L'OCCITANE
EN PROVENCE

L'OCCITANE INTERNATIONAL S.A.

1, rue du Fort Rheinsheim L-2419 Luxembourg
R.C.S. Luxembourg: B80359
(Incorporated under the laws of Luxembourg with limited liability)

Stock code : 973

2010 / 2011
Annual Report

CONTENTS

Executive Directors

Reinold Geiger
(Chairman and Chief Executive Officer)
Emmanuel Laurent Jacques Osti
(Managing Director)
André Joseph Hoffmann
(Managing Director Asia-Pacific)
Thomas Levilion
(Group Deputy General Manager, Finance and Administration)

Non-executive Directors

Karl Guénard
Martial Thierry Lopez
Pierre Maurice Georges Milet

Independent Non-executive Directors

Charles Mark Broadley
Susan Saltzbart Kilsby
Jackson Chik Sum Ng

Joint Company Secretaries

Kenny Yee Hing Choy
Sylvie Duvieusart-Marquant

Authorised Representatives

André Joseph Hoffmann
Kenny Yee Hing Choy

Company Legal Name

L'Occitane International S.A.

Date of Incorporation

22 December 2000

Date of Listing in Hong Kong

7 May 2010

Registered Office

1, rue du Fort Rheinsheim
L-2419 Luxembourg

Company Website

www.loccitane.com

Audit Committee

Charles Mark Broadley *(Chairman)*
Martial Thierry Lopez
Jackson Chik Sum Ng

Remuneration Committee

Emmanuel Laurent Jacques Osti *(Chairman)*
Charles Mark Broadley
Susan Saltzbart Kilsby

Nomination Committee

André Joseph Hoffmann *(Chairman)*
Charles Mark Broadley
Susan Saltzbart Kilsby

Principal Bankers

Crédit Agricole Corporate and Investment Bank
BNP Paribas
Crédit Industriel et Commercial
HSBC France
Société Générale
Crédit du Nord
BRED - Banque Populaire

Auditors

PricewaterhouseCoopers
Certified Public Accountants

Compliance Adviser

Kingsway Capital Limited

Principal Share Registrar and Transfer Office

Banque Privée Edmond de Rothschild
20, Boulevard Emmanuel Servais
L-2535, Luxembourg

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Headquarter Offices

1, rue du Fort Rheinsheim
L-2419 Luxembourg

Chemin du Pré-Fleuri 3
CP 165
1228 Plan-les-Ouates
Geneva
Switzerland

Principal Place of Business in Hong Kong

38/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Stock Code

973

FINANCIAL HIGHLIGHTS

KEY FINANCIAL HIGHLIGHTS

Highlights of results for the year ended 31 March	2011	2010
Net sales *(€ million)*	772.3	612.2
Operating profit *(€ million)*	132.1	110.2
Profit for the year *(€ million)*	102.7	84.6
Gross profit margin	82.5%	81.2%
Operating profit margin	17.1%	18.0%
Net profit margin	13.3%	13.8%
Net operating profit after tax (€ million) (NOPAT)[1]	103.9	87.2
Capital employed (€ million)[2]	341.6	278.4
Return on capital employed (ROCE)[3]	30.4%	31.3%
Return on equity (ROE)[4]	17.8%	51.9%
Current ratio (times)[5]	3.35	0.90
Gearing ratio[6]	7.6%	14.2%
Average inventory turnover days[7]	228	230
Turnover days of trade receivables[8]	25	27
Turnover days of trade payables[9]	57	65
Total number of own stores[10]	895	764
Profit attributable to equity owners *(€ million)*	99.5	81.6
Basic earnings per share (€)	0.068	0.064

Notes:

(1) (Operating profit + foreign currency net gains or losses) x (1-effective tax rate)

(2) Non-current assets - (deferred tax liabilities + other non-current liabilities) + working capital

(3) NOPAT / Capital employed.

(4) Net profit attributable to equity owners of the Company / shareholders' equity excluding minority interest

(5) Current assets / current liabilities

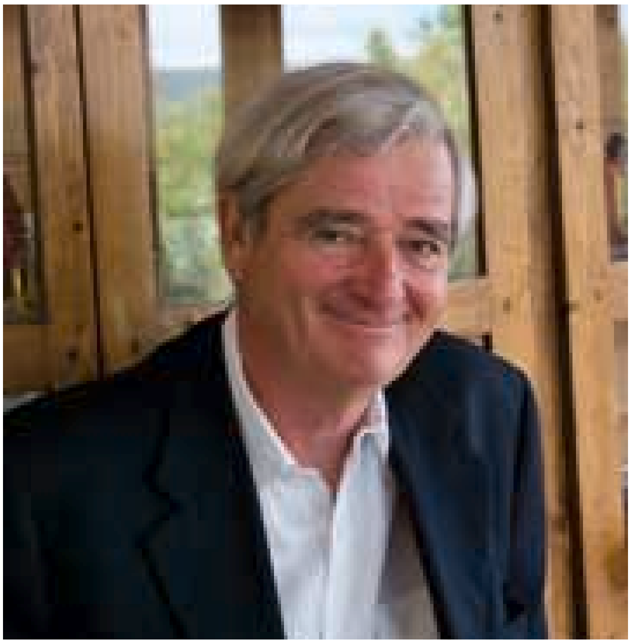
(6) Total debt / total assets

(7) Average inventory turnover days equals average inventory divided by cost of sales and multiplied by 365. Average inventory equals the average of net inventory at the beginning and end of a given period.

(8) Turnover days of trade receivable equals average trade receivables divided by net sales and multiplied by 365. Average trade receivables equals the average of net trade receivables at the beginning and end of a given period.

(9) Calculated using the average of the beginning and ending trade payables balance for the period, divided by total purchases for the period, multiplied by 365. In calculating turnover days of trade payables, we use total purchases rather than cost of sales as our cost of sales do not take into account certain distribution, general and administrative expenses that are included in our trade payables, whereas our total purchases include all payments to suppliers.

(10) L'Occitane and Melvita branded boutiques and department stores corners directly managed and operated by us.



MESSAGE FROM
REINOLD GEIGER

DEAR SHAREHOLDERS,

We are happy to present our strong results for the year ended 31 March 2011.

Despite the slow recovery of the global economy and persisting financial difficulties, we grew our revenues by 26.1% to €772.3 million with the positive contribution of each of our countries and brands. Evidently, our constantly renewed and enhanced natural products and our shop experience particularly appeal to our customers in this context.

The key drivers of our growth in FY2011 were the expansion of the stores network and the clear recovery in same store sales growth, our fast development in the emerging countries and our success with our distributors and travel retail customers. We believe that this is particularly illustrative of the validity of our global, multi-brands and multi-channels strategy, and confirms our outstanding potential for future growth in the years to come.

We were particularly pleased with our performances in Russia (+40% in local currency) and China where we grew our revenues by 46% despite some regulatory issues, and in more traditional countries like Hong Kong, Korea, the UK and other European countries. We are also very proud of our achievements in Japan, with a 29% top-line growth (11% in local currency) considering the deflationary environment and the 11 March 2011 disasters. Our team in Japan demonstrated the highest degree of courage and commitment, and managed to almost immediately restore full sales capacity and performances.

Following on from a more conservative FY2010, FY2011 was marked by major investments.

Our stores network expanded rapidly, with 131 net store openings versus 77 in FY2010. In China alone, we opened a net 24 stores. As a result, we operated 71 stores in China as at 31 March 2011, only surpassed by the USA and Japan. We also launched an ambitious store renovation program with a strong focus on the USA, where we renovated 34 stores in the first step of this program.

During the year, we put more emphasis on our marketing tools and invested significantly in advertising and direct marketing in several key countries. We also continued strengthening our R&D and marketing teams to support the future development of our brands with further innovative and fresh product offers.

As planned, we implemented the first stages of our two major organizational initiatives. Our supply chain is being reorganized, and the factories re-modeling and central warehouse projects are on track. Several key modules of our new enterprise resource system, SAP, were developed during the year and went live in May 2011.

We strongly believe that our efforts in developing our stores network and our innovation and supply chain capabilities are decisive to drive our future growth and take advantage of our great potential.

Our profitability remained very solid. Our profit for the year increased by 21.5%, to €102.7 million. As a consequence and in conformity with the indications provided prior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to our initial public offering, the Board recommended the payment of a dividend for a total amount of €19.9 million, or €1.35 cent per share.

From this very solid platform, we intend to further execute our strategy in the coming years.

Our investments will be primarily directed towards opening new stores in emerging and fast growing countries, further increasing the R&D capacity and developing the awareness of our brands. To this end, we plan to leverage our experience in digital media to launch new initiatives.

It is also vital in a fast growing business that particular attention is paid to the back office facilities and their ability to support the growth. Our supply chain management will implement new state-of-the-art processes and systems, whilst SAP, in which we see the source of major efficiency gains in the future, will be rolled-out in several countries.

In the emerging markets, Brazil, China and Russia, we now have strong and well staffed subsidiaries. We therefore can and will take advantage of their growth and accelerate their development.

Respect is one of our key guidelines since the foundation of the company, respect especially for people and the environment. Since the beginning, our staff have participated in many humanitarian actions and as a company we have always been socially responsible. With the L'Occitane Foundation we work on many projects which make a real contribution to humanity.

The development of our company has been an adventure. Our continued hard work and striving for clear targets will make us an even stronger company in the future and should bring great rewards also to our shareholders.

Reinold Geiger
Chairman
27 June 2011

MANAGEMENT DISCUSSION & ANALYSIS

SUMMARY:

- Total number of retail locations 1,828 (1,541 last year)
- Own stores number reached 895, increased by 17.1% from last year
- Net Sales grew by 26.1% to €772.3 million. Local currency growth was 16.2%
- Profit for the year increased by 21.5% to €102.7 million
- Healthy Return on equity (17.8%) and Return on capital employed (30.4%)
- Dividend €0.0135 per share, corresponding to a payout ratio of 20.0%

For the year ended 31 March	2011 € million or %	2010 € million or %
Net Sales	772.3	612.2
Operating profit	132.1	110.2
Profit for the year	102.7	84.6
Gross profit margin	82.5%	81.2%
Operating profit margin	17.1%	18.0%
Net profit margin	13.3%	13.8%

Definitions:

Comparable Stores means existing retail stores which have been open for at least 24 months before the end of the financial period under discussion.

Non-comparable Stores means new retail stores opened within the 24 months before the end of the financial period under discussion and stores closed within this period.

Comparable Store Sales means net sales from Comparable Stores and internet sales during the financial period under discussion. Unless otherwise indicated, discussion of Comparable Store Sales excludes foreign currency translation effects.

Non-comparable Store Sales means net sales from Non-comparable Stores during the financial period under discussion. Non-comparable Store Sales also include sales from a limited number of promotional campaigns usually held at temporary common areas of shopping malls. Unless otherwise indicated, discussion of Non-comparable Store Sales excludes foreign currency translation effects.

Same Store Sales Growth represents a comparison between Comparable Store Sales for two financial periods. Unless otherwise indicated, discussion of Same Store Sales Growth excludes foreign currency translation effects.

Overall growth means the total worldwide net sales growth for the financial period(s) presented excluding foreign currency translation effects.

REVENUE ANALYSIS

Net sales were €772.3 million in FY2011, a 26.1%, or €160.0 million increase compared to FY2010, reflecting net sales growth in most of our business segments and geographic areas. In FY2011, net sales in our Sell-out and Sell-in business segments (representing 73.7% and 23.1% of our total net sales, respectively) increased by 26.5% and 26.0%, respectively. Excluding foreign currency translation effects, net sales increased by 16.2%.

We increased the total number of retail locations where our products are sold from 1,541 as at 31 March 2010 to 1,828 as at 31 March 2011. We likewise increased the number of our own retail stores from 764 at 31 March 2010 to 895 at 31 March 2011, representing a net increase of 131 L'Occitane and Melvita stores, including 50 additional stores in Asia, 58 in Europe and 23 in the Americas. Excluding foreign currency translation effects, Comparable Store Sales represented 19.7% of our overall growth in FY2011 while Non-comparable Store Sales during the period represented 47.5% of our overall growth, and our Sell-in segment contributed 30.2% to our overall growth.

Our Sell-in segment and Sell-out sales in Japan, China, Russia, Hong Kong, the United Kingdom, Brazil and Other Countries were the driving factors of our net sales growth in FY2011.

Business Segments

The following table provides a breakdown of the net sales year-on-year growth (including and excluding foreign currency translation effects as indicated) by business segment for FY2011:

	€'000	% Growth	% Growth(2)	% Contribution to Overall Growth(2)
Sell-out	**119,298**	**26.5**	**14.9**	**67.6**
Comparable Stores	58,131	15.7	5.3	19.7
Non-comparable Stores	59,419	84.0	66.5	47.5
Other(1)	1,747	19.8	5.4	0.5
Sell-in	**36,844**	**26.0**	**21.1**	**30.2**
B-to-B	**3,907**	**18.8**	**10.3**	**2.2**
Overall Growth	**160,049**	**26.1**	**16.2**	**100.0**

(1) Includes mail-order and other sales.
(2) Excludes the impact of foreign currency translation effects.

Sell-out

Sell-out net sales increased by 26.5%, or €119.3 million, to €569.1 million in FY2011, as compared to FY2010. Excluding foreign currency translation effects, this was primarily related to our net addition of 131 own stores between 31 March 2010 and 31 March 2011, including net additions of 24 stores in China, 11 stores in Japan, 4 stores in Hong Kong, 6 stores in the United Kingdom, 14 stores each in Brazil and Russia and 54 stores in the Other Countries, where we added notably 8 stores each in Korea and Spain, 7 stores each in Canada and Germany, 6 stores in Italy and 5 stores in India. In addition, we added 6 stores following the acquisition of our distributor in the Netherlands in September 2010. Net sales of our own retail stores and internet represented 67.2% of our overall growth in FY2011, as compared to FY2010, with Non-comparable Stores providing 47.5% of the growth and Comparable Stores and internet providing 19.7% of the growth, respectively. We experienced a substantial improvement of the Same Store Sales Growth rising to 5.3%. For the financial year ended 31 March 2010, this ratio was 2.6%. This increase was primarily driven by a higher average value of sales transactions offsetting a slight decrease in the number of transactions.

Excluding foreign currency translation effects, our Sell-out net sales increased by 14.9%, with this increase representing 67.6% of our overall growth in FY2011, compared to FY2010.

Sell-in

Sell-in net sales increased by 26.0%, or €36.8 million, to €178.5 million in FY2011, as compared to FY2010, primarily due to:

- an increase of 43.2% in sales to travel retail customers. In FY2011, 115 new travel retail outlets which sell our products were opened by our customers;
- an increase in sales to wholesale customers and department stores of 17.6%, due to positive developments in several countries like Italy, Russia, Japan, China, Germany and UK, and with the Le Couvent des Minimes Brand; and
- a strong development of our net sales to our distributors, which grew by 32.6%.

Excluding foreign currency translation effects, the Sell-in segment grew by 21.1%, which represented 30.2% of our overall net sales growth in FY2011.

B-to-B

B-to-B net sales increased by 18.8%, or €3.9 million, to €24.7 million in FY2011, as compared to FY2010, as a result of improved hotel occupancy and airline traffic. Our B-to-B sales increased in most countries, particularly in Asia and notably China. Excluding foreign currency translation effects, net sales in the B-to-B segment increased by 10.3%, which contributed 2.2% to our overall net sales growth in FY2011.

Geographic Areas

The following table presents our net sales growth for FY2011 and contribution to net sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

	FY2011 compared to FY2010			
	€'000	% Growth	% Growth[1]	% Contribution to Overall Growth[1]
Japan	42,460	28.7	11.1	16.6
Hong Kong[2]	21,474	43.2	34.4	17.3
China	12,238	59.5	46.2	9.6
Taiwan	5,437	22.0	8.1	2.0
France	(377)	(0.5)	(0.5)	(0.4)
United Kingdom	8,249	26.8	21.1	6.6
United States	6,149	6.9	(0.6)	(0.5)
Brazil	9,319	36.5	18.9	4.9
Russia	11,082	50.3	40.2	8.9
Other Countries[3]	44,017	35.5	27.9	35.0
All countries	**160,049**	**26.1**	**16.2**	**100.0**

(1) Excludes the impact of foreign currency translation effects and reflects growth from all business segments, including growth from our own retail store sales.
(2) Includes sales in Macau.
(3) Includes sales from Luxembourg.

The following table provides a breakdown, by geographic area, of the number of our own retail stores, their contribution percentage to overall growth and our Same Store Sales Growth for periods indicated:

	Retail stores			% of Overall Growth(1) (2)			
	31 March 2011	31 March 2010	change	Non- comparable Stores	Comparable stores	Total Stores	Same Store Sales Growth(2)
Japan(3)	83	72	11	13.2	2.0	15.2	1.8
Hong Kong(4)	22	18	4	2.8	3.5	6.4	20.0
China	71	47	24	6.3	1.1	7.3	8.3
Taiwan(5)	52	51	1	0.8	0.8	1.6	4.9
France(6)	66	64	2	1.3	1.4	2.7	4.0
United Kingdom(7)	48	42	6	2.7	1.8	4.5	8.6
United States(8)	167	166	1	(2.5)	3.0	0.5	4.3
Brazil	46	32	14	3.7	1.2	4.9	6.2
Russia(9)	57	43	14	4.4	2.5	6.9	18.4
Other Countries(10)	283	229	54	14.8	2.5	17.3	4.0
All countries	**895**	**764**	**131**	**47.5**	**19.7**	**67.2**	**5.3**

(1) Represents percentage of overall net sales growth attributable to Non-comparable Stores, Comparable Stores and retail stores for the geographic area and period indicated.
(2) Excludes foreign currency translation effects.
(3) Includes 4 Melvita stores as at March 2011.
(4) Includes 1 L'Occitane store in Macau and includes 1 and 4 Melvita stores in Hong Kong as at March 2010 and March 2011, respectively.
(5) Includes 2 Melvita stores as at March 2011.
(6) Includes 4 and 5 Melvita stores as at March 2010 and March 2011, respectively.
(7) Includes 1 Melvita store as at March 2011.
(8) Includes 3 Melvita stores as at March 2011.
(9) Includes 2 Melvita stores as at March 2011.
(10) Includes sales from Luxembourg and includes 1 and 4 Melvita stores as at March 2010 and March 2011, respectively.

As the same customers increasingly tend to buy both on internet and in the stores, we now include the e-commerce sales in our Comparable Store Sales. The following table provides a comparison of our Same Store Sales Growth including and excluding e-commerce sales for the periods indicated:

	Same Store Sales Growth[1]			
	31 March 2011		31 March 2010	
	including e-commerce %	excluding e-commerce %	including e-commerce %	excluding e-commerce %
Japan	1.8	0.8	(2.7)	(4.9)
Hong Kong[2]	20.0	19.9	6.8	6.8
China	8.3	7.7	9.4	9.4
Taiwan	4.9	4.2	(0.6)	(0.7)
France	4.0	3.7	(0.6)	(2.6)
United Kingdom	8.6	8.2	14.5	11.0
United States	4.3	3.3	2.7	1.6
Brazil	6.2	5.6	9.0	9.0
Russia	18.4	13.0	(2.4)	(4.1)
Other Countries	4.0	2.8	7.5	4.1
All countries	**5.3**	**4.3**	**2.6**	**1.0**

(1) Excludes foreign currency translation effects.
(2) Includes sales in Macau.

Japan

Net sales in Japan increased by 28.7%, or €42.5 million, to €190.3 million in FY2011, as compared to FY2010. Local currency growth was 11.1% primarily due to the development of our Sell-out segment. With a net addition of 11 stores during the period under review including 4 Melvita stores, Non-comparable Store Sales contributed 13.2% to our overall growth. Comparable Store Sales grew by 1.8% despite the context of weak consumer spending in Japan. The earthquake and tsunami which occurred on 11 March 2011 impacted our sales during the week of the events and the following week, but our growth in Japan resumed thereafter. The management believes that the events negatively impacted our Same Stores Sales Growth and our overall growth in Japan by 0.9 and 0.8 percentage points, respectively. The impact on our total Same Stores Sales Growth and our overall growth was estimated to be 0.3 and 0.2 percentage points, respectively. The earthquake and tsunami are slowing down our growth in Japan in the short term but we remain confident for the long-term potential.

Hong Kong

Net sales in Hong Kong increased by 43.2%, or €21.5 million, to €71.2 million. Local currency growth was 34.4% with a strong contribution of both Sell-out and Sell-in segments. Our Sell-out segment contributed 6.4% to our overall growth, notably due to 2.8% from Non-comparable Stores and 3.5% from Comparable Stores and taking advantage of the increased number of mainland Chinese customers visiting and shopping in Hong Kong. Our Comparable Store Sales grew by 20.0% driven by a combination of a higher number of transactions and an increased average sales value per transaction. The increase of our Sell-in sales was mainly related to a strong growth in sales to travel retail customers, primarily driven by the development of the Korean duty free sales and increased in-flight business. Our sales from Hong Kong to distributors, mainly Indonesia, Vietnam and the Philippines, grew by 39.7% in local currency.

China

Our affiliate in China increased its sales by 59.5%, or €12.2 million, to €32.8 million. Local currency growth was 46.2% with Comparable Store Sales and Non-comparable Store Sales contributing 1.1% and 6.3%, respectively, to our overall growth. Non-comparable Store Sales were driven by the net opening of 24 stores, an increase of 51.1% from the 47 stores existing as at 31 March 2010. Same Store Sales Growth, at 8.3%, suffered in the first part of FY2011 from insufficient inventories in the stores due to difficulties encountered in the importation of products as a result of regulatory changes. Measures taken by the local and regional management in cooperation with the factories in France improved the inventory situation and the Same Store Sales Growth in the second part of the year. The total net sales in China also benefited from large increases of the Sell-in and B-to-B segments, which grew by 57.8% and 96.0%, respectively, contributing 0.7% and 1.6%, respectively, to our overall growth.

Taiwan

Net sales in Taiwan increased by 22.0%, or €5.4 million, to €30.1 million. Local currency growth was 8.1% with equal contribution of Non-comparable Store Sales and Comparable Store Sales to our overall growth of 0.8% each. The addition of a successful Taiwanese e-commerce site contributed 0.1% to our overall growth, and Comparable Store Sales recovering from FY2010 as a result of a more positive consumption environment, showed good momentum towards the end FY2011.

France

Net sales in France decreased by 0.5%, or €0.4 million, to €77.3 million. This decrease was attributable to the transfer of the invoicing of international B-to-B customers to other entities of the Group. As a result, the B-to-B sales invoiced from France decreased by €3.2 million, but the global B-to-B sales increased by €3.9 million.

Excluding international B-to-B sales, sales of L'Occitane branded products in France increased by 7.2% with significant contributions from the Sell-out, Sell-in and B-to-B to French customers, which contributed 2.4%, 1.0% and 0.6% to our overall growth, respectively. Our Sell-out sales under the L'Occitane brand benefited notably from the recovery of Comparable Store Sales, which grew by 4.0%, from a decrease of 1.5% in FY2010. The Non-comparable Store Sales contributed 1.0% to our overall growth.

The sales of Melvita branded products in France decreased by 2.4% as we are in the process of reorganizing our sales force in order to benefit from a better control on our wholesale distribution and gain access to other and broader distribution networks such as pharmacies.

United Kingdom

Net sales in the United Kingdom increased by 26.8%, or €8.2 million, to €39.0 million. Local currency growth was 21.1%. The Sell-out segment contributed strongly to our overall growth with 4.5% coming both from Comparable Stores, where sales grew by 8.6% in local currency, contributing 1.8% to the overall growth despite a relatively weak holiday season due to the exceptionally poor weather conditions, and Non-comparable Stores which contributed 2.7% to the overall growth with the addition of 6 stores during FY2011. The Sell-in segment contributed 2.0% to our overall growth, primarily due to the growth of our sales to the TV sales operator QVC.

United States

Excluding Oliviers & Co. which was discontinued at the end of FY2010, the overall sales growth in the United States was 11.4%, or €9.8 million, to €95.5 million, whilst the local currency growth was 3.6%. The discontinuation of Oliviers & Co. negatively impacted our overall growth by €3.6 million, or 3.7%.

Excluding Oliviers & Co., sales in the United States benefited mainly from increases in the Sell-out segment, with Comparable Store Sales growing by 4.8% despite a significant store renovations program, gaining momentum in the second part of the year. Non-comparable Store Sales contributed 0.6% to our overall growth. Sales of our Sell-in segment benefited from a 11.7% local currency increase in wholesale and department stores sales, but this was more than offset by lower sales to the TV sales operator QVC, resulting in a 0.9% negative contribution of the Sell-in segment to the overall growth. B-to-B sales benefited from a higher demand from hotels and grew by 4.2% in local currency.

Brazil

Net sales in Brazil increased by 36.5%, or €9.3 million, to €34.8 million. Local currency growth was 18.9%, mainly explained by the growth in our Sell-out segment, which contributed 4.5% to the overall growth with Comparable Store Sales growing by 6.2% and Non-comparable Store Sales contributing 3.7% to our overall growth. Non-comparable Store Sales benefited from the net addition of 14 stores during FY2011, an increase of 43.8% from the 32 stores existing as at 31 March 2010.

Russia

The sales growth in Russia reached 50.3%, or €11.1 million, to €33.1 million. Local currency growth was 40.2%, driven by the growth in our Sell-out segment, which contributed 7.0% to the overall growth. Helped by the recovery of the economy, Comparable Store Sales grew by 18.4% and Non-comparable Store Sales contributed 4.4% to our overall growth with the net addition of 14 stores including 2 Melvita stores. The significant development of our Sell-in sales, which increased by 53.7% in local currency and contributed 1.7% to our overall growth, was attributable to wholesale activities with perfumeries and the set up of distributors in cities smaller than Moscow and St. Petersburg.

Other Countries

Net sales in Other Countries increased by 35.5%, or €44.1 million, to €168.2 million. Local currency growth was 27.9%. Our Sell-out segment contributed 17.3% to our overall growth. Comparable Store Sales accounted for 2.5% of our overall growth with a Same Store Sales Growth of 4.0%. Non-comparable Store Sales contributed 14.8% to the overall growth as a result of our stores network expansion. During FY2011, we increased our retail stores in this group by 54 with, among others, 8 stores each in Korea and Spain, 7 stores each in Canada and Germany, 6 stores in Italy and 5 stores in India, and we added 6 stores in the Netherlands as a consequence of our acquisition of our distributor in this country. Sales in Korea, Mexico, Germany, Spain and Italy grew by 41.1%, 15.3%, 27.0%, 30.1% and 68.3%, respectively, excluding foreign currency translation effects.

Our Sell-in sales increased by 36.3%, or €15.8 million, and contributed 15.3% to our overall growth due to the increase in sales to travel retail customers, a significant development of our net sales to our distributors in Europe, the Americas and the Middle East, and from sales of B-to-B products to distributors transferred from France as above mentioned. The Sell-in segment also benefited from increased sales to wholesale customers and department stores due to positive developments in several Western European countries like Italy and Germany, and with the Le Couvent des Minimes brand, whose sales increased by 25.7%.

PROFITABILITY ANALYSIS

COST OF SALES AND GROSS PROFIT

Cost of sales increased by 17.7%, or €20.4 million, to €135.3 million in FY2011 compared to FY2010. Our gross profit margin increased by 1.3 points to 82.5% in FY2011. The increase in gross profit margin mainly reflected:

- a favourable effect of foreign currencies of 1.4 points of net sales due to the weaker Euro in FY2011;
- an improved brand mix effect for 0.2 points as our sales of L'Occitane brand products increased in FY2011 relative to sales of our other brands whose gross profit margins are generally lower than those of L'Occitane brand products;
- higher freight and duties for 0.8 points linked to an increase of the inventories in the subsidiaries;
- a lower relative level of production costs for 0.3 points notably due to a better absorption of our fixed costs resulting from the high production level in FY2011, more than offsetting some negative effects also related to the higher production, for instance costs related to subcontracting and the effects of a higher proportion of interim workers; and
- the improvement of the B-to-B margin explained by the recovery of the hotel business and better customer mix with a higher share of independent hotels generating a better level of margin.

DISTRIBUTION EXPENSES

Distribution expenses increased by 26.8%, or €72.6 million, to €343.5 million in FY2011, as compared to FY2010. As a percentage of net sales, our distribution expenses increased by 0.2 points to 44.5% of net sales in FY2011, as compared to FY2010. This increase is attributable to a combination of:

- additional costs incurred in view of our future growth for 0.2 points and related primarily to new store openings and the set-up of our own Melvita sales force; and
- slightly higher costs of operating our stores, for 0.1 points, explained by higher personnel costs, freight and consumption of bags and boxes, partly offset by a lower level of depreciation; and

The above was offset by 0.1 points by the net effect of non-recurring elements:

- the reversal of unused accruals for impairments or onerous leases;
- last year's accrual for the indemnification of former Melvita agents; and
- increased bad debt accruals, air freight and purchases of promotional goods.

MARKETING EXPENSES

Marketing expenses increased by 52.0%, or €28.9 million, to €84.6 million in FY2011, as compared to FY2010. Our marketing expenses, as a percentage of net sales, increased by 1.9 points to 11.0% of net sales in FY2011, as compared to FY2010, mainly attributable to:

- a higher cost of communication tools for 1.0 points, primarily explained by an increase in our inventory of promotional goods, including samples and testers;
- increased advertising, direct marketing spending and related fees for 0.6 points essentially in France, Brazil, Hong Kong and Japan;
- the reinforcement of our resources notably in market research and the development of the Melvita product offer;
- new structures, advertising and PR spending for 0.1 points linked to the launch of Melvita in several countries and the set-up of a Melvita Foundation.

RESEARCH & DEVELOPMENT EXPENSES

Research and development ("R&D") expenses increased by 27.4%, or €1.1 million, to €5.1 million in FY2011, as compared to FY2010. Our R&D expenses, as a percentage of net sales, remained stable at 0.7% of net sales in FY2011, as compared to FY2010, as a result of our spending on advanced research, packaging and industrialization, and the strengthening of our regulations department.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 24.8%, or €14.7 million, to €74.1 million in FY2011, as compared to FY2010 and decreased by 0.1 points of net sales. This decrease as a percentage of net sales was attributable to:

- favourable exchange rates effects for 0.3 points; and
- non-recurring costs incurred last financial year, favourably impacting the comparison between FY2011 and FY2010 for 0.2 points ;

partly offset by:

- non-recurring costs incurred this year for 0.1 points. These costs mainly included professional fees and severance related to reorganisation projects, and the marketing costs of our initial public offering ("IPO"), partly offset by the reversal of unused accruals;
- stronger management structures notably in the United States and at Melvita, added to increased rents for new offices in relation to our expansion, together accounting for 0.3 points; and
- professional fees notably for the implementation and maintenance of SAP, balanced by a lower impact of French business tax on our operating expenses.

OTHER GAINS

Other gains included capital gains on store disposal, principally the Sèvres store in Paris, an additional consideration received for the disposal of the Oliviers & Co. activity in the United States at the end of FY2010 and a tax credit related to R&D in France. The total amount of €2.4 million was 0.3% of net sales in FY2011, to be compared to 0.5% in FY2010, which benefited from higher gains from store disposals including our Soho store in New York, USA.

OPERATING PROFIT

Operating profit increased by 19.9%, or €21.9 million, to €132.1 million in FY2011, as compared to FY2010, and our operating profit margin decreased by 0.9 points of net sales to 17.1%. The decrease in our operating profit margin was primarily due to an improvement in gross profit margin of 1.3 points, offset by increased marketing expenses for 1.9 points and the lower level of Other gains for 0.2 points.

FINANCE COSTS, NET

Net finance costs decreased by €2.1 million, to €1.5 million in FY2011 compared to FY2010. This decrease was mainly related to finance income obtained on our positive cash balances which were very significantly increased as a result of our IPO.

FOREIGN CURRENCY GAINS/LOSSES

Our net foreign currency losses amounted to €3.0 million in FY2011, principally related to inter-company and external trading and attributable to:

- realized net losses for €1.3 million, with losses on the Japanese yen, US dollar and Swiss franc being partly offset by gains on most other currencies;
- unrealized net losses for €1.7 million incurred mainly on the Japanese yen.

INCOME TAX EXPENSE

The effective rate for income taxes was 19.5% in FY2011, as compared to 24.6% for FY2010, representing a 5.1 percentage points decrease. In FY2011, we produced more and generated more profit at our production and central distribution entities whose profits are generally taxed at a lower rate than the profits generated by some of our major distribution subsidiaries, which has led to a decrease in the effective tax rate.

PROFIT FOR THE YEAR

For the aforementioned reasons, profit for the year increased by 21.5% or €18.1 million to €102.7 million in FY2011, as compared to FY2010. Basic and diluted earnings per share improved by 6.7% from €0.064 to €0.068 with the number of shares used in both calculations increased as at 31 March 2011, compared with 31 March 2010, by 14.2% to 1,455,250,609 as a result of the issuance of 202,568,500 new shares at the time of our IPO.

BALANCE SHEET REVIEW

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2011, following our IPO in May 2010, we had cash and cash equivalents of €300.1 million, as compared to €41.8 million at 31 March 2010.

As at 31 March 2011, the aggregate amount of undrawn borrowing facilities was €313.6 million. Since our IPO, we have paid down or terminated all credit facilities existing at 31 March 2010 and replaced them with a new €350.0 million syndicated facility. As at 31 March 2011, we have drawn €39.7 million, as compared to €36.5 million as at 31 March 2010, principally to finance the repayment of our previous credit lines and financing by L'Occitane Groupe S.A. ("LOG"), our parent company. Our total borrowings, including finance lease liabilities, current accounts with minority shareholders and related parties and bank overdrafts, amounted to €60.0 million, as compared to €61.9 million as at 31 March 2010.

INVESTING ACTIVITIES

Net cash used in investing activities was €49.4 million in FY2011, as compared to €35.6 million in FY2010. This reflected capital expenditures related to:

- the additions of leasehold improvements, other tangible assets, key moneys and changes in deposits related to stores for €29.8 million;
- the additions in IT software and equipment for €8.4 million, including €5.5 million for the implementation of SAP as our enterprise resources planning system;
- the additions of machinery, equipment, construction, fittings and others to our factories and R&D premises for €4.7 million, net of capital expenditures spent in FY2010 at our Lagorce factory and sold to a finance lessor in FY2011 for €1.4 million. The amount of €4.7million does not include the cost of the extension of the premises in Lagorce in FY2011 for €5.2 million, which is financed by the same lessor;

- leasehold improvements, equipment, fittings and furniture for new warehouses and office spaces in Japan, France, Switzerland, Hong Kong and the UK for a total €3.9 million;
- the acquisition of our distributor in the Netherlands and the minority interests in our affiliate in Mexico for a total of €3.4 million;
- other net additions for an amount of €0.1 million;
- the above being partly offset by an additional consideration received for the disposal of Oliviers & Co. in the United States for €0.7 million.

The €29.8 million capital expenditures related to the stores incurred in FY2011 compared to a total €15.8 million for FY2010, including changes in deposits and key moneys and addition of tangible assets in progress related to the stores. Such an increase was explained by our net openings of 131 stores during FY2011, as compared to 77 for FY2010 and by significant spending for the renovation of 34 stores in the United States for a total amount of €2.7 million.

FINANCING ACTIVITIES

Net cash generated in financing activities was €213.4 million in FY2011, as compared to cash used in financing activities of €88.5 million in FY2010 and mainly reflected the following:

- the net proceeds and related tax effects from our IPO for €298.9 million;
- dividends for a total of €82.1 million including €80.0 million in exceptional dividends paid to the then sole shareholder LOG in May 2010;
- a net decrease in bank borrowings and other finance leases of €3.4 million as discussed above.

INVENTORIES

The following table sets out a summary of our average inventory days for the periods indicated:

For the year ended 31 March	2011	2010
Average Inventory turnover days(1)	228	230

(1) Average inventory turnover days equals average inventory divided by cost of sales and multiplied by 365. Average inventory equals the average of net inventory at the beginning and end of a given period.

Average inventory turnover days decreased slightly, as compared to 31 March 2010, as a result of the inventory reduction undertaken throughout FY2010 and continued into the first part of FY2011. We have, however, started to rebuild higher inventories starting from the first half of FY2011 in view of our expected increased sales in the second half of FY2011 and beyond. In addition, we had decided to increase our inventories in our subsidiaries at the end of FY2011 in anticipation of the go-live of our SAP system for our central supply chain in May 2011 in order to secure our deliveries to the stores and the customers. The management believes that this decision increased the average inventory turnover by 11 days as at 31 March 2011.

TRADE RECEIVABLES

The following table sets out a summary of our turnover of trade receivables for the periods indicated:

For the year ended 31 March	2011	2010
Turnover days of trade receivables[1]	25	27

(1) *Turnover days of trade receivables equals average trade receivables divided by net sales and multiplied by 365. Average trade receivables equals the average of net trade receivables at the beginning and end of a given period.*

Turnover days of trade receivables decreased by 2 days from FY2010 to FY2011 primarily due to improved collection of trade receivables in each of our segments, principally in our Sell-out and B-to-B segments.

TRADE PAYABLES

The following table sets out a summary of our average trade payables, total purchases and turnover of trade payables for the periods indicated:

For the year ended 31 March	2011 €'000	2010 €'000
Average Trade Payables[1]	66,212	55,321
Total Purchases	423,855	311,345
Turnover days of trade payables[2]	57	65

(1) *Average Trade Payables equals the average of the beginning and ending balance of trade payables for the respective period.*
(2) *Calculated using the average of the beginning and ending trade payables balance for the period, divided by total purchases for the period, multiplied by 365. In calculating turnover days of trade payables, we use total purchases rather than cost of sales as our cost of sales do not take into account certain distribution, general and administrative expenses that are included in our trade payables, whereas our total purchases include all payments to suppliers.*

From FY2010 to FY2011, our trade payables increased by €12.5 million. This increase was mainly related to increased payables at L'Occitane SA and Melvita Production SAS in anticipation of higher production in the following months. The turnover days of trade payables decreased by 8 days from FY2010 to FY2011 due to high payables as at 31 March 2010 related to our IPO and to shorter suppliers payment terms in France.

BALANCE SHEET RATIOS

The evolution of our balance sheet ratios and of our return on equity ratio was mainly driven by the consequences of our IPO, which resulted in significantly higher current assets and equity as at 31 March 2011, as compared to 31 March 2010. The return on capital employed ("ROCE"), set out in the following table, does not depend on our cash position.

For the year ended 31 March	2011 €'000	2010 €'000
Profitability		
Net operating profit after tax (NOPAT)(1)	103,876	87,220
Capital employed(2)	341,559	278,443
Return on capital employed (ROCE)(3)	30.4%	31.3%
Return on equity (ROE)(4)	17.8%	51.9%
Liquidity		
Current ratio (times)(5)	3.35	0.90
Quick ratio (times)(6)	2.67	0.58
Capital adequacy		
Gearing ratio(7)	7.6%	14.2%
Debt to equity ratio(8)	net cash position	12.4%

(1) *(Operating profit + foreign currency net gains or losses) x (1 - effective tax rate)*
(2) *Non-current assets - (deferred tax liabilities + other non-current liabilities) + working capital*
(3) *NOPAT / Capital employed*
(4) *Net profit attributable to equity owners / shareholders´ equity at year end excluding minority interest*
(5) *Current assets / current liabilities*
(6) *(Current assets — inventories) / current liabilities*
(7) *Total debt / total assets*
(8) *Net debt / (total assets - total liabilities)*

FOREIGN EXCHANGE RISK MANAGEMENT

We enter into forward exchange contracts to hedge anticipated transactions, as well as receivables and payables not denominated in our presentation currency, the Euro, for periods consistent with our identified exposures. As at 31 March 2011, we had foreign exchange derivatives net liabilities of €0.4 million in the form of forward exchange contracts (in accordance with fair market valuation requirements under IFRS). The notional principal amounts of outstanding forward exchange derivatives as at 31 March 2011 were primarily Japanese yen for an equivalent of €28.5 million, Brazilian reais for €6.5 million, British pounds for €1.1 million and Australian dollars for €1.5 million.

INTEREST RATE RISK MANAGEMENT

We enter into interest rate derivative contracts to manage the exposure to fluctuations of interest rates on our long-term borrowings. As at 31 March 2011, we had interest rate derivative liabilities of €0.8 million. The notional principal amount of outstanding interest rate derivatives as at 31 March 2011 was €25.6 million.

DIVIDENDS

On 9 April 2010, our Board approved the payment of an exceptional dividend of €0.063 per share on our common stock held by our then existing shareholders, representing a total dividend of €80.0 million, out of our distributable reserves of €135.8 million as of 31 March 2009 calculated based on Luxembourg Generally Accepted Accounting Principles. The dividend payment was funded from our internal financial resources. The shareholders approved this dividend at a meeting held on 31 March 2010. The dividend was paid on 4 May 2010.

Considering the performance delivered during FY2011, the Board is pleased to recommend the distribution of a gross dividend of €0.0135 per share for a total amount of €19.9 million or 20.0% of the net profit attributable to the equity owners of the Company. The amount of the proposed dividend is based on 1,476,964,891 shares in issue as at 27 June 2011.

Such a recommended dividend is in accordance with the proposed dividend policy set out in the section headed "Dividend Policy" in the Company's prospectus dated 26 April 2010 (the "Prospectus"). The Company currently intends to pay a dividend once a year. The payment shall be made in Euros, except that payment to shareholders whose names appear on the register of members in Hong Kong shall be paid in Hong Kong dollars. The dividends will be paid after retention of the appropriate withholding tax under Luxembourg laws. In the circular accompanying the notice of the Annual General Meeting (the "AGM") shareholders will be provided with detailed information about procedures for reclaiming all or part of the withholding tax in accordance with the provisions of the double tax treaty between Luxembourg and Hong Kong.

POST BALANCE SHEET EVENTS

On 4 April 2011, the Company granted 11,834,000 options under the Company's Share Option Scheme adopted on 30 September 2010. The exercise price of the options granted was HKD19.84. The options are generally exercisable during a period commencing on 4 April 2015 and expiring on 3 April 2019.

On 20 June 2011, the Company acquired land in Manosque, France, for an amount of €1.6 million, where we intend to build our new central warehouse. This acquisition and the future building are financed by a new loan signed on 20 June 2011 for a total amount of €10.0 million of which €1.6 million is drawn.

USE OF PROCEEDS FROM THE COMPANY'S LISTING

The Company was listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 7 May 2010. The gross proceeds from the Company's issue of 202,568,500 new shares (including 20,508,500 new shares issued upon exercise of an over-allotment option) amounted to HKD 3,055 million.The net proceeds after deducting underwriting commission and related expenses amounted to €298.9 million (the "Net Proceeds"). As at 31 March 2011 the Company had utilised €43.5 million of the Net Proceeds as follows:

- new store openings and store renovations for €29.8 million;
- extension and improvement of our manufacturing plants and R&D equipment for €4.7 million;
- increase in our R&D operating expenses for €1.1 million;
- development of internet and e-commerce channel for €2.5 million; and
- general corporate purposes for €5.5 million dedicated to the implementation of SAP as our enterprise resources planning system.

Such utilisation of the Net Proceeds was in accordance with the proposed allocations set out in the section headed "Use of Proceeds" in the Prospectus. The unutilised portion of the Net Proceeds is currently held in cash and cash equivalents and it is intended that it will also be applied in a manner consistent with the proposed allocations in the Prospectus.

STRATEGIC REVIEW AND PROSPECTS

During FY2011, our Group continued to implement its strategic plan:

- **Accelerated sales growth** through:
  - ➢ a significant increase in Comparable Store Sales, demonstrating that our products and our innovations are able to succeed even in a difficult consumer environment;
  - ➢ the significant development of Travel Retail where we continue to see a major potential for profitable growth.
- **Investments in future sales growth:** with 131 net new stores, as compared to 77 in FY2010, we accelerated the pace of our store openings particularly in emerging countries, whilst investing significantly in store renovations in more mature countries, notably in the United States where we renovated 34 stores during the period. We also reinforced our marketing resources, focusing particularly on promotional tools to improve traffic and conversion in the stores, but also to enhance our brand awareness through intensified advertising. In particular, we are investing in the human and marketing resources that are needed to trigger the future acceleration of our Melvita brand sales. During the period, we launched Melvita and opened new stores in several key countries like the United States, Russia and Hong Kong, absorbing the investments related to this start-up phase.
- **Investment in our infrastructure to prepare for future developments:**
  - ➢ Increased resources in our marketing and R&D teams, and stronger and increasingly international management at our head office and our affiliates;
  - ➢ Execution of our SAP project in line with expectations, as well as the reorganisation of our factories and the central warehouse project.

Furthermore, during the second part of FY2011 we have been able to partly rebuild our inventories in order to enable us to achieve our sales growth expected in FY2012.

As a result, **we delivered a solid financial performance:** our sales grew by 26.1%, clearly accelerating from last year even in local currencies, our operating profit was a healthy 17.1% and we generated strong returns on equity and capital employed, 17.8% and 30.4%, respectively. Our sound financial situation will support our future developments, and the Board is pleased to propose **the distribution to the shareholders of the first dividend** since the Company's listing on the Hong Kong Stock Exchange on 7 May 2010.

Next year should continue to see a solid top line growth, despite some risks related notably to the evolution of the currencies and to the situation in Japan.

We will nevertheless intensify the execution of our strategy with a high number of store openings, the further development of our brands, and the optimisation of our supply chain. After its successful first steps, our SAP project will be rolled out in several countries, and we are in the process of merging all back office functions in our two factories. We will also launch several initiatives to:

- further develop the awareness of our brands and the ability to attract more traffic into our stores;
- significantly increase our customer base in key developing markets notably Brazil, China, Russia and Korea;
- focus much more again on further development of the United States.

We strongly believe that the combination of our major marketing and operational initiatives will set the basis for our future growth and profitability improvements, in the interest of our shareholders.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors (the “Board”) of the Company reviews its corporate governance practices from time to time in order to meet the rising expectations of its shareholders and comply with the increasingly stringent regulatory requirements and to fulfill its commitment to excellence in corporate governance. The Board is committed to maintaining a high standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining shareholders’ returns.

As set out in Appendix 14 of the Rules governing the listing of securities on the Hong Kong Stock Exchange (the “Listing Rules”), “The Code of Corporate Governance Practices”(the “Code”), there are two levels of corporate governance practices, namely : mandatory code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that a listed company is encouraged to comply with but need not disclose in the case of non-compliance.

Throughout the financial year ended 31 March 2011 (the “Review Period”), the Company was in compliance with the mandatory provisions of the Code, with the exception of one deviation as set out under the section “Chairman and Chief Executive Officer” below. The application of the relevant principles and the reasons for the above mentioned deviation from the Code provision A.2.1, are stated in the following sections.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, they have confirmed that they have complied with the Model Code throughout the Review Period.

BOARD OF DIRECTORS

The Board is responsible for long term development and strategy as well as controlling and evaluating the Company's daily operations. In addition, the Board has appointed a Chairman who is responsible for ensuring that the Board receives regular reports regarding the Group's business development, its results, financial position and liquidity and events of importance to the Group. Directors are elected for a period of three years, but can serve any number of consecutive terms.

The duties of the Board are partly exercised through its three committees:

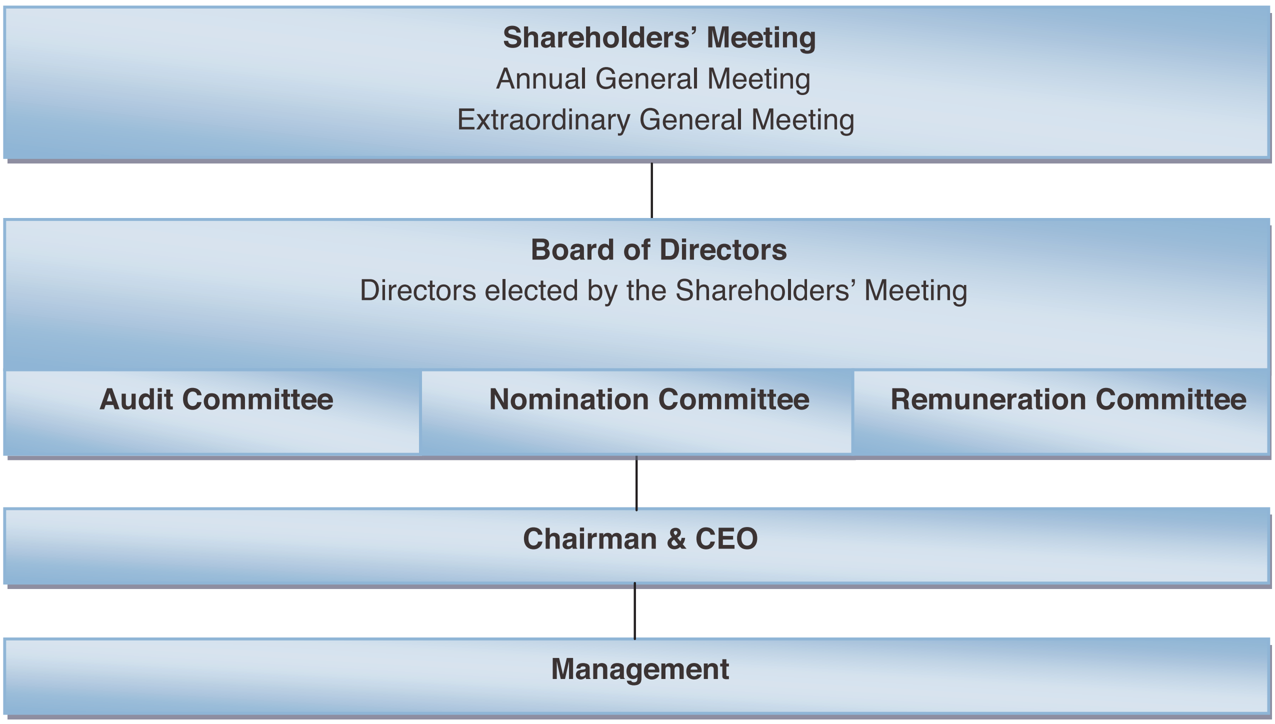
— the Audit Committee

— the Nomination Committee

— the Remuneration Committee

The Board appoints each of the committee members from amongst the Board members. The Board and each committee have the right to engage external expertise either in general or in respect to specific matters, if deemed appropriate.

Corporate Governance structure



Composition of the Board, Number of Board meetings and Directors' Attendance

The Board consists of ten Directors, comprising four executive directors ("ED"), three non-executive directors ("NED") and three independent non-executive directors ("INED"). All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director is shown on pages 36 to 41 of the Annual Report.

The following is the attendance record of the Board and committee meetings held during the year ended 31 March 2011:

Name	Category	Attendance: Board of Directors	Audit Committee	Nomination Committee	Remuneration Committee
Reinold Geiger	ED	8/8			
Emmanuel Osti	ED	8/8			2/3
André Hoffmann	ED	7/8		–	
Thomas Levilion	ED	7/8			
Martial Lopez	NED	8/8	4/4		
Karl Guénard	NED	7/8			
Pierre Milet	NED	8/8			
Mark Broadley	INED	6/8	4/4	–	3/3
Susan Kilsby	INED	6/8		–	3/3
Jackson Ng	INED	8/8	4/4		

Minutes of the Board meetings are kept by the Company Secretary; all Directors have a right to access board papers and related materials and are provided with adequate information in a timely manner; this enables the Board to make informed decisions on matters placed before it.

Responsibilities of the Board

The Board is responsible for:

— Reviewing and approving the strategic direction of the Group established by the ED in conjunction with the management;

— Reviewing and approving objectives, strategies and business development plans;

— Monitoring the performance of the (Chief Executive Officer (the "CEO") and the senior management;

— Assuming responsibility for corporate governance; and

— Reviewing the effectiveness of the internal control system of the Group.

Responsibilities of the Senior Management

The senior management under the leadership of the CEO is responsible for:

— Formulating strategies and business development plans, submitting to the Board for approval, and implementing such strategies and business development plans thereafter;

— Submitting annual budgets to the Board on regular basis;

— Reviewing salary increment proposals and remuneration policy and submitting to the Board for approval; and

— Assisting the Board in conducting the review of the effectiveness of the internal control systems of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In the opinion of the Board, the Group has complied with the Code during the year ended 31 March 2011, except that the role of the CEO of the Group has been assumed by Mr. Reinold Geiger ("Mr. Geiger"), the Chairman of the Board. Such deviation from Code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a CEO, and it provides the Group with strong and consistent leadership. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three INED on the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved a balance and provided sufficient protection of its interests. Moreover, Mr. Geiger is not a member of any of the committees (Audit Committee, Nomination Committee, Remuneration Committee) and each committee is composed of a majority of INED. Nevertheless, the Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.

Furthermore, Mr. Geiger is supported by Mr. Emmanuel Osti, Managing Director, and Mr. André Hoffmann, Managing Director Asia Pacific. Mr. Geiger is responsible to the Board and focuses on Group strategies and Board issues, ensuring a cohesive working relationship between members of the board and management. The two Managing Directors have full executive responsibilities in the business directions and operational efficiency of the business units under their respective responsibilities and are accountable to Mr. Geiger.

NON-EXECUTIVE DIRECTORS

All the NED of the company have their respective terms of appointment coming to an end three years after appointment to the Board, subject to re-election to the end of the respective three year term.
The three INED are persons of high experience, with academic and professional qualifications in the field of accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each INED gives an annual confirmation of his/ her independence to the Company and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

COMMITTEES

As an integral part of good corporate governance, the Board has established the following committees. The authorities, functions, composition and duties of each committee are set out below:

Remuneration Committee

The Remuneration Committee was established on 9 April 2010. The terms of reference of the Remuneration Committee are aligned with the provisions set out in the Code. The Remuneration Committee has three members, namely Mr. Emmanuel Osti (Chairman of the Remuneration Committee), Mr. Mark Broadley and Ms. Susan Kilsby. Except for Mr. Emmanuel Osti, they are all INED.

The primary duties of the Remuneration Committee are to evaluate the performance of and make recommendations on the remuneration packages of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements.

The following is a summary of the work performed by the remuneration committee during the year ended 31 March 2011:

i. Consideration of a share option scheme with recommendation to the Board for general guidelines

ii. Review of the Directors' and key executives' compensation, with a recommendation to the Board for approval

There have been three meetings of the Remuneration Committee since its establishment and one has been dedicated specifically to the study of the share option scheme.

The following is a general description of the emolument policy and long term incentive schemes of the Group as well as the basis of determining the emoluments payable to the Directors:

i. The remuneration of our Directors is determined by our Board which receives recommendations from our Remuneration Committee. Under our current compensation arrangements, our executive Directors receive compensation in the form of salaries and bonus subject to performance targets.

The majority of our NED and all the INED received directors fees.

The remuneration our Directors have received (including fees, salaries, discretionary bonus, share based payments, housing and other allowances, and other benefits in kind) for the year ended 31 March 2011 was approximately €2,289,000. The aggregate amount of fees, salaries, discretionary bonus, share-based payments, housing and other allowances, and other benefits in kind paid to the five highest paid individuals of our company, including certain Directors for the year ended 31 March 2011 was approximately €2,745,000. We have not paid any remuneration to our Directors or the five highest paid individuals as inducement to join or upon joining us as a compensation for loss of office in respect of the year ended 31 March 2011. Further, none of our Directors has waived any remuneration during the same period.

ii. Within the context of our international development and for the purpose of incentivisation of our staff, we have implemented grants of share options on 4 April 2011 and employees reward schemes in respect of shares in the Company to the staff of our various subsidiaries located in the relevant jurisdictions and to some Directors. The share option scheme has been reviewed by the Remuneration Committee and approved by the Board.

Nomination Committee

The Nomination Committee was established on 9 April 2010 with specific terms of reference as recommended under the Code. The Nomination Committee has three members, namely Mr. André Hoffmann (Chairman of the Nomination Committee), Mr. Mark Broadley and Ms. Susan Kilsby. Except for Mr. André Hoffmann, they are all INED.

The primary function of the Nomination Committee is to make recommendations to our Board on the appointment and removal of Directors of our Company.

There has been no change in the composition of the Board and of the three committees. There has been no meeting of our Nomination Committee during the Review Period.

Audit Committee

The Audit Committee was established on 21 June 2007 and specific terms of reference that specify its authorities and duties were adopted on 9 April 2010. The Audit Committee is composed of three members, namely Mr. Mark Broadley (Chairman of the Audit Committee), Mr. Jackson Ng and Mr. Martial Lopez. Except for Mr. Martial Lopez, who is a NED, they are all INED.

In compliance with rule 3.21 of the Listing Rules, at least one member of the Audit Committee possesses appropriate professional qualifications in accounting or related financial management expertise in discharging the responsibilities of the Audit Committee.

All members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required.

The primary duties of the Audit Committee are to assist our Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board.

The following is a summary of the work performed by the Audit Committee during the year ended 31 March 2011:

i. Review of the report from the auditors on the audit of the final results of the Group for the year ended 31 March 2010;

ii. Review of the draft financial statements of the Group for the year ended 31 March 2010;

iii. Review of the draft results announcement and annual report of the Group for the year ended 31 March 2010;

iv. Review of the audit fees payable to the external auditors for the year ended 31 March 2010;

v. Review of the external auditors' independence and transmission of a recommendation to the Board for the re-appointment of the external auditors at the forthcoming AGM;

vi. Review of the draft results announcement and interim report of the Group for the period ended 30 September 2010.

vii. Review of the internal control system including the internal audit results analysis and the internal audit plan 2011-2012, and report to the Board;

There have been four meetings of the Audit Committee: two following the publication of financial reports (annual and interim) and two specific to the internal control with the Internal Audit Director.

AUDITORS' REMUNERATION

The fees in relation to the audit and related services for the year ended 31 March 2011 provided by PricewaterhouseCoopers, the external auditors of the Company, amounted to approximately €1,015,000 and €144,000 respectively.

	€'000
Annual audit and interim review services	1,015
Audit related services	144
TOTAL	1,159

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges that it holds responsibility for:

— Overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group; and

— Selecting suitable accounting policies and applying the selected accounting policies consistently with the support of reasonable and prudent judgment and estimates.

The Board ensures the timely publication of the financial statements of the Group.

The management provides explanations and information to the Board to enable it to make an informed assessment of the financial and other information to be approved.

The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's position and prospects to extend the Group's financial reporting including annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements and applicable accounting standards.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 56 to 57 of this annual report.

The Board is responsible for keeping proper accounting records, for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention of fraud and other irregularities.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The Board places great importance on internal control and is responsible for establishing and maintaining adequate internal control over financial reporting for the Company and assessing the overall effectiveness of those internal controls.

The Internal Audit Department provides an independent review of the adequacy and the effectiveness of the internal control system. The audit plan is discussed and agreed every year with the Audit Committee. In addition to its agreed annual schedule of work, the Internal Audit Department conducts other special reviews as required. Internal Audit reports are sent to the Chairman & CEO, the Group Managing Director, the Chief Financial Officer, external auditors and the relevant management of the audited entity. Moreover, summary reports of each audit are sent to all members of the Audit Committee.

The system of internal control is designed to provide reasonable assurance against human errors, material misstatements, losses, damages, or fraud, and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. During the year ended 31 March 2011, no material irregularity or weakness was noted within any function or process. The Audit Committee was satisfied that the internal control system has functioned effectively as intended.

The Board considers that the internal control system is effective and adequate for the Group as a whole. The Board further considers that there was no issue relating to the material controls and risk management functions of the Group.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company endeavours to maintain a high level of transparency in communication with shareholders and investors in general. The various channels through which the Company communicates with its shareholders will include interim and annual reports, information on the Hong Kong Stock Exchange and Company websites, and general meetings.

The Company encourages its shareholders to attend AGMs and other general meetings if any, to ensure a high level of accountability and to stay informed of the Group's strategy and goals.

The financial and other information relating to the Group is disclosed on the Company's website, www.loccitane.com, where up-to-date information and updates on the Company's business developments, operations and financial information are available for public access.

EXECUTIVE DIRECTORS

Directors

Our board of Directors is responsible for and has general powers over the management and conduct of our business. The table below shows certain information in respect of our Board:

Name	Age	Position
Reinold Geiger	64	Executive Director, Chairman and Chief Executive Officer
Emmanuel Laurent Jacques Osti	46	Executive Director and Managing Director
André Joseph Hoffmann	55	Executive Director and Managing Director
Thomas Levilion	51	Executive Director and Group Deputy General Manager, Finance and Administration
Karl Guénard	44	Non-Executive Director
Martial Thierry Lopez	51	Non-Executive Director
Pierre Maurice Georges Milet	69	Non-Executive Director
Charles Mark Broadley	47	Independent Non-Executive Director
Susan Saltzbart Kilsby	52	Independent Non-Executive Director
Jackson Chik Sum Ng	50	Independent Non-Executive Director

Mr. Reinold Geiger was appointed as an executive Director with effect from 22 December 2000 and is our Chairman and Chief Executive Officer. Mr. Geiger is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Mr. Geiger joined our Group in 1996 as Chairman and controlling shareholder. Mr. Geiger is a director and managing director ("administrateur délégué") of our Company and LOG, a director of L'Occitane (Suisse) S.A., L'Occitane Inc., L'Occitane Australia Pty Ltd., L'Occitane Japon KK, L'Occitane Russia and L'Occitane Mexico S.A. de C.V., a member of the board of managers of L'Occitane LLC and Oliviers & Co. LLC, a member of the strategic board ("conseil stratégique") of Les Minimes SAS and a director ("membre du conseil d'administration") of the Fondation d'entreprise L'Occitane. Since joining L'Occitane, Mr. Geiger has developed our Group from a largely domestic operation based in France to an international business. He has spent time travelling to our worldwide locations in order to implement this growth strategy, where he has established our subsidiaries and strong relationships with the local management. In June 2008, Mr. Geiger was awarded the accolade of "INSEAD entrepreneur of the year" for his international development strategy of our Group. Mr. Geiger began his career at the American Machine and Foundry Company in 1970. In 1972 he left to start his own business, involved in the distribution of machinery used in the processing of rubber and plastic, which he sold in 1978. Mr. Geiger then established and developed AMS Packaging SA, which specialised in packaging for the high end perfumes and cosmetics market. This company was floated on the Paris stock exchange in 1987 and Mr. Geiger left the company entirely in 1990. Between 1991 and 1995, he worked for a packaging company with operations primarily based in France and developed it into an international business. Mr. Geiger graduated from the Swiss Federal Institute of Technology in Zürich, Switzerland with a degree in engineering in 1969 and from INSEAD in Fontainebleu, France with a master's in business administration in 1976.

Mr. Emmanuel Laurent Jacques Osti was appointed as an executive Director with effect from 22 December 2000 and is a managing director. Mr. Osti is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Mr. Osti has been our Company's general manager since February 2000. He is managing director ("administrateur délégué") of our Company, director of LOG, director ("administrateur"), chairman of the board of directors in charge of management ("président du conseil d'administration en charge de la direction générale") and general manager ("président directeur général") of L'Occitane S.A., and chairman of the board of directors ("presidente del consíglio di amministrazione") and managing director ("consigliere delegato") of L'Occitane Italia Srl, a member of the strategic board ("conseil stratégique") of M&A SAS and a director ("membre du conseil d'administration") of the Fondation d'entreprise L'Occitane. Mr. Osti worked in various mass marketing and product management positions for L'Oréal S.A. between 1987 and 1990, and also in marketing management positions at Duracell International Inc. in France between 1990 and 1992. He then spent seven years at RoC S.A. whilst it was a subsidiary of LVMH Moët Hennessy Louis Vuitton S.A. and subsequently of Johnson & Johnson, Inc.. He served in various marketing and sales positions before being promoted to general manager for RoC S.A. and Neutrogena Corp. S.àr.l.. Mr. Osti holds a master's in business administration from the Ecole des Hautes Etudes Commerciales in Paris, France, part of which was spent abroad at the University of California, Berkeley, US and the Università Commerciale Luigi Bocconi in Milan, Italy. Mr. Osti is the spouse of Mrs. Cécile de Verdelhan.

Mr. André Joseph Hoffmann was appointed as an executive Director with effect from 2 May 2001. Mr. Hoffmann has been primarily responsible for our Group's strategic planning and the management of our Group's business in Asia-Pacific since June 1995. Mr. Hoffmann is managing director of L'Occitane (Far East) Limited, L'Occitane Singapore Pte. Limited and L'Occitane Trading (Shanghai) Co Limited, president of L'Occitane (Korea) Limited and a director of L'Occitane Australia Pty. Limited, L'Occitane Japon K.K., L'Occitane Taiwan Limited, L'Occitane (China) Limited and L'Occitane (Macau) Limited. He has over 25 years' experience in the retail and distribution of cosmetics, luxury products and fashion in Asia-Pacific. He is a director of Pacifique Agencies (Far East) Limited, which was a joint venture partner with the Company for the distribution of L'Occitane products in the Asia-Pacific region between 1995 and 2004. Between 1979 and 1986, Mr. Hoffmann worked as the sales manager at the GA Pacific Group, a business specialising in the investment and management of retailing, wholesaling, trading, manufacturing and distribution operations and the hotel and tourism trade in Asia-Pacific. Mr. Hoffmann graduated from the University of California at Berkeley, USA in 1978 with a bachelor of arts degree in economics.

Mr. Thomas Levilion was appointed as an executive Director with effect from 30 September 2008 and is Group Deputy General Manager, Finance and Administration. He is primarily responsible for our Group's finance functions worldwide. Mr. Levilion joined our Group in March 2008 and is managing director ("administrateur délégué") of our company and deputy managing director ("directeur général délégué") of L'Occitane S.A.. Furthermore, he is manager (a "gérant") of AHP S.àr.l and of Relais L'Occitane S.àr.l as well as President of Verveina SAS. Between 1988 and 2007, Mr. Levilion worked at Salomon S.A., which was a subsidiary of Adidas AG and was subsequently acquired by the Amer Sports Corporation, where he was the controller and the VP controller and subsequently the chief financial officer. During this time he gained experience in global supply chains, turn-arounds, re-engineering of organisations and mergers and acquisitions. He has a master's in business administration from the Ecole des Hautes Etudes Commerciales in Paris, France, where he majored in finance, and a postgraduate degree in scientific decision making methods from the University of Paris-Dauphine, France.

Mr. Karl Guénard was appointed as a non-executive Director with effect from 30 June 2003. Mr. Guénard joined the Rothschild Group on April 2000. He is currently senior vice president of the financial enginery department at Banque Privée Edmond de Rothschild Europe. Between 1998 and 2000, he was a manager of the financial enginery department at Banque de Gestion Privée Luxembourg (a subsidiary of Crédit Agricole Indosuez Luxembourg). Prior to this, between 1993 and 1998, Mr. Guénard was a funds and corporate auditor. Mr. Guénard is a chartered accountant. He holds a master's degree in economic and management sciences from the University of Strasbourg, France.

Mr. Martial Thierry Lopez was appointed as a non-executive Director with effect from 30 September 2009 and is a consultant of our Group. Prior to that Mr. Lopez had been an executive Director since 22 December 2000. Mr. Lopez takes care of specific finance projects. Mr. Lopez joined our Group in April 2000 as our Group's chief financial officer and was promoted to senior vice president in charge of audit and development in 2008 before he became consultant of the Group. Mr. Lopez gained over 15 years' audit experience prior to joining our Group. He spent three years at Ankaoua & Grabli in Paris, France and 12 years at Befec-Price Waterhouse in Marseille, France as a senior manager. Between 1996 and 1998, he was the senior manager in charge of Price Waterhouse, Marseille until the merger between Price Waterhouse and Coopers & Lybrand. Mr. Lopez graduated from the Montpellier Business School ("Ecole Supérieure de Commerce") in France in 1983 and holds a diploma in accounting and finance ("Diplôme d'Etudes Supérieures Comptables et Financières").

Mr. Pierre Maurice Georges Milet was appointed as a non-executive Director with effect from 25 January 2010. Mr. Milet has been a member of the executive board and managing director of Clarins from 1988 until 10 March 2010. Mr. Milet continues to be a board member of many of the Clarins' subsidiaries. On 8 February 2010, Mr. Milet has been appointed deputy managing director of Financière FC, the holding company of Clarins and as the representative of Financière FC, in its capacity as a member of the supervisory board of Clarins. Clarins is a French cosmetics company that was listed on the Paris Stock Exchange from 1984 to 2008, and is now a privately owned company controlled by the Courtin-Clarins family and is no longer listed on any stock exchange. He also served as company secretary of Clarins from 1983 to 1988 when he was appointed corporate chief financial officer of Clarins. In these capacities, Mr. Milet oversaw all accounting and financial aspects of the Clarins Group's business, as well as negotiated acquisitions and joint ventures. Mr. Milet also has substantial experience in the cosmetics industry gained partly from experience at Max Factor, serving successively as chief financial officer and president of their French subsidiary from1975 to 1982. Mr. Milet has a masters degree in business administration from Ecole des Hautes Etudes Commerciales (France) where he majored in finance.

Mr. Charles Mark Broadley was appointed as an independent non-executive Director with effect from 30 September 2008. Mr. Broadley was the finance director of The Hong Kong and Shanghai Hotels Limited, which owns the Peninsula Hotels, between November 2003 and March 2008. Prior to this, Mr. Broadley worked in the investment banking industry in the UK and Hong Kong. He began his career at Philips & Drew, and then was subsequently at HSBC Investment Banking and N M Rothschild & Sons. Mr. Broadley has a master of arts degree in law from Cambridge University, UK.

Ms. Susan Saltzbart Kilsby was appointed as an independent non-executive Director with effect from 25 January 2010. Mrs. Kilsby is currently a senior advisor to Credit Suisse, based in London. She is chairman of the European Mergers & Acquisitions Group at Credit Suisse and was previously head of their European Mergers & Acquisitions Group. Mrs. Kilsby joined The First Boston Corporation, a predecessor company of Credit Suisse, in 1980, working in their Mergers and Acquisitions Group in New York until 1992. She later moved to London as head of Credit Suisse's European Consumer, Retail & Services Group in Investment Banking and was named head of mergers & acquisitions and strategic advisory in April 2002. Mrs. Kilsby graduated from Wellesley College, USA in 1980 with a bachelor of arts degree in economics and received a master's degree in business administration from the Yale School of Management, USA in 1984.

Mr. Jackson Chik Sum Ng was appointed as an independent non-executive Director of the Company with effect from 25 January 2010. Mr. Ng has extensive experience in accounting and financial management. He is currently the chief financial officer of Modern Terminals Limited. Mr. Ng previously worked at Coopers & Lybrand and also served as group financial controller of Lam Soon Group, as finance director of East Asia of Allergan Inc., a United States pharmaceutical company. Mr. Ng is a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Ng was a non-executive director of Tradelink Electronic Commerce Limited and was an independent non-executive director of Computech Holdings Limited. He holds a master of science degree in Finance from the Chinese University of Hong Kong and a master's degree in business administration from the Hong Kong University of Science and Technology.

SENIOR MANAGEMENT

Mr. David Boynton, aged 48, is general manager of our North Atlantic region, supervising UK, USA and Canada. Mr. Boynton joined our Group in August 2006 as marketing and retail operations director for our operations in the UK prior to being appointed managing director in the UK in April 2007. Mr. Boyton has over twenty years' experience in the retail sector. He worked for Safeway Stores Plc as operations manager for the South of England and other senior roles between 1987 and 2000 and subsequently joined Watsons the Chemist, the health and beauty subsidiary of Hutchison Whampoa, initially as operations director for Hong Kong, then director for buying and marketing in Taiwan before being promoted to the position of managing director of Hong Kong and Macau between 2003 and 2005. Mr. Boynton graduated from the University of Leeds with a bachelor of science degree in 1985.

Mr. Olivier Ceccarelli, aged 48, is our Head of Strategy. He joined our Group in December 2003. In December 2004, he became managing director of AHP S.àr.l. and in May 2008 became director of strategy and development for L'Occitane S.A.. Mr. Ceccarelli has around 20 years' experience in the marketing of cosmetics industry. He worked at L'Oréal Paris as a product manager between 1992 and 1994, as marketing director for L'Oréal Tokyo between 1994 and 1999 and as marketing director in charge of the hair colour market at L'Oréal New York between 1999 and 2002. Mr. Ceccarelli graduated from Ecole des Hautes Etudes Commerciales in Paris, France with a degree in business administration in 1986.

Mr. Bernard Chevilliat, aged 58, is the Managing Director of Melvita and M&A SAS and our Head of Research and development. Mr. Chevilliat joined our Group in June 2008 when we acquired Melvita. Mr. Chevilliat has extensive experience in the natural and organic cosmetics industry, having founded M&A SAS in 1983. Mr. Chevilliat was president of Cosmébio, a French association of professionals involved in the ecological and organic cosmetics industry, between December 2007 and June 2008, when he became vice-president. Mr. Chevilliat graduated from the University of Bordeaux, France in 1976 with a master's degree in biology.

Mr. Emmanuel de Courcel, aged 38, is our general manager for Continental Western Europe and is primarily responsible for our Group's business and strategy in Continental Western Europe. Mr. de Courcel joined our Group in September 2004 as director of operational marketing in Continental Western Europe, prior to becoming general manager for the region in 2005. Between 1996 and 2004, Mr. de Courcel worked as a consultant in the retail sector at The Boston Consulting Group. He was based in New York for two years and Paris for six years during which time he spent two years as a recruiting director. Mr. de Courcel graduated from the ESSEC Business School in Paris, France in 1996.

Mr. Jean-François Gonidec, aged 54, is our Deputy General Manager principally in charge of supply chain management. Mr. Gonidec joined our Group in March 2009 and has extensive experience in project management and in managing a production plant and its supply chain. In addition, he has also assumed responsibilities as financial controller in the course of his career. After having worked in different functions and for different legal entities of the Danone Group during a time period of 18 years, he gained further experience at other organisations including the Group Madrange between March 2007 and February 2009 and at Pierre Fabre Dermo Cosmétique between March 2001 and February 2007. Mr. Gonidec graduated from INSA LYON with a degree in engineering in 1981.

Mr. Marcin Jasiak, aged 43, is our Managing Director International. He is primarily responsible for overseeing the export and travel retail divisions of our Group and supervises the following subsidiaries of our group: Brazil, Russia, Central Europe, Mexico and Poland. Mr. Jasiak joined our Group in March 2003 as director for export in Geneva and subsequently became managing director in Geneva in 2005. Prior to joining our Group, Mr. Jasiak was a junior consultant at KPMG specialising in due diligence and audit. He joined Procter & Gamble, Inc. in 1993 for ten years, based in Poland, Germany and Switzerland, where he served as a brand manager for Poland, Central Europe and Western Europe and as a category manager for cosmetics export, working in Poland, Germany and Switzerland. Mr. Jasiak graduated from the University of Warsaw, Poland with two master's degrees, in English philology and management and marketing, respectively, and from the University of Illinois at Urbana-Champaign, USA with a master's in business administration.

Mrs. Shiho Takano, aged 45, is head of our operations in Japan and is primarily responsible for our Group's strategic planning and the management of our Group's business in Japan. Mrs. Takano joined our Group in January 2001 as general manager for L'Occitane Japon K.K. before being promoted to president representative director. Prior to joining our Group, Mrs. Takano held various managerial roles in the cosmetics industry. Between 1990 and 1996, Mrs. Takano worked at Yves Saint Laurent Japan, where her last position was as marketing manager. She then joined Coca-Cola Japan in 1996 as activation manager where she was responsible for drinks aimed at the female market with a focus on natural products and beauty. From 1998 to 2001, she was buying and marketing manager for the beauty division of Boots MC in Japan.

Mr. Domenico Trizio, aged 50, is our Chief Operating Officer. Mr. Trizio joined our Group in November 2010. He is responsible for the overall operational management of the Company and oversees the Company's supply chain, management information systems, finance and SAP project. He reports to Emmanuel Osti, executive Director and managing director of the Company. Prior to joining the Company, Mr. Trizio was a vice president at Coty, Inc. from 2007 to 2008 and was subsequently promoted to senior vice president from 2008 to October 2010, where he was in charge of the global supply chain for the Prestige division. Prior to that, he held supply chain positions at Colgate-Palmolive Company from 1987 to 1997, Johnson & Johnson from 1997 to 2001, Levi Strauss & Co. from 2001 to 2005 and Cadbury-Schweppes from 2005 to 2007. Mr. Trizio has over 15 years of experience in operational management. Mr. Trizio graduated in chemical engineering at Rome University in 1986 and received the International Executive Program General Management Certificate at INSEAD in April 2001.

DIRECTORS' REPORT

THE DIRECTORS SUBMIT THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES (THE "GROUP") FOR THE YEAR ENDED 31 MARCH 2011.

PRINCIPAL ACTIVITIES

The Company is a global, natural and organic ingredient-based cosmetics and well-being products enterprise with strong regional roots in Provence. The Company is committed to bringing products of the highest quality under the L'Occitane brand to its customers around the world. The Company designs, manufactures and markets a wide range of cosmetics and well-being products based on natural and organic ingredients sourced principally from or near Provence.

An analysis of the Group's performance for the year ended 31 March 2011 by operating segments is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2011 are set out in the Consolidated Statements of Income on page 58.

The Board recommends a final dividend of €0.0135 per share. The payment shall be made in Euros, except that payment to shareholders whose names appear on the register of members in Hong Kong shall be paid in Hong Kong dollars. The relevant exchange rate will be the opening buying T/T rate of Hong Kong dollars to Euros as announced by the Hong Kong Association of Banks (www.hkab.org.hk) on the day of the approval of the dividend.

The final dividend will be subject to approval by the shareholders at the forthcoming AGM of the Company to be held on 30 September 2011. The record date to determine which shareholders will be eligible to attend and vote at the forthcoming AGM will be 30 September 2011 (the "AGM Record Date"). The register of members of the Company will be closed from Tuesday, 27 September 2011 to Friday, 30 September 2011, both days inclusive, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited ("Computershare"), at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 26 September 2011.

Subject to the shareholders approving the recommended final dividend at the forthcoming AGM, such dividend will be payable on or about 21 October 2011 to shareholders whose names appear on the register of members on 12 October 2011 (the "Dividend Record Date"). To determine eligibility for the final dividend, the register of members will be closed from Friday, 7 October 2011 to Wednesday, 12 October 2011, both days inclusive, during which period no shares can be registered. In order to be entitled to receive the final dividend, all transfers accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong Share Registrar, Computershare, not later than 4:30 p.m. on Thursday, 6 October 2011.

The dividends will be paid after retention of the appropriate withholding tax under Luxembourg Laws. In the circular containing the notice convening the AGM, shareholders will be provided with detailed information about procedures for reclaiming all or part of the withholding tax in accordance with the provisions of the double tax treaty between Luxembourg and Hong Kong.

FIVE YEAR FINANCIAL SUMMARY

The five year financial summary of the Group is set out on page 174 of this report.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Shareholders' Equity page 64 and note 16 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2011, the Company's reserves available for distribution to shareholders in accordance with the Company's articles of association (the "Articles of Association") as amended on 15 April 2010 amounted to approximately €179,985,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 March 2011 are set out in note 7 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year ended 31 March 2011 amounted to €813,000.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Grand-Duchy of Luxembourg.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 March 2011.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2011 are set out in note 31 to the financial statements.

DIRECTORS

The Directors of the Company during the year ended 31 March 2011 and up to the date of this report were:

Executive Directors

Mr. Reinold Geiger
(Chairman and Chief Executive Officer)
(appointed on 22 December 2000)
Mr. Emmanuel Laurent Jacques Osti
(appointed on 22 December 2000)
Mr. André Joseph Hoffmann
(appointed on 2 May 2001)
Mr. Thomas Levilion
(appointed on 30 September 2008)

Non-Executive Directors

Mr. Martial Thierry Lopez
(appointed on 22 December 2000 and designated as Non-Executive Director on 30 September 2009)
Mr. Karl Guénard
(appointed on 30 June 2003)
Mr. Pierre Maurice Georges Milet
(appointed on 25 January 2010)

Independent Non-executive Directors

Mr. Charles Mark Broadley
(appointed on 30 September 2008)
Mrs. Susan Saltzbart Kilsby
(appointed on 25 January 2010)
Mr. Jackson Chik Sum Ng
(appointed on 25 January 2010)

In accordance with code provision A.4.2 as set out in Appendix 14 to the Listing Rules, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In addition, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In accordance with Article 10.1 of the Articles of Association of the Company, the Directors shall be elected by the shareholders at a general meeting, which shall determine their number and term of office. The term of the office of a Director shall be not more than three years, upon the expiry of which each shall be eligible for re-election.

Accordingly, Thomas Levilion, Pierre Maurice Georges Milet, Charles Mark Broadley, Susan Salzbart Kilsby and Jackson Chik Sum Ng, shall retire by rotation, and being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

BIOGRAPHICAL INFORMATION OF DIRECTORS

Brief biographical information of the Directors of the Company are set out in the "Directors and Senior Management" section on pages 36 to 41 of this report.

DIRECTORS' SERVICE CONTRACTS

None of our Directors has or is proposed to have a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors of the Company had any interests in a business which competes, either directly, or indirectly, with the business of the Company or the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2011, the following Directors or chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provision of the SFO), (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or (iii) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code contained in the Listing Rules:

(a) Interests in the Shares of the Company

Name of Director	Capacity and Nature of Interest	Number of shares/ underlying shares held	Approximate % of Shareholding
Reinold Geiger (Note)	Interest in controlled corporation	1,021,827,891 (long position)	69.18%
André Joseph Hoffmann	Beneficial Interest	958,750 (long position)	0.06%
Charles Mark Broadley	Beneficiary of a trust	102,000 (long position)	0.00%
Susan Kilsby	Beneficiary of a trust	58,500 (long position)	0.00%
Jackson Chik Sum Ng	Beneficial Interest	30,000 (long position)	0.00%

Note:
Mr. Reinold Geiger is the beneficial owner of the entire issued share capital of Société d'Investissement Cime S.A., which in turn is the beneficial owner of approximately 56.63% of the entire issued share capital of the L'Occitane Groupe S.A. ("LOG"). Mr. Reinold Geiger is therefore deemed under the SFO to be interested in all the shares registered in the name of LOG, which holds 1,021,827,891 shares in the Company. Ms. Dominique Maze-Sencier, Mr. Geiger's wife, is also deemed under the SFO to be interested in shares in LOG in which Mr. Geiger is interested.

(b) Interests in the shares of the associated corporations

Long Position in the shares of LOG

Name of Director	Capacity and Nature of Interest	Number of shares held	Approximate % of Shareholding *(Note 4)*
Reinold Geiger	Beneficial interest and deemed Interest	11,366,920 *(Note 1)*	56.81%
André Joseph Hoffmann	Deemed interest	3,260,676 *(Note 2)*	16.30%
Emmanuel Laurent Jacques Osti	Beneficial interest and deemed interest	339,144 *(Note 3)*	1.69%
Martial Thierry Lopez	Beneficial interest	26,069	0.13%

Notes:
1. *Comprised of 253 shares held by Mr. Reinold Geiger, 11,331,207 shares held by Societe d'Investissement Cime S.A. and 35,460 shares held by Ms. Dominique Maze-Sencier, each as beneficial and registered owner. Mr. Geiger is the beneficial owner of the entire issued share capital of Societe d'Investissement Cime S.A.; Mr. Geiger is therefore deemed under the SFO to be interested in all the shares in LOG held by Societe d'Investissement Cime S.A. Mr. Geiger is also deemed under the SFO to be interested in the shares in LOG held by Mr. Geiger's wife, Ms. Dominique Maze-Sencier.*
2. *Mr. André Hoffmann controls Provence Investment Pte. Ltd. Mr. Hoffmann is therefore deemed under the SFO to be interested in all the shares in LOG registered in the name of Provence Investment Pte. Ltd., which holds 3,260,676 shares in LOG.*
3. *Comprised of 276,384 shares held by Mr. Emmanuel Osti and 62,760 shares held by Ms. Cecile de Verdelhan, each as beneficial and registered owner. Mr. Osti is deemed under the SFO to be interested in the shares of LOG held by Mr. Osti's spouse, Ms. Cecile de Verdelhan.*
4. *The approximate percentage shareholdings in the share capital of LOG are calculated on the basis of the total number of 20,009,873 LOG shares issued to persons other than LOG, but do not take into account 3,281,549 LOG treasury shares that are held by LOG itself.*

Save as disclosed herein, as at 31 March 2011, none of the Directors and chief executive of the Company, or any of their spouses, or children under eighteen years of age, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2011, the register of substantial shareholders maintained under section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests or short positions, other than a Director or chief executive of the Company, in the shares or underlying shares of the Company:

Name of shareholders	Capacity and Nature of Interest	Number of shares/ underlying shares held	Approximate % of Shareholding
Société d'Investissement Cime S.A.	Interest in controlled corporation	1,021,827,891 (long position) *(Note a)*	69.18%
LOG	Beneficial Owner	1,021,827,891 (long position) *(Note a)*	69.18%

Note:

a. Société d'Investissement Cime S.A. is the beneficial owner of approximately 56.63% of the entire issued share capital of LOG, which held 1,021,827,891 shares. Société d'Investissement Cime S.A. is therefore deemed under the SFO to be interested in all the shares registered in the name of LOG.

Save as disclosed herein, as at 31 March 2011, the Company had not been notified of any substantial shareholder (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 March 2011 are set out in the Consolidated Statement of Changes in Shareholders' Equity page 64 and note 16 to the financial statements.

SHARE OPTION SCHEME

The Company adopted a share option plan (the "Share Option Plan") pursuant to a resolution of the Shareholders passed on 30 September 2010 (the "Adoption Date"). The purpose of the Share Option Plan is to provide employees of the Group, all its Directors (including NED) and Shareholders (together, the "Eligible Persons") with an opportunity to have a proprietary interest in the Company through being granted share options under the Share Option Plan rules ("Options"), which will motivate the Eligible Persons to optimise their performance, effectiveness and efficiency for the benefit of the Group and attract and retain or otherwise maintain ongoing business relationships with those Eligible Persons whose contributions are or will be beneficial to the long-term growth of the Group. The Share Option Plan shall be valid and effective for a period of three years commencing on the Adoption Date and, under the rules of the Share Option Plan, no further options shall be granted on and after the third anniversary of the Adoption Date. As a general rule, the vesting period of the Options is set at four years and the exercise period is set at four years after the date of vesting. The Board is entitled, however, to grant Options to Eligible Persons subject to such conditions as the Board may think fit, including in respect to the vesting and exercise of such Options. Options are offered to Eligible Persons by means of offer letter, such offer remaining open for acceptance for 28 calendar days from the date on which the offer is made (the "Offer Date"). The amount payable on application or acceptance of Options is specified in each Eligible Person's offer letter.

The overall limit on the number of shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Plan (and any other share option plan or scheme that may be maintained by the Company in the future) must not exceed 30% of the issued shares of the Company from time to time. The maximum number of shares in respect of which Options may be granted under the Share Option Plan shall not exceed 10% of the Company's issued share capital as of the Adoption Date (the "Plan Mandate Limit"). The Plan Mandate Limit can be renewed with prior approval of the shareholders. The total number of shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Plan to any Eligible Person in any 12 month period must not exceed 1% of the issued share capital of the Company at the relevant time.

The Exercise Price shall be at a price determined by the Board at its absolute discretion and notified to the participant and shall be no less than the higher of (i) the closing price of the shares as stated in the daily quotation sheets issued by the Hong Kong Stock Exchange on the Offer Date; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Hong Kong Stock Exchange for the five business days immediately preceding the Offer Date (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the shares where the Company has been listed for less than five business days or at the Offer Date); (iii) and the nominal value of a share on the date of grant.

As of 31 March 2011, no Options had been granted or agreed to be granted by the Company under the Share Option Plan. However, the Company offered a grant of Options in respect of 11,834,000 shares to certain Eligible Persons on 4 April 2011, which were duly accepted. As at the date of this report, the total number of shares available for issue under the Share Option Plan is therefore 135,862,489 shares, representing approximately 9.2% of the existing issued share capital of the Company.

Main characteristics of the Share-based payments

LOG (the parent company of the Company) granted rights to its own equity instruments direct to the Company and its subsidiaries' employees.

- Options, granted in July 2009 (formally authorized in January 2010) and April 2010 are conditional on the employee completing four years' service (the vesting period) and there are no performance conditions. The exercise price of the options is € 23.20. Options have a contractual option term of 6 years.

- Options, granted on February 2008, are conditional on the employee completing four years' service (the vesting period) and there are no performance conditions. The exercise price of the options is €26.10. Options have a contractual option term of 6 years.

- The free shares, granted on August 2010, July 2009, June 2008 and February 2008 are conditional upon the employee completing four years' service (the vesting period).

- On 27 December 2007, 60,651 shares of LOG have been issued to the benefit of FCPE L'Occitane Actionnariat which is a fund held by employees of the French subsidiaries of the Group. The shares were issued for a subscription price with a discount of 20% as compared to the fair value at that date. There is no vesting condition. However the shares are subject to restrictions on transfer over a period of 5 years.

At the time they become LOG shareholders, employees are subject to a liquidity agreement signed with LOG.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed in the paragraph headed "**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES**" and "**SHARE OPTION SCHEME"** in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

At the end of the year or at any time during the year ended 31 March 2011, there was no contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, and in which a Director had, whether directly or indirectly, a material interest.

Connected Transactions

During the year ended 31 March 2011, the Company had the following non-exempt continuing connected transaction, which, following certain amendments to Chapter 14A of the Listing Rules which came into force on 3 June 2010, is no longer subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules, the annual review requirements set out in Rules 14A.37 to 14A.40 of the Listing Rules or the independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

Shareholders' Loans

Reference is made to an announcement of the Company dated 27 June 2010, pursuant to which it was announced that the Board had been informed by LOG, the controlling shareholder of the Company, that LOG had, on 25 June 2010, entered into a transfer agreement with Clarins Groupe Sarl (***"Clarins"***) in relation to the sale by Clarins to LOG of Clarins' 10.06% shareholding in LOG (the ***"Transfer of LOG Shares"***).

Prior to the Transfer of LOG Shares, Clarins BV held 49.9% of the issued share capital in each of the Company's subsidiaries, L'Occitane (Suisse) S.A., L'Occitane (Korea) Limited and L'Occitane Mexico S.A. de CV (the ***"Joint Venture Subsidiaries"***). The Company and Clarins have made shareholders' loans to the Joint Venture Subsidiaries in equal shares, as further described below (the ***"Shareholders' Loans"***). Following the implementation of the new Rule 14A.12A(1)(b) of the Listing Rules on 3 June 2010, the Joint Venture Subsidiaries became only associates of Clarins BV, a connected person of the Company at the Company's subsidiaries level. Accordingly, the Joint Venture Subsidiaries were no longer regarded as connected persons of the Company. Additionally, on 1 December 2010 the Company acquired Clarins BV's 49.9% stake in L'Occitane Mexico S.A. de CV for US$1,302,228.38, resulting in it becoming a wholly-owned subsidiary of the Company and ceasing to be an associate of Clarins BV. As a consequence of the above events, the portions of the Shareholders' Loans contributed by the Company to each of Joint Venture Subsidiaries are no longer connected transactions.

Prior to certain amendments being made to Rule 14A of the Listing Rules, the portions of the Shareholders' Loans contributed by Clarins to the Joint Venture Subsidiaries (the ***"Clarins Shareholder Loans"***) were subject to independent shareholders' approval, reporting, annual review and announcement requirements in accordance with Chapter 14A of the Listing Rules. In light of the amendments to Rule 14A.33 of the Listing Rules which came into force on 3 June 2010, the Company has been exempt from these requirements since this date.

As (i) Clarins is a connected person of the Company by virtue of its relationship with the Company's subsidiaries; (ii) the aggregate value of the total assets, profits and revenue of the relevant Joint Venture Subsidiaries represents less than 5% of the relevant percentage ratios as defined in Rule 14.04(9) of the Listing Rules for the latest financial year; and (iii) the consideration ratio as set out in Rule 14.07(4) of the Listing Rules calculated by reference to loan amounts repayable as a lump sum at maturity and annual interest payments is less than 10%, the Clarins Shareholder Loans satisfy the conditions set out in Rule 14A.33(4) of the Listing Rules and therefore, from 3 June 2010, have been exempt from the independent shareholders' approval, reporting, annual review and announcement requirements of Chapter 14A of the Listing Rules. For the avoidance of doubt, the Clarins Shareholder Loans were, for the period from 1 April 2010 to and including 2 June 2010, subject to such requirements in accordance with Chapter 14A of the Listing Rules before the amendments to the Listing Rules came into force.

Pursuant to loan contracts dated 18 December 2009 and promissory notes dated 18 December 2009, the Company and Clarins each contributed, in both Swiss Francs and Euros, the Euro equivalent of approximately €1,261,000 and €1,190,000 respectively, amounting to an aggregate of approximately €2,451,000 to our subsidiary L'Occitane (Suisse) S.A., as shareholders' loans. For the period from 1 April 2010 to and including 2 June 2010, the Euro equivalent of €3,000 and €3,000 were paid to the Company and Clarins respectively as interest payments.

Pursuant to loan contracts dated 16 October 2009 and promissory notes dated 16 October 2009, the Company, our wholly owned subsidiary L'Occitane Singapore Pte Ltd and Clarins each contributed €1,220,000, €288,000 and €1,502,000 respectively, amounting to an aggregate of €3,010,000, to our subsidiary, L'Occitane (Korea) Limited, as shareholders' loans. In April 2010, L'Occitane Singapore Pte Ltd and Clarins were repaid €288,000 and €286,850 respectively. As at 3 June 2010, the balances due had been reduced accordingly. For the period from 1 April 2010 to and including 2 June 2010, €5,000, €3,000 and €5,000 were paid to the Company, L'Occitane Singapore Pte Ltd and Clarins respectively as interest payments.

Pursuant to loan contracts dated 22 December 2009 and promissory notes dated 22 December 2009, the Company and Clarins each contributed in US dollars the Euro equivalent of approximately €2,315,000 and €2,303,000 respectively, amounting to approximately €4,618,000 to our subsidiary L'Occitane Mexico S.A. de CV, as shareholders' loans. For the period from 1 April 2010 to and including 2 June 2010, the Euro equivalent of €15,000 and €9,000 were paid to the Company and Clarins respectively as interest payments. The loans payable by L'Occitane Mexico S.A. de CV to the Company and Clarins were fully repaid on 1 December 2010.

Further details of the Shareholders' Loans are set out in note 29.4 to the financial statements.

During the year ended 31 March 2011, the Company had the following non-exempt continuing transaction, which, further to certain amendments to Chapter 14A of the Listing Rules which came into force on 3 June 2010, is exempt from complying with the reporting, annual review and announcement requirements set out in Chapter 14A of the Listing Rules. The following transaction was exempt from the independent shareholders' approval requirement prior to the amendments to Chapter 14A of the Listing Rules coming into force.

Sale of products to Courtin-Clarins Associates

Clarins Canada Inc., Clarins Sdn Bhd, Monarimport SpA and L'Occitane Nederland BV (together, the ***"Courtin-Clarins Associates"***) have entered into certain distribution agreements and arrangements with the Company in relation to the sale and purchase of L'Occitane products (the ***"Sale of Products"***).

Reference is made to the Company's announcement dated 23 July 2010, pursuant to which it was announced that in view of the amendments to Rule 14A.33(3)(b) of the Listing Rules and the revised De Minimis Thresholds which came into force on 3 June 2010, the Company is, from 3 June 2010, exempt from complying with reporting, annual review and announcement requirements in relation to the Sale of Products to the Courtin-Clarins Associates. The transactions described above are, in the case of Clarins Canada Inc., Clarins Sdn Bhd and Monarimport SpA, connected transactions only because such companies are each a subsidiary of Clarins BV, a substantial shareholder of the Company's subsidiaries, L'Occitane (Suisse) S.A., L'Occitane (Korea)

Limited and (prior to 1 December 2010) L'Occitane Mexico S.A. de CV. The Company's transactions with L'Occitane Nederland BV were connected transactions up to 1 September 2010 as Clarins BV held 40% of the equity interest in L'Occitane Nederland BV up to such date (at which point the Company acquired such equity interest from Clarins BV in full for €247,425. Prior to this date, the Company did not have any direct or indirect shareholding interest in L'Occitane Nederland BV). Each of the Courtin-Clarins Associates is (or, in the case of L'Occitane Nederland BV, was up to 1 September 2010) therefore an associate of Clarins' BV and a connected person of the Company at the level of its subsidiaries.

As the highest ratio applicable to the Sale of Products to the Courtin-Clarins Associates (including L'Occitane Nederland BV up to 1 September 2010 only), as set out in Rule 14.07 of the Listing Rules, where applicable, is in each case on an annual basis expected to be more than 0.1% but less than 1.0%, such transactions now satisfy the conditions set out in Rule 14A.33(3)(b) and therefore, from 3 June 2010, have been exempt from the reporting, annual review and announcement requirements set out in Chapter 14A of the Listing Rules. For the avoidance of doubt, the Sale of Products to the Courtin-Clarins Associates was, for the period from 1 April 2010 to and including 2 June 2010, subject to the reporting, annual review and announcement requirements in accordance with Chapter 14A of the Listing Rules before the amendments to the Listing Rules came into force.

For the period from 1 April 2010 to and including 2 June 2010, the aggregate sales made by the Company of such products to the Courtin-Clarins Associates was approximately €770,000. Further details of the sale of products are set out in note 29.2 to the financial statements.

Please refer to the Company's announcement dated 23 July 2010 detailing the changes to the Company's non-exempt connected transactions as a result of the amendments to Chapter 14A of the Listing Rules.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with International Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 50 to 52 of the Annual Report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at 31 March 2011 are set out in note 17 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The nature of the Group's activities are such that the percentage of sales or purchases attributable to the Group's five largest customers or suppliers is significantly less than 30% of the total and the Directors do not consider any one customer or supplier to be influential to the Group.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in note 18 to the financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors, all Directors have confirmed that they have complied with the required standard of the Model Code throughout the period from the Listing Date and up to the date of this report.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is set out on pages 26 to 35.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 30 to the financial statements.

MATERIAL LEGAL PROCEEDINGS

As at 31 March 2011, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the directors to be pending or threatened against any member of the Group.

SUFFICIENCY OF PUBLIC FLOAT

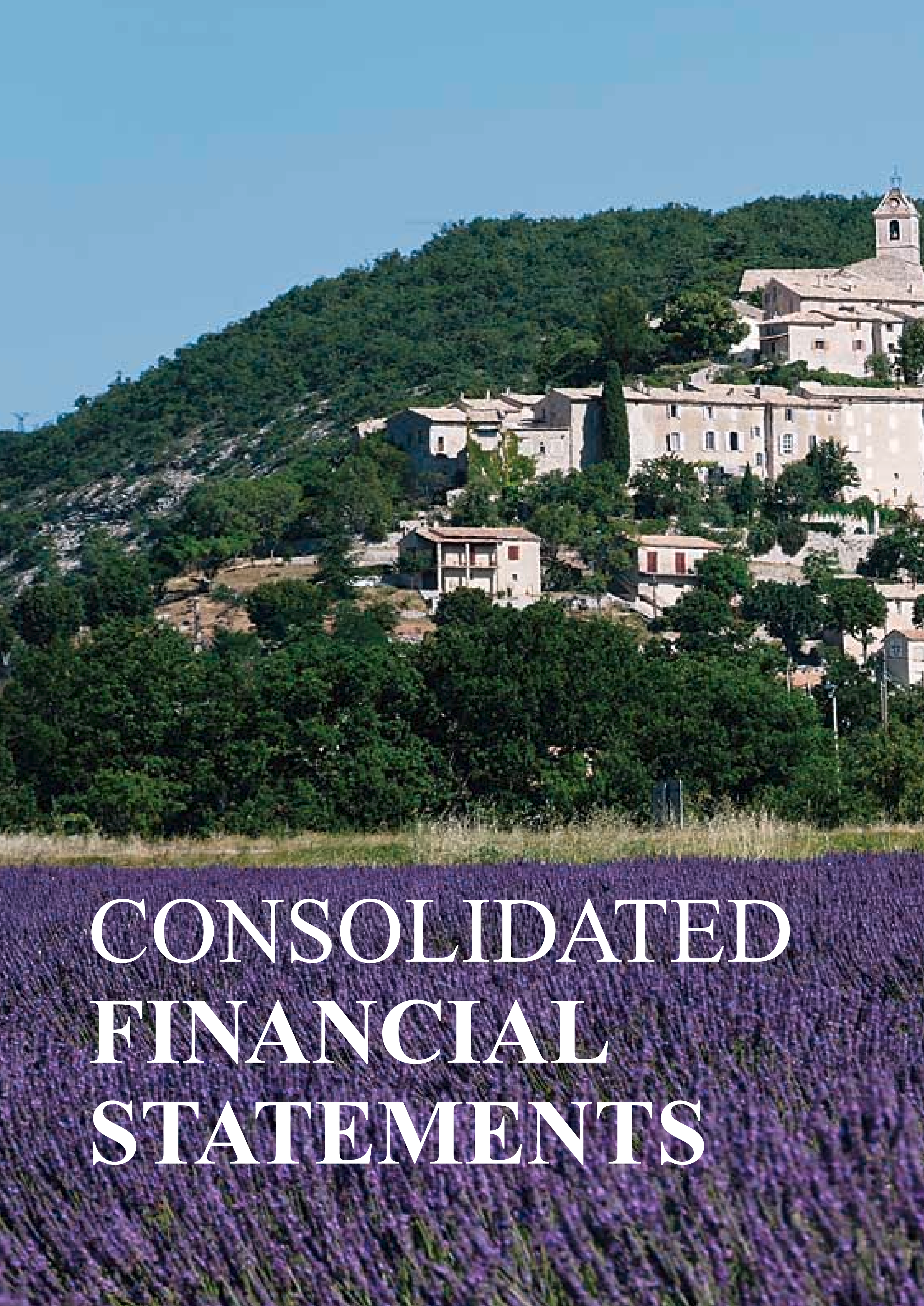
Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of more than 25% of the issued share capital of the Company under the Listing Rules during the period from the Listing Date to the date of this report.

AUDITORS

The financial statements were audited by PricewaterhouseCoopers who will retire as auditors of the Company at the conclusion of the forthcoming AGM and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company will be proposed at the forthcoming AGM of the Company.

By order of the Board

Reinold Geiger
Chairman
27 June 2011



CONSOLIDATED FINANCIAL STATEMENTS

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To the Shareholders of
L'Occitane International S.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of L'Occitane International S.A. and its subsidiaries, which comprise the consolidated balance sheet as at 31 March 2011, and the consolidated statement of income, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and 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.

Responsibility of the "Réviseur d'entreprises agréé" ("Registered Auditor")

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as issued by the International Auditing and Assurance Standards Board and as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal contro1. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation ofthe consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of L'Occitane International S.A. and its subsidiaries as of 31 March 2011, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union.

Report on other legal and regulatory requirements

The Directors' report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

PricewaterhouseCoopers S.à r.1. Luxembourg, 27 June 2011
Represented by .

Pascal Rakovsky

Year ended 31 March *In thousands of Euros, except per share data*	Notes	2011	2010
Net Sales		**772,294**	**612,245**
Cost of sales		(135,332)	(114,982)
Gross profit		**636,962**	**497,263**
% of net sales		*82.48%*	*81.22%*
Distribution expenses		(343,460)	(270,901)
Marketing expenses		(84,593)	(55,656)
Research & development expenses		(5,082)	(3,988)
General and administrative expenses		(74,142)	(59,404)
Other (losses) / gains-net	(26.2)	2,399	2,879
Operating profit		**132,084**	**110,193**
Finance costs - net	(22)	(1,461)	(3,529)
Foreign currency gains / (losses)	(23)	(3,020)	5,474
Profit before income tax		**127,603**	**112,138**
Income tax expense	(24)	(24,903)	(27,579)
Profit for the year		**102,700**	**84,559**
Attributable to:			
Equity owners of the Company		99,501	81,626
Non-controlling interests		3,199	2,933
Total		**102,700**	**84,559**
Earnings per share for profit attributable to the equity owners of the Company during the year *(expressed in Euros per share)*			
Basic	(25)	0.068	0.064
Diluted	(25)	0.068	0.064
Number of shares used in earnings per share calculation adjusted for the new par value of € 0.03 (see note 31)			
Basic	(25)	1,455,250,609	1,274,396,391
Diluted	(25)	1,455,250,609	1,274,396,391

Year ended 31 March *In thousands of Euros, except per share data*	Notes	2011	2010
Profit for the year		**102,700**	**84,559**
Other comprehensive income:			
Cash flow hedges fair value gains / (losses) net of tax	(14)	815	(1,610)
Currency translation differences		942	4,044
Other comprehensive income / (loss) for the year, net of tax		**1,757**	**2,434**
Total comprehensive income for the year		**104,457**	**86,993**
Attributable to:			
Equity owners of the Company		101,695	83,337
Non-controlling interests		2,762	3,656
Total		**104,457**	**86,993**

CONSOLIDATED BALANCE SHEETS

ASSETS *In thousands of Euros*	Notes	31 March 2011	31 March 2010
Property, plant and equipment, net	(7)	91,258	76,680
Goodwill	(8)	89,382	86,184
Intangible assets, net	(9)	48,390	41,098
Deferred income tax assets	(24.2)	40,701	26,252
Available-for-sale financial assets		39	39
Other non-current receivables	(10)	20,415	18,435
Non-current assets		**290,185**	**248,688**
Inventories, net	(11)	101,339	67,479
Trade receivables, net	(12)	59,629	47,871
Other current assets	(13)	34,381	30,633
Derivative financial instruments	(14)	201	94
Cash and cash equivalents	(15)	300,125	41,825
Current assets		**495,675**	**187,902**
TOTAL ASSETS		**785,860**	**436,590**

EQUITY AND LIABILITIES *In thousands of Euros*	Notes	31 March 2011	31 March 2010
Share capital	(16)	44,309	38,232
Additional paid-in capital	(16)	342,851	48,730
Other reserves		5,831	2,554
Retained earnings		167,275	67,774
Capital and reserves attributable to the equity owners		**560,266**	**157,290**
Non-controlling interests		4,998	3,988
Total equity		565,264	161,278
Borrowings	(17)	54,003	49,997
Deferred income tax liabilities	(24.2)	1,253	1,224
Derivative financial instruments	(14)	554	1,364
Other financial liabilities	(6.3)	5,873	5,504
Other non-current liabilities	(18)	11,026	9,591
Non-current liabilities		**72,709**	**67,680**
Trade payables	(19)	72,483	59,940
Salaries, wages, related social items and other tax liabilities		36,431	29,523
Current income tax liabilities		22,782	15,950
Borrowings	(17)	6,015	11,872
Other current liabilities	(18)	6,333	84,490
Derivative financial instruments	(14)	879	1,646
Provisions for other liabilities and charges	(20)	2,964	4,211
Current liabilities		**147,887**	**207,632**
TOTAL EQUITY AND LIABILITIES		**785,860**	**436,590**
NET CURRENT ASSETS/(LIABILITIES)		**347,788**	**(19,730)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**637,973**	**228,958**

ASSETS *In thousands of Euros*	Notes	31 March 2011	31 March 2010
Property, plant and equipment, net		2,581	1,241
Intangible assets, net		1,228	1,503
Investments in subsidiaries	(31)	119,453	113,463
Deferred income tax assets		15	667
Other non-current receivables due from subsidiaries		904	4
Non-current assets		**124,181**	**116,878**
Inventories, net		3,508	1,808
Trade receivables due from subsidiaries, net		73,058	36,332
Trade receivables, net	(12)	9,768	7,009
Other current assets due from subsidiaries		178,888	126,005
Other current assets		2,104	2,474
Derivative financial instruments	(14)	177	94
Cash and cash equivalents	(15)	262,940	14,482
Current assets		**530,443**	**188,204**
TOTAL ASSETS		**654,624**	**305,082**

EQUITY AND LIABILITIES *In thousands of Euros*	Notes	31 March 2011	31 March 2010
Share capital	(16)	44,309	38,232
Additional paid-in capital	(16)	342,851	48,730
Retained earnings		180,933	71,252
Total equity		**568,093**	**158,214**
Borrowings	(17)	24,377	12,391
Deferred income tax liabilities		—	—
Derivative financial instruments	(14)	—	285
Other financial liabilities	(6.3)	4,974	4,652
Non-current liabilities		**29,351**	**17,328**
Trade payables due to subsidiaries		36,899	17,360
Trade payables		3,516	6,006
Salaries, wages, related social items and other tax liabilities		4,421	3,241
Current income tax liabilities		8,426	6,715
Borrowings	(17)	155	3,466
Other current liabilities due to subsidiaries		1,806	11,164
Other current liabilities		1,188	80,292
Derivative financial instruments	(14)	769	1,217
Provisions for other liabilities and charges		—	79
Current liabilities		**57,180**	**129,540**
TOTAL EQUITY AND LIABILITIES		**654,624**	**305,082**
NET CURRENT ASSETS		**473,263**	**58,664**
TOTAL ASSETS LESS CURRENT LIABILITIES		**597,444**	**175,542**

The profits attributable to equity owners of the Company for the years ended 31 March 2011 and 2010 are dealt with in the financial statements of the Group to the extent of €107,216,000 and €67,281,000.

		Attributable to equity owners of the Company										
									Retained earnings			
In thousands of Euros (except "Number of Shares")	Notes	Number of shares	Share capital	Additional paid-in capital	Share Based Paym.	Hedging reserve	Cumul. Currency Transl. Diff.	Excess of consideration paid in transaction with non-controlling interests	Prior years	Profit for the period	Non-controlling interests	TOTAL EQUITY
Balance at 31 March 2009		**19,290,674**	**38,232**	**49,995**	**1,142**	**237**	**(2,499)**	**–**	**39,765**	**58,383**	**2,004**	**187,259**
Comprehensive income												
Profit for the period		–	–	–	–	–	–	–	–	81,626	2,933	84,559
Other comprehensive income												
Currency translation differences		–	–	–	–	–	3,321	–	–	–	723	4,044
Cash flow hedges fair value gains / (losses) net of tax	(14)	–	–	–	–	(1,610)	–	–	–	–	–	(1,610)
Total comprehensive income		**–**	**–**	**–**	**–**	**(1,610)**	**3,321**	**–**	**–**	**81,626**	**3,656**	**86,993**
Transactions with owners												
Allocation of prior year earnings		–	–	–	–	–	–	–	58,383	(58,383)	–	–
Dividends declared	(16.5)	–	–	–	–	–	–	–	(112,000)	–	(1,633)	(113,633)
Contribution from the parent	(16.3)	–	–	–	1,963	–	–	–	–	–	–	1,963
Incremental costs directly attributable to the issue of new shares net of tax		–	–	(1,265)	–	–	–	–	–	–	–	(1,265)
Non-controlling interests in capital increase		–	–	–	–	–	–	–	–	–	206	206
Acquisition of non-controlling interests	(6.1)	–	–	–	–	–	–	–	–	–	(245)	(245)
Total transaction with owners		***–***	***–***	***(1,265)***	***1,963***	***–***	***–***	***–***	***(53,617)***	***(58,383)***	***(1,672)***	***(112,974)***
Balance at 31 March 2010		**19,290,674**	**38,232**	**48,730**	**3,105**	**(1,373)**	**822**	**–**	**(13,852)**	**81,626**	**3,988**	**161,278**
Comprehensive income												
Profit for the period		–	–	–	–	–	–	–	–	99,501	3,199	102,700
Other comprehensive income												
Currency translation differences		–	–	–	–	–	1,379	–	–	–	(437)	942
Cash flow hedges fair value gains / (losses) net of tax	(14)	–	–	–	–	815	–	–	–	–	–	815
Total comprehensive income		***–***	***–***	***–***	***–***	***815***	***1,379***	***–***	***–***	***99,501***	***2,762***	***104,457***
Transactions with owners												
Allocation of prior year earnings		–	–	–	–	–	–	–	81,626	(81,626)	–	–
Effect of the change in par value to €0.03 on April 9, 2010		1,255,105,717	–	–	–	–	–	–	–	–	–	–
Issue of new shares on May 7 and May 28, 2010 (net of transaction costs and net of tax)		202,568,500	6,077	294,121	–	–	–	–	–	–	–	300,198
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	(2,094)	(2,094)
Contribution from the parent		–	–	–	2,017	–	–	–	–	–	–	2,017
Non-controlling interests in capital increase		–	–	–	–	–	–	–	–	–	395	395
Transactions with non-controlling interests		–	–	–	–	–	–	(934)	–	–	(53)	(987)
Total transaction with owners		***1,457,674,217***	***6,077***	***294,121***	***2,017***	***–***	***–***	***(934)***	***81,626***	***(81,626)***	***(1,752)***	***299,529***
Balance at 31 March 2011		**1,476,964,891**	**44,309**	**342,851**	**5,122**	**(558)**	**2,201**	**(934)**	**67,774**	**99,501**	**4,998**	**565,264**

Year ended 31 March *In thousands of Euros*	Notes	2011	2010
Cash flows from operating activities			
Profit for the year from continuing operations		102,700	84,559
Adjustments to reconcile profit for the year to net cash from operating activities			
Depreciation, amortization and impairment	(26.3)	30,452	26,725
Deferred income taxes	(24.1)	(15,331)	2,203
Unwinding of discount on other financial liabilities	(22)	369	359
Share based payment	(21)	2,017	1,963
Change in the fair value of derivatives	(14)	(502)	1,257
Other (gains) - net	(26.2)	(1,471)	(2,292)
Net movements in provisions	(26.4)	(804)	2,648
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation)			
Inventories		(34,057)	11,712
Trade receivables		(11,608)	(3,611)
Trade payables		14,131	6,564
Salaries, wages, related social items and other tax liabilities		6,305	9,168
Current income tax assets and liabilities		14,115	520
Unpaid finance costs		(33)	(13)
Other assets and liabilities, net		(7,372)	(3,648)
Net cash inflow from operating activities		**98,911**	**138,114**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	(6.1)(6.2)	(3,392)	(7,274)
Purchases of property, plant and equipment	(7)	(36,029)	(22,795)
Purchases of intangible assets	(9)	(13,002)	(7,465)
Proceeds from sale of fixed assets	(26.2)	4,332	3,123
Change in deposits and key moneys paid to the landlords		(1,514)	(1,499)
Change in non-current receivables and liabilities		173	296
Net cash outflow from investing activities		**(49,432)**	**(35,614)**
Cash flows from financing activities			
Proceeds from non-controlling interests		395	206
Proceeds from the issue of new shares net of directly associated costs, net of tax		300,704	—
Change in payables directly associated with the issuance of new shares net of tax effects		(1,771)	58
Dividends paid to equity owners of the Company	(16.5)	(80,000)	(32,000)
Dividends paid to non-controlling interests		(2,094)	(1,633)
Proceeds from borrowings	(17),(26.8)	146,554	10,331
Change in financing from parent	(17.3)	—	(23,953)
Repayments of borrowings	(17),(26.8)	(149,248)	(40,367)
Repayments on obligations under finance leases	(17)	(1,178)	(1,104)
Net cash inflow from financing activities		**213,362**	**(88,462)**
Exchange gains / (losses) on cash, cash equivalents and bank overdrafts	(26.7)	(1,375)	(2,580)
Net (decrease)/ increase in cash, cash equivalents and bank overdrafts		**261,466**	**11,458**
Cash, cash equivalents and bank overdrafts at beginning of the year		**38,387**	**26,928**
Cash and cash equivalents		41,825	27,279
Bank overdrafts		(3,438)	(351)
Cash, cash equivalents and bank overdrafts at end of the year		**299,853**	**38,387**
Cash and cash equivalents		300,125	41,825
Bank overdrafts		(272)	(3,438)

1. THE GROUP

L'Occitane International S.A. (the "Company") and its consolidated subsidiaries (hereinafter referred to as the "Group") design, manufacture and market, under the trademarks L'Occitane and Melvita, a wide range of cosmetic products, perfumes, soaps and fragrant products for the home based on natural or organic ingredients.

The Group also designs and markets another range of fragrant products for the home, cosmetic products, perfumes, soaps and natural products, under the trademark "Couvent des Minimes". These products are marketed primarily through external distribution.

The Group markets a range of olive oil based foodstuffs under the brand "Olivier & Co".

L'Occitane International S.A. is a Luxembourg Société Anonyme registered in the Luxembourg Trade and Commercial Register, Grand Duchy of Luxembourg under the R.C.S. Number: B-80 359. The address of the Company is as follows: 1, rue du Fort Rheinsheim, L-2419 Luxembourg.

The Group is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been approved by the Board of Directors for issue on 27 June 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

The consolidated financial statements of the Group and the Company-alone balance sheets have been prepared in accordance with International Financial Reporting Standards (IFRS) which are similar, for operations conducted by the Group, to International Financial Reporting Standards as adopted by the European Union. IFRS are available in the internet site of the European Committee as follows:

http://ec.europa.eu/internal_market/accounting/ias_en.htm

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivatives instruments) at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1. Basis of preparation *(continued)*

The following amended standards and interpretations are effective for the first time for the Group for the financial years ended 31 March 2011 and do not have any material impact on the consolidated financial statements:

Standard	Topic
IAS 1	Current / non-current classification of convertible instruments.
IAS 7	Classification of expenditures on unrecognised assets.
IAS 17	Classification of leases of land and buildings.
IAS 27	Consolidated and separate financial statements.
IAS 32	Classification of rights issues.
IAS 36	Unit of accounting for goodwill impairment test.
IAS 38	Additional consequential amendments arising from IFRS 3 (revised).
IAS 38	Measuring the fair value of an intangible asset acquired in a business combination.
IAS 39	Treating loan pre-payment penalties as closely related derivatives.
IAS 39	Scope exemption for business combination contracts.
IAS 39	Cash flow hedge accounting.
IAS 39	Hedging using internal contracts.
IFRS 1	First time adoption
IFRS 2	Group cash settled share-based payment transactions
IFRS 2	Scope of IFRS 2 and IFRS 3 (revised).
IFRS 3	Business combinations.
IFRS 5	Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.
IFRS 8	Disclosure of information about segment assets.
IFRIC 9 and IFRS 3 (revised)	Scope of IFRIC 9 and IFRS 3 (revised).
IFRIC 16	Hedges of a net investment in a foreign operation.
IFRIC 17	Distribution of non-cash assets to equity owners of the Company.
IFRIC 18	Transfers of assets from customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2. Principles of consolidation

The accounts of all companies included within the scope of consolidation are closed on 31 March.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liability incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred 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 identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of income.

Inter-company transactions, in particular the internal profits included in the inventories at the balance sheet date, balances and unrealized gains on transactions between group companies are eliminated. If any, unrealized losses are also eliminated but considered as an impairment indicator of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

For the Company alone balance sheets, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2. Principles of consolidation *(continued)*

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to statement of income where appropriate.

Put options on non-controlling interests issued before 2010

Before applying IFRS 3 Revised (effective for the Group for periods beginning on or after April 1, 2010), the Group has granted put options to non-controlling interests. Through these put options, the non-controlling interests have the right to sell shares to the Group. A liability was recognized for the put option. The liability was measured at present value of the redemption amount. When the put option was written as part of a business combination and when control over the subsidiary was acquired, no non-controlling interest was recognized in respect of the shares subject to the put option and the goodwill arising on the business combination included the goodwill related to the shares subject to the put option. Subsequently to the initial recognition, the changes in the financial liability are recorded as follows:

- The unwinding of discount is recorded in finance costs,
- If any, the change in estimates in the redemption amount is recorded against goodwill.

Put options on non-controlling interests issued after 2010

For puts on non-controlling interests issued after 2010, the accounting is as follows:

- The difference between the initial accounting of the liability and the historical value of non-controlling interest is recorded within Equity.
- The future changes in the estimated fair value of the liabilities will be recorded within Equity.

No new put options were granted during the fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2. Principles of consolidation *(continued)*

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's investment in associates includes goodwill identified on acquisition, if any, net of any impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the statement of income, and its share of post-acquisition movements in reserves is recognized in the Group's reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the statement of income.

(d) Interest in joint-ventures

The Group's interests in jointly controlled entities are accounted for using the equity method of accounting and are initially recognized at cost.

2.3. Foreign currency translation

(a) Functional and presentation currency

Items included in the Consolidated Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in euros.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. The exchange rates prevailing at these dates are approximated by a single rate per currency for each month (unless these rates are not reasonable approximations of the cumulative effect of the rates prevailing on the transaction dates). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income under the line "Foreign currency gains / (losses)", except when those monetary assets and liabilities are qualifying as cash flow hedges; they are then deferred in equity.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income within "Finance costs-net".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3. Foreign currency translation *(continued)*

(c) Group companies

None of the Group's entities has the functional currency of a hyperinflationary economy.

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

i. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii. Income and expenses for each statement of income are translated at an estimated monthly average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii. All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations including monetary items that form part of the reporting entity's net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are included in "Cumulative currency translation differences" within shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on sale.

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

2.4. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chairman & Chief Executive Officer (CEO) and the Managing Director that make strategic decisions.

2.5. Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented on the Consolidated Balance Sheet under the line "Goodwill". Goodwill on acquisitions of associates is included in investments in associates. Separately recognized goodwill is tested annually for impairment and carried at cost less impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5. Intangible assets *(continued)*

(b) Key moneys

Key moneys are entry rights to be paid prior to starting up a store. When the key money is paid to the previous tenant, it is classified within intangible assets and is amortized using the straight-line method over a period of 10 years (which is deemed to approximate the average lease term) or over the lease term if shorter, and is tested for impairment at each balance sheet date, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

In case the key money is paid to the landlord, then it is deemed to be linked to the rent and is classified as a prepaid expense (current and non current) and amortized on a straight-line basis over the rent period.

(c) Contractual customer relationship

These assets result from business combinations when the Group, at the acquisition date, allocates the cost of the business combination by recognizing the acquiree's identifiable intangible assets that meet the definition of intangible assets and when the fair value can be measured reliably. The contractual customer relationship is amortized using the straight-line method over the average period of the expected relationship with the client which usually ranges between 3 years and 5 years.

(d) Trademarks

These assets result from business combinations when the Group, at the acquisition date, allocates the cost of the business combination by recognizing the acquiree's identifiable intangible assets that meet the definition of intangible assets and when the fair value can be measured reliably. When the Group intends to sell products under the acquired trademarks and when there is no foreseeable limit to the period over which the trademarks are expected to generate net cash inflows for the Group, then it is considered that trademarks have an indefinite useful life. Therefore, trademarks are not amortized but tested annually for impairment.

Trademark is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or group of cash generating units that are expected to benefit from the trademark.

(e) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using the straight-line method over their estimated useful lives (not exceeding 5 years).

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Directly attributable costs include the software development employee costs and an appropriate portion of relevant overheads. These costs are amortized using the straight-line method over their estimated useful lives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5. Intangible assets *(continued)*

(e) Computer software (continued)

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(f) Research and development costs

Research costs are expensed when incurred.

Development costs relating to a development project are recognised as an intangible asset when the following criteria are met:

- It is technically feasible to complete the project so that it will be available for use or sale;
- Management intends to complete the project and use or sell it;
- There is an ability to use or sell the project;
- It can be demonstrated how the project will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use of sell the project are available;
- The expenditure attributable to the project during its development can be reliably measured.

In view of the large number of development projects and uncertainties concerning the decision to launch products relating to these projects, the Group considers that some of these capitalisation criteria are not met and the development costs are expensed when incurred.

2.6. Property, Plant and Equipment

All property, plant and equipment (PP&E) are stated at historical cost less depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6. Property, Plant and Equipment *(continued)*

Land is not depreciated. Depreciation on other tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

• Buildings	20 years
• Equipment and machinery	between 5 and 10 years
• Information system equipments and cash registers	3 years
• Leasehold improvements	5 and 10 years
• Furniture and office equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2.7).

Gains and losses on sales are determined by comparing proceeds with the carrying amount. These are included in the statement of income under "Other (losses) / gains-net".

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has all the substantial risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current obligations under finance leases. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

2.7. Impairment of non-financial assets

(a) Intangible assets (other than goodwill and trademarks) and property, plant and equipment

Intangible assets that are subject to amortization and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In assessing the fair value, an external valuation is obtained or management's best estimate is used to the extent the assumptions used by management reflect market expectations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7. Impairment of non-financial assets *(continued)*

(a) Intangible assets (other than goodwill and trademarks) and property, plant and equipment (continued)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units: CGUs):

- For testing the asset's carrying amount of the stores (mainly: key moneys, architect / decorator costs, leasehold improvements, furniture), the cash-generating unit is the store.

- For the corporate assets (assets other than those related to the stores) where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Intangible assets (other than goodwill and trademarks) and property, plant and equipment that have been subject to impairment in the previous period are reviewed for a possible reversal of the impairment at each reporting date (notes 7, 8 and 9). Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years.

(b) Goodwill and trademarks

Goodwill and trademarks are allocated to cash generating units either by operating segment or by operating segment and by country. Cash generating units to which goodwill and trademarks have been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, an impairment loss is recognized. An impairment loss recognized for goodwill or trademarks is not reversed in a subsequent period.

2.8. Deposits

Deposits are recorded at their historical value. Impairment is recorded if the net present value is higher than the estimated recoverable amount. The impact for not discounting is not material.

A provision for impairment of deposits is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of deposits.

2.9. Assets held for sale and assets directly associated with discontinued operations

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10. Inventories

Inventories are carried at the lower of cost or net realizable value (net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses); with cost being determined principally on the weighted average cost basis. The cost of inventories comprises the cost of raw materials, direct labour, depreciation of machines and production overheads (based on normal operating capacity). It excludes borrowing costs.

Inventories also include distribution and marketing promotional goods that are intended to be sold to third parties.

The Group regularly reviews inventory quantities on hand for excess inventory, discontinued products, obsolescence and declines in net realizable value below cost and records an allowance against the inventory balance for such declines.

2.11. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. The amount of the loss on a trade receivable is recognized in the income statement within “Distribution expenses”. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against “Distribution expenses” in the statement of income.

2.12. Financial assets

Classification of financial assets
The Group classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12. Financial assets *(continued)*

Classification of financial assets (continued)

(b) Loans and receivables

Loans and receivables originating from the Group are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables" and "other current assets" in the consolidated balance sheets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and measurement

Regular way purchases and sales of financial assets are recognized on trade-date: the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit and loss" category are presented in the statement of income within "Finance costs" for interest derivatives and within "Foreign currency gains / (losses)" for currency derivatives in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss, translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of income as "Other (losses) / gains – net". Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of income. Dividends on available-for-sale equity instruments are recognised in the statement of income as part of other income when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12. Financial assets *(continued)*

Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the debtor or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the Group would not otherwise consider;
- It becomes probable that the debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of debtors in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12. Financial assets *(continued)*

Impairment of financial assets (continued)

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate consolidated statements of income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in statement of income, the impairment loss is reversed through the separate consolidated statement of income.

2.13. Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge) ;or
- Hedges of a net investment in a foreign operation (net investment hedge).

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

The fair value of the various derivative instruments used for hedging purposes is disclosed in note 14. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in shareholders' equity.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the hedged item is more than 12 months; it is classified as a current asset or liability when the maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13. Derivative financial instruments and hedging activities *(continued)*

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of income within “Finance costs” for interest derivatives and within “Foreign currency gains / (losses)” for currency derivatives.

Amounts accumulated in equity are reclassified in the statement of income in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the statement of income within ‘finance costs’. The gain or loss relating to the ineffective portion is recognized in the statement of income within “Finance costs” for interest derivatives and within “Foreign currency gains / (losses)” for currency derivatives.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income within “Finance costs” for interest derivatives and within “Foreign currency gains / (losses)” for currency derivatives.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income within “Foreign currency gains / (losses)”.

Gains and losses accumulated in equity are included in the statement of income when the foreign operation is partially disposed of or sold.

The Group does not use net investment hedges.

(d) Derivatives at fair value through profit and loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognized immediately in the statement of income within “Finance costs – net” or “Foreign currency gains / (losses)”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term deposits and other short-term highly liquid investments with original maturities of three months or less.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

All significant cash deposits are made with major financial institutions having an investment grade rating and invested in euro money market fixed term deposits or mutual funds that have a maturity of three months or less. The Group has temporary exposure to non-investment grade institutions on payments made by customers in certain countries, until the Group transfers such amounts to investment grade institutions.

2.15. Share capital

Ordinary shares are classified as equity. If any, mandatory redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group's entity purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity owners.

2.16. Dividend distribution

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

2.17. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year of less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18. Provisions

Provisions for customer and warranty claims, dismantling and restoring obligations, restructuring costs and legal claims are recognized when:

— The Group has a present legal or constructive obligation as a result of past events;

— It is probable that an outflow of resources will be required to settle the obligation;

— And the amount has been reliably estimated.

If any, restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the best estimate of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provisions due to passage of time is recognized as interest expense.

Provision for costs of dismantling and restoring
When the lease agreement includes an obligation to restore the leased property into original condition at the end of the lease term or to compensate for dilapidation, a provision for the estimated discounted costs of dismantling and restoring or settlement is recorded over the length of the lease.

Depending upon the nature of the obligation in the lease agreement, it may be considered that the alterations occurred when entering the lease. In this case the liability is immediately recorded at the inception of the lease and the same amount is included in property, plant and equipment. This item is then depreciated over the lease term.

Provision for onerous contracts
The lease contracts used by the Group are mostly lease contracts for the stores. The store is the cash generating unit used for testing the asset's carrying amount of the non-financial assets (note 2.7). Certain operating lease contracts are onerous contracts when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it. In this case, in addition to the impairment loss recognised on the non-current assets dedicated to that contract, the present obligation is recognised and measured as a provision.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19. Employee benefits

(a) Pension obligations

The Group operates various pension schemes under both defined benefits and defined contribution plans:

- A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation;
- A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. In a defined contribution plan, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Defined benefit plans

The only significant regime with defined benefits concerns the retirement indemnities in France. The employees receive a lump sum which varies according to the seniority and the other elements of the collective agreement from which they depend.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of income in the period in which they arise.

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

Defined contribution plans

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

(b) Other post-employment obligations

The Group does not provide any other post-employment obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19. Employee benefits *(continued)*

(c) Share-based compensation

Following decisions approved on 28 September 2007, L'Occitane Groupe S.A., the parent of the Company, operates a number of share-based compensation plans which are granted to employees of the Group and its subsidiaries.

The Group has also authorized free share and share option plans over its own equity instruments whose characteristics are described in note 16.

The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense.

The total amount of the expense is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period);and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Equity settled share-based compensations

Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of income, with a corresponding adjustment to equity in other reserves.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the equity instruments are exercised.

The grant by the parent company of share-based compensations over its equity instruments to the employees of Company or subsidiaries undertakings in the Group is treated as a capital contribution from the parent company. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as share-based compensation expense, with a corresponding effect in equity attributable to the equity owners of the Company as a 'contribution from the parent'.

The social security contributions payable in connection with the grant of the equity instruments is considered an integral part of the grant itself, and the charge is treated as a cash-settled transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19. Employee benefits *(continued)*

(c) Share-based compensation (continued)

Cash settled share-based compensations

For cash-settled share-based compensations, the Group measures services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in the statement of income.

The liability is measured, initially and at each reporting date until settled, at the fair value of the share appreciation rights, by applying an option pricing model, taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees have rendered service to date.

The social security contributions payable in connection with the grant of the equity instruments is considered an integral part of the grant itself, and the charge is treated as a cash-settled transaction.

(d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes 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. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(e) Profit-sharing and bonus plans

The Group recognizes a provision where legally, contractually obliged or where there is a past practice that has created a constructive obligation.

2.20. Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawn-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognized revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Revenue from product sales is recorded upon transfer of risks and rewards, insofar as all significant contractual obligations have been fulfilled and the collection of corresponding receivables is probable.

Revenue for sales invoiced when the transfer of risks and rewards has not occurred is deferred in the balance sheet under the "deferred revenue" line, in "other current liabilities".

Revenue is recognized as follows:

(a) Sales of goods – retail (sell-out business segment)

Sales of goods are recognized when the Group sells a product to the customer at the store. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in distribution costs.

It is not the Group's policy to sell its products to the end retail customer with a right of return. However, in some countries, the Group accepts returned products from customers and a refund is offer. In this case, the Group retains only an insignificant risk of ownership and the revenue is recognised at the time of sale net of a liability to cover the risk of return based on past experience. The liability is recognised as a decrease in net sales.

(b) Sales of goods – wholesale and distributors (sell-in and B-to-B business segments)

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- There is no unfulfilled obligation that could affect the wholesaler or the distributor's acceptance,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the Group,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The products are sometimes sold with conditional discounts. Sales are recorded based on the price specified in the sales contracts / invoices, net of the estimated conditional discounts.

No element of financing is deemed present as the sales are made with a credit term of maximum 60 days.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21. Revenue recognition *(continued)*

(c) *Sale of gift-certificates*

In some territories, in the ordinary course of the Group's activities, the Group sells gift certificates. The revenue is recognized when the customer redeems the gift certificates for buying goods (the product is delivered to the customer).

As long as customers do not redeem these gift certificates, the revenue for sales is deferred in the balance sheet.

Gift certificates that exceed the validity period are recognized in the statement of income.

(d) *Loyalty program*

Customer loyalty programs are used by the Group to provide customers with incentives to buy their products. Each time a customer buys goods, or performs another qualifying act, the entity grants the customer award credits. The customer can redeem the award credits for awards such as free or discounted goods or services.

The programs operate in a variety of ways. Customers may be required to accumulate a specified minimum number or value of award credits before they are able to redeem them. Award credits may be linked to individual purchases or groups of purchases, or to continued custom over a specified period of time.

The Group accounts for award credits as a separately identifiable component of the sales transaction(s) in which they are granted (the 'initial sale'). The fair value of the consideration received or receivable in respect of the initial sale is allocated between the components, i.e. the goods sold and the award credits granted.The allocation is made by reference to the relative fair values of the components, i.e. the amounts for which each component could be sold separately.

The fair value of the award credits is estimated by reference to the discount that the customer would obtain when redeeming the award credits for goods. The nominal value of this discount is reduced to take into account:

- any discount that would be offered to customers who have not earned award credits from an initial sale;
- the proportion of award credits that are expected to be forfeited by customers; and
- the time value of money.

The Group recognizes revenue in respect of the award credits in the periods, and reflecting the pattern, in which award credits are redeemed.The amount of revenue recognized is based on the number of award credits that have been redeemed relative to the total number expected to be redeemed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21. Revenue recognition *(continued)*

(e) Consideration paid to distributors

In some cases, the Group can enter into arrangements with distributors where payments are made to compensate for certain promotional actions.

As such payments cannot usually be separated from the supply relationship, the Group recognises the consideration paid as a deduction of revenue.

2.22. Distribution expenses

The line "Distribution expenses" in the statement of income includes expenses relating to stores, mainly: employee benefits, rent and occupancy, depreciation and amortization, freight on sales, promotional goods, credit card fees, maintenance and repairs, telephone and postage, travel and entertainment, doubtful receivables, start-up costs and closing costs.

Distribution promotional goods include testers and bags and are expensed when the Group has access to those items.

2.23. Marketing expenses

The line "Marketing expenses" in the statement of income includes mainly the following expenses: employee benefits, advertising expenses and promotional goods.

Marketing promotional goods include press kits, gifts with purchases, samples, commercial brochures and decoration items used to prepare the windows and are expensed when the Group has access to those items.

2.24. Research and Development costs

The line 'Research and Development costs' in the statement of income includes mainly the following expenses: employee benefits and professional fees.

2.25. Accounting of rent expenses

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease beginning at the date when the lessee is entitled to exercise its right to use the leased asset.

Certain rents can be variable according to the turnover. In this case, the supplementary and variable part of the rent is recorded in the period during which it becomes likely that the additional rent will be due.

Should the landlord grant free rent - in particular during the first months of the lease during the construction of the store - the free part is recognized on a straight-line basis over the remaining duration of the lease. Similarly, in the case of escalation clauses, lease payments are recognized as an expense on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26. Start-up and pre-opening costs of stores

Start-up costs and pre-opening costs of the stores are expensed when incurred under the line "Distribution expenses" in the statement of income. These costs mainly include the following: broker and/or lawyer fees, rent paid before the opening date, travel expenses relating to the opening team.

2.27. Foreign currency gains / (losses)

The line "Foreign currency gains / (losses)" in the statement of income relates to:

- Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies (note 2.3 (b)). These foreign currency gains and losses are mainly related to the financing of the subsidiaries;
- Gains or losses arising from changes in the fair value of the foreign exchange derivatives at fair value through profit and loss (note 2.13 and note 14);
- Gains or losses arising from the ineffective portion of changes in the fair value of foreign exchange derivatives that are designated as hedging instruments (note 2.13 and note 14).

2.28. Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.28. Income taxes *(continued)*

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

2.29. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity owners of the Group by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 March 2011, the Company has no category of dilutive potential ordinary shares.

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

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

(a) *Market risk*
Foreign exchange risk

The Group conducts its distribution activities worldwide. Sales made by the subsidiaries are denominated in their local currency. The production sites are located in France and, consequently, a major part of the costs of production or purchase is denominated in euros. The Group is thus exposed to foreign exchange risk on its commercial transactions, whether known or forecasted.

The Group treasury's risk management policy is to hedge a portion of its subsidiaries' known or forecasted commercial transactions not denominated in the presentation currency. The currency exposure must be hedged gradually from a minimum hedging of 17% of the anticipated trade flow in foreign currency seven months before the anticipated due date to a maximum total hedging (100%) two months before the anticipated due date. The main currencies hedged are the Japanese Yen, US Dollar, the Sterling Pound and the Australian Dollar. The hedging policy is adjusted on a case by case basis based on market conditions. In order to achieve this objective, the Group uses foreign currency derivative instruments which are traded "over the counter" with major financial institutions.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. Financial risk factors *(continued)*

(a) Market risk (continued)

Foreign exchange risk *(continued)*

When the foreign currency derivative instruments used to hedge the exposure of the Group's foreign currency risk do not qualify for hedge accounting, as they do not formally satisfy the conditions of hedge accounting fixed by IAS 39, gains or losses arising from changes in the fair value of the instrument and of the hedged item are recorded within "Foreign currency gains / (losses)" in the statement of income.

During the fiscal years 2011 and 2010 and on 31 March 2011 and 2010, if the euro had weakened / strengthened by 10% in comparison to the currencies listed below with all other variables held constant, equity, net sales and post-tax profit for the year would have been higher / lower as illustrated below:

In thousands of Euros	Currency translation differences (other comprehensive income)		Net sales		Profit for the year	
31 March	2011	2010	2011	2010	2011	2010
USD	4,400	3,814	9,555	8,936	3,137	1,943
JPY	14,450	8,669	19,030	14,838	10,515	4,833
HKD	4,270	3,240	5,673	4,254	2,701	2,123
GBP	2,600	1,678	3,904	3,080	2,111	1,370

The above sensitivity does not take into consideration the effect of a higher / lower euro on the fair market value of the foreign currency derivative instruments and on realized exchange gains and losses. The fair value of these derivatives at period end is not material.

Cash flow and fair value interest rate risk

The cash is currently invested in treasury deposit at short term and take profit of any increase in euro interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The analysis of the borrowings by category of rate is provided in note 17.5.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the differences between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

In accordance with debt covenants described in note 17.7, the interest rate of certain bank borrowings can be re-priced.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. Financial risk factors *(continued)*

(a) Market risk (continued)

Cash flow and fair value interest rate risk *(continued)*

Based on the simulations performed, on 31 March 2011 and 2010, if interest rates had been 50 basis points higher / lower with all other variables held constant, post-tax profit for the year would have been lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings (note 26).

	31 March	
In thousands of Euros	2011	2010
Sensitivity of finance costs	230	180
Sensitivity of finance income	1,044	—
Sensitivity of the post-tax profit	586	124

The above sensitivity takes into consideration the impact of the interest rate derivatives existing at 31 March 2011 and 2010 on the interest expense but does not take into consideration the effect of a higher / lower interest rate on the fair market value of the derivatives designed to manage the cash flow interest risk floating-to-fixed interest rate swaps. The fair value of these derivatives at period end is not material.

Price risk

The Group is not significantly exposed to equity securities risk and to commodity price risk.

(b) Credit risk

Credit risk is managed on group basis, except for credit risk relating to account receivables balances. Each local entity is responsible for monitoring and analysing the credit risk of their clients. Standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with bank and financial institutions, as well as credit exposures to wholesale and retail customers.

The Group has no significant concentrations of credit risk for customers:

- For wholesales, the Group maintains adequate allowances for potential credit losses and follows regularly the solvency of its counterpart. As of 31 March 2011 and 2010, the Group did not have any significant concentration of business conducted with a particular customer that could, if suddenly eliminated, severely impact the operations of the Group;

- For retail sales, the sales to retail customers are made in cash or via major credit cards.

For cash and cash equivalents and derivatives financial instruments, only major financial institutions are accepted by the Group.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. Financial risk factors *(continued)*

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Cash flow forecasting is performed in each of the operating entities of the Group and aggregated at Group level. The Group monitors rolling forecasts of the Group's liquidity requirements and reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow. The liquidity reserve is as follows:

31 March *In thousands of Euros*	2011	2010
Cash and cash equivalents and bank overdrafts	299,853	38,387
Undrawn borrowing facilities (note 17.7)	313,590	125,493
Liquidity reserves	**613,443**	**163,880**

Surplus cash held by the Group is invested in treasury deposits.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

In thousands of Euros	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings	6,015	1,705	44,300	7,998	60,018
Trade payables	72,483	—	—	—	72,483
Interests payments on borrowings	1,671	1,164	2,128	377	5,340
Total on 31 March 2011	**80,169**	**2,869**	**46,428**	**8,375**	**137,841**
Borrowings	11,872	11,207	33,163	5,627	61,869
Trade payables	59,940	—	—	—	59,940
Interests payments on borrowings	1,032	792	1,329	205	3,358
Total on 31 March 2010	**72,844**	**11,999**	**34,492**	**5,832**	**125,167**

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, return capital to equity owners, issue new shares or sell assets to reduce debt.

3.3. Fair value estimation

Fair value of financial instruments

The table below presents the net book value and fair value of some of the Group's financial instruments, with the exception of cash, trade receivables, and trade payables as well as accrued expenses (their carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values given their short maturities):

31 March	2011		2010	
In thousands of Euros	Net book value	Fair value	Net book value	Fair value
Assets				
Available-for-sale financial assets (a)	39	39	39	39
Other non-current receivables	20,415	20,415	18,435	18,435
Derivatives financial instruments (b)	201	201	94	94
Total assets	**20,655**	**20,655**	**18,568**	**18,568**
Liabilities				
Non-current borrowings	—	—	—	—
Fixed rate	—	—	—	—
Floating rate	60,018	60,018	61,869	61,869
Total borrowings	**60,018**	**60,018**	**61,869**	**61,869**
Derivatives financial instruments (b)	1,433	1,433	3,010	3,010
Total liabilities	**1,433**	**1,433**	**3,010**	**3,010**

(a) Non-consolidated investments are not significant and are valuated as described in the note 2.12.

(b) The fair value of financial derivatives is determined as indicated below.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3. Fair value estimation *(continued)*

Fair value measurement hierarchy

IFRS 7 for financial instruments requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the Group's assets and liabilities that are measured at fair value:

	31 March 2011			31 March 2010		
In thousands of Euros	Level 1 (a)	Level 2 (b)	Level 3 (c)	Level 1 (a)	Level 2 (b)	Level 3 (c)
Assets						
Derivatives at fair value through profit and loss	—	201	—	—	61	—
Derivatives designated as hedging instruments	—	—	—	—	33	—
Cash equivalents	256,960	—	—	2,818	—	—
Total assets	**256,960**	**201**	**—**	**2,818**	**94**	**—**
Liabilities						
Derivatives at fair value through profit and loss	—	(477)	—	—	(1,134)	—
Derivatives designated as hedging instruments	—	(956)	—	—	(1,876)	—
Total liabilities	**—**	**(1,433)**	**—**	**—**	**(3,010)**	**—**

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3. Fair value estimation *(continued)*

***Fair value measurement hierarchy** (continued)*

(a) The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

(b) The fair value of financial instruments that are not traded in an active market (for example, overt-the-counter derivatives) is determined by external counterparties using methods and assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Consolidated Financial Statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used for, but not limited to, depreciation, amortization and impairment (notes 2.5, 2.6 and 2.7) of non-current assets, allocation of the excess of the cost of an acquisition over the carrying value of the net assets acquired to key moneys (note 2.5) and to contractual customer relationship (note 2.5), valuation of inventories (note 2.10), depreciation of inventories (note 2.10), provisions (note 2.18), the provision for impairment of trade receivables (note 2.11), revenue recognition (note 2.21), income taxes (note 2.28), fair value of the derivative instruments (note 2.13) and contingencies (note 27).

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. Actual results could differ from these estimates.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1. Impairment test of non-current assets

Impairment test for intangible assets (including goodwill and trademarks), and property, plant and equipment are performed in accordance with the accounting policy stated in note 2.7. The recoverable amounts of cash-generating units (CGU) have been determined on the basis of value-in-use calculations. These calculations used cash flow projections approved by management.

The key assumptions used for value-in-use calculations are as follows:

- Forecasted sales are determined for each store based on its location. This may vary significantly from one location to another or from one country to another. Management determined budgeted net sales, gross margin and operating cash flows based on past performance and its expectations of market developments;
- The terminal value is based on a long term growth rate of 1%;
- The pre-tax discount rate of 9.90% (9.00% in the fiscal year 2010). The same pre-tax discount rate has been used for all the segments as;
    - All the products are produced in France;
    - Most of the financing is done centrally, and;
    - The specific local market risks are embedded in the cash flows projections.

The cash flow projections used to test the goodwill related to the Melvita acquisition are based on forecasted sales supported by actual or targeted openings or decision to open Melvita stores in several countries and on a 5 years plan prepared by management. The key assumptions of these cash flow projections relate to the increase in the number of stores and in the net sales.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.2. Depreciation and amortization periods

The main intangible and tangible assets of the Group relate to the stores. The amortization period of key money is based on 10 years which is deemed to approximate the average lease term or over the lease term of the related store, if shorter and the depreciation period of tangible assets takes into consideration the expected commercial lives of the store or the lease term if shorter. These assets are tested for impairment in accordance with the accounting policy stated in note 2.7.

4.3. Allowance on inventories

The Group regularly reviews inventory quantities on hand for excess inventory, discontinued products, obsolescence and declines in net realizable value below cost and records an allowance against the inventory balance for such declines.

When the annual inventory count takes place on a date different from the closing date, the quantity on hand is adjusted to take into account the shrinkage rate (after deduction of non-recurring differences) over the period between the date of the stocktaking and the balance sheet date.

4.4. Legal claims

The estimates for provisions for litigation are based upon available information and advice of counsel and are regularly reviewed on this basis by management (see notes 20 and 27).

4.5. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such a determination is made.

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Chairman & CEO and the Managing Director. They review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Chairman & CEO and the Managing Director consider the business from both a channel and a geographic perspective. The Chairman & CEO and the Managing Director review the operating results of both sets of components and financial information is available for both, however the channels are the operating segments.

From a channel perspective, management assesses the performance of three operating segments, which are Sell-out, Sell-in and Business to Business:

- Sell-out comprises the sales of our products directly to the final customers. These sales are mainly done in the Group's stores and/or through the Group's website;
- Sell-in comprises the sales of our products to an intermediate. These intermediates are mainly distributors, wholesalers, TV show channels and travel retailers. This segment also comprises sales of products to corporate customers which will give them out as presents, for example to their customers or employees;
- Business to business (B-to-B) comprises the sales of the Group's products to an intermediate who will provide them as free amenities to its final customers. These intermediates are mainly airline companies and hotels.

From a geographical perspective, management assesses the performance of the different countries.

5. SEGMENT INFORMATION *(continued)*

5.1. Operating segments

The measure of profit or loss for each operating segments followed by the executive committee is their operating profit:

The operating segments information as at 31 March 2011 and 2010 is as follows:

31 March			2011		
In thousands of Euros	Sell-Out	Sell-In	B-to-B	Other reconciling items	Total
Sales	569,115	178,518	24,661	—	772,294
In %	*73.7%*	*23.1%*	*3.2%*	—	*100.0%*
Gross profit	504,634	121,922	10,406	—	636,962
% of sales	*88.7%*	*68.3%*	*42.2%*	—	*82.5%*
Distribution expenses	(272,517)	(28,590)	(2,285)	(40,067)	(343,460)
Marketing expenses	(40,331)	(6,068)	(65)	(38,129)	(84,593)
Research & development expenses	—	—	—	(5,082)	(5,082)
General and administrative expenses	(1,968)	—	—	(72,175)	(74,142)
Other (losses) / gains-net	1,425	(2)	—	977	2,400
Operating profit	191,242	87,262	8,056	(154,476)	132,084
% of sales	*33.6%*	*48.9%*	*32.7%*		*17.1%*

31 March			2010		
In thousands of Euros	Sell-Out	Sell-In	B-to-B	Other reconciling items	Total
Sales	449,817	141,674	20,754	—	612,245
In %	*73.5%*	*23.1%*	*3.4%*	—	*100.0%*
Gross profit	395,087	95,483	6,693	—	497,263
% of sales	*87.8%*	*67.4%*	*32.2%*	—	*81.2%*
Distribution expenses	(217,999)	(22,097)	(2,441)	(28,364)	(270,901)
Marketing expenses	(28,343)	(5,193)	(43)	(22,077)	(55,656)
Research & development expenses				(3,988)	(3,988)
General and administrative	—	—	—		
expenses	(1,759)	—	—	(57,645)	(59,404)
Other (losses) / gains-net	1,617	(4)	—	1,266	2,879
Operating profit	148,603	68,189	4,209	(110,808)	110,193
% of sales	*33.0%*	*48.1%*	*20.3%*		*18.0%*

There are no significant inter-segment transfers or transactions.

5. SEGMENT INFORMATION *(continued)*

5.2. Geographic areas

(a) Sales

Sales consist only of product sales. The Group's external sales of samples, catalogues and windows are deducted from marketing costs.

Sales are allocated based on the country of the invoicing subsidiary.

31 March	2011		2010	
In thousands of Euros	Total	In %	Total	In %
Japan	190,284	*24.6%*	147,825	*24.1%*
United States	95,512	*12.4%*	89,363	*14.6%*
France	77,269	*10.0%*	77,646	*12.7%*
Hong-Kong	71,167	*9.2%*	49,692	*8.1%*
Luxembourg	41,832	*5.4%*	27,837	*4.5%*
United Kingdom	39,045	*5.1%*	30,796	*5.0%*
Brazil	34,843	*4.5%*	25,524	*4.2%*
Russia	33,092	*4.3%*	22,010	*3.6%*
China	32,794	*4.2%*	20,556	*3.4%*
Taiwan	30,118	*3.9%*	24,681	*4.0%*
Other countries	126,337	*16.4%*	96,315	*15.7%*
Sales	**772,294**	**100%**	**612,245**	**100%**

The internet sales invoiced from France to customers in "Other countries" have been reallocated to the appropriate countries for € 405,000 for the year ended 31 March 2010.

(b) Assets

The following table shows the breakdown of certain non-current assets by geographical areas.

31 March	2011			2010		
In thousands of Euros	Property, Plant and Equipment	Goodwill	Intangible assets	Property, Plant and Equipment	Goodwill	Intangible assets
Japan	7,077	22,073	462	6,467	20,612	570
United States	8,314	4,761	80	8,369	5,018	166
France	42,152	36,056	31,145	36,673	36,056	25,392
Hong-Kong	1,779	2,072	–	1,519	2,189	–
Luxembourg	1,742	–	2,067	402	–	2,342
United Kingdom	4,584	1,390	2	3,705	1,380	24
Brazil	4,857	4,289	2,879	2,486	4,114	2,097
Russia	2,789	2,366	181	1,964	2,409	200
China	1,140	–	109	1,042	–	–
Taiwan	571	1,620	49	529	1,575	85
Other countries	16,253	14,755	11,416	13,524	12,831	10,222
Total	**91,258**	**89,382**	**48,390**	**76,680**	**86,184**	**41,098**

These assets are allocated based on the country of the subsidiary owning the asset.

6. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE

6.1. For the year ended 31 March 2011

(a) *Transactions with non-controlling interests*

L'Occitane Mexico S.A. (acquisition of additional interest in a subsidiary)

On 1 December 2010, the Company acquired the remaining 49% of non-controlling interests in L'Occitane Mexico S.A. for a total consideration of € 987,000 in cash. L'Occitane Mexico S.A. is located in Mexico, Mexico and is specialized in the distribution of L'Occitane products in that country.

After this transaction, L'Occitane Mexico S.A. is now 100% held by the Group.

The carrying amount of the non-controlling interests in L'Occitane Mexico S.A. on the date of acquisition was € 53,000. The Group recognised a decrease in non-controlling interests of € 53,000 and a decrease in equity attributable to owners of the Company of € 934,000. The effect of changes in the ownership interest of L'Occitane Mexico S.A. on the equity attributable to owners of the Company during the year is summarised as follows:

31 March *In thousands of Euros*	2011
Carrying amount of non-controlling interests acquired	53
Consideration paid to non-controlling interest	987
Excess of consideration paid recognised in the transaction with non-controlling interests reserve within 'other reserves' in equity	**934**

6. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE *(continued)*

6.1. For the year ended 31 March 2011 *(continued)*

(b) *Business combinations*

L'Occitane Nederland B.V. (business combinations)

On 2 September 2010, the Company acquired 100% of the issued share capital and voting rights of L'Occitane Nederland B.V. for a total consideration of € 2,686,000. L'Occitane Nederland B.V.is located in Amsterdam, the Netherlands and is specialized in the distribution of L'Occitane products in that country.

The following table summarizes the consideration paid for the below companies and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

In thousands of Euros	L'Occitane B.V.	Total
Cash paid	2,686	2,686
Equity instruments	—	—
Contingent consideration	—	—
Total consideration transferred	**2,686**	**2,686**
Indemnification asset	—	—
Total consideration	**2,686**	**2,686**
Cash acquired	(281)	(281)
Total consideration net of cash acquired	**2,405**	**2,405**
Recognised amounts of identifiable assets acquired and liabilities assumed		
Property, plant and equipment (note 7)	110	110
Key moneys (note 9)	239	239
Other intangible assets	1	1
Trademarks (note 9)	—	—
Contractual customer relationship (note 9)	—	—
Other non-current assets	—	—
Deferred tax assets	—	—
Inventories	220	220
Trade receivables and other current assets	127	127
Trade payables and other current liabilities	(325)	(325)
Deferred tax liabilities	—	—
Changes in minority interest	—	—
Total identifiable net assets	**372**	**372**
Non-controlling interest		
Goodwill (note 8)	2,033	2,033
	2,405	**2,405**

6. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE *(continued)*

6.1. For the year ended 31 March 2011 *(continued)*

(b) Business combinations (continued)

L'Occitane Nederland B.V. (business combinations) *(continued)*

The excess of the acquisition cost over the share of the fair value at the acquisition date of the acquiree's identifiable assets, liabilities and contingent liabilities is recorded to goodwill. The goodwill of € 2,033,000 arising from the acquisition is attributable to the increased profitability linked to the margins previously earned by the agent and also to the fact that the access of the Group to this geographical market will be facilitated (there is no contractual customer relationship as the acquired business is mainly related to the Sell-out operating segment). The goodwill is not deductible for tax purposes.

There is no difference between the fair value of identifiable assets and liabilities and the corresponding acquiree's carrying amount.

No contingent liability has been recognized.

The acquisition related costs are non significant and expensed in the statement of income, within 'General and administrative expenses'.

There is no contingent consideration arrangement.

The revenue contributed by L'Occitane B.V. included in the consolidated statement of comprehensive income since 2 September 2010. was € 947,000. L'Occitane B.V. also contributed a loss of € 388,000 over the same period.

6.2. For the year ended 31 March 2010

L'Occitane Do Brasil

On 16 November 2009, L'Occitane Holding Brasil LTDA, a fully owned subsidiary of L'Occitane International S.A., acquired the remaining non-controlling interests in L'Occitane Do Brasil S/A for a consideration of € 2,701,000 in cash.

After this transaction, L'Occitane Do Brasil is now 100% held by the Group.

L'Occitane Canada Corp.

On 29 January 2009, a new intermediary subsidiary, L'Occitane Canada Corp., was created. On 17 April 2009, the Group has acquired through L'Occitane Canada Corp., from the Canadian agent, the net assets related to retail and wholesales activities in Canada. The objective of this acquisition is to strengthen the Group's position in North America. The purchase consideration amounted to € 4,684,000.

The acquired business had contributed revenues of € 5,393,000 and net profit of € (105,000) to the Group for the period from the acquisition date to 31 March 2010.

6. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE *(continued)*

6.2. For the year ended 31 March 2010 *(continued)*

***L'Occitane Canada Corp.* (continued)**

The cash used in acquisitions made during year ended 31 March 2010, can be analyzed as follows:

On 31 March		2010	
In thousands of Euros	L'Occitane Canada	L'Occitane do Brasil	Total
Cash payments	4,684	2,701	7,385
Direct costs relating to the acquisitions	107	—	107
Cash acquired	(218)	—	(218)
Purchase of activities net of cash acquired	**4,573**	**2,701**	**7,274**
Fair value of the Company's shares issued	—	—	—
Acquisition costs net of cash acquired	**4,573**	**2,701**	**7,274**
Property, plant and equipment (note 7)	555	—	555
Key moneys (note 9)	—	—	—
Trademarks (note 9)	—	—	—
Contractual customer relationship (note 9)	—	—	—
Other non-current assets	—	(263)	(263)
Goodwill (note 8)	3,171	2,719	5,890
Deferred tax assets (note 24.3)	327	—	327
Inventories	507	—	507
Trade receivables and other current assets	155	—	155
Trade payables and other current liabilities	(142)	—	(142)
Deferred tax liabilities (note 24.3)	—	—	—
Changes in non-controlling interests	—	245	245
Fair value of net assets acquired	**4,573**	**2,701**	**7,274**

The excess of the acquisition cost over the share of the fair value at the acquisition date of the acquiree's assets, liabilities and contingent liabilities was recorded to goodwill in non-current assets.

The goodwill for L'Occitane do Brasil is related to the purchase of non-controlling interests.

The goodwill related to L'Occitane Canada is attributable to the increased profitability linked to the margins previously earned by the agent and also to the fact that the access of the Group to this geographical market will be facilitated (there is no contractual customer relationship as the acquired business is mainly related to the Sell-out operating segment).

6. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE *(continued)*

6.3. Other financial liabilities

For the year ended 31 March 2011

The following put options have been granted by the Group to the non-controlling interests:

In thousands of Euros	31 March 2010	Grant of puttable instruments	Unwinding of discount (note 22)	Change in estimates in the valuation of the exercice price	Exercise of the option / purchase of non-controlling interests	31 March 2011
Anton Luybimov (L'Occitane Russia)	4,652	–	322	–	–	4,974
Harald Link and Nunthinee Sudhirak (L'Occitane Thailand)	852	–	47	–	–	899
Total put options	**5,504**	**–**	**369**	**–**	**–**	**5,873**

For the year ended 31 March 2010

The following put options have been granted by the Group to the non-controlling interests:

In thousands of Euros	31 March 2009	Grant of puttable instruments	Unwinding of discount (note 22)	Change in estimates in the valuation of the exercice price	Exercise of the option / purchase of non-controlling interests	31 March 2010
Anton Luybimov (L'Occitane Russia)	4,339	–	313	–	–	4,652
Harald Link and Nunthinee Sudhirak (L'Occitane Thailand)	806	–	46	–	–	852
Total put options	**5,145**	**–**	**359**	**–**	**–**	**5,504**

The unwinding of discount is recognised as finance costs in the statement of income (note 22).

7. PROPERTY, PLANT AND EQUIPMENT, NET

7.1. Year ended 31 March 2011

As of 31 March 2011, property, plant and equipment, net can be analyzed as follows:

In thousands of Euros	Land	Buildings	Machinery and equipment	Other tangible assets	Leasehold improvements related to the stores	Other tangible assets related to the stores	Tangible assets in progress	Total
Cost as of 1 April 2010	**2,015**	**20,029**	**19,757**	**25,468**	**76,475**	**16,830**	**4,700**	**165,274**
Additions	169	23	1,576	7,322	16,745	4,117	11,608	41,560
Disposals	–	(2)	(206)	(1,411)	(4,469)	(646)	(1,425)	(8,159)
Acquisition of subsidiaries	–	–	–	–	61	49	–	110
Other movements	–	85	921	1,299	1,927	910	(5,321)	(179)
Exchange differences	–	–	(33)	(7)	(489)	(112)	(34)	(675)
Cost as of 31 March 2011	**2,184**	**20,135**	**22,015**	**32,671**	**90,250**	**21,148**	**9,528**	**197,931**
Accum. depreciation as of April 1, 2010	**–**	**(4,991)**	**(13,340)**	**(13,438)**	**(48,303)**	**(8,522)**	**–**	**(88,594)**
Depreciation	–	(1,553)	(2,603)	(5,346)	(12,338)	(3,113)	–	(24,953)
Impairment loss	–	–	–	–	(1,445)	–	–	(1,445)
Reversal of impairment loss	–	–	–	–	1,435	–	–	1,435
Disposals	–	–	144	1,401	3,817	604	–	5,966
Other movements	–	(752)	59	1,547	(507)	(265)	–	82
Exchange differences	–	–	50	39	630	117	–	836
Accum. depreciat. as of 31 March 2011	**–**	**(7,296)**	**(15,690)**	**(15,797)**	**(56,711)**	**(11,179)**	**–**	**(106,673)**
Net book value as of 31 March 2011	**2,184**	**12,839**	**6,325**	**16,874**	**33,539**	**9,969**	**9,528**	**91,258**
Including assets under finance leases :								
Property, plant & equipment, gross	601	16,491	1,633	858	–	–	5,154	24,737
Accumulated depreciation	–	(5,506)	(1,633)	(858)	–	–	–	(7,997)
Net book value under finance leases as of 31 March 2011	**601**	**10,985**	**–**	**–**	**–**	**–**	**5,154**	**16,740**

7. PROPERTY, PLANT AND EQUIPMENT, NET *(continued)*

7.1. Year ended 31 March 2011 *(continued)*

Main additions during the period related to leasehold improvements for the opening of 160 stores.

On 31 March 2010, the Company signed a finance lease agreement in connection with (i) the acquisition of the existing land and building of Melvita for an amount of €4,934,000 and (ii) the extension and restructuring of the plant for an amount of €9,066,000. As at 31 March 2011, the finance lease was drawn for an amount of €5,154,000 in connection with the acquisition of the land, buildings and other tangible assets related to the plant in Lagorce.

The additions in 'Other tangible assets' related to the stores include the costs for dismantling and restoring that are recorded at the inception of the lease and that amount to €377,000. This component is subsequently depreciated over the lease term (note 2.18 and 18.3). Excluding these costs of dismantling and restoring and the acquisitions under finance lease that are non cash items, total cash additions amount to €36,029,000.

7. PROPERTY, PLANT AND EQUIPMENT, NET *(continued)*

7.2. Year ended 31 March 2010

As of 31 March 2010, property, plant and equipment, net can be analyzed as follows:

In thousands of Euros	Land	Buildings	Machinery and equipment	Other tangible assets	Leasehold improvements related to the stores	Other tangible assets related to the stores	Tangible assets in progress	Total
Cost as of 1 April 2009	**1,358**	**18,087**	**18,343**	**16,420**	**67,188**	**14,577**	**3,854**	**139,827**
Additions	657	4,188	3,269	3,888	9,080	2,919	4,326	28,327
Disposals	–	–	(2,311)	(663)	(3,369)	(505)	(83)	(6,931)
Acquisition of subsidiaries	–	–	102	445	–	–	–	547
Other movements	–	(2,194)	290	4,418	1,503	(862)	(3,469)	(314)
Exchange differences	–	(52)	64	960	2,073	701	72	3,818
Cost as of 31 March 2010	**2,015**	**20,029**	**19,757**	**25,468**	**76,475**	**16,830**	**4,700**	**165,274**
Accum. depreciation as of April 1, 2009	**–**	**(5,585)**	**(11,732)**	**(7,397)**	**(37,301)**	**(8,462)**	**–**	**(70,477)**
Depreciation	–	(805)	(2,769)	(3,494)	(10,623)	(2,147)	–	(19,838)
Impairment loss	–	–	–	–	(2,466)	–	–	(2,466)
Reversal of impairment loss	–	–	–	–	489	–	–	489
Disposals	–	–	2,164	644	2,856	478	–	6,142
Other movements	–	1,349	(1,003)	(2,790)	(98)	1,832	–	(710)
Exchange differences	–	50	–	(401)	(1,160)	(223)	–	(1,734)
Accum. depreciat. as of 31 March 2010	**–**	**(4,991)**	**(13,340)**	**(13,438)**	**(48,303)**	**(8,522)**	**–**	**(88,594)**
Net book value as of 31 March 2010	**2,015**	**15,038**	**6,417**	**12,030**	**28,172**	**8,308**	**4,700**	**76,680**
Including assets under finance leases :								
Property, plant & equipment, gross	1,639	14,938	2,737	1,032	–	–	–	20,346
Accumulated depreciation	–	(4,326)	(2,737)	(682)	–	–	–	(7,745)
Net book value under finance leases as of 31 March 2010	**1,639**	**10,612**	**–**	**350**	**–**	**–**	**–**	**12,601**

7. PROPERTY, PLANT AND EQUIPMENT, NET *(continued)*

7.2. Year ended 31 March 2010 *(continued)*

Main additions during the period related to leasehold improvements for the opening of 110 stores.

As at 31 March 2010, the finance lease described in note 7.1 was drawn for an amount of €4,934,000 in connection with the acquisition of the land, buildings and other tangible assets related to the plant in Lagorce

The additions in Other tangible assets related to the stores include the costs for dismantling and restoring that are recorded at the inception of the lease and that amount to €423,000. This component is subsequently depreciated over the lease term (note 2.18 and 18.3). Excluding these costs of dismantling and restoring and the acquisitions under finance lease that are non cash items, total additions amount to €22,795,000.

The addition in Land is related to the extension of the plant in Lagorce.

7.3. Classification of the depreciation of the tangible assets in the statement of income

Depreciation of the Group's property, plant and equipment has been charged to statement of income as follows:

31 March *In thousands of Euros*	2011	2010
Cost of goods sold	3,570	2,950
Distribution expenses	18,754	14,957
Marketing expenses	20	—
General and administrative expenses	2,609	1,931
Depreciation expenses	**24,953**	**19,838**

7. PROPERTY, PLANT AND EQUIPMENT, NET *(continued)*

7.4. Impairment tests for property, plant and equipment

31 March *In thousands of Euros*	2011	2010
Accumulated impairment as of the beginning of the year	**(3,199)**	**(1,141)**
Impairment loss	(1,445)	(2,466)
Reversal used of impairment loss	235	305
Reversal unused of impairment loss	1,200	184
Disposals	—	—
Exchange differences	84	(81)
Accumulated impairment as of 31 March	**(3,125)**	**(3,199)**

Property, plant and equipment are allocated to the Group's cash-generating units (CGUs) and tested for impairment as described in note 2.7. The note 4.1 describes the key assumptions used for the value-in-use calculations.

An impairment loss amounting to €1,445,000 at 31 March 2011 and €2,466,000 at 31 March 2010 has been recorded within the distribution expenses to adjust the carrying amount of certain assets related to the stores.

A reversal of impairment loss amounting to €1,435,000 at 31 March 2011 and €489,000 at 31 March 2010 has been recorded within the distribution expenses. No impairment loss has been recorded in the general and administrative expenses.

8. GOODWILL

Goodwill variation analysis is as follows:

31 March *In thousands of Euros*	2011	2010
Cost as of the beginning of the year	**86,184**	**78,510**
Acquisition of new companies (see note 6.1)	2,033	5,890
Adjustment to the purchase consideration	—	(686)
Exchange differences	1,165	2,470
Cost as of 31 March	**89,382**	**86,184**
Accumulated impairment as of the beginning of the year	**—**	**—**
Impairment loss	—	—
Exchange differences	—	—
Accumulated impairment as of 31 March	**—**	**—**
Net book value as of 31 March	**89,382**	**86,184**

8. GOODWILL *(continued)*

8.1. Year ended 31 March 2011

As of 31 March 2011, the breakdown of the Group's goodwill by country of origin is detailed as follows:

Geographic areas *In thousands of Euros*	Net book value on 1 April 2010	Acquisitions of subsidiaries or of additional shareholdings	Adjustment to the purchase consideration	Exchange differences	Net book value on 31 March 2011
France (a)	36,056	—	—	—	36,056
Japan (b)	20,612	—	—	1,461	22,073
Russia	5,669	—	—	(44)	5,625
United States	5,018	—	—	(257)	4,761
Brazil	4,114	—	—	175	4,289
Canada	3,641	—	—	(26)	3,615
Nederland	—	2,033	—	—	2,033
Hong Kong	2,189	—	—	(117)	2,072
Taiwan	1,575	—	—	45	1,620
United Kingdom	1,380	—	—	10	1,390
China	1,385	—	—	(74)	1,311
Thailand	1,215	—	—	(35)	1,180
Poland	1,126	—	—	(40)	1,086
Spain	880	—	—	—	880
Australia	871	—	—	67	938
Belgium	323	—	—	—	323
Germany	130	—	—	—	130
TOTAL	**86,184**	**2,033**	**—**	**1,165**	**89,382**

(a) The French goodwill mostly related to Melvita acquisition is allocated to the Sell-out operating segment for an amount of €22,067,000 and to the Sell-in operating segment for an amount of €13,864,000. The international launch of the Melvita brand started during the fiscal year ended 31 March 2011.

(b) The Japanese goodwill is allocated to the Sell-out operating segment.

8. GOODWILL *(continued)*

8.2. Year ended 31 March 2010

As of 31 March 2010, the breakdown of the Group's goodwill by country of origin is detailed as follows:

Geographic areas *In thousands of Euros*	Net book value on 1 April 2009	Acquisitions of subsidiaries or of additional shareholdings	Adjustment to the purchase consideration	Exchange differences	Net book value on 31 March 2010
France	36,056	—	—	—	36,056
Japan	19,787	—	—	825	20,612
Russia	5,315	—	—	354	5,669
United States	5,083	—	—	(65)	5,018
Brazil	939	2,719	—	456	4,114
Canada	—	3,171	—	470	3,641
Hong Kong	2,221	—	—	(32)	2,189
Taiwan	1,505	—	—	70	1,575
United Kingdom	1,319	—	—	61	1,380
China (a)	2,142	—	(686)	(71)	1,385
Thailand	1,225	—	—	(10)	1,215
Poland	929	—	—	197	1,126
Spain	880	—	—	—	880
Australia	656	—	—	215	871
Belgium	323	—	—	—	323
Germany	130	—	—	—	130
TOTAL	**78,510**	**5,890**	**(686)**	**2,470**	**86,184**

(a) On 2 November 2009, LS Holding Company Ltd has released and discharged the Group from the obligation to repay a loan amounting to €686,000. This has been recorded as an adjustment to the consideration to purchase the non-controlling interests and the goodwill was adjusted downward accordingly.

8. GOODWILL *(continued)*

8.3. Impairment test for goodwill

As described in notes 2.5, 2.7 and 4.1, goodwill is reviewed for impairment based on expectations of future cash flows at each balance sheet date or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. When an impairment loss is recognized, the corresponding amount is included in the statement of income under “Goodwill impairment” (note 4.1).

No impairment loss was recognized during the periods.

9. INTANGIBLE ASSETS, NET

Indemnities paid to the previous lessee at the inception of the lease are recorded as a key money and amortized over a period of 10 years or over the lease term if shorter.

Other intangible assets relate mainly to internally used software including enterprise resources planning system, point-of-sales system and others.

Except for trademarks, there are no intangible assets with indefinite useful lives.

The intangible assets in progress relate to purchased softwares to be used internally which are under development.

9. INTANGIBLE ASSETS, NET *(continued)*

9.1. Year ended 31 March 2011

As of 31 March 2011, intangible assets, net can be analyzed as follows:

In thousands of Euros	Website	Trademarks	Key moneys	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
Cost as of 1 April 2010	**698**	**14,717**	**35,473**	**1,761**	**3,147**	**10,874**	**66,670**
Additions	71	–	5,361	–	6,479	1,091	13,002
Disposals	–	–	(1,171)	–	(127)	(68)	(1,366)
Acquisition of subsidiaries	–	–	239	–	–	1	240
Other movements	–	–	21	–	(394)	494	121
Exchange differences	(3)	–	202	–	–	86	285
Cost as of 31 March 2011	**766**	**14,717**	**40,125**	**1,761**	**9,105**	**12,477**	**78,951**
Accumulated amortization and impairment as of April 1, 2010	**(698)**	**–**	**(16,537)**	**(1,671)**	**–**	**(6,666)**	**(25,572)**
Impairment loss	–	–	–	–	–	–	–
Reversal of impairment loss	–	–	–	–	–	–	–
Amortization	(14)	–	(3,623)	(54)	–	(1,798)	(5,489)
Disposals	–	–	622	–	–	76	698
Other movements	–	–	11	–	–	(92)	(81)
Exchange differences	1	–	(95)	–	–	(23)	(117)
Accumulated amortization and impairment as of 31 March 2011	**(711)**	**–**	**(19,622)**	**(1,725)**	**–**	**(8,503)**	**(30,561)**
Net book value as of 31 March 2011	**55**	**14,717**	**20,503**	**36**	**9,105**	**3,974**	**48,390**
Including assets under finance leases							
Intangible assets, gross	–	–	–	–	–	1,170	1,170
Accumulated amortization	–	–	–	–	–	(1,170)	(1,170)
Net book value under finance leases as of 31 March 2011	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Additions mainly concern:

- Intangible assets in progress for €6,479,000 are related mainly to the implementation of a new ERP. The total costs capitalized on this project amount to €7,972,000 as at 31 March 2011. The new ERP go live is forecasted in May 2011 for 3 mains subsidiaries.
- Key moneys for an amount of €5,361,000. Such key moneys were mainly acquired in Spain, France and Italy.

The amount of intangible assets whose title is restricted or that are pledged as security for liabilities is €730,000 as at 31 March 2011.

9. INTANGIBLE ASSETS, NET *(continued)*

9.2. Year ended 31 March 2010

As of 31 March 2010, intangible assets, net can be analyzed as follows:

In thousands of Euros	Website	Trademarks	Key moneys	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
Cost as of 1 April 2009	**698**	**14,717**	**32,081**	**1,761**	**839**	**8,229**	**58,325**
Additions	–	–	2,321	–	3,035	2,108	7,464
Disposals	–	–	(222)	–	–	(538)	(760)
Acquisition of subsidiaries	–	–	–	–	–	–	–
Other movements	–	–	34	–	(727)	897	204
Exchange differences	–	–	1,259	–	–	178	1,437
Cost as of 31 March 2010	**698**	**14,717**	**35,473**	**1,761**	**3,147**	**10,874**	**66,670**
Accumulated amortization and impairment as of 1 April 2009	**(686)**	**–**	**(13,175)**	**(1,483)**	**–**	**(5,567)**	**(20,911)**
Impairment loss	–	–	–	–	–	–	–
Reversal of impairment loss	–	–	–	–	–	–	–
Amortization	(12)	–	(3,122)	(188)	–	(1,588)	(4,910)
Disposals	–	–	205	–	–	513	718
Other movements	–	–	3	–	–	42	45
Exchange differences	–	–	(448)	–	–	(66)	(514)
Accumulated amortization and impairment as of 31 March 2010	**(698)**	**–**	**(16,537)**	**(1,671)**	**–**	**(6,666)**	**(25,572)**
Net book value as of 31 March 2010	**–**	**14,717**	**18,936**	**90**	**3,147**	**4,208**	**41,098**
Including assets under finance leases							
Intangible assets, gross	–	–	–	–	–	1,170	1,170
Accumulated amortization	–	–	–	–	–	(1,170)	(1,170)
Net book value under finance leases as of 31 March 2010	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Additions mainly concern:

- Key moneys for an amount of €2,321,000. Such key moneys were mainly acquired in France, Mexico and Brazil;
- Intangible assets in progress for an amount of €3,035,000 that mainly relate to the implementation of a new ERP.

The amount of intangible assets whose title is restricted or that are pledged as security for liabilities is €1,368,000 as at 31 March 2010.

9. INTANGIBLE ASSETS, NET *(continued)*

9.3. Classification of the amortization of the intangible assets in the statement of income

Amortization of the intangible assets has been charged to statement of income as follows:

31 March *In thousands of Euros*	2011	2010
Cost of goods sold	11	5
Distribution expenses	3,799	3,264
Marketing expenses	4	—
General and administrative expenses	1,675	1,641
Amortization expenses	**5,489**	**4,910**

9.4. Impairment tests for intangible assets

Intangible assets are allocated to the Group's cash-generating units (CGUs) as described in note 2.7 and tested for impairment. The note 4.1 describes the sensitivity of the key assumptions used for the value-in-use calculation.

31 March *In thousands of Euros*	2011	2010
Accumulated impairment as of the beginning of the year	**(100)**	**(101)**
Impairment loss	—	—
Reversal of impairment loss	—	—
Exchange differences	—	1
Accumulated impairment as of 31 March	**(100)**	**(100)**

No new impairment loss has been recorded during the periods. The accumulated impairment loss is fully allocated to the Sell-Out segment.

No reversal of impairment loss has been recorded at 31 March 2011 and 2010.

10. OTHER NON-CURRENT RECEIVABLES

The other non-current receivables consist of the following:

31 March *In thousands of Euros*	2011	2010
Deposits	18,945	16,839
Key moneys paid to the landlord	1,470	1,596
Other non-current receivables	**20,415**	**18,435**

Key moneys paid to the landlord are deemed to be linked to the rent and are classified within prepaid expenses (current and non current) (note 2.5).

11. INVENTORIES, NET

Inventories, net consist of the following items:

31 March *In thousands of Euros*	2011	2010
Raw materials and supplies	22,054	15,942
Finished goods and work in progress	86,294	59,361
Inventories, gross	**108,347**	**75,303**
Less, allowance	(7,008)	(7,824)
Inventories, net	**101,339**	**67,479**

12. TRADE RECEIVABLES, NET

12.1. Group information

Trade receivables, net consist of the following:

31 March *In thousands of Euros*	2011	2010
Trade receivables, gross	61,410	49,758
Less, allowances for doubtful accounts	(1,781)	(1,887)
Trade receivables, net	**59,629**	**47,871**

Credit risk:
The carrying amounts of the Group's trade receivables approximate their fair value. At the balance sheet date, there is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, dispersed internationally. The maximum exposure to credit risk at each balance sheet date is the fair value of receivables set out above. The Group does not hold any collateral as security.

The Group's sales to end customers are retail sales and no credit terms are granted to the end customers. For customers in the Sell-in and B-to-B segments, sales are made with credit terms generally from 60 and 90 days. Ageing analysis of trade receivables from due date at the respective balance sheet date is as follows:

31 March *In thousands of Euros*	2011	2010
Current and past due within 3 months	59,364	47,806
3 to 6 months	831	813
6 to 12 months	234	245
Over 12 months	981	894
Trade receivables, gross	**61,410**	**49,758**

Movement of the Group's provision for impairment on trade receivables are as follows:

31 March *In thousands of Euros*	2011	2010
At beginning of the year / period	**(1,887)**	**(2,353)**
Provision for impairment	(285)	(555)
Reversal of impairment	430	1,084
Exchange differences	(39)	(63)
At end of the year / period	**(1,781)**	**(1,887)**

The creation and release of provision for impaired receivables have been included in distribution expenses.

12. TRADE RECEIVABLES, NET *(continued)*

12.1. Group information *(continued)*

***Credit risk:** (continued)*

The ageing of the provision for the impaired receivables from due date is as follows:

31 March *In thousands of Euros*	2011	2010
Within 3 months	1,095	977
3 to 6 months	298	121
6 to 12 months	49	80
Over 12 months	339	709
Impaired receivables	**1,781**	**1,887**

The individually impaired receivables relate to wholesalers which are in unexpectedly difficult economic situations.

The ageing analysis of trade receivables from due date that were past due but not impaired as of 31 March 2011 and 2010 is as follows:

31 March *In thousands of Euros*	2011	2010
Within 3 months	9,502	4,182
3 to 6 months	533	692
6 to 12 months	185	164
Over 12 months	642	186
Trade receivables past due but not impaired	**10,862**	**5,224**

These trade receivables relate to a number of customers for whom there is no recent history of default.

The Group considers that there is no recoverability risk on these past due receivables.

12. TRADE RECEIVABLES, NET *(continued)*

12.1. Group information *(continued)*

Denomination in currencies:

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

31 March *In thousands of Euros*	2011	2010
Euros	18,660	16,813
US Dollar	3,308	3,329
Sterling Pound	708	764
Japanese Yen	11,739	9,870
Hong Kong Dollar	7,953	4,920
Brazilian Real	4,093	3,790
Taiwan Dollar	2,149	1,752
Chinese Renminbi	5,393	3,092
Other currencies	5,626	3,541
Total	**59,629**	**47,871**

12.2. Company information

Trade receivables, net consist of the following:

31 March *In thousands of Euros*	2011	2010
Trade receivables, gross	10,575	7,300
Less, allow ances for doubtful accounts	(807)	(291)
Trade receivables, net	**9,768**	**7,009**

12. TRADE RECEIVABLES, NET *(continued)*

12.2. Company information *(continued)*

Credit risk:

The carrying amounts of the Company's trade receivables approximate their fair value. At the balance sheet date, there is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers, dispersed internationally. The maximum exposure to credit risk at each balance sheet date is the fair value of receivables set out above.

The Company's sales to the customers in the Sell-in segments are made with credit terms generally from 60 and 90 days. Aging analysis of trade receivables from due date at the respective balance sheet date are as follows:

31 March *In thousands of Euros*	2011	2010
Current and past due within 3 months	10,379	7,086
3 to 6 months	111	149
6 to 12 months	52	2
Over 12 months	33	63
Trade receivables-gross	**10,575**	**7,300**

Movement of the Company's provision for impairment on trade receivables are as follows:

31 March *In thousands of Euros*	2011	2010
At beginning of the year / period	**(291)**	**(1,102)**
Provision for impairment	(516)	—
Reversal of impairment	—	811
At end of the year / period	**(807)**	**(291)**

Provision for impaired receivables and its reversal have been included in distribution expenses.

12. TRADE RECEIVABLES, NET *(continued)*

12.2. Company information *(continued)*

Credit risk: *(continued)*

The ageing of the provision for the impaired receivables from due date is as follows:

31 March *In thousands of Euros*	2011	2010
Within 3 months	643	208
3 to 6 months	109	19
6 to 12 months	22	1
Over 12 months	33	63
Impaired receivables	**807**	**291**

The individually impaired receivables relate to wholesalers which are in unexpectedly difficult economic situations.

The ageing analysis of trade receivables from due date that were past due but not impaired as at 31 March 2011 and 2010 is as follows:

31 March *In thousands of Euros*	2011	2010
Within 3 months	1,591	1,109
3 to 6 months	2	130
6 to 12 months	30	1
Over 12 months	—	—
Trade receivables past due but not impaired	**1,623**	**1,240**

These trade receivables relate to a number of customers for whom there is no recent history of default.

The Company considers that there is no recoverability risk on these past due receivables.

12. TRADE RECEIVABLES, NET *(continued)*

12.2. Company information *(continued)*

Denomination in currencies:

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

31 March *In thousands of Euros*	2011	2010
Euros	7,444	6,355
US Dollar	2,206	610
Sterling Pound	99	44
Other currencies	19	—
Total	**9,768**	**7,009**

13. OTHER CURRENT ASSETS

The following table presents details of other current assets:

31 March *In thousands of Euros*	2011	2010
Value added tax receivable and other taxes and social items receivable	15,834	9,750
Prepaid expenses	12,370	10,504
Income tax receivable	636	7,350
Recharge of IPO costs and management fees to the parent company (note 29.2)	197	1,713
Advance payments to suppliers	2,217	736
Other current assets	3,127	580
Total other current assets	**34,381**	**30,633**

Prepaid expenses relate mainly to the pre-payment of rental expenses in relation to the stores.

Income tax receivable is related to down payments of income tax that are higher than the final income tax expense expected to be paid for the period.

14. DERIVATIVE FINANCIAL INSTRUMENTS

Analysis of derivative financial instruments

Derivative financial instruments are analyzed as follows:

31 March *In thousands of Euros*	2011 Assets	 Liabilities	2010 Assets	 Liabilities
Interest rate derivatives - held for trading	—	110	—	230
Foreign exchange derivatives - held for trading	201	367	61	904
Sub-total derivative financial instruments at fair value through profit and loss	**201**	**477**	**61**	**1,134**
Interest rate derivatives - cash flow hedges	—	695	—	1,364
Foreign exchange derivatives - cash flow hedges	—	261	33	512
Sub-total derivative financial instruments designated as hedging instruments	**—**	**956**	**33**	**1,876**
Total derivative financial instruments	**201**	**1,433**	**94**	**3,010**
Less non-current portion:				
– Interest rate derivatives - cash flow hedges	—	554	—	1,364
– Interest rate derivatives - held for trading	—	—	—	—
Non current portion of derivative financial instruments	**—**	**554**	**—**	**1,364**
Current portion of derivative financial instruments	**201**	**879**	**94**	**1,646**

Held for trading derivatives are classified as a current asset or liability. The fair value of a derivative designated as hedging instrument is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognized in the hedging reserve in other comprehensive income on forward foreign exchange contracts designated as hedging instruments as of the end of the period will be recognized in the statement of income in the period or periods during which the hedged forecast transaction will affect the statement of income. This is generally within the 12 months from the balance sheet date.

14. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Derivatives at fair value through profit and loss

The change in fair value related to derivatives at fair value through profit and loss is as follows:

31 March *In thousands of Euros*	2011	2010
– within "Finance costs" for interest derivatives (note 22)	120	(7)
– within "Foreign currence gains / (losses)" for currency derivatives (note 23)	677	(1,179)
Total change in the fair value of derivatives at fair value through profit and loss : gains / (losses)	**797**	**(1,186)**

Derivatives designated as hedging instruments

The change in the fair value of derivatives designated as hedging instrument is as follows:

31 March *In thousands of Euros*	2011	2010
Interest rate derivatives - cash flow hedges	669	(29)
Foreign exchange derivatives - cash flow hedges	218	(2,242)
Total change in the fair value of hedging instruments	**887**	**(2,271)**
Less ineffective portion:		
– Ineffective portion of interest rate derivatives	45	(82)
– Ineffective portion of foreign exchange derivatives	(340)	(7)
Ineffective portions	**(295)**	**(89)**
Effective portion	**1,182**	**(2,182)**

The effective portion of changes in the fair value of derivatives designated as hedging instruments has been recognized in comprehensive income for an amount net of tax of € 815,000 at 31 March 2011 (€ (1,610,000) at 31 March 2010).

14. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Derivatives designated as hedging instruments *(continued)*

The ineffective portion that arises from derivatives designated as hedging instruments is recognized in the statement of income as follows:

31 March *In thousands of Euros*	2011	2010
– within "Finance costs" for interest derivatives (note 22)	45	(82)
– within "Foreign currence gains / (losses)" for currency derivatives (note 23)	(340)	(7)
Total change in the fair value of derivatives at fair value through profit and loss : gains / (losses)	**(295)**	**(89)**

Notional amounts of derivatives

(a) ***Foreign exchange derivatives***

The notional principal amounts of the outstanding forward foreign exchange derivatives are (in thousands of Euros):

	31 March	
Currencies	2011	2010
Sale of currencies		
JPY	28,484	32,065
BRL	6,527	—
AUD	1,456	1,933
GBP	1,132	3,147
CAD	943	621
THB	949	936
CZK	151	—
PLN	137	—
USD	—	2,077
MXN	414	705
Purchase of currencies		
EUR	—	1,100

14. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

(b) Interest rate derivatives

The notional principal amounts of the outstanding interest rate derivatives that qualify for hedge accounting are (in thousands of Euros):

Instruments	Rates	2011	2010
Swap EUR	Fixed interest rate : 4%	15,000	15,000
Swap USD	Fixed interest rate : 2.995%	7,039	7,419

Gains and losses recognized in the hedging reserve in equity on interest rate swap contracts as of 31 March 2011 will be continuously released to the statement of income until the repayment of the bank borrowings.

The notional principal amounts of the outstanding interest rate derivatives that do not qualify for hedge accounting are (in thousands of Euros):

		31 March	
Instruments	Rates	2011	2010
Swap	Fixed interest rate : 3.7625%	3,544	3,925

15. CASH AND CASH EQUIVALENTS

15.1. Group information

The following table presents details of cash and cash equivalents:

31 March *In thousands of Euros*	2011	2010
Cash at bank and in hand	43,165	39,007
Cash equivalents	256,960	2,818
Cash and cash equivalents	**300,125**	**41,825**

Cash equivalents include highly liquid investments in money market instruments.

The effective interest rate on cash at bank and in hand is based on Eonia Index -0.10% for Euro and on Fed Funds Rate -0.10% for US dollar.

The effective interest rate on cash equivalents (short-term bank deposits) is based on Eonia Index in 2011 and 2010.

15. CASH AND CASH EQUIVALENTS *(continued)*

15.1. Group information *(continued)*

The Cash and cash equivalents are denominated in the following currencies:

Currencies	31 March 2011	2010
EUR	260,937	6,412
USD	5,444	11,283
JPY	7,985	13,954
HKD	4,801	1,849
Others	20,958	8,327
Total	**300,125**	**41,825**

15.2. Company information

The following table presents details of cash and cash equivalents:

31 March *In thousands of Euros*	2011	2010
Cash at bank and in hand	6,020	11,705
Cash equivalents	256,920	2,777
Cash and cash equivalents	**262,940**	**14,482**

The effective interest rate on cash at bank and in hand is based on Eonia Index -0.10% for Euro and on Fed Funds Rate -0.10% for US dollar.

The effective interest rate on cash equivalents (short-term bank deposits) is based on Eonia Index.

16. CAPITAL AND RESERVES

L'Occitane International S.A. is a corporation incorporated in the Grand Duchy of Luxembourg. The authorized capital of the Company is € 1,500,000,000 out of which € 44,309,000 are issued as at 31 March 2011. At 31 March 2011, the Company's share capital is held by the company "L'Occitane Groupe S.A.", in a proportion of 69.18%.

All the shares of the Company are fully paid and benefit from the same rights and obligations.

16. CAPITAL AND RESERVES *(continued)*

16.1. Share capital and Additional paid-in capital

The changes in the number of shares, share capital and share premium are summarized as follows:

In thousands of Euros except "Number of shares"	Number of shares	Share capital	Additional paid-in capital
Balance at 31 March 2009	**19,290,674**	**38,232**	**49,995**
Costs directly attributable to the issue of new shares, net of tax (c)	—	—	(1,265)
Balance at 31 March 2010	**19,290,674**	**38,232**	**48,730**
On 9 April 2010, new par value of € 0.03 (a)	1,255,105,717	—	—
On 7 May 2010, listing of the Company and issue of new shares (b)	182,060,000	5,462	271,410
On 28 May 2010, exercice of an over-allotment option and issue of new shares (b)	20,508,500	615	31,865
Costs directly attributable to the issue of new shares(c)	—	—	(9,154)
Balance at 31 March 2011	**1,476,964,891**	**44,309**	**342,851**

(a) On 9 April 2010, the sole shareholder of the Company, L'Occitane Group S.A. resolved that a value of €0.03 be designated as par value per ordinary share in the share capital of the Company so that the subscribed share capital of the Company amounting to €38,232,000 be represented by 1,274,396,391 shares having a par value of €0.03.

In accordance with IAS 33, the calculations of basic and diluted earnings per share have been adjusted retrospectively.

(b) On 7 May 2010, the Company was listed on the main board of the Hong Kong Stock Exchange. 364,120,000 shares of the Company were sold at a unit price of HKD 15.08. Out of these 364,120,000 shares, 182,060,000 shares were sold by LOG and 182,060,000 were newly issued shares as provided for by the Shareholders' Meeting held on 31 March 2010. Consequently, the Company received gross proceed of HKD 2,745,465,000 corresponding to a capital increase of €276,872,000 with the exchange rate prevailing at the date of the transaction.

On 28 May 2010, the Underwriters to the global offering exercised their over-allotment option for a total number of shares of 41,017,000. Out of these 41,017,000 shares, 20,508,500 shares were sold by LOG and 20,508,500 were newly issued shares as provided for by the Board of directors held on 31 May 2010. Consequently, the Company received an additional gross proceed of HKD 309,268,000 corresponding to € 32,480,000 with the exchange rate prevailing at the date of the transaction.

(c) In relation to the transactions described in (b) above, the Group incurred costs for € 9,505,000 during the fiscal year ended 31 March 2011:

- The costs associated to the listing of existing shares amounting to € 857,000 have been recharged to L'Occitane Groupe SA;
- The costs directly associated with the listing and issue of new shares amounting to € 8,648,000 were recorded as a reduction of the 'Additional paid-in capital'.

During the fiscal year ended 31 March 2010, the Group incurred cost for a total amount of € 1,265,000 net of tax.

In addition to the above costs directly attributable to the listing of shares, the Group also incurred financial marketing and communication costs for an amount of € 412,000 during the fiscal year ended 31 March 2011 which have been expensed in 'general and administrative expenses'.

16. CAPITAL AND RESERVES *(continued)*

16.2. Treasury shares

There is no treasury shares held by the Group.

16.3. Share-based payments

There are two types of share-based payments: (i) share-based payments with LOI equity instruments and (ii) share-based payments with LOG equity instruments.

(i) Main characteristics and detail of the plans with LOI equity instruments

On 30 September 2010, the Shareholders' meeting of the Company authorized a free share plan and a stock option plan whose main characteristics are the following:

Plan	Number of equity instruments	Validity of the authorization	Service conditions	Performance conditions	Exercice price
Free share plan	0.5% of the Company's issued share capital as at 30 September 2010	3 years	Vesting period of 4 years	At the grand date, the Board may specify performance targets.	N/A
Stock option plan	1.5% of the Company's issued share capital as at 30 September 2010	3 years	Vesting period of 4 years	At the grand date, the Board may specify performance targets.	To be determined by the Board

On 4 April 2011, the Company granted 11,834,000 options with the following characteristics:

Number of options	Grantees	Performance conditions in addition to the service conditions	Contractual option term	Exercise price*
7,188,000	Middle management	Non-market performance conditions: the number of options exercisable depends on the achievement of conditions based on Group net sales and Group operating profit	8 years	HKD 19.84
2,000,000	Local management of subsidiaries	Non-market performance conditions: the number of options exercisable depends on the achievement of conditions based on the net sales and the operating profit of subsidiaries	8 years	HKD 19.84
520,000	Group management	Market performance conditions : the number of options exercisable depends on the variation of the share price	8 years	HKD 19.84
2,126,000	Group management	No performance condition other than the service conditions.	8 years	HKD 19.84

* The exercise price converted at the exchange rate of the grant date is approximately € 1.7

16. CAPITAL AND RESERVES *(continued)*

16.3. Share-based payments *(continued)*

(ii) Main characteristics and detail of the plans with LOG equity instruments

LOG, the parent company of LOI granted rights to its own equity instruments direct to LOI and its subsidiaries' employees.

Accounting treatment

In accordance with IFRS 2, these share-based arrangements are accounted for as an equity-settled share-based payment transaction in the consolidated financial statements of L'Occitane International S.A.. In the consolidated financial statements of the Group, the share-based compensation expense is therefore recognized with a corresponding effect in equity attributable to the owners of the Company as a 'contribution from the parent'.

At 31 March 2011, the stock options and free shares plans are the following:

Plan authorized on 28 January 2010 for 730'000 stock options	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Contractual option term	Vesting period	Performance conditions in addition to the service conditions	Grantees
Granted on July 2009 (authorized in January 2010) at an exercise price of €23.20	365,700	–	(22,000)	–	343,700	6 years	4 years	No	Management and middle management
Granted on April 2010 at an exercise price of €23.20	–	10,000	–	–	10,000	6 years	4 years	No	Management and middle management

Plan authorized on 28 Sept 2007 for 200'000 stock options	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Contractual option term	Vesting period	Performance conditions in addition to the service conditions	Grantees
Granted on February 2008 at an exercise price of €26.10	192,200	–	(38,000)	–	154,200	6 years	4 years	No	Management and middle management

16. CAPITAL AND RESERVES *(continued)*

16.3. Share-based payments *(continued)*

(ii) Main characteristics and detail of the plans with LOG equity instruments (continued)

Accounting treatment (continued)

Plan authorized on 28 Sept. 2007 for 40,000 free shares	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Contractual option term	Vesting period	Performance conditions in addition to the service conditions	Grantees
Granted on February 2008	5,500	–	–	–	5,500	–	4 years	No	Management
Granted on June 2008	29,935	–	(5,190)	–	24,745	–	4 years	No	and middle
Granted on August 2010	–	9,755	–	–	9,755	–	4 years	No	management

Plan authorized on 27 Dec. 2007 for 30,000 free shares	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Contractual option term	Vesting period	Performance conditions in addition to the service conditions	Grantees
Granted on June 2008	4,807	–	–	–	4,807	–	4 years	No	Management
Granted on July 2009	22,240	–	(3,415)	–	18,825	–	4 years	No	and middle
Granted on August 2010	–	3,745	–	–	3,745	–	4 years	No	management

The stock options and the free shares forfeited are related to the employees who left the Company before the end of the vesting period.

Out of the outstanding options, none are exercisable.

The fair value of options is determined using the Black-Scholes valuation model. The significant inputs into the model in addition to the exercise price were the following:

- Fair value of a share of L'Occitane Groupe S.A. at the grant date ;
- Volatility (based on historical volatility of listed comparable companies over a period of 4 years);
- No dividend yield;
- Expected option life of four years (derived from the expected tax behaviour of grantees) ;
- And an annual risk-free interest rate.

16. CAPITAL AND RESERVES *(continued)*

16.3. Share-based payments *(continued)*

For each grant date, the inputs used into the model and the resulting fair value of the option are the following:

	Inputs into the model			
Grant date	Exercise price	Volatility	Annual risk-free interest rate	Fair value of the option
August 2010	€ 23.20	35%	2.5%	€ 19.91
July 2009	€ 23.20	35%	2.5%	€ 19.91
February 2008	€ 26.10	26%	4.4%	€ 12.01

The fair value of a share of L'Occitane Groupe SA was determined through a formula based on multiples for comparable companies (net sales, EBITDA, net income and market capitalization). These multiples were applied to the performance of the Group based on forecasted figures which were available at the grant date.

The free shares were valued using the estimated fair value of L'Occitane Groupe S.A. shares at the grant date as determined above.

As at 31 March 2010, the stock options and free shares plans were the following:

Plan authorized on 28 January 2010 for 730'000 stock options	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Vesting period	Performance condition in addition to the service condition	Grantees
Granted in July 2009 (authorized in January 2010) at an exercise price of €23.20	–	365,700	–	–	365,700	4 years	No	Management and middle management

Plan authorized on 28 Sept. 2007 for 200'000 stock options	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Vesting period	Performance condition in addition to the service condition	Grantees
Granted on February 2008 at an exercise price of €26.10	198,000	–	(5,800)	–	192,200	4 years	No	Management and middle management

16. CAPITAL AND RESERVES *(continued)*

16.3. Share-based payments *(continued)*

Plan authorized on 28 Sept. 2007 for 40,000 free shares	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Vesting period	Performance condition in addition to the service condition	Grantees
Granted on February 2008	5,500	–	–	–	5,500	4 years	No	Management and middle management
Granted on June 2008	30,935	–	(1,000)	–	29,935	4 years	No	Plan authorized on Dec. 27, 2007 for 30,000 free shares

Plan authorized on 27 Dec. 2007 for 30,000 free shares	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Vesting period	Performance condition in addition to the service condition	Grantees
Granted on June 2008	4,807	–	–	–	4,807	4 years	No	Management and middle management
Granted on July 2009	–	22,240	–	–	22,240	4 years	No	Management and middle management

The stock options and the free shares forfeited are related to the employees who left the Company before the end of the vesting period.

In addition to the above plans, on 27 December 2007, 60,651 shares of LOG have been issued to the benefit of FCPE L'Occitane Actionnariat which is a fund held by employees of the French subsidiaries of the Group. The shares were issued for a subscription price with a discount of 20% as compared to the fair value at that date. There is no vesting condition. However the shares are subject to restrictions on transfer over a period of 5 years.

16. CAPITAL AND RESERVES *(continued)*

16.4. Distributable reserves

On 31 March 2011, the distributable reserves of L'Occitane International S.A. amounted to € 179,985,000 (€ 94,396,000 as at 31 March 2010).

An amendment to the Articles of Association of L'Occitane International S.A was approved by the Shareholder's meeting held on 15 April 2010. A list of undistributable reserves has been added. The amount of share premium as shown in the statutory accounts of the Company is now considered as undistributable. If this definition of undistributable reserves had been in place as at 31 March 2010, the distributable reserves would have amounted to € 70,817,000.

16.5. Dividend per share

On 31 March 2010, the Shareholders' Meeting approved the distribution of € 80,000,000 being € 4.147 per share. This distribution was conditional upon the approval of the interim financial information of the Company on a stand alone basis under Luxembourg Generally Accepted Accounting Principles as at 28 February 2010. This interim financial information was approved by the Board of directors held for 9 April 2010. On 31 March 2010, the dividend payable was recognised as a current liability (note 18). The dividend was paid on 4 May 2010.

On 30 September 2009, the annual Shareholders' Meeting approved the distribution of € 32,000,000 being € 1.659 per share which was paid on 16 November 2009.

The dividend per share adjusted for the new par value of € 0.03 as detailed in note 16.1 paid on 4 May 2010 and on 16 November 2009 is € 0.054 and € 0.025 respectively.

16.6. Additional paid in capital

Additional paid in capital includes:

- The additional paid in capital recognized in the statutory financial statements;
- The effect of valuing, at market value, the shares issued in exchange of acquisitions;
- The difference between the carrying amount net of tax and the nominal amount of the compound financial instruments converted to equity on 26 February 2007.

17. BORROWINGS

Group:

Borrowings include the following items:

31 March *In thousands of Euros*	2011	2010
FY 2008 Syndicated facility	—	36,527
FY 2011 Revolving facility	39,669	—
Other bank borrowings	1,781	4,671
Finance lease liabilities	15,241	11,265
Current accounts with minority shareholders and related parties (note 17.3)	3,055	5,968
Bank overdrafts	272	3,438
Total	**60,018**	**61,869**
Less, current portion:		
– FY 2008 - Syndicated facility	—	(184)
– FY 2011 Revolving facility	(291)	—
– Other bank borrowings	(1,225)	(1,164)
– Finance lease liabilities	(1,172)	(1,118)
– Current accounts with minority shareholders and related parties (note 17.3)	(3,055)	(5,968)
– Bank overdrafts	(272)	(3,438)
Total current	**(6,015)**	**(11,872)**
Total non-current	**54,003**	**49,997**

Other bank borrowings are secured by key moneys (note 9 and 28.3).

The FY 2008 Syndicated facility was reimbursed on 31 May 2010. The Syndicated facility was secured by investments (note 28.3)

17. BORROWINGS *(continued)*

Company

Borrowings include the following items:

31 March *In thousands of Euros*	2011	2010
FY 2008 Syndicated facility	—	11,386
FY 2011 Revolving facility	24,532	—
Other bank borrowings	—	1,055
Bank overdrafts	—	3,417
Total	**24,532**	**15,858**
Less, current portion:		
– FY 2008 Syndicated facility	—	(45)
FY 2011 Revolving facility	(155)	—
– Other bank borrowings	—	(4)
– Bank overdrafts	—	(3,417)
Total current	**(155)**	**(3,466)**
Total non-current	**24,377**	**12,391**

17.1. Maturity of non-current borrowings

For the year ended 31 March 2011 and 2010, maturity of non-current borrowings, excluding current portion, can be broken down as follows:

In thousands of Euros	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
FY 2011 Revolving facility	—	39,378	—	39,378
Other bank borrowings	294	262	—	556
Finance lease liabilities	1,444	4,521	8,104	14,069
Maturity on 31 March 2011	**1,738**	**44,161**	**8,104**	**54,003**
FY 2008 Syndicated facility	9,085	27,258	—	36,343
Other bank borrowings	1,022	2,485	—	3,507
Finance lease liabilities	1,100	3,420	5,627	10,147
Maturity on 31 March 2010	**11,207**	**33,163**	**5,627**	**49,997**

17. BORROWINGS *(continued)*

17.2. Credit facilities agreements

FY 2011 Revolving facility

On 28 July 2010, the Company signed a multi-currency revolving facility agreement for an amount of €350 million with a 5 years maturity and that can be drawn only by the Company and L'Occitane S.A.. An amount of €39,378,000 is drawn as at 31 March 2011.

Event of default resulting in the early repayment of the FY 2011 Revolving Facility agreement depends on the Leverage financial ratio which is based on the annual Group's consolidated financial statements. The ratio is calculated for the first time on the basis of the consolidated financial statements of the fiscal year ending 31 March 2011. The leverage financial ratio is calculated as follows: Consolidated net debt / EBITDA. For the measurement of this ratio, the definitions to be used are as follows:

Consolidated net debt	Current and non-current borrowings (including finance leases and other commitments but excluding operating lease commitments)
	— cash and cash equivalents
EBITDA	Operating profit before depreciation, amortization and impairment and before net movements in provisions

The leverage financial ratio is to be lower than 3.5 and is and this level is respected as at 31 March 2011.

The FY 2011 Revolving Facility includes a repricing option. The interest rates depend on the above described Leverage financial ratio calculated every year after the consolidated financial statements of the Company are issued. The change in the ratio results in repricing the interest rate as follows:

Leverage financial ratio	Repricing
Ratio being comprised between 2.5 and 3.5:	Euribor 3M + Margin
Ratio being comprised between 1.5 and 2.5:	Euribor 3M + Margin -0.1
Ratio being comprised between 0.5 and 1.5	Euribor 3M + Margin -0.25
Ratio lower than 0.5	Euribor 3M + Margin -0.4

During the fiscal year ended 31 March 2011, the interest rate was based on Euribor 3M + Margin -0.4.

The FY 2011 Revolving Facility is secured by a pledge on 100% of L'Occitane S.A. shares.

Directly attributable transaction costs related to the issuance of this FY 2011 Revolving Facility amounted to €1,000,000. As there is no evidence that it is probable that some or all the facility will be drawn down, the fees were capitalised as a pre-payment for liquidity services and amortised over the period of facility to which it relates (note 13).

17. BORROWINGS *(continued)*

17.2. Credit facilities agreements *(continued)*

FY 2008 Syndicated facility

On 4 July 2007, the Company, its parent company and its subsidiary L'Occitane S.A. entered into a senior credit facilities agreement for the amount in principal of €280,000, 000, made up of:

- A capex facility of €50 million with a maturity of 7 years that can be drawn only by L'Occitane International S.A. or L'Occitane SA. As at 31 March 2010, this facility was drawn for an amount of €36,527,000;
- A multi-currency revolving facility of €25 million granted for a period of 7 years that can be drawn only by L'Occitane International S.A. or L'Occitane SA. As at 31 March 2010, this facility was not drawn.
- A senior loan of €205 million that can be drawn only by L'Occitane Groupe S.A.. As at 31 March 2010, an amount of €174.25 million was drawn.

The capex and revolving facilities were secured by a pledge on respectively 100% of L'Occitane SA shares and 100% of Les Relais L'Occitane France shares and the senior loan was secured by a pledge on 100% of the Company's shares (note 28.3).

The capex and revolving facilities issued included a repricing option. The interest rates depended on a covenant and were calculated every semester after the consolidated financial statements of L'Occitane Groupe S.A. are issued. During the fiscal year ended 31 March 2011, the interest rate was based on Euribor 3M + Margin.

The FY 2008 Syndicated facility was reimbursed on 31 May 2010.

17.3. Current accounts with non-controlling interests and related parties

Current accounts with non-controlling interests and related parties concern:

31 March *In thousands of Euros*		2011	2010
L'Occitane Mexico (note 29.4)	Clarins Group	—	2,419
L'Occitane Korea (note 29.4)	Clarins Group	1,000	1,502
L'Occitane Suisse (note 29.4)	Clarins Group	1,267	1,190
L'Occitane Thailand	Various individual minority shareholders	776	853
L'Occitane India	Beauty Concepts Pvt Ltd.	12	4
Total current accounts		**3,055**	**5,968**

Since 25 June 2010, Clarins Group is no more a related party to the Group.

17. BORROWINGS *(continued)*

17.4. Finance lease liabilities

Finance lease liabilities outstanding are analyzed as follows:

31 March *In thousands of Euros*	2011	2010
Within one year	1,498	1,287
One to two years	1,786	1,201
Two to three years	1,799	1,224
Three to four years	1,813	1,247
Four to five years	1,701	1,272
Thereafter	8,909	6,411
Total minimum lease payments	**17,506**	**12,642**
Less, amount representing interest	(2,265)	(1,377)
Present value of finance lease liabilities	**15,241**	**11,265**
Less, current portion of finance lease liabilities	(1,172)	(1,118)
Non-current portion of finance lease liabilities	**14,069**	**10,147**

On 30 March 2010, the Company signed a finance lease agreement in connection with (i) the acquisition of the existing land and building of Melvita for an amount of €4,934,000 and (ii) the extension and restructuring of the plant for an amount of €9,066,000. The lease term of the finance lease is 15 years and the interest rate is based on Euribor 3M (Euribor 3M + 1.5% for a part of the finance lease amounting to €9,334,000; Euribor 3M +1.25% for a part of the finance lease amounting to €4,666,000).

As at 31 March 2011, an amount of €10,088,000 was drawn (€4,934,000 as at 31 March 2010).

17.5. Effective interest rates

The effective interest rates at the balance sheet date were as follows:

	As at 31 March	
	2011	2010
FY 2011 Revolving facility	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Other borrowings	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Bank overdrafts	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Finance lease liabilities	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Current accounts with minority shareholders and related parties	See note 17.3	See note 17.3

17. BORROWINGS *(continued)*

17.6. Denomination in currencies

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

31 March *In thousands of Euros*	2011	2010
Euro	32,615	42,334
US dollar	13,066	9,849
Canadian Dollar	5,223	3,363
Swiss Franc	2,421	1,581
Australian dollar	2,038	2,798
Sterling Pound	1,810	1,124
Other currencies	2,845	820
Total	**60,018**	**61,869**

17.7. Borrowing facilities

The Group has the following undrawn borrowing facilities:

31 March *In thousands of Euros*	2011	2010
Floating rate:		
– Expiring within one year	2,968	10,474
– Expiring beyond one year	310,622	115,018
Fixed rate:		
– Expiring within one year	—	—
– Expiring beyond one year	—	—
Total	**313,590**	**125,492**

18. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities include the following:

31 March *In thousands of Euros*	2011	2010
Retirement indemnities	2,413	1,935
Liabilities linked to operating leases	5,738	5,331
Provisions for dismantling and restoring	2,875	2,325
Total non current liabilities	**11,026**	**9,591**
Grants to a foundation	260	800
Dividend payable	—	80,000
Deferred revenue	6,073	3,690
Total current liabilities	**6,333**	**84,490**

18.1. Provision for retirement indemnities

Subsidiaries of the Group incorporated in France contribute to the national pension system, which is a defined contribution obligation. In addition, a lump-sum payment is made on the date the employee reaches retirement age, such award being determined for each individual based upon factors such as years of service provided and projected final salary. There are no plan assets. In other countries, the Group contributes to pensions with defined contributions.

The amounts recognized in the balance sheet are determined as follows:

31 March *In thousands of Euros*	2011	2010
Present value of unfunded obligations	2,413	1,935
Unrecognized past service cost	—	—
Liability in the balance sheet	**2,413**	**1,935**

18. OTHER CURRENT AND NON-CURRENT LIABILITIES *(continued)*

18.1. Provision for retirement indemnities *(continued)*

The movement in the defined benefit obligation over the year is as follows:

31 March *In thousands of Euros*	2011	2010
Beginning of the year / period	1,935	1,411
Current service cost	329	376
Interest cost	97	56
Actuarial losses / (gains)	66	96
Exchange differences	(4)	22
Benefits paid	(10)	(26)
Curtailments	—	—
Settlements	—	—
End of year / period	**2,413**	**1,935**

The amounts recognized in the income statement are as follows:

31 March *In thousands of Euros*	2011	2010
Current service cost	329	376
Interest cost	97	56
Actuarial losses / (gains)	66	96
Total included in employee benefit expenses (note 21)	**492**	**528**

The principal actuarial assumptions used were as follows:

31 March *In percentage*	2011	2010
Discount rate	5.00	5.00
Inflation rate	2.00	2.00
Future salary increases	3.00	3.00

The effect of a 1% movement of the actuarial assumptions is not material on the calculation of the defined benefit obligation.

18. OTHER CURRENT AND NON-CURRENT LIABILITIES *(continued)*

18.2. Liabilities linked to operating leases

The liabilities linked to operating leases are related to:

- The impact of recognizing the lease payment as an expense on a straight-line basis (note 2.25);
- Incentives received from the lessors at the inception of the lease, which are recognized pro-rata over the lease term (note 2.25).

18.3. Provision for dismantling and restoring

As at 31 March 2011, provisions for dismantling and restoring costs are as follows:

In thousands of Euros	31 March 2010	Provisions recorded in the statement of income	Provisions recorded as a component of tangible fixed assets	Unused amounts reversed	Used during the year	Exchange differences	31 March 2011
Provisions recorded over the length of the lease	425	72	–	–	(22)	2	477
Provisions recorded at the inception of the lease	1,900	–	377	–	–	121	2,398
Total	**2,325**	**72**	**377**	**–**	**(22)**	**123**	**2,875**

As at 31 March 2010, provisions for dismantling and restoring costs are as follows:

In thousands of Euros	31 March 2009	Provisions recorded in the statement of income	Provisions recorded as a component of tangible fixed assets	Unused amounts reversed	Used during the year	Exchange differences	31 March 2010
Provisions recorded over the length of the lease	290	129	–	(5)	–	11	425
Provisions recorded at the inception of the lease	1,400	–	423	(55)	–	132	1,900
Total	**1,690**	**129**	**423**	**(60)**	**–**	**143**	**2,325**

18. OTHER CURRENT AND NON-CURRENT LIABILITIES *(continued)*

18.4. Grants to a foundation

In early fiscal year 2007, L'Occitane SA and Relais de L'Occitane SARL, two wholly owned French subsidiaries of the Group, participated in the creation of a foundation ("La Fondation L'Occitane"). The objective of this foundation is to participate in the development of sustainable economic projects conducted by women in developing countries, in safeguarding traditions from Provence and in the integration of people suffering from visual deficiency. At the creation of the foundation, the two companies L'Occitane SA and Relais de L'Occitane SARL were unconditionally committed to fund the foundation for an amount of €3,000,000.

On 9 October, 2010, Melvita Production SAS and Melvita SAS, two wholly owned French subsidiaries of the Group, participated in the creation of a foundation ("La foundation d'Entreprise Melvita"). The objective of this foundation is to fund ecological projects, related to the protection of bees and their environment and supporting a 100 percent biological method of agriculture. At the creation of this foundation, the two subsidiaries Melvita Production SAS and Melvita SAS are unconditionally committed to fund the foundation for an amount of €300,000.

The maturity of the remaining obligation can be analyzed as follows:

31 March *In thousands of Euros*	2011	2010
Within one year	260	800
One to two years	—	—
Two to three years	—	—
Three to four years	—	—
Total obligation	**260**	**800**
Less, current portion	(260)	(800)
Non-current portion of the obligation	**—**	**—**

The obligation is recorded at its nominal value. The impact for not discounting is not significant. The payment of the total obligation is guaranteed by the bank Calyon.

The payments to the foundation benefit from a tax incentive as the payments are deductible at a rate of 60% as opposed to the normal enacted income tax rate of 34.43% in France.

18.5. Deferred revenue

Deferred revenue is related to:

- Sales for which the transfer of ownership and related risks has not occurred at year-end;
- The fair value of the consideration received allocated to the award credits granted in case of loyalty program.

19. TRADE PAYABLES

The credit terms granted by the domestic suppliers to the production subsidiaries and to the distribution subsidiaries were usually 80 to 110 days and 30 to 60 days, respectively. The average credit terms granted by the overseas suppliers to the distribution subsidiaries were usually 30 days.

Ageing analysis of trade payables from due date at the respective balance sheet date is as follows:

31 March *In thousands of Euros*	2011	2010
Current and past due within 3 months	71,825	59,489
Past due from 3 to 6 months	380	233
Past due from 6 to 12 months	270	118
Past due over 12 months	8	100
Trade payables	**72,483**	**59,940**

20. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Within the normal framework of their activities, the Group and its subsidiaries are subject to various forms of litigation and legal proceedings. The Group sets aside a provision based on its past experience and on facts and circumstances known at the balance sheet date. The provision charge is recognized in the statement of income within "General and administrative expenses". When the date of the utilization is not reliably measurable, the provisions are not discounted and are classified in current liabilities. The impact for not discounting is not significant.

Social litigation relates mainly to litigations with employees in relation to staff benefits or potential claims from social security administrations authorities.

Commercial claims relate mainly to claims from distributors.

In the director's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at each balance sheet date.

No reimbursement is expected in connection with these provisions and accordingly no corresponding asset was recognized.

20. PROVISIONS FOR OTHER LIABILITIES AND CHARGES *(continued)*

20.1. Year ended 31 March 2011

As at 31 March 2011 provisions for other liabilities and charges can be analyzed as follows:

In thousands of Euros	31 March 2010	Additional provisions	Unused amounts reversed	Used during the year	Exchange differences	31 March 2011
Social litigations	1,738	402	(1,085)	(31)	71	1,095
Commercial claims	388	70	(202)	(5)	(1)	250
Onerous contracts	1,579	961	(1,200)	(246)	(3)	1,091
Tax risks	506	—	—	—	22	528
Total	**4,211**	**1,433**	**(2,487)**	**(282)**	**89**	**2,964**

The provision for onerous contracts is related to operating lease contracts of stores (note 2.18).

The provisions reversed unused are mainly due to statute of limitation of certain risks.

20.2. Year ended 31 March 2010

As at 31 March 2010, provisions for other liabilities and charges can be analyzed as follows:

In thousands of Euros	31 March 2009	Additional provisions	Unused amounts reversed	Used during the year	Exchange differences	31 March 2010
Social litigations	1,477	515	(590)	(25)	361	1,738
Commercial claims	183	411	(140)	(72)	6	388
Onerous contracts	—	1,513	—	—	66	1,579
Tax risks	—	465	—	—	41	506
Total	**1,660**	**2,904**	**(730)**	**(97)**	**474**	**4,211**

21. EXPENSES BY NATURE

Expenses by nature include the following amounts:

31 March *In thousands of Euros*	2011	2010
Employee benefit expenses (a)	207,619	159,961
Rent and occupancy (b)	132,345	105,010
Raw materials and consumables used	103,774	69,329
Change in inventories of finished goods and work in progress	(33,112)	10,267
Advertising costs (c)	75,665	49,740
Professional fees (d)	38,884	27,335
Depreciation, amortization and impairment (note 26.3)	30,452	26,725
Transportation expenses	28,403	15,253
Listing costs	412	—
Auditor's remuneration	1,159	796
Other expenses	57,009	40,515
Total cost of sales, distribution expenses, marketing expenses, general and administrative expenses	**642,609**	**504,931**

(a) Employee benefits include wages, salaries, bonus, share-based payments, social security, post employment benefits and the cost of the temporary staff.

(b) Rent and occupancy include the minimum lease payments for operating leases, contingent rents (variable rents based on sales) and other charges related to these leases.

(c) Advertising costs also include all distribution and marketing promotional goods.

(d) Professional fees include mainly payments made to warehouse management companies, marketing agencies and lawyers.

21. EXPENSES BY NATURE *(continued)*

Employee benefits include the following amounts:

31 March *In thousands of Euros*	2011	2010
Wages, salaries and bonus	170,028	130,512
Share-based payments	2,017	1,963
Social security	34,636	25,814
Post employment benefit (note 18)	492	528
Others	446	1,144
Total employee benefits	**207,619**	**159,961**
Workforce (full time equivalent)	**5,470**	**4,573**

Wages, salaries and bonus include the cost of temporary staff.

The Group's workforce is expressed as the number of employees at the end of the period.

22. FINANCE COSTS, NET

Finance costs, net consist of the following:

31 March *In thousands of Euros*	2011	2010
Interest on cash and cash equivalents	1,876	121
Fair value gains on derivatives (note 14)	165	28
Finance income	**2,041**	**149**
Interest expense on:		
- FY 2008 Syndicated facility	(1,466)	(1,386)
- Interest on other borrowings	(1,463)	(847)
- Finance lease	(204)	(303)
- Financing from parent	—	(666)
- Unwinding of discount on financial liabilities (note 6.3)	(369)	(359)
Fair value losses on derivatives (note 14)	—	(117)
Finance costs	**(3,502)**	**(3,678)**
Finance costs, net	**(1,461)**	**(3,529)**

The interest expense on other borrowings is related to other bank borrowings, current account with non-controlling interests and related parties (excluding financing from parent) and bank overdrafts.

On 31 March 2011, the interests net paid amount to € 1,494,000 (€ 3,542,000 on 31 March 2010).

23. FOREIGN CURRENCY GAINS / (LOSSES)

Foreign currency gains / (losses) consist of the following:

31 March *In thousands of Euros*	2011	2010
Foreign exchange differences	(3,357)	6,658
Fair value gains on derivatives (note 14)	337	(1,184)
Foreign currency gains / (losses)	**(3,020)**	**5,474**

24. INCOME TAX EXPENSE

24.1. Income tax expense

The components of income tax expense are as follows:

31 March *In thousands of Euros*	2011	2010
Current income tax	(40,234)	(25,376)
Deferred income tax	15,331	(2,203)
Total tax expense	**(24,903)**	**(27,579)**

Reconciliation between the reported income tax expense and the theoretical amount that would arise using a standard tax rate is as follows:

31 March *In thousands of Euros*	2011	2010
Profit before tax	127,603	112,138
Income tax calculated at corporate tax rate (Luxembourg tax rate of 28.80% as at 31 March 2011 and 28.59% as at 31 March 2010)	(36,749)	(32,060)
Effect of different tax rates in foreign countries	18,787	6,856
Effect of unrecognized tax assets	(2,016)	(358)
Expenses not deductible for taxation purposes	(1,701)	(1,299)
Effect of unremitted tax earnings	(1,841)	(815)
Effect of new tax regulation (a)	(1,470)	(633)
Recognition of previously unrecognised tax assets	91	758
Minimum tax payments	(4)	(28)
Income tax expense	**(24,903)**	**(27,579)**

(a) A new tax regulation was enacted in France end of December 2009. This tax which replaces an existing operating tax is based on a measure of income (revenue less expenses) and therefore is considered as an income tax expense.

24. INCOME TAX EXPENSE *(continued)*

24.2. Components of deferred income tax assets and liabilities

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

The components of the net deferred income tax assets recorded on 31 March 2011 and 2010 are:

	31 March	
In thousands of Euros	2011	2010
ASSETS		
Tax loss carried forward	2,174	142
Intercompany margin in inventory	22,342	10,622
Excess tax basis over carrying amount of non-current assets	10,212	10,442
Promotional goods expensed	3,983	3,139
Inventory valuation	2,186	1,458
Rent on operating leases recognized on a straight-line basis	956	996
Employee benefits	1,520	877
Loyalty programs	616	360
Provision for charges and other liabilities (onerous contracts, litigations)	588	766
Derivatives financial instruments	165	498
IPO costs	—	506
Deferred tax related to grants to a foundation	156	480
Other temporary differences	2,953	2,904
Total	**47,851**	**33,190**
To be recovered after more than 12 months	*14,280*	*13,063*
To be recovered within 12 months	*33,571*	*20,126*
LIABILITIES		
Identified intangible assets in business combinations	(5,272)	(5,303)
Income tax on unremitted earnings	(2,978)	(1,995)
New tax regulation	(57)	(633)
Other temporary differences	(96)	(231)
Total	**(8,403)**	**(8,162)**
To be recovered after more than 12 months	*(5,425)*	*(5,303)*
To be recovered within 12 months	*(2,978)*	*(2,859)*
Deferred income tax, net	**39,448**	**25,028**
Deferred income tax assets	*40,701*	*26,252*
Deferred income tax liabilities	*(1,253)*	*(1,224)*

24. INCOME TAX EXPENSE *(continued)*

24.2. Components of deferred income tax assets and liabilities *(continued)*

Deferred income tax assets are recognized to the extent that the realization of the related benefit through the future taxable profits is probable.

On 31 March 2011, the Group had tax losses of € 12,926,000 to be carried over, generating a potential deferred tax asset of € 4,367,000. These figures were € 6,063,000 and € 1,814,000 respectively, on 31 March 2010.

The use of the deferred tax assets will mainly depend upon the Group's results from operations, which are difficult to accurately predict in certain tax jurisdictions. The deferred income tax assets that were not recognized on 31 March 2011, amount to € 2,192,000 and € 1,672,000 on 31 March 2010.

24.3. Movements in deferred tax assets and liabilities, net

The movement in deferred tax assets and liabilities, net during the year is as follows:

31 March *In thousands of Euros*	2011	2010
At the beginning of the year	**25,028**	**25,115**
(Charged) / credited to income, continuing operations (note 24.1)	15,331	(2,203)
(Charged) / credited to equity	(873)	1,078
Acquisition of subsidiary (note 6.2)	—	327
Exchange differences	(38)	711
At the end of the year	**39,448**	**25,028**

As at 31 March 2011, the deferred income tax charged to equity related to:

- The effective portion of change in the fair value of derivatives designated as hedging instruments that were recognized in other comprehensive income (note 14): € (367,000);
- The costs directly attributable to the issue of new shares (note 21): € (506,000). The tax impact relating to these costs has been reversed during the fiscal year ended 31 March 2011 as these costs are now considered as non deductible.

As at 31 March 2010, the deferred income tax credited to equity related to:

- The effective portion of change in the fair value of derivatives designated as hedging instruments that were recognized in other comprehensive income (note 14): € 572,000;
- The costs directly attributable to the issue of new shares (note 21): € 506,000.

24. INCOME TAX EXPENSE *(continued)*

24.4. Income tax on unremitted earnings

Deferred income taxes on the unremitted earnings of the Group's foreign subsidiaries and associates are provided for unless the Group intends to indefinitely reinvest the earnings in the subsidiaries. The Group does intend to indefinitely reinvest unremitted earnings of its foreign subsidiaries in most jurisdictions.

For certain subsidiaries that the Group does not intend to indefinitely reinvest unremitted earnings of these foreign jurisdictions, the corresponding distribution of earnings may trigger taxes. Therefore, the Group provides for deferred income taxes on these earnings where distribution would trigger taxes. The corresponding deferred tax liability amounts to € 2,978,000 on 31 March 2011 and € 1,995,000 on 31 March 2010.

24.5. Income tax on components of other comprehensive income

The tax (charge) / credit relating to components of other comprehensive income is as follows:

	31 March 2011			31 March 2010		
	Before tax	Tax (charge) / credit	After tax	Before tax	Tax (charge) / credit	After tax
Cash flow hedges fair value gains / (losses)	1,182	(367)	815	(2,182)	572	(1,610)
Currency translation differences	942	—	942	4,044	—	4,044
Other comprehensive income	**2,124**	**(367)**	**1,757**	**1,862**	**572**	**2,434**

25. EARNINGS PER SHARE

The Group applies the rules governing earnings per share as described in note 2.29 above.

25.1. Basic

Basic earnings per share are calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares in issue is adjusted for the new par value of € 0.03 as detailed in note 16.1.

	31 March 2011	2010
Profit for the year attributable to equity holders of the Company *(in thousands of Euros)*	**99,501**	**81,626**
Weighted average number of ordinary shares in issue	1,455,250,609	19,290,674
Weighted average number of ordinary shares in issue adjusted for the new par value of € 0.03	**1,455,250,609**	**1,274,396,391**
Basic earnings per share *(in € per share)*	**0.068**	**0.064**

25.2. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 March 2011, the Company has no category of dilutive potential ordinary shares.

On 4 April 2011, the Company granted rights to LOI equity instruments to LOI and its subsidiaries' employees (note 16.3).

26. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION

26.1. Cash paid for interest and income taxes

Cash paid for interest and income taxes are as follows:

31 March *In thousands of Euros*	2011	2010
Cash paid for:		
- Interest net	1,494	3,542
- Income taxes	26,174	24,534

26. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION *(continued)*

26.2. Proceeds from sale of assets

In the cash flow statement, proceeds from sale of assets comprise the following:

31 March *In thousands of Euros*	2011 Intangible assets	2011 Property, plant and equipment	2011 Total	2010 Intangible assets	2010 Property, plant and equipment	2010 Total
Disposals - Cost	1,366	8,159	9,525	760	6,931	7,691
Disposals - Accumulated depreciation and amortization	(698)	(5,966)	(6,664)	(718)	(6,142)	(6,860)
Net book value (7), (9)	**668**	**2,193**	**2,861**	**42**	**789**	**831**
Profit / (loss) on sale of assets	1,692	(221)	1,471	2,500	(208)	2,292
Proceeds from sale of assets	**2,360**	**1,972**	**4,332**	**2,542**	**581**	**3,123**

On 2 November 2009, Oliviers and Co. LLC, L'Occitane Inc (the sellers, two fully owned subsidiaries of the Group) and Oliviers & Co S.A (the buyer) have signed a transition and an asset purchase agreement which has been amended on 17 December, 2009 and 5 January, 2010 under which the distribution agreement with Oliviers & Co S.A has been terminated and the assets of four stores have been transferred from the Group to Oliviers & Co S.A as at 1 February 2010. The consideration paid by Oliviers & Co S.A. to the Group for this agreement amounted to approximately € 500,000 as at 31 March 2010. As at 31 March 2010, the net profit on this sale approximate the consideration as the carrying amount of the assets sold was closed to zero. During the fiscal year ended 31 March 2011, following the renewal of a lease, the Company received an additional consideration of € 755,946.

The profit / (loss) on sale of assets is presented in the line "Other (losses) / gains - net" in the consolidated statement of income that also comprises government grants on research and development costs and on employee profit sharing scheme as detailed below:

31 March *In thousands of Euros*	2011	2010
Profit / (loss) on sale of assets	1,471	2,292
Government grants	928	587
Other (losses) / gains - net	**2,399**	**2,879**

26. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION *(continued)*

26.3. Depreciation, amortization and impairment

Depreciation, amortization and impairment include the following:

31 March *In thousands of Euros*	Notes	2011	2010
Depreciation of property, plant and equipment	(7.3)	24,953	19,838
Impairment charge on property, plant and equipment, net	(7.4)	10	1,977
Amortization of intangible assets	(9.3)	5,489	4,910
Impairment charge on intangible assets, net	(9.4)	—	—
Depreciation, amortization and impairment		**30,452**	**26,725**

26.4. Net movement in provisions

In the cash flow statement, net movement in provisions comprises the following:

31 March *In thousands of Euros*	Notes	2011	2010
Social litigations	(20)	(714)	(100)
Commercial claims	(20)	(137)	199
Onerous contracts	(20)	(485)	1,513
Tax risks	(20)	—	465
Dismantling and restoring	(18)	50	69
Retirement indemnities	(18)	482	502
Net movement in provisions		**(804)**	**2,648**

26.5. Acquisition of fixed assets under finance lease

On 31 March 2011, the Company drawn an amount of € 5,154,000 in connection with the acquisition of a land and buildings (see note 7.1 and 17.4). (4,934,000 was drawn as at 31 March 2010).

26.6. Other non cash items

On 31 March 2010, the Shareholders' Meeting approved the distribution of € 80,000,000. The dividend payable has been recorded in Other current liabilities as at 31 March 2010 and was paid on 4 May 2010.

The Group has also granted share-based payments that are described in the note 16.3

26.7. Effects of the exchange rate changes on the net (decrease) / increase in cash and cash equivalents

The effects of exchange rate changes as stated in the consolidated statement of cash flows include the following:

- The translation at the closing exchange rate of foreign currency cash and cash equivalents;
- The exchange rate effect of the movement in foreign currency cash and cash equivalents from the average exchange rate to the closing exchange rate;
- The exchange movements on intra-group transactions not settled at year-end.

26. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION *(continued)*

26.8. Cash flows reported on a net basis

In accordance with IAS 7.23, proceeds from and repayments of borrowings in which the turnover is quick, the amounts are large, and the maturities are short are reported on a net basis in the consolidated statement of cash flows.

27. CONTINGENCIES

27.1. Legal proceedings

In September 2008, a complaint was filed by the co-owners of the L'Occitane Soho building against H. Stern, a third party and lessee, and against L'Occitane Inc and O.&Co. Table LLC, respectively as sub-lessee and assignee of the sublease, requesting damages and the termination of the lease and sublease. The suit has been dropped following a settlement agreement dated 2 April 2009 according to which L'Occitane Inc and O.&Co. Table LLC left the premises in consideration to termination compensations of €1,893,000 (net of excluding lawyers costs). The related profit net of disposal costs of €1,893,000 (the net book value of related assets was nil as at 31 March 2009) has been recognised during the fiscal year ended 31 March 2010.

In addition to the litigations and claims mentioned above, the Group is subject to legal proceedings, claims and litigation arising in the ordinary course of business. The Group's management does not expect that the ultimate costs to resolve these other matters will have a material adverse effect on the Group's consolidated financial position, statement of income or cash flows.

27.2. Contingent liabilities

The Group has contingent liabilities in respect of bank, other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

All guarantees given by the Group are described in note 28.

28. COMMITMENTS

28.1. Capital and other expenditure commitments

Capital and other expenditure contracted for at the balance sheet date but not yet incurred is as follows:

31 March *In thousands of Euros*	2011	2010
Property, plant and equipment	6,816	7,526
Intangible assets	2,097	—
Investment	—	—
Raw materials	1,735	—
Total	**10,648**	**7,526**

The amounts as of 31 March 2011 and 2010 are mainly related to the factories.

28. COMMITMENTS *(continued)*

28.2. Lease commitments

The Group leases various retail stores, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses, free-rents period and renewal rights. The lease expenditure charged to the statement of income is disclosed in note 21.

The future aggregate minimum annual lease payments under all non-cancellable operating leases are as follows:

31 March *In thousands of Euros*	2011	2010
Within one year	61,850	52,965
One to two years	49,413	44,355
Two to three years	37,556	34,952
Three to four years	29,095	26,767
Four to five years	22,451	20,390
Subsequent years	62,124	52,212
Total	**262,489**	**231,641**

The above minimum lease payments do not include contingent rents (mainly variable rents based on sales in the stores).

28.3. Other commitments

31 March *In thousands of Euros*	2011	2010
Pledge of key money (note 17)	730	1,368
Pledge of Investments (note 17)	—	36,527
Total	**730**	**37,895**

The pledge of investments corresponded to the FY 2008 Syndicated facility. The senior loan (part of the FY 2008 Syndicated facility) of the parent company which amounted to €174,784,000 as at 31 March 2010 was pledged by 100% of the Company's shares. The FY 2008 Syndicated facility was terminated on 31 May 2010.

29. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties:

29.1. Key management compensation

Key management is composed of the Company's Board members (executive and non-executive Directors).

Director's emoluments

Directors are the Board members. Directors' emoluments expensed during the periods are analyzed as follows:

31 March 2011 In thousands of Euros	Salaries and other benefits kind	Bonus	Directors fees	Share-based payments	Services	Total
Executive directors						
Reinold Geiger	—	100	100	—	672	872
Emmanuel Osti	255	75	5	26	—	361
André Hoffmann	447	154	—	26	—	627
Thomas Levilion	207	82	—	43	—	332
Non executive directors						
Martial Lopez	—	—	—	—	—	—
Karl Guénard	—	—	20	—	—	20
Mark Broadley	—	—	19	—	—	19
Pierre Milet	—	—	20	—	—	20
Susan Kilsby	—	—	19	—	—	19
Jackson Ng	—	—	19	—	—	19
Total	**909**	**411**	**202**	**95**	**672**	**2,289**

29. TRANSACTIONS WITH RELATED PARTIES *(continued)*

29.1. Key management compensation *(continued)*

***Director's emoluments** (continued)*

31 March 2010 *In thousands of Euros*	Salaries and other benefits kind	Bonus	Directors fees	Share-based payments	Services	Total
Executive directors						
Reinold Geiger	—	250	100	—	672	1,022
Emmanuel Osti	255	150	50	6	—	461
André Hoffmann	450	169	—	6	—	625
Thomas Levilion	181	200	—	24	—	405
Martial Lopez**	92	(24)	10	—	—	78
Bernard Chevilliat*	79	41	56	51	—	227
Nicolas Veto*	30	6	—	11	—	47
Peter Reed*	90	22	—	—	—	112
Non executive directors						
Martial Lopez**	—	—	—	—	—	—
Karl Guénard	—	—	—	—	—	—
Mark Broadley	—	—	—	—	—	—
Yves Chezeaud*	—	—	—	—	—	—
Elise Lethuillier*	—	—	—	—	—	—
Olivier Courtin*	—	—	—	—	—	—
Pierre Milet***	—	—	—	—	—	—
Susan Kilsby***	—	—	—	—	—	—
Jackson Ng***	—	—	—	—	—	—
Total	**1,177**	**814**	**216**	**98**	**672**	**2,977**

* On 25 January 2010, the extraordinary general shareholders meeting approved the termination of the mandate of these Directors.

** Mr. Martial Lopez was an executive Director up to 1 September, 2009. Since that date, he was a consultant of the Group and was non executive Director.

*** On 25 January 2010, the extraordinary general shareholders meeting also approved the appointment of Mr. Pierre Milet, Mrs. Susan Kilsby and Mr. Ng, Chick Sum Jackson.

Other than the types of emoluments described above, none of the Directors received any other form of compensation during the relevant periods. There was no arrangement under which a director has waived or agreed to waive any emolument.

There was no payment during the above financial years or periods to directors as an inducement to join the Group or as compensation for loss of office.

Esprit-fi Eurl, a company owned by Mr. Martial Lopez, was engaged as financial consultant to the Group in return for financial consulting service fee. These fees were not paid to Mr. Martial Lopez as a Director and were not in the nature of Director's emoluments (note 29.3).

29. TRANSACTIONS WITH RELATED PARTIES *(continued)*

29.1. Key management compensation *(continued)*

Highest paid individuals

The five highest paid individuals are as follows:

31 March *In thousands of Euros*	2011	2010
Salaries and other benefits in kind	1,252	1,108
Bonus	499	810
Directors fees	105	150
Share-based payments	164	71
Services	725	672
Total	**2,745**	**2,811**

Three members of the Board are included in the 31 March 2011 amounts.

Four members of the Board are included in the 31 March 2010 amounts.

The emoluments of the five highest paid individuals are analyzed by the following banding:

	31 March	
	2011	2010
Nil to €100,000	—	—
€100,000 to €150,000	—	—
€150,000 to €200,000	—	—
€200,000 to €250,000	—	—
over €250,000	5	5
Total	**5**	**5**

29. TRANSACTIONS WITH RELATED PARTIES *(continued)*

29.2. Sales of products and services

31 March *In thousands of Euros*	2011	2010
Sales of goods and services		
– Sales of L'Occitane products to Clarins and its subsidiaries (a)	1,030	3,022
– Sales of L'Occitane promotional goods to Clarins and its subsidiaries (b)	11	285
– Sales of L'Occitane and Le Couvent des Minimes products to Les Minimes (c)	91	66
– Recharge of IPO costs and management fees to parent (d)	969	1,771
Total Sales of products	**2,101**	**5,144**
Receivable to related parties in connection with the above sales of products		
– Receivables from Les Minimes (c)	16	5
– Receivables from parent (d)	197	1,713
Total receivables	**213**	**1,718**

a) In the normal course of business the Group has sold L'Occitane products, L'Occitane promotional goods and private label products to Clarins and its subsidiaries, which was one of the equity owners of the parent company up to 25 June 2010. On 25 June 2010, the LOG shares owned by Clarins have been acquired by LOG. Therefore at 31 March 2011 Clarins is no more a related party.

b) The sales of L'Occitane promotional goods were recorded as a decrease of marketing expenses.

c) In the normal course of business the Group has sold L'Occitane and Le Couvent des minimes products to Les Minimes SA, which is owned by the parent company as to 25%, by Mr. Reinold Geiger as to 25% and by independent third parties as to 50%.

d) During the fiscal year ended 31 March 2011, the costs allocated to the listing of existing shares amounted to €857,000 and were recharged to L'Occitane Groupe SA (€1,771,000 were recharged during the fiscal year ended 31 March 2010). In addition to that, management fees invoiced by the Company to the parent company amounted to €112,000.

29. TRANSACTIONS WITH RELATED PARTIES *(continued)*

29.3. Purchases of goods and services

31 March *In thousands of Euros*	2011	2010
Purchases of services		
– Services from Clarins and its subsidiaries (a)	306	717
– Services from Directors (b)	112	146
– Services from Marquenoux S.C.I. (c)	—	441
– Services from Les Minimes SAS (d)	206	175
– Services from CIME S.A. (e)	2	2
Total purchases of services	**626**	**1,481**
Payables to related parties in connection with the above services		
– Services from Directors (b)	44	85
– Services from Marquenoux S.C.I. (c)	—	15
– Services from Les Minimes SAS (d)	44	60
– Services from CIME S.A. (e)	—	—
Total payables	**88**	**160**

a) Some of the subsidiaries of the Group have contracts for administrative services and cost sharing with Clarins and its subsidiaries, which was one of the equity owners of the parent company. On 25 June 2010, the LOG shares owned by Clarins have been acquired by LOG. Therefore at 31 March 2011 Clarins is no more a related party.

b) L'Occitane International has a contract for financial consulting services with the company Esprit-fi Eurl, wholly owned by Mr. Martial Lopez.

c) The land on which the manufacturing facilities of Melvita Production S.A.S. are located is owned by Marquenoux S.C.I, a company controlled by Mr. Bernard Chevilliat, a Director of the Company up to 25 January 2010. This land was leased pursuant to several lease agreements. Following the acquisition of this land through a finance lease agreement (note 17.4), there is no more transaction with Marquenoux S.C.I..

d) L'Occitane SA, a French subsidiary, has a contract for communication and marketing services with the company Les Minimes SAS, which is indirectly owned by the parent company as to 25%, by Mr. Reinold Geiger as to 25% and by independent third parties as to 50%.

29. TRANSACTIONS WITH RELATED PARTIES *(continued)*

29.3. Purchases of goods and services *(continued)*

e) In 2007, a shareholding fund (FCPE L'Occitane actionnariat) was established. The fund holds L'Occitane Groupe's shares, the beneficiaries of whom are certain employees of some of our French subsidiaries. Pursuant to relevant French regulations, a fund of this nature is required to afford its beneficiaries a certain minimum degree of liquidity in their investment. The company CIME, which is controlled by Mr. Reinold Geiger, a Director of the Company, had agreed to act as liquidity guarantor whereby it would have purchased such number of LOG's shares at certain regular times each year as may have bene requested by the manager of the fund in order to comply with the minimum liquidity requirements. L'Occitane SA, a French wholly owned subsidiary, had agreed to pay CIME an annual fee representing 0.125% of the net asset value of the fund for so acting as liquidity guarantor. During the fiscal year ended 31 March 2011, the liquidity agreement was modified and CIME is no more the liquidity guarantor.

29.4. Borrowings from related parties (note 17.3)

An advance was granted to L'Occitane Suisse SA by the company Clarins BV, a subsidiary of the Clarins group, which has a common Director with the Group, for an amount in euro equivalent of €1,190,000 on 31 March 2010, with a 1.64333% fixed interest rate on Swiss Francs and with a 2.242% interest rate on euro. An interest expense of €6,000 was recorded by the Group until 25 June 2010 (€45,000 on 31 March 2010).

An advance was granted to L'Occitane Korea Ltd by the company Clarins BV, a subsidiary of the Clarins group, which has a common Director with the Group, for an amount of €1,502,000 on 31 March 2010 and with a 2.4967% fixed interest rate. An interest expense of €8,000 was recorded by the Group until 25 June 2010 (€48,000 on 31 March 2010).

An advance was granted to L'Occitane Mexico SA de CV by the company Clarins BV, a subsidiary of the Clarins group, which has a common Director with the Group, for an amount of €2,419,000 on 31 March 2010 and with a 2.21292% fixed interest rate. An interest expense of €13,000 was recorded by the Group until 25 June 2010 (€88,000 on 31 March 2010).

The Group benefited from a financing from parent. On 30 March 2010, the amount of the current account due from LOG was fully settled for an amount of €59,647,000.

29. TRANSACTIONS WITH RELATED PARTIES *(continued)*

29.5. Transactions with other related parties

The close members of the family of key management are also related parties. Some individual that are close members of the key management are also employees in the Group or provide services to the Group.

The transactions with these other related parties are as follows:

31 March *In thousands of Euros*	2011	2010
Cost of services		
– Employees benefits	154	248
– Other services	42	42
Total purchases of services	**196**	**290**
Payables to related parties in connection with the above services		
– Employees benefits	—	—
– Other services	—	—
Total payables	**—**	**—**

Other services mainly include legal services.

29.6. Formation of joint ventures/acquisition of additional interests in a subsidiary

No transaction occurred with related parties linked to formation of joint-ventures or acquisitions of additional interests in subsidiary other than those listed in note 6 during the years ended 31 March 2011 and 31 March 2010.

29.7. Commitments and contingencies

The Group has not guaranteed any loan to any key management personnel.

30. POST BALANCE SHEET EVENTS

On 4 April 2011, the Company granted 11,834,000 options whose characteristics are described in note 16.3.

On 20 June 2011, the Company acquired land in Manosque, France, for an amount of €1.6 million, where we intend to build our new central warehouse. This acquisition and the future building are financed by a new loan signed on 20 June 2011 for a total amount of €10.0 million of which €1.6 million is drawn.

31. LIST OF SUBSIDIARIES AND ASSOCIATES

The list of subsidiaries and associates was as follows:

Subsidiaries		City - Country	% of interest 31 March		Method of consolidation 31 March	
			2011	2010	2011	2010
L'Occitane International S.A.		Luxembourg	Parent	Parent	Global	Global
L'Occitane S.A.	*	Manosque - France	100.0	100.0	Global	Global
Relais L'Occitane S.a.r.l.	**	Manosque - France	100.0	100.0	Global	Global
L'Occitane Inc.	*	New York - USA	100.0	100.0	Global	Global
Verdon.LLC (formerly Olivier & Co., LLC)	**	New York - USA	100.0	100.0	Global	Global
L'Occitane LLC	**	Delaware - USA	100.0	100.0	Global	Global
L'Occitane (Far East) Limited	*	Hong Kong	100.0	100.0	Global	Global
L'Occitane Singapore Pte. Limited	**	Singapore	100.0	100.0	Global	Global
L'Occitane Japon K.K.	***	Tokyo -Japan	100.0	100.0	Global	Global
Melvita Japon K.K.	**	Tokyo -Japan	100.0	–	Global	–
L'Occitane Holding Brasil	*	Sao Paulo - Brazil	100.0	100.0	Global	Global
L'Occitane Do Brasil	**	Sao Paulo - Brazil	100.0	100.0	Global	Global
Espaço Do Banho	**	Sao Paulo - Brazil	100.0	100.0	Global	Global
L'Occitane Ltd.	*	London - UK	100.0	100.0	Global	Global
L'Occitane GmbH	*	Villach – Austria	56.6	56.6	Global	Global
L'Occitane GmbH	*	Dusseldorf-Germany	100.0	100.0	Global	Global
L'Occitane Italia S.r.l.	*	Milan – Italy	100.0	100.0	Global	Global
L'Occitane Australia	**	Sydney – Australia	100.0	100.0	Global	Global
L'Occitane (Suisse) S.A.	*	Geneva – Switzerland	50.1	50.1	Global	Global
L'Occitane Espana S.L	*	Barcelona – Spain	100.0	100.0	Global	Global
L'Occitane Central Europe s.r.o.	*	Prague – Czech Rep.	94.6	94.6	Global	Global
L'Occitane (Taiwan) Limited	**	Taipei - Taiwan	50.1	50.1	Global	Global
AHP S.a.r.l.	**	Mane - France	100.0	100.0	Global	Global
L'Occitane Belgium Sprl	*	Brussels – Belgium	100.0	100.0	Global	Global
L'Occitane Trading (Shanghai) Co. Limited	**	Shanghai - China	100.0	100.0	Global	Global
L'Occitane (Korea) Limited	**	Seoul - Korea	50.1	50.1	Global	Global
L'Occitane Airport Venture LLC	**	Dallas - USA	65.0	65.0	Global	Global
L'Occitane Mexico S.A. de CV	*	Mexico City - Mexico	99.9	50.1	Global	Global
L'Occitane (China) Limited	**	Hong Kong	100.0	100.0	Global	Global
L'Occitane Macau Limited	**	Macau	100.0	100.0	Global	Global
L'Occitane Russia OOO	*	Moscow - Russia	51.0	51.0	Global	Global
Verveina SAS	**	Manosque - France	100.0	100.0	Global	Global

31. LIST OF SUBSIDIARIES AND ASSOCIATES *(continued)*

The list of subsidiaries and associates was as follows:

Subsidiaries		City - Country	% of interest 31 March 2011	% of interest 31 March 2010	Method of consolidation 31 March 2011	Method of consolidation 31 March 2010
L'Occitane Americas Export & Travel Retail Inc	*	Miami - USA	100.0	100.0	Global	Global
M&A Développement SAS	**	Lagorce - France	100.0	100.0	Global	Global
M&A Santé Beauté SAS	**	Lagorce - France	100.0	100.0	Global	Global
Melvita Distribution SAS	**	Lagorce - France	100.0	100.0	Global	Global
Melvita Production SAS	**	Lagorce - France	100.0	100.0	Global	Global
L'Occitane Thailand Ltd.	**	Bangkok - Thailand	49.0	49.0	Global	Global
Urban Design Sp.z.o.o	*	Warsaw - Poland	100.0	100.0	Global	Global
Aromas y Perfumes de Provence S.A de C.V.	**	Mexico City - Mexico	50.1	50.1	Global	Global
L'Occitane Canada Corp	*	Toronto - Canada	100.0	100.0	Global	Global
L'Occitane India Private Limited	**	New Delhi - India	51.0	51.0	Global	Global

* *directly held by the Company*

** *indirectly held by the Company*

*** *both directly and indirectly held by the Company*

**** *no more directly or indirectly held by the Company*

***** *limited liability company with no share capital with sole member which is L'Occitane Inc.*

The percentages of interest are representative of voting rights as no shares have multiple voting rights. These percentages are unchanged at the approval date of the financial statements.

The main changes in the list of subsidiaries and associates are disclosed in note 6.

31. LIST OF SUBSIDIARIES AND ASSOCIATES *(continued)*

The date of incorporation, the share capital and the principal activities of the subsidiaries are as follows:

Subsidiaries		City - Country	Date of incorporation	Share capital	Principal activities
L'Occitane International S.A.		Luxembourg	2000	EUR 38,231,891.72	Holding & Distribution
L'Occitane S.A.	*	Manosque - France	1976	EUR 8,126,409.35	Production
Relais L'Occitane S.a.r.l.	**	Manosque - France	1994	EUR 3,097,000	Distribution
L'Occitane Inc.	*	New York - USA	1995	USD 1	Distribution
Olivier & Co., LLC	**	New York - USA	1999	USD 1	Distribution
L'Occitane LLC	**	Delaware - USA	1999	USD 1	Dormant
L'Occitane (Far East) Limited	*	Hong Kong	1992	HKD 8,000,000	Holding & Distribution
L'Occitane Singapore Pte. Limited	**	Singapore	1997	SGD 100,000	Distribution
L'Occitane Japon K.K.	***	Tokyo -Japan	1998	JPY 100,000,000	Distribution
Melvita Japon K.K.	**	Tokyo -Japan	2010	JPY 50,000,000	Distribution
L'Occitane Holding Brasil	*	Sao Paulo - Brazil	1999	BRL11,132,197	Holding
L'Occitane Do Brasil	**	Sao Paulo - Brazil	1999	BRL 8,700,000	Distribution
Espaço Do Banho	**	Sao Paulo - Brazil	1996	BRL 3,800,000	Distribution
L'Occitane Ltd.	*	London - UK	1996	GBP 1,398,510.75	Distribution
L'Occitane GmbH	*	Villach – Austria	2000	EUR 70,000	Distribution
L'Occitane GmbH	*	Dusseldorf-Germany	2004	EUR 25,000	Distribution
L'Occitane Italia S.r.l.	*	Milan – Italy	2001	EUR 80,000	Distribution
L'Occitane Australia	**	Sydney – Australia	2000	AUD 5,000,000	Distribution
L'Occitane (Suisse) S.A.	*	Geneva – Switzerland	2002	CHF100,000	Distribution
L'Occitane Espana S.L	*	Barcelona – Spain	2003	EUR 6,459,650.10	Distribution
L'Occitane Central Europe s.r.o.	*	Prague – Czech Rep.	2004	CZK 9,361,000	Distribution
L'Occitane (Taiwan) Limited	**	Taipei - Taiwan	2005	TWD 28,500,000	Distribution
AHP S.a.r.l.	**	Mane - France	2004	EUR 10,000	Marketing support
L'Occitane Belgium Sprl	*	Brussels – Belgium	2005	EUR 20,000	Distribution
L'Occitane Trading (Shanghai) Co. Limited	**	Shanghai - China	2005	USD 1,400,000	Distribution
L'Occitane (Korea) Limited	**	Seoul - Korea	2005	KRW 2,505,000,000	Distribution
L'Occitane Airport Venture LLC	**	Dallas - USA	2006	USD 10,000	Distribution
L'Occitane Mexico S.A. de CV	*	Mexico City - Mexico	2006	MXP 28,250,000	Distribution
L'Occitane (China) Limited	**	Hong Kong	2006	HKD 10,000	Distribution
L'Occitane Macau Limited	**	Macau	2007	MOP 25,000	Distribution
L'Occitane Russia OOO	*	Moscow - Russia	2006	RUB 10,000	Distribution
Verveina SAS	**	Manosque - France	2008	EUR 37,000	Dormant

31. LIST OF SUBSIDIARIES AND ASSOCIATES *(continued)*

The date of incorporation, the share capital and the principal activities of the subsidiaries are as follows:

Subsidiaries		City - Country	Date of incorporation	Share capital	Principal activities
L'Occitane Americas Export & Travel Retail Inc	*	Miami - USA	2008	USD 1,000	Distribution
M&A Développement SAS	**	Lagorce - France	2005	EUR 4,600,000	Holding
M&A Santé Beauté SAS	**	Lagorce - France	1998	EUR 500,000	Holding
Melvita Distribution SAS	**	Lagorce - France	1982	EUR 555,105	Distribution
Melvita Production SAS	**	Lagorce - France	1987	EUR 150,000	Production
L'Occitane Thailand Ltd.	**	Bangkok - Thailand	2008	THB 20,000,000	Dormant
Verdon.LLC (formerly O.&Co. Table LLC)	****	New-York - USA	2007	—	Dormant
Urban Design Sp.z.o.o	*	Warsaw - Poland	2009	PLN 3,754,000	Distribution
Aromas y Perfumes de Provence S.A de C.V.	**	Mexico City - Mexico	2009	MXN 50,000	Dormant
L'Occitane Canada Corp	*	Toronto - Canada	2009	CAD 4,000,000	Distribution
L'Occitane India Private Limited	**	New Delhi - India	2009	INR 17,500,000	Distribution

* *directly held by the Company*

** *indirectly held by the Company*

*** *both directly and indirectly held by the Company*

**** *no more directly or indirectly held by the Company*

***** *limited liability company with no share capital with sole member witch is L'Occitane Inc.*

The main changes in the list of subsidiaries and associates are disclosed in note 6.

A summary of the consolidated results and assets, liabilities, equity and minority interests of the Group for the last five financial years is set out below.

Year ended 31 March	2011 €'000	2010 €'000	2009 €'000	2008 €'000	2007 €'000
Net sales	772,294	612,245	537,335	414,965	334,949
Gross profit	636,962	497,263	431,785	336,364	271,147
Gross profit margin	*82.5%*	*81.2%*	*80.4%*	*81.1%*	*81.0%*
Operating profit	132,084	110,193	80,490	73,136	52,111
Operating profit margin	*17.1%*	*18.0%*	*15.0%*	*17.6%*	*15.6%*
Profit for the year	102,700	84,559	59,384	49,524	35,507
attributable to:					
equity owners of the Company	99,501	81,626	58,383	47,898	33,157
minority interests	3,199	2,933	1,001	1,626	2,350
Total assets	785,860	436,590	407,163	294,396	258,840
Total liabilities	220,596	275,312	219,904	139,156	116,558
Equity attributable to the equity owners of the Company	560,266	157,290	185,255	152,251	140,233
Minority interests in equity	4,998	3,988	2,004	2,989	2,049

The consolildated financial statements of the Group have been prepared in accordance with International Financial Reporting Standard (IFRS).

The above summary does not form a part of the consolidated financial statements.

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