2020	(4 641 129)	817 584	-
Cartier Pty Ltd	Australia	100%	31 March 2020	2	-	1
Montblanc Services BV	Netherlands	100%	31 March 2020	4 529 485	(27 972)	4 188 627
Richemont Istanbul Luks Esya Dagitim A.S.	Turkey	100%	31 March 2020	25 155 081	5 047 230	24 513 684
RLG Deutschland Holding GmbH	Germany	100%	31 March 2020	6 418 000	(2 000)	6 259 714
Montblanc International Holding GmbH	Germany	100%	31 March 2020	229 204 000	(31 835 000)	130 157 037
Montblanc Pacific Distributors Ltd	Hong Kong	100%	31 March 2020	7 045 775	-	1 618
Richemont de Mexico SA de CV[1]	Mexico	100%	31 March 2020	30 089 189	(1 915 579)	30 771 327
Les Must de Cartier SA de CV	Mexico	100%	31 March 2020	1 503 601	(263 975)	780 409
Richemont do Brasil Distribuição Ltda	Brazil	100%	31 March 2020	21 046 311	(2 454 860)	21 006 721
Richemont Italia Holding SpA[2]	Italy	100%	31 March 2020	4 819 762 802	(1 741 543 109)	4 819 621 485
TimeVallee Limited	Hong Kong	100%	31 March 2020	(6 475 880)	(1 354 004)	1 075
RLG Real Estate Advisors SA	Switzerland	100%	31 March 2020	999 639	4 894	425 785
Total				8 081 199 272	(1 485 025 531)	6 967 120 674

The figures disclosed here above are based on last Group reporting accounts available, prepared under IFRS and used in the preparation of the audited consolidated financial statements.

[1] The net equity of this entity is lower than the net book value. However, the Directors deem that no additional value adjustment on this financial asset is necessary.
[2] The loss of the current year and the net equity of this entity include an impairment related to the decrease in fair value of one of its investments, deemed by the Directors to be material. The write-down of the investment is driven by this impairment.

3. Shares in affiliated undertakings continued

At 31 March 2019

Undertaking's name	Registered office	Ownership (%)	Last balance sheet date	Net equity at balance sheet date €	Profit/(loss) of year ended last balance sheet date €	Book value at year-end €
RLG Europe BV	Netherlands	100%	31 March 2019	786 738 577	96 507 123	786 708 171
Richemont Korea Ltd	Korea	100%	31 March 2019	169 031 314	28 959 930	4 247 768
Cartier (Perfumers) Ltd	UK	100%	31 March 2019	-	-	2
RLG do Brasil Varejo Ltda	Brazil	100%	31 March 2019	60 904 483	(4 168 602)	51 077 174
Richemont Luxury (Thailand) Ltd	Thailand	100%	31 March 2019	21 699 274	4 493 890	9 661 175
Richemont Holdings (UK) Ltd	UK	100%	31 March 2019	475 343 674	1 273 947 375	475 313 600
RLG Africa (Pty) Ltd	South Africa	100%	31 March 2019	16 578 443	1 100 255	8 247 150
Van Cleef & Arpels Ltd	UK	100%	31 March 2019	-	-	2
Richemont Luxury (Singapore) Pte Ltd	Singapore	100%	31 March 2019	183 780 558	19 300 239	68 056 989
Piaget Singapore Pte Ltd	Singapore	100%	31 March 2019	320 933	-	211 125
Richemont Canada Inc	Canada	100%	31 March 2019	24 640 949	6 473 514	16 194 704
Richemont Australia Pty Ltd	Australia	100%	31 March 2019	42 877 706	6 666 697	8 262 408
Les Must de Cartier (Asia-Pacific) Pte Ltd	Singapore	100%	31 March 2019	1	-	2
Van Cleef & Arpels (S) Pte Ltd	Singapore	100%	31 December 2018	(20 631)	-	129
Richemont Asia Pacific Ltd	Hong Kong	100%	31 March 2019	987 222 595	123 561 292	433 562 667
Richemont Luxury Asia Pacific Ltd	Hong Kong	100%	31 March 2019	606 487	-	-
Van Cleef & Arpels Asia Pacific Ltd	Hong Kong	100%	31 March 2019	-	-	129
RLG Asia Pacific Ltd (formerly Lancel Asia Pacific Ltd)	Hong Kong	100%	31 March 2019	(5 291 214)	-	-
Cartier Pty Ltd	Australia	100%	31 March 2019	2	-	1
Montblanc Services BV	Netherlands	100%	31 March 2019	4 557 457	(2 233)	4 188 627
Richemont Istanbul Luks Esya Dagitim A.S.	Turkey	100%	31 March 2019	23 494 435	7 984 770	18 552 686
RLG Deutschland Holding GmbH	Germany	100%	31 March 2019	6 420 000	(1 000)	6 259 714
Montblanc International Holding GmbH	Germany	100%	31 March 2019	243 112 000	(38 351 000)	130 157 037
Montblanc Pacific Distributors Ltd	Hong Kong	100%	31 March 2019	6 809 247	-	1 618
Richemont de Mexico SA de CV	Mexico	100%	31 March 2019	37 446 001	1 699 276	30 771 327
Les Must de Cartier SA de CV	Mexico	100%	31 March 2019	2 038 299	269 834	780 409
Richemont do Brasil Distribuição Ltda	Brazil	100%	31 March 2019	3 574 070	858 046	3 549 395
Richemont Italia Holding SpA	Italy	100%	31 March 2019	6 025 605 911	1 622 702	6 028 921 485
TimeVallee Limited	Hong Kong	100%	31 March 2019	(4 923 962)	(1 785 545)	1 075
RLG Real Estate Advisors SA	Switzerland	100%	31 March 2019	943 760	70 855	425 785
Total				9 113 510 369	1 529 207 418	8 085 152 354

Notes to the Company financial statements continued

4. Loans to affiliated undertakings

Becoming due and payable after more than one year

	2020 €	2019 €
Richemont Australia Pty Ltd	**18 726 592**	18 726 592
Richemont Japan Ltd	**111 612 262**	58 099 534
Richemont Korea Ltd	**113 617 919**	48 693 394
Richemont de Mexico SA de CV	**–**	26 812 886
RLG Europe BV	**300 000 000**	300 000 000
Montblanc International Holding GmbH	**475 000 000**	–
Richemont Asia Pacific Ltd, Taiwan branch	**58 594 894**	44 643 729
Richemont Canada Inc.	**17 635 574**	17 635 574
Richemont Luxury (Thailand) Ltd	**9 579 117**	9 579 117
RLG Europe BV, Swiss branch	**–**	200 000 000
RLG Ukraine LLC	**1 500 000**	2 500 000
TimeVallee Limited	**–**	226 476
Richemont Saudi Arabia LLC	**78 345 406**	78 345 406
Richemont Luxury (Malaysia) Sdn Bhd	**12 658 837**	12 671 059
	1 197 270 601	817 933 767

The interest rates applied during the year range from 0.392% to 4.4%.

5. Debtors – Amounts owed by affiliated undertakings – becoming due and payable within one year

	2020 €	2019 €
Richemont Luxury Group Ltd	**18 477 495**	18 477 191
Richemont Australia Pty Ltd	**271 867**	412 781
Richemont Japan Ltd	**329 262**	53 840 139
Richemont Korea Ltd	**1 749 711**	67 258 269
Richemont de Mexico SA de CV	**26 812 886**	–
Montblanc International Holding GmbH	**1 902 486**	477 028 709
Richemont Asia Pacific Ltd, Taiwan branch	**684 144**	30 123 270
Richemont Canada Inc.	**340 367**	420 779
Richemont Luxury (Thailand) Ltd	**9 954**	13 059
RLG Europe BV, Swiss branch	**200 500 000**	500 000
RLG Ukraine LLC	**–**	625
Richemont Saudi Arabia LLC	**1 214 302**	969 882
Richemont International SA	**–**	1 313 949
RLG Europe BV	**6 095 787**	1 842 563
RLG Europe BV, Belgium branch	**736**	–
RLG Europe BV, Denmark branch	**1 410**	–
RLG Europe BV, Sweden branch	**917**	–
TimeVallee Limited	**226 476**	–
Richemont Luxury (Malaysia) Sdn Bhd	**499 822**	910
	259 117 622	652 202 126

The balances as at 31 March 2020 with Richemont Luxury Group Ltd, Richemont de Mexico SA de CV and RLG Europe BV, Swiss branch are interest bearing loans and may include accrued interest. The interest rates applied on the principal amounts range from 0.05% to 10.53%.

All other balances as at 31 March 2020 represent accrued interest or other short-term receivables and are non-interest-bearing.

6. Cash at bank and in hand

The Company holds cash in its role as leader of a cash pool established for affiliates of Compagnie Financière Richemont SA.

7. Prepayments

	2020 €	2019 €
Discounts and origination costs on debenture loans	**64 772 446**	71 181 202
Leasehold rights	**1 361 264**	1 527 916
Other	**107 679**	115 656
	66 241 389	72 824 774

8. Subscribed capital, share premium and reserves

	Subscribed capital €	Share premium €	Revaluation reserve €	Legal reserve €	Profit brought forward €	Profit/(loss) for the financial year €	Total €
Balance at 1 April 2019	**603 435 050**	**2 711 466 642**	**494 777 759**	**61 559 335**	**278 282 204**	**1 729 512 286**	**5 879 033 276**
Allocation of net result	**–**	**–**	**–**	**–**	**1 729 512 286**	**(1 729 512 286)**	**–**
Capital increase	**–**	**800 000 000**	**–**	**–**	**–**	**–**	**800 000 000**
Dividend	**–**	**–**	**–**	**–**	**(600 000 000)**	**–**	**(600 000 000)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(1 563 347 415)**	**(1 563 347 415)**
Balance at 31 March 2020	**603 435 050**	**3 511 466 642**	**494 777 759**	**61 559 335**	**1 407 794 490**	**(1 563 347 415)**	**4 515 685 861**

The movement in the share premium corresponds to a capital contribution following a resolution made by the sole shareholder: on 9 March 2020, the shareholder resolved to contribute EUR 800 million to the share premium of the Company without the issuance of shares.

The allocation of the prior year result and the distribution of the dividend were approved by the Annual General Meeting of the Shareholder held on 31 July 2019.

8.1 Subscribed capital

The subscribed capital amounts to EUR 603 435 050 and is divided into 24 137 402 shares fully paid with a nominal value per unit of EUR 25.

On 4 September 2018 the Shareholder of the Company resolved to change the currency of the Company's issued share capital of CHF 911 971 391 into EUR 603 435 050 and to amend the nominal value per share from CHF 37.7825 to EUR 25 at the historical exchange rate published by the European Central Bank as at 1 April 2009 of CHF 1.5113 for EUR 1, being the date/rate when the share capital was initially converted from EUR to CHF.

8.2. Revaluation reserve

The revaluation reserve corresponds to a translation reserve arising from changes in functional currency: from EUR to CHF on 1 April 2009 and from CHF to EUR on 31 March 2018. On 1 April 2009, balances were converted with the rate applicable on that date, EUR 1 = CHF 1.5113. On 31 March 2018, balances of assets, liabilities and profit or loss brought forward were converted at the rate applicable at that date EUR 1 = CHF 1.1743. Share capital, share premium and legal reserve were converted at historical rates in effect on the dates the transactions occurred.

8.3. Legal reserve

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Notes to the Company financial statements continued

9. Maturity of creditors

	Up to 1 year €	From 1 to 5 years €	After 5 years €	2020 Total €	2019 Total €
Non-convertible debenture loans	–	–	**4 000 000 000**	**4 000 000 000**	4 000 000 000
Amounts owed to credit institutions	**27 030 133**	–	–	**27 030 133**	241 244 577
Payments received on account	**356 815**	–	–	**356 815**	295 421
Trade creditors	**28 439**	–	–	**28 439**	163 909
Amounts owed to affiliated undertakings	**3 146 596**	–	–	**3 146 596**	2 586 210
Other creditors	**1 254 962**	–	–	**1 254 962**	1 152 420
	31 816 945	–	**4 000 000 000**	**4 031 816 945**	4 245 442 537

10. Debenture loans – non-convertible loans – becoming due and payable after more than one year

On 26 March 2018, the Company issued bonds totalling EUR 4 000 000 000:

	2020 €	2019 €
1.00% bond maturing in 2026 issued at 98.784%	**1 500 000 000**	1 500 000 000
1.50% bond maturing in 2030 issued at 98.701%	**1 250 000 000**	1 250 000 000
2.00% bond maturing in 2038 issued at 97.805%	**1 000 000 000**	1 000 000 000
2.00% bond maturing in 2038 issued at 98.557%	**250 000 000**	250 000 000
	4 000 000 000	4 000 000 000

These senior unsecured notes are fully guaranteed by Compagnie Financière Richemont SA, the Company's parent, and are listed on the regulated market of the Luxembourg Stock Exchange.

11. Amounts owed to credit institutions – becoming due and payable within one year

Amounts owed to credit institutions represent bank overdrafts and accrued interest and similar charges.

12. Amounts owed to affiliated undertakings – becoming due and payable within one year

	2020 €	2019 €
RLG Europe BV	**1 790 467**	1 356 503
RLG Europe BV, Belgium branch	**957**	225
RLG Europe BV, Denmark branch	**164**	–
RLG Europe BV, Sweden branch	**488**	–
RLG Europe BV, Swiss branch	**367 108**	617 419
Richemont International SA	**648 486**	278 565
Richemont Iberia S.L.	**3 999**	–
Cartier Parfums SAS	**1 594**	165
Compagnie Financière Richemont SA	**333 333**	333 333
	3 146 596	2 586 210

All amounts owed to affiliated undertakings becoming due and payable within one year are non-interest-bearing.

13. Other operating income

Other operating income comprises primarily income from the recharge of promotional activities, insurance proceeds, credit card rebates and office rental income (2019: compensation from an affiliated undertaking for costs related to the closure of a boutique at year-end, refunds of VAT amounts, office rental income, income from the recharge of personnel costs and of property services charges and other miscellaneous income).

14. Staff costs

At 31 March 2020, the Company had 21 full-time equivalent employees (2019: 24).

15. Income from other investments and loans forming part of the fixed assets – derived from affiliated undertakings

	2020 €	2019 €
Interest on loans owed by affiliated undertakings	**21 345 926**	26 019 551
Dividends from affiliated undertakings	**167 078 325**	2 720 264 239
	188 424 251	2 746 283 790

16. Other interest receivable and similar income – other interest and similar income

	2020 €	2019 €
External bank interest income and similar income	**16 739 053**	20 802 517
Net exchange gain	**37 903 418**	27 084 591
	54 642 471	47 887 108

17. Value adjustments in respect of financial assets and of investments held as current assets

	2020 €	2019 €
Gain on reversal of provision on investments in affiliated undertakings	**80 960 998**	213 000 000
Impairment on investments in affiliated undertakings	**(1 753 400 000)**	(1 140 200 000)
Loss on liquidation of affiliated undertakings	**(2)**	–
	(1 672 439 004)	(927 200 000)

18. Interest payable and similar expenses – other interest and similar expenses

	2020 €	2019 €
Interest payable to credit institution and similar charges	**(72 996 590)**	(73 269 260)
Net exchange loss	**(31 633 497)**	(35 331 187)
	(104 630 087)	(108 600 447)

Notes to the Company financial statements continued

19. Tax on profit or loss and other taxes

The Company is subject to tax in Luxembourg as determined by the general tax regulations applicable to all companies.

20. Auditor’s fees

Below is a breakdown of fees for services rendered by PricewaterhouseCoopers, Société coopérative Luxembourg and other member firms of the PricewaterhouseCoopers network:

	2020 €	2019 €
Audit fees	**409 224**	731 179
Tax-related fees	**34 082**	23 167
	443 306	754 346

21. Off-balance sheet commitments

At 31 March 2020, the Company had operating lease commitments for an amount of EUR 1 807 384 (2019: 2 207 919) and had guarantees in favour of indirect affiliated undertakings for an estimated amount of EUR 134 677 045 (2019: EUR 136 382 132). The lease commitment amounts for the current year, as well as certain lease-related guarantee amounts, have been determined using the related lease liabilities calculated under IFRS16. These amounts are not considered to differ substantially from the minimum lease payment amounts used for 2019 and prior years.

The Company has issued general letters of support to various direct or indirect affiliated undertakings. The Directors do not believe that any additional liabilities have arisen as a result of this support.

22. Post balance sheet and uncertain events

At the date of these financial statements, the impact and duration of the current Covid-19 outbreak and the related measures taken to control it, including the likelihood of a global recession, are unknown. In preparing these financial statements, the short-term impact on items such as inventory and sales returns provisions has been fully considered. In assessing the carrying value of its long-term assets, the Company has assumed that, despite a significant short-term impact, long-term market conditions remain unchanged, as the timing of market recovery and the duration of the economic impact remain uncertain. The Company has a strong liquidity profile which mitigates the short-term impact and the challenges that this scenario brings.

No significant subsequent events occurred after the close of the financial year.

Audit report

To the Shareholder of
Richemont International Holding S.A.

Report on the audit of the financial statements

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Richemont International Holding S.A. (the “Company”) as at 31 March 2020, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Company’s financial statements comprise:

- the balance sheet as at 31 March 2020;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

The non-audit services that we have provided to the Company and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 20 to the financial statements.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Valuation of shares in affiliated undertakings As described in Note 3, the Company held shares in affiliated undertakings for a gross value of €18,760 million, less historic write downs amounting to €11,793 million. Net value is €6,967 million. We considered the value of shares in affiliated undertakings to be a key audit matter due to the size of the balances and the judgment involved in the assessment of the recoverability of those assets. Shares in affiliated undertakings are valued at cost, less amounts written off for diminutions in value which are considered by the management to be of a durable nature, in accordance with Luxembourg legal and regulatory requirements related to the preparation and presentation of the financial statements. On an annual basis, management assesses the need for impairment by comparing for each underlying investments, its net book value with its net assets. In case the net assets are lower, management records a value adjustment in order to reflect this decrease in value. Management also assesses if previously booked impairments need to be reversed. Reversals are recorded once the conditions that warranted any value adjustments cease to exist.	Our procedures over the valuation of shares in affiliated undertakings included, but were not limited to the following: - We obtained an understanding of the management's processes and controls over the valuation of shares in affiliated undertakings; - We obtained the accounting policies and ensured consistent application of valuation methods; - We obtained the management investment schedule comparing the net assets of each investments with its gross and net book value in the Company's accounts; - We assessed the appropriateness of management assessment for all underlying investments; - We obtained the trial balances of the underlying investments and reconciled their net assets to the management investment schedule and to the group reporting accounts used in the preparation of the audited consolidated financial statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the management report and the corporate governance statement but does not include the financial statements and our audit report thereon.

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

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

Responsibilities of the Board of Directors and those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement is included in the management report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as “Réviseur d’Entreprises Agréé” of the Company by the General Meeting of the Shareholder on 31 July 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 16 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 15 May 2020

François Mousel

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

At 31 March 2020

Available retained earnings

	€
Profit brought forward	**1 407 794 490**
Profit for the financial year	**(1 563 347 415)**
Results to be allocated	**(155 552 925)**
Dividend	**-**
Balance to be carried forward	**(155 552 925)**

The Board of Directors
Luxembourg, 15 May 2020

Statutory information

Richemont International Holding S.A.

Registered office

35, Boulevard Prince Henri
L-1724 Luxembourg
Grand Duchy of Luxembourg
Tel: +352 22 72 52

Auditor

PricewaterhouseCoopers Société coopérative
2, rue Gerhard Mercator
L-2182 Luxembourg
Grand Duchy of Luxembourg

Secretariat contact

Swen Grundmann
Company Secretary

Tel: +352 22 72 52
Email: secretariat@cfrinfo.net

Listing Agent for Euro Bonds described below

BNP Paribas Securities Services, Luxembourg Branch
60, Avenue J.F. Kennedy
L-1855 Luxembourg
Grand Duchy of Luxembourg

Euro Bonds issued by Richemont International Holding SA in March 2018 are listed on the Official List of the Luxembourg Stock Exchange and traded on the Luxembourg Stock Exchange's regulated market. (The EUR 1,250,000,000 2% Guaranteed Notes due 2038: ISIN Code XS1789759195; the EUR 1,250,000,000 1.5% Guaranteed Notes due 2030: ISIN Code XS1789752182; the EUR 1,500,000,000 1% Guaranteed Notes due 2026: ISIN Code XS1789751531).

Notice of meeting*

The Annual General Meeting ('AGM') of shareholders of Richemont International Holding SA (the 'Company') will be held on 31 July 2020, or any date thereafter at the registered address of the Company, 35 Boulevard Prince Henri, L-1724, Luxembourg, Grand Duchy of Luxembourg.

Agenda

1. **Presentation of the report of the independent auditor regarding the Company's Financial Statements as at 31 March 2020**
2. **Approval of the stand-alone Annual Financial Statements of the Company for the year ended 31 March 2020**
3. **Approval of the 2020 Consolidated Financial Statements**
4. **Discharge of the Company's directors for the year ended 31 March 2020**
5. **Appointment and re-appointment of directors**
6. **Re-appointment of the independent auditor, PricewaterhouseCoopers for a one-year period to end at the next annual general meeting of shareholders**
7. **Any other business**

* This is a draft notice. The official notice convening the AGM will be distributed in accordance with Luxembourg law and may differ from this notice in respect of the definitive proposals.

The consolidated and standalone financial statements of the Company, the directors' report and the related reports of the auditor for the year ended 31 March 2020, which are all contained in the Richemont International Holding SA Annual Report and Accounts 2020, will be available for inspection at the registered office of the Company from 8 days before the AGM onwards. Printed versions of all such documents will be sent to shareholders upon request. The Company's Annual Report and Accounts 2020 is also available upon request.

The meeting will be held in English.

For the Board of Directors:

Swen Grundmann
Chairman

John Fontaine
Director