L'OCCITANE
EN PROVENCE

L'OCCITANE INTERNATIONAL S.A.

(Incorporated under the laws of Luxembourg with limited liability)

Stock code : 973

FY2014
Annual Report

Contents

Corporate Information	2
Financial Highlights	5
Chairman's Statement	6
Management Discussion and Analysis	9
Corporate Governance Report	30
Directors and Senior Management	39
Directors' Report	47
Consolidated Financial Statements	60
Independent Auditors' Report	62
Consolidated Statements of Income	64
Consolidated Statements of Comprehensive Income	65
Consolidated Balance Sheets	66
Company-Alone Balance Sheets	67
Consolidated Statements of Changes in Shareholders' Equity	68
Consolidated Statements of Cash Flows	69
Notes to the Consolidated Financial Statements	71
Financial Summary	164

Corporate Information

EXECUTIVE DIRECTORS

Reinold Geiger
(Chairman and Chief Executive Officer)
Emmanuel Osti
(Managing Director)
André Hoffmann
(Managing Director Asia-Pacific)
Domenico Trizio
(Chief Operating Officer)
Thomas Levilion
(Group Deputy General Manager, Finance and Administration)
Karl Guénard
(Joint Company Secretary)

NON-EXECUTIVE DIRECTOR

Martial Lopez

INDEPENDENT NON-EXECUTIVE DIRECTORS

Charles Mark Broadley
Jackson Chik Sum Ng
Valérie Bernis
Pierre Milet

JOINT COMPANY SECRETARIES

Kenny Yee Hing Choy
(resigned 25 April 2013)
Mei Yee Yung
(appointed 25 April 2013)
Sylvie Duvieusart-Marquant
(resigned 31 August 2013)
Karl Guénard
(appointed 1 September 2013)

AUTHORISED REPRESENTATIVES

André Hoffmann
Kenny Yee Hing Choy
(resigned 25 April 2013)
Jackson Chik Sum Ng
(appointed 25 April 2013)

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

49, Boulevard Prince Henri
L-1724 Luxembourg

HEADQUARTER OFFICES

49, Boulevard Prince Henri
L-1724 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

COMPANY WEBSITE

www.loccitane.com

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Pierre Milet *(Chairman)*
Charles Mark Broadley
Domenico Trizio

NOMINATION COMMITTEE

Jackson Chik Sum Ng *(Chairman)*
André Hoffmann
Valérie Bernis

PRINCIPAL BANKERS

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

AUDITOR

PricewaterhouseCoopers

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

49, Boulevard Prince Henri
L-1724 Luxembourg
(since 29 April 2014)

Banque Privée Edmond de Rothschild
20, Boulevard Emmanuel Servais
L-2535, Luxembourg
(ceased 29 April 2014)

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


Fleurs de Cerisier
L'OCCITANE
EN PROVENCE

KEY FINANCIAL HIGHLIGHTS

For the year ended 31 March	2014	2013
Net sales *(€ million)*	1,054.9	1,043.4
Operating profit *(€ million)*	132.9	158.3
Profit for the year *(€ million)*	92.5	125.6
Gross profit margin	81.1%	82.0%
Operating profit margin	12.6%	15.2%
Net profit margin	8.8%	12.0%
Net operating profit after tax *(€ million)* (NOPAT)[1]	93.6	126.7
Capital employed *(€ million)*[2]	522.9	497.2
Return on capital employed (ROCE)[3]	17.9%	25.5%
Return on equity (ROE)[4]	11.8%	16.8%
Current ratio *(times)*[5]	2.9	3.4
Gearing ratio[6]	7.4%	8.0%
Average inventory turnover days[7]	262	256
Turnover days of trade receivables[8]	30	29
Turnover days of trade payables[9]	171	174
Total number of own stores[10]	1,295	1,198
Profit attributable to equity owners *(€ million)*	89.3	122.7
Basic earnings per share *(€)*	0.061	0.083

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) *Turnover days of trade payables equals average trade payables divided by cost of sales and multiplied by 365. Average trade payables equals the average of trade payables at the beginning and end of a given period.*

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

Chairman's Statement

The management team continued its program of investing in digital, retail and R&D with a focus on executing its corporate strategy whilst achieving encouraging growth against a background of difficult foreign exchange and economic environment in many countries.

Photo by Ranjan Basu, Planman Media

Message from

Reinold Geiger

Chairman and Chief Executive Officer

With its portfolio of natural brands, the Group operates in a beauty marketplace that has become increasingly competitive and marks as well a period of evolving changes for the consumer sphere. This includes the rise of the digital world as the prized channel for our fast-growing online retail sales and as a means to engage with our younger consumers who are most active in this digital world. Management's actions have been effective and they will continue their plan in responding to this changing environment which is a real revolution.

This report sets out the achievements and progress that we have attained during the year with highlights that include the following:

- All key markets delivered growth in local currency. Brazil, China and Russia were the best performing markets growing at 20.8%, 19.9% and 17.4%, respectively at constant exchange rates. The United States market continued to contribute and posted strong sales growth of 11.2% at constant exchange rates.
- The management team has stepped up digital marketing investments to promote greater brand awareness in the digital space and support the higher margin E-commerce retail business which is our fastest growing channel and accounts for about 7% of the Group's retail sales. These corporate actions are combined with an on-going active customer relationship management program to encourage greater customer engagement and retail sales conversion, both in-store and online.
- As part of our on-going retail development, we increased the total number of own retail stores to 1,295 (FY2013: 1,198). During the same period, the Group renovated and relocated 121 stores (FY2013: 74).
- To ensure that the Group secures a steady pipeline of innovative new products, higher R&D efforts were dedicated to our portfolio of brands for strategic product developments and regulatory issues. These additional investments to increase human and facilities resources for R&D have been executed not only for the original L'Occitane brand but also for L'Occitane au Brésil, Melvita, Erborian and Le Couvent des Minimes.
- Apart from developing an exciting product portfolio, we continued to create the conditions for the future development of our new brands: including human resources, organisations and distribution. The first L'Occitane au Brésil stores were successfully launched and we commenced preparations for the future franchise network in Brazil. At the same time, we further developed the retail concept for Erborian and rationalised Melvita's network. .
- We have also strengthened the management teams of the smaller brands in order to better position them to maximise their growth potential.

These corporative initiatives executed with the support of a committed management team will transform the Group in its role as the leader in the natural beauty and personal care business in the context of rising competition

As we executed our strategy to drive infrastructure efficiency, the Group achieved further progress and successfully completed further roll-outs of SAP in our factories, China and Switzerland during this financial year.

With the support of the new expanded factories and central warehouse, we increased production capacity and implemented further initiatives to deliver greater operational efficiencies, improvement and savings in our logistics and productions costs.

For FY2014, we achieved a balanced development focus on revenue growth and further investments. The Group maintained its net cash position with its cash balance unchanged after funding these investing activities. During FY2014, management continued its global assessment project to optimize and drive infrastructure efficiency.

Lastly, this has been a very challenging year for us and I would like to take the opportunity to recognise the hard work and commitment of our global team and to thank them for their efforts during the year. Our success has only been possible because of the entire team's co-operation and commitment to make the Company a success in the present and for the future.

Looking ahead, we continue to pursue our corporate strategy to build a larger, stronger and more efficient company. The global macro-economic outlook may remain challenged but we remain committed to our vision to invest for the future of our Group's success.


Vitória Régia
Flor do
Brasil*
L'OCCITANE
AU BRÉSIL
*VITÓRIA RÉGIA FLEUR DU BRÉSIL


Roses
et Reines

Management Discussion and Analysis

Summary:

- ***Net sales** increased 1.1% to **€1,054.9 million** or 9.4% in local currency terms*

- ***Brazil, Russia and China** were among the **fastest growing markets***

- ***E-commerce** remained our **key growth driver with 30%** growth*

- ***Operating profit** was **€132.9 million**, a decline of 16.0% and operating profit margin was 12.6%*

- ***Profit for the year** was **€92.5 million**, dropped by 26.3% and net profit margin was 8.8%*

- ***Earnings per share** was **€0.061**, decreased by 27.2%*

- ***Dividend payout ratio** remained at **35%**. Proposed Dividend is **€0.0213 per share**, for a total amount of **€31.3 million***

SUMMARY:

For the year ended 31 March	2014 €' million or %	2013 €' million or %
Net sales	1,054.9	1,043.4
Operating profit	132.9	158.3
Profit for the year	92.5	125.6
Gross profit margin	81.1%	82.0%
Operating profit margin	12.6%	15.2%
Net profit margin	8.8%	12.0%
Net cash inflow from operations	119.6	144.4

DEFINITIONS:

Comparable Stores means existing retail stores which have been open for at least 24 months before the end of the financial year under discussion, including e-commerce and excluding renovated stores.

Non-comparable Stores means new retail stores opened, including renovated stores, 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

The Group's net sales were €1,054.9 million in FY2014, an increase of €11.5 million or 1.1% as compared to FY2013. In FY2014, net sales in Sell-out and Sell-in segments (representing 75.4% and 24.6% of total net sales, respectively) increased by 11.0% and 4.5%, respectively, excluding foreign currency translation effects. At constant exchange rates, the net sales growth was 9.4%.

The Company increased the total number of retail locations from 2,364 as at 31 March 2013 to 2,572 as at 31 March 2014, an increase of 208 or 8.8%. The Company remained on track with its global retail expansion strategy and increased the number of its own retail stores from 1,198 as at 31 March 2013 to 1,295 as at 31 March 2014, representing a net increase of 97 own stores or 8.1%. During FY2014, certain exceptional events including acquisition, disposal and retail network rationalization for Melvita impacted the like-for-like net own store openings comparison. These events included acquiring 6 stores from the distributor in South Africa (10 stores in Ireland in FY2013); switching 8 stores from retail stores to wholesale accounts in China; and disposing of and closing down 16 Melvita stores. Thus the comparable net own store openings for FY2014 were 115 (FY2013: 135).

At constant exchange rates, Comparable Stores, Non-comparable stores, Other Sell-out and Sell-in segments contributed 20.1%, 66.8%, 1.2% and 12.0% respectively to Overall Growth in FY2014. The Company's sales in the United States, China, Russia and Brazil were the driving factors of net sales growth in FY2014.

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 FY2014:

	FY2014 compared to FY2013			
	€'000 Growth	*% Growth*	*% Growth[2]*	*% Contribution to Overall Growth[2]*
Sell-out	**10,813**	**1.4**	**11.0**	**88.0**
Comparable Stores	(26,348)	(4.9)	3.7	20.1
Non-comparable Stores	38,322	16.2	27.7	66.8
Other[1]	(1,160)	(8.3)	8.5	1.2
Sell-in	**696**	**0.3**	**4.5**	**12.0**
Overall Growth	**11,509**	**1.1**	**9.4**	**100.0**

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

Sell-out

The sell-out business segment accounted for 75.4% of the Group's total sales and amounted to €795.7 million, an increase of 1.4% as compared to FY2013 and an 11.0% increase at constant exchange rates. The growth was mainly contributed by Non-comparable Stores.

There was a net addition of 97 own stores during FY2014, including net additions of 17 stores in China, 11 stores in Russia, 11 stores in USA, 8 stores in Brazil, 6 stores each in Japan and the UK and 5 stores in France. Furthermore, the Company added 6 stores following the acquisition of the distributor in South Africa in June 2013.

Sell-out segment contributed 88.0% to Overall Growth in FY2014, with Non-comparable Stores providing 66.8% and Comparable Stores, internet and Other Sell-out providing 21.2% of the Overall Growth. The Group's online retail sales remained dynamic with a 29.7% at constant exchange rates and sales from this online channel accounted for more than 7.0% of its overall global retail sales in FY2014.

Sell-in

The Sell-in business segment accounted for 24.6% of the Group's total sales and amounted to €259.2 million, an increase of 0.3% as compared to FY2013 and a 4.5% increase at constant exchange rates. Wholesale sales grew by 10.7% at constant rates, with contribution from L'Occitane, Melvita and Erborian brands. Sales to distributors grew by 9.0% at constant rates, thanks to Erborian brand and new developments in Russia and Brazil. The travel retail channel grew in a difficult environment caused by weak Japanese Yen and slowdown in traffic from Korean and Japanese travelers within Asia. Sell-in segment contributed 12.0% to the Overall Growth in FY2014.

Geographic Areas

The following table presents the net sales growth for FY2014 and contribution to net overall growth (including and excluding foreign currency translation effects as indicated) by geographic area:

	Net Sales Growth FY2014 compared to FY2013			
	€'000 Growth	*% Growth*	*% Growth[(1)]*	*% Contribution to Overall Growth[(1)]*
Japan	(41,706)	(19.0)	2.4	5.3
Hong Kong[(2)]	(332)	(0.3)	3.8	4.4
China	12,169	18.0	19.9	13.8
Taiwan	142	0.4	5.5	2.0
France	4,610	5.6	5.6	4.7
United Kingdom	2,496	4.4	8.3	4.7
United States	8,348	6.7	11.2	14.2
Brazil	1,775	4.0	20.8	9.4
Russia	2,725	4.8	17.4	10.0
Other countries[(3)]	21,283	8.7	12.6	31.5
All countries	**11,509**	**1.1**	**9.4**	**100.0**

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


NÉROLI & ORCHIDÉE
La Collection de Grasse
NÉROLI
&
ORCHIDÉE
L'OCCITANE
EN PROVENCE

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

	FY2014 compared to FY2013							
	Own Retail Stores				% contribution to Overall Growth[1] [2]			
	31 March 2014	Net openings FY2014	31 March 2013	Net openings FY2013	Non-comparable Stores	Comparable stores	Total Stores [2]	Same Store Sales Growth
Japan[3]	106	6	100	10	7.0	(1.7)	5.3	(1.4)
Hong Kong[4]	32	1	31	2	5.0	0.2	5.1	1.1
China[5]	136	17	119	26	13.0	2.7	15.7	6.1
Taiwan[6]	54	(7)	61	(1)	0.6	1.0	1.6	5.4
France[7]	75	5	70	4	3.0	0.4	3.4	1.2
United Kingdom[8]	68	6	62	5	3.1	1.7	4.7	4.4
United States[9]	197	11	186	16	7.1	6.1	13.3	7.1
Brazil	78	8	70	7	5.5	3.6	9.2	14.0
Russia[10]	110	11	99	23	4.9	0.0	4.9	0.1
Other countries[11]	439	39	400	53	17.5	6.1	23.6	4.7
All countries	**1,295**	**97**	**1,198**	**145**	**66.8**	**20.1**	**86.8**	**3.7**

(1) *Represents percentage of overall net sales growth attributable to Non-comparable Stores, Comparable Stores and Total Stores for the geographic area and period indicated.*
(2) *Excludes foreign currency translation effects.*
(3) *Includes 12 and 11 Melvita stores as at 31 March 2013 and 31 March 2014 respectively.*
(4) *Includes 1 L'Occitane store in Macau and 9 Melvita stores in Hong Kong as at 31 March 2013 and 3 L'Occitane stores in Macau and 10 Melvita stores in Hong Kong as at 31 March 2014.*
(5) *8 stores were transferred to wholesale accounts during FY2014.*
(6) *Includes 9 Melvita stores as at 31 March 2013.*
(7) *Includes 4 Melvita stores as at 31 March 2013 and 31 March 2014.*
(8) *Includes 2 Melvita stores as at 31 March 2013.*
(9) *Includes 2 Melvita stores as at 31 March 2013.*
(10) *Includes 8 and 6 Melvita stores as at 31 March 2013 and 31 March 2014 respectively.*
(11) *Includes 7 and 6 Melvita stores as at 31 March 2013 and 31 March 2014 respectively. The net openings include 10 stores from the acquisition of distributor in Ireland as at 31 March 2013 and 6 stores from the acquisition of distributor in South Africa as at 31 March 2014.*

Japan

In a still challenging environment Japan's net sales for FY2014 were €177.7 million, a decrease of 19.0% as compared to FY2013. At constant exchange rates, the growth was 2.4%, contributing 5.3% to Overall Growth. Sell-out sales growth in local currency was 3.0%, contributing 6.2% to Overall Growth. During the year, Japan had a net addition of 6 stores in FY2014. Non-comparable Store Sales contributed 7.0% to Overall Growth. Same Store Sales Growth had improved in the second half and ended at -1.4% in FY2014, compared to -4.9% in FY2013. Comparable Stores contributed -1.7% to Overall Growth. Sell-in sales decreased by 4.8% at constant exchange rate, mainly due to fewer activities in the TV sales channel.

Hong Kong

Hong Kong's net sales for FY2014 were €110.7 million, a decrease of 0.3% as compared to FY2013. At constant exchange rates, the growth was 3.8%, contributing 4.4% to Overall Growth. Sell-out segment contributed 5.1% to Overall Growth, notably 5.0% from Non-comparable Stores. The contribution of Non-comparable stores mainly came from the 3 renovated stores and 2 new stores in Macau in FY2014 (FY2013: 3 renovated stores). Sell-in sales decreased by 1.2% at constant exchange rate. This was mainly due to soft demand in the travel retail and B-to-B businesses. Travel retail was affected by the slowdown in traffic from Korean and Japanese travelers in Asia.

China

China's net sales for FY2014 were €79.9 million, an increase of 18.0% as compared to FY2013. At constant exchange rates, the growth was 19.9%, contributing 13.8% to Overall Growth. Comparable Store Sales and Non-comparable Store Sales contributed 2.7% and 13.0% respectively to Overall Growth. Same Store Sales Growth was 6.1%. The growth in Non-comparable Store Sales was driven by the net opening of 17 stores in FY2014 (FY2013: 26). Such performance confirms the growing importance of the Chinese market for the Group. The retail network in China reached 136 at the end of FY2014. At constant exchange rates, Sell-in sales

decreased by 17.3%, due to the slowdown in the macro-economic environment, combined with soft demand from the wholesale and B-to-B businesses.

Taiwan

Taiwan's net sales for FY2014 were €36.3 million, an increase of 0.4% as compared to FY2013. At constant exchange rates, the growth was 5.5%, contributing 2.0% to Overall Growth. The growth rates for Sell-out and Sell-in in Taiwan were a healthy 5.2% and 8.2% respectively. Same Store Sales Growth was 5.4%. The growth of Sell-out sales was driven by both Comparable Stores and Non-comparable Stores, which contributed to 1.0% and 0.6% respectively to Overall Growth. The net opening in Taiwan was negative 7 as a result of disposing of Melvita business to a local distributor in FY2014. To enhance brand awareness in Taiwan, the on-going plan to upgrade, relocate and consolidate the existing retail network continued during the year. The growth of Sell-in sales was mainly supported by development in Distribution and B-to-B channels.

France

France's net sales for FY2014 were €87.1 million, an increase of 5.6% as compared to FY2013, contributing 4.7% to Overall Growth. Sell-out sales growth was 7.5%, with Same Store Growth of 1.2%. Non-comparable Stores contributed 3.0% to Overall Growth. Sales growth was driven by net own store additions of 5 in FY2014 (FY2013: 4). E-commerce sales were strong due to efforts in developing the digital channel. At constant exchange rates, Sell-in sales increased by 3.5% and contributed 1.4% to Overall Growth. The growth was driven by extension in distribution and wholesale networks in particular for Melvita and Erborian.

United Kingdom

United Kingdom's net sales for FY2014 were €58.6 million, an increase of 4.4% as compared to FY2013. At constant exchange rates, the local currency growth was 8.3%, contributing 4.7% to Overall Growth. The Sell-out segment contributed 4.7% to Overall Growth, driven by both Comparable Stores and Non-comparable stores. E-commerce performed well and Comparable stores sales grew by 4.4% in local currency, contributing 1.7% to Overall Growth. Non-comparable Stores also contributed 3.1% to Overall Growth with net opening of 6 stores in FY2014 (FY2013: 5).

United States

United States' net sales for FY2014 were €133.3 million, an increase of 6.7% as compared to FY2013. At constant exchange rates, the local currency growth was 11.2%, contributing 14.2% to Overall Growth. The good performance was mainly driven by the Sell-out segment. Comparable Stores Sales Growth was 7.1% which contributed 6.1% to Overall Growth. The investment in the store renovation program during the past few years continued to yield positive benefits. E-commerce channel posted strong growth, supported by corporate initiatives to improve digital marketing and enhance customer relationship management. Non-comparable Store Sales contributed 7.1% to Overall Growth mainly benefited by the 11 net store openings in FY2014 (FY2013: 16). Sell-in segment grew by 5.7%, contributing 0.9% to Overall Growth, which was driven by wholesalers of L'Occitane and Le Couvent des Minimes brands.

Brazil

Brazil's net sales for FY2014 were €46.0 million, an increase of 4.0% as compared to FY2013. At constant exchange rates, the growth was 20.8%, contributing 9.4% to Overall Growth. The economic environment in Brazil remained challenging, yet growth was recorded in both Comparable and Non-comparable stores. The good result was partly due to the launch of the new local brand, L'Occitane au Brésil, during the year. Same Store Sales Growth had an encouraging 14.0% and a contribution of 3.6% to Overall Growth. The Non-comparable Stores Sales contributed 5.5% to Overall Growth with net own store additions of 8 (including 3 L'Occitane au Brésil stores) in FY2014 (FY2013: 7). At constant exchange rates, Sell-in sales increased by 3.1%, contributing 0.2% to Overall Growth.

Russia

Russia's net sales for FY2014 were €59.0 million, an increase of 4.8% as compared to FY2013. At constant exchange rates, the growth was 17.4%, contributing 10.0% to Overall Growth. The growth was driven by both Sell-out and Sell-in segments, which contributed respectively 5.1% and 4.9% to Overall Growth. The business had been impacted by economic slowdown and the continued weakening of the ruble against major world currencies, notably on Same Store Sales Growth which was 0.1% in FY2014. The Non-comparable Store Sales contributed 4.9% to Overall Growth with net own store additions of 11 in FY2014 (FY2013: 23). At constant exchange rates, Sell-in segment grew by 54.1%, mainly fuelled by further development of wholesale and distribution channels, and contributed 4.9% to Overall Growth.

Other countries

Other countries' net sales for FY2014 were €266.2 million, an increase of 8.7% as compared to FY2013. At constant exchange rates, the growth was 12.6%, contributing 31.5% to Overall Growth. Sell-out segment contributed 23.6% to Overall Growth, with 6.1% contributed by Comparable store and 17.5% by Non-comparable Store. Same Store Sales Growth was 4.7%. During FY2014, the net opening in Other countries was 39 (17 in Asia, 5 in Americas and 11 in Europe) as compared to 27 in FY2013. The Company also acquired 6 stores from the distributor in South Africa during FY2014. Net Sales in Canada, Malaysia, Korea, Germany, and Australia grew by 30.1%, 16.0%, 14.9%, 13.4% and 13.2% respectively, excluding foreign currency translation effects. At constant exchange rates, Sell-in sales increased by 9.6% excluding currency effect and contributed 7.9% to Overall Growth. This was mainly due to increased sales to wholesalers and travel retail customers in Europe and America.

PROFITABILITY ANALYSIS

COST OF SALES AND GROSS PROFIT

Cost of sales increased by 6.1%, or €11.4 million, to €199.3 million in FY2014. The gross profit margin decreased by 0.9 points to 81.1%, due to the exchange rates for 1.1 points of net sales, the phasing of our deliveries, negatively impacting freight and duties for 0.2 points, reclassifications and other effects for 0.5 points. The reclassifications were related to labeling and packing quality check costs previously accounted for in the distribution costs. In addition, the softer sales affected our country mix by 0.1 point. This was mitigated by:

- favourable prices and mix effects in both our Sell-out and Sell-in segments for 0.5 points; and
- gains in production costs for 0.5 points.

DISTRIBUTION EXPENSES

Distribution expenses increased by 3.0%, or €14.3 million, to €493.0 million in FY2014. As a percentage of net sales, distribution expenses increased by 0.9 points to 46.7%. This increase is attributable to a combination of:

- the impact of softer sales growth on personnel expenses, rent and occupation costs relative to sales, for 0.6 points;
- unfavourable channel mix effects for 0.3 points; and

- investments in Sell-in and Sell-out segments, related to store openings, store renovations and relocations, and to the strengthening of our sales organizations, impacting for 0.6 points.

This was partly offset by lower logistic costs for 0.1 points, reclassification to the cost of sales as mentioned above for 0.4 points and other effects for 0.1 points.

MARKETING EXPENSES

Marketing expenses increased by 6.1%, or €6.5 million, to €113.9 million in FY2014. Our marketing expenses, as a percentage of net sales, marketing expenses increased by 0.5 points to 10.8% of net sales. This increase was attributable to:

- a brand mix effect, with the development of our new brands, accounting for 0.1 points;
- investments in digital media for 0.3 points notably in Japan, the USA, France and the UK;
- investments in mailings and customer relationship management ("CRM") particularly in France, the USA and the UK, for 0.2 points; and
- investments in samples, windows, other communication tool, and other effects for 0.1 points.

The lowered investment in traditional media allowed to partly help balance the increased efforts in marketing expenses by 0.2 points.

RESEARCH & DEVELOPMENT EXPENSES

Research and development ("R&D") expenses increased by 22.6%, or €2.0 million, to €10.9 million in FY2014, mainly due to increased resources dedicated to new brands and strategic product developments.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 2.8%, or €2.8 million, to €104.4 million in FY2014 and increased by 0.2 points of net sales, which was due to unfavourable exchange rates effects, which was compensated partly by favourable one-time effects.

OTHER GAINS AND LOSSES

Other losses were €0.4 million in FY2014 (FY2013: €0.6 million). The loss in FY2014 was due to the partial impairment of the goodwill related to our operation in the Netherlands for €1.0 million and capital losses on the disposal of store assets for a net €0.5 million, partly offset by other net gains including principally the research tax credit granted by the French government.

OPERATING PROFIT

Operating profit decreased by 16.0%, or €25.4 million, to €132.9 million in FY2014, and the operating profit margin declined by 2.6 points of net sales to 12.6%. The decrease in our operating profit margin is explained by:

- unfavourable exchange rates effects for 1.5 points;
- investments in our future sales growth and increased efforts in R&D, digital media and marketing tools for a total 1.2 points;
- the effect of the softer sales growth, essentially impacting our distribution expenses, for 0.7 points; and
- unfavourable channel mix and others for 0.3 points.

Favourable evolutions contributed to balance the above, with:

- the effect of improved product mix and price increases for a total 0.5 points;
- gains in production and logistics costs and other gains for 0.6 points.

FINANCE INCOME AND COSTS, NET

Net finance costs were €1.4 million in FY2014, as compared to €1.3 million in FY2013. The net of interest income on cash balances and interest expenses on borrowings resulted in an income of €0.5 million, as compared to a cost of €0.2 million in FY2013. This gain was more than offset by an increase in non-cash bookings, principally due to the recognition of increased liabilities in relation to put options granted to minority partners in certain entities, notably our subsidiary in Russia.

La Collection de Grasse

EAUX DE TOILETTE

FOREIGN CURRENCY GAINS/LOSSES

Net foreign currency losses amounted to €12.2 million in FY2014 and were explained by €12.2 million unrealized losses primarily due to the impact of the strong Euro on:

- financing of certain subsidiaries, notably Brazil, for €5.1 million;
- cash balances in foreign currencies, notably in Japanese Yen and US Dollar for €4.9 million; and
- unsettled trading operations, for €2.3 million, primarily related to the transactions with Russia, Brazil and China.

Such unrealized losses were partly compensated by realized gain on trading operations essentially in Japanese Yen.

INCOME TAX EXPENSE

The effective income tax rate was 22.5% in FY2014, as compared to 19.0% for FY2013. This increase in effective income tax rate of 3.5 points is explained by:

- lower deferred income tax gains related to the intercompany margin in inventory for 2.8 points. This is due to exchange rates effects for 1.8 points, a country mix effect with the reduced share of Japan for 0.5 points and other effects for 0.5 points;
- provision on tax losses carried forward in Brazil for 0.9 points; and
- impact of higher tax rates in certain countries like France for 0.2 points.

This was partly offset by a more favourable country mix with the lower share of Japan, and other effects, for 0.4 points.

PROFIT FOR THE PERIOD

For the aforementioned reasons, profit for the year decreased by 26.3% or €33.1 million to €92.5 million in FY2014, as compared to FY2013. Basic and diluted earnings per share in FY2014 decreased by 27.2% to €0.061 (FY2013: €0.083). The number of shares used in the calculations of basic earnings per share remained the same in FY2014 (1,470,309,391 shares) and of diluted earnings per share increased to 1,470,943,111 or by 0.03% in FY2014 (2013: 1,470,483,186).

BALANCE SHEET AND CASH-FLOW REVIEW

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2014, the Group had cash and cash equivalents of €319.3 million, as compared to €319.9 million as at 31 March 2013.

As at 31 March 2014, the aggregate amount of undrawn borrowing facilities was €298.4 million.

As at 31 March 2014, total borrowings, including finance lease liabilities, current accounts with non-controlling interests and related parties and bank overdrafts, amounted to €79.4 million, as compared to €82.7 million as at 31 March 2013, with the decrease being explained by the regular repayments of the finance lease liabilities and the first repayment concerning the financing of the new warehouse.

SUMMARIZED CASH-FLOW STATEMENT

For the year ended 31 March	2014 €'000	2013 €'000
Profit before tax, adjusted for non-cash items	174,486	205,578
Changes in working capital	(16,478)	(19,191)
Income tax paid	(38,400)	(41,988)
Net cash inflow from operating activities	119,608	144,399
Net cash (outflow) from investing activities	(79,081)	(100,884)
Net cash (outflow) from financing activities	(49,479)	(28,713)
Effect of exchange rate changes	8,397	(3,277)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(555)	11,525


ESSENCE
LUMIÈRE
A L'HUILE ESSENTIELLE D'
IMMORTELLE
BIOLOGIQUE
BRIGHTENING
ESSENCE
Bellis perennis

Net cash inflow from operating activities decreased by €24.8 million or 17.2%, in FY2014 compared to FY2013 as a result principally of top-line and operating profit change as commented above and the lower impact of the increase in working capital and income tax paid.

INVESTING ACTIVITIES

Net cash used in investing activities was €79.1 million in FY2014, as compared to €100.9 million in FY2013, representing a decrease of €21.8 million. This reflected capital expenditures primarily related to:

- the additions of leasehold improvements, other tangible assets, key moneys and changes in deposits related to stores for €44.0 million;
- the additions in information technology software and equipment for €16.2 million, including €7.2 million for the implementation of SAP as the Group's enterprise resources planning system; and
- the addition of machinery, equipment, construction, fittings and others to the Group's factories, R&D and warehousing facilities for €16.7 million.

FINANCING ACTIVITIES

Net cash used in financing activities in FY2014 was €49.5 million (FY2013: €28.7 million). Net cash used during the year mainly reflected the following:

- a net decrease in bank borrowings and finance leases, for €3.6 million; and
- the payment of €45.9 million dividends to the Company's shareholders and non-controlling interests in its subsidiaries.

INVENTORIES

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

	FY2014	FY2013
Average Inventory turnover days[1]	262	256

[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.*

Inventory value increased by €11.5 million to €148.7 million as at 31 March 2014, growing by 8.4% over FY2013. Inventory turnover increased by 6 days as a result of:

- increased turnover days of raw material, components and finished goods at the factories, in relation to inventory revaluations and the anticipation of earlier deliveries; and
- increased turnover days in Brazil partly due to the development of the L'Occitane au Brésil product range.

This was partly offset by favourable exchange rates effects and higher allowances.

TRADE RECEIVABLES

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

	FY2014	FY2013
Turnover days of trade receivables[1]	30	29

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

Turnover days of trade receivables increased by 1 day during FY2014 primarily due to development of Sell-out channel in China and slightly higher turnover of retail receivables in Japan. This added to the unfavourable impact of the development of new Sell-in activities in Russia and in the USA but was partly balanced by favourable exchange rate effects.

TRADE PAYABLES

The following table sets out a summary of average trade payables days for the periods indicated:

	FY2014	FY2013
Turnover days of trade payables[1]	171	174

[1] *Turnover days of trade payables equals to the average trade payables divided by cost of sales and multiplied by 365. Average trade payables equals to the average of trade payables at the beginning and end of a given period.*

The decrease in turnover days of trade payables was mainly due to decrease in trade payables at factory level together with foreign currency impact on trade payables conversion, in particular for Japan.

BALANCE SHEET RATIOS

Return on capital employed decreased in FY2014 primarily because of increase in working capital and non-current assets and decrease in net operating profit after tax. The capital and reserves attributable to the equity owners increased by €28.1 million from 31 March 2013 to 31 March 2014 primarily as a combination of the Group's profit during this period partly offset by the payment of dividend in 2013. Combined with the lower profitability, this resulted in the decrease of the return on equity ratio to 11.8%. As a consequence of the Group's high net cash position, its liquidity and capital adequacy ratio remained favourable.

		FY2014	FY2013
Profitability			
Net operating profit after tax (NOPAT)[1]	*€'000*	93,589	126,663
Capital employed[2]	*€'000*	522,893	497,150
Return on capital employed (ROCE)[3]		17.9%	25.5%
Return on equity (ROE)[4]		11.8%	16.8%
Liquidity			
Current ratio (times)[5]		2.92	3.41
Quick ratio (times)[6]		2.21	2.63
Capital adequacy			
Gearing ratio[7]		7.4%	8.0%
Debt to equity ratio[8]		Net cash position	Net cash position

[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 at period 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

The Company enters into forward exchange contracts to hedge anticipated transactions, as well as receivables and payables not denominated in its presentation currency, the Euro, for periods consistent with its identified exposures. As at 31 March 2014, the Company had foreign exchange derivatives net assets of €0.2 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 2014 were primarily Japanese Yen for an equivalent of €14.0 million, Singapore dollars for an equivalent of €7.9 million, British pounds for €5.4 million, Mexican Pesos for €3.4 million, Swiss francs for 2.5 million and Australian dollars for €2.4 million.

CONTINGENCIES

1. Legal proceedings

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.

In the United States, the Group is facing two legal actions:

- The Federal Trade Commission is pursuing legal settlement versus L'Occitane Inc. as a result of an investigation of advertising claims. Based on the lawyer s opinion, the risk is probable but the final outcome of this legal action cannot be reliably estimated. As at 31 March 2014 the legal accrual was based on the final settlement cost, for a total amount of €400,000 including legal expenses. The fine was paid on 11 April 2014.
- A class action lawsuit is pending in the State of California versus L'Occitane Inc. as a result of the collection of customer personal information by L'Occitane. Based on the lawyer s opinion, the risk is probable but the final outcome of this legal action cannot be reliably estimated. As at 31 March 2014, after consultation with external lawyer, the Group recorded an accrual for a total amount of €610,000 which includes (i) the accrued lawyer's fees, (ii) the distribution to customers in the form of gift cards, and (iii) the legal fees to be paid for the class action lawyer for the plaintiff.

2. Tax risks

In October 2012, the Group has received a tax reassessment from the tax authority in Brazil amounting to €4.9 million for the year 2008, 2009 and 2010. This reassessment does not relate to an underestimation of the declared revenues in Brazil but to a lack of formal adequate paper documentation (instead of the electronic documentation provided by the Group). After consultation with external lawyers and comparison with other similar cases in Brazil for which the final penalty was significantly reduced, the Group recorded a provision amounting to €600,000.


Melvita
COMPLEXE DE FRUITS & FLEURS DE ROSES SAUVAGES
PULPE DE ROSE
Duo repulpant éclat
Eau florale et huile de Rose
Plumping radiance duo
Rose floral water and oil
BIO
1.7 fl.oz. 50 ml
Melvita
COMPLEXE DE FRUITS & FLEURS DE ROSES SAUVAGES
PULPE DE ROSE
Sérum repulpant éclat
1ères rides
Plumping radiance serum
1st wrinkles
BIO
1 fl.oz.
30 ml
Melvita
COMPLEXE DE FRUITS & FLEURS DE ROSES SAUVAGES
PULPE DE ROSE
Soin repulpant éclat
1ères rides
Plumping radiance cream
1st wrinkles
BIO
1.3 fl.oz.
40 ml

In July 2012, the French tax authorities started an audit of the tax returns filed by L'Occitane SA for the years ended in March 2009, 2010 and 2011. In December 2012, the company received a tax reassessment for a total amount of €10,000,000 plus the late payment of interests and penalties relating to the year-ended 31 March 2009. In December 2013, the company received a tax reassessment for a total amount of €23,000,000 plus the late payment of interests and penalties relating to the year-ended 31 March 2010 and 2011. The French tax authorities questioned the nature and level of intercompany transactions. After consulting its tax advisors, the Group considers that the French tax authorities' position is unfounded and has challenged this reassessment. At the present time, the probability and the amount of the obligation cannot be reliably assessed. Consequently, no provision has been recorded.

DIVIDENDS

At the Board meeting held on 17 June 2013, the Board recommended a distribution of gross dividend of €0.0292 per share for a total amount of €42.9 million or 35.0% of the net profit attributable to the equity owners of the Company. The amount of the proposed dividend is based on 1,470,309,391 shares in issue as at 17 June 2013 excluding 6,655,500 treasury shares. The shareholders approved this dividend at a meeting held on 25 September 2013. The dividend was paid on 23 October 2013.

Considering the performance delivered during FY2014, the Board is pleased to recommend a gross dividend of €0.0213 per share. The total amount of dividend is €31.3 million, representing 35.0% of the net profit attributable to the equity owners of the Company. The same ratio was 35.0% in FY2013. The dividend is based on 1,470,309,391 shares in issue as at 10 June 2014 excluding 6,655,500 treasury shares.

POST BALANCE SHEET EVENTS

There are no post balance sheet events that require to be reported.

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 2014, the Company had utilised €268.0 million of the Net Proceeds as follows:

- new store openings and store renovations for €143.5 million;
- extension and improvement of manufacturing plants and R&D equipment for €77.8 million;
- increase in R&D operating expenses for €6.9 million;
- development of internet and e-commerce channel for €11.3 million; and
- general corporate purposes for €28.5 million dedicated to the implementation of SAP as 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 Company's prospectus dated 26 April 2010 (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

In FY2014, the Group continued its program of R&D, retail and digital investment with the management focused on executing its corporate strategies and achieved encouraging growth figures amid the difficult economic environment in many countries.

The Group continued to invest in upgrading the retail network through store renovations and relocations whilst maintaining sustainable business performance with the focus on growth for the future. However, it remained impacted by the volatility in the exchange rates, especially with the strong Euro and weak Japanese Yen. All key markets delivered growth in local currency. Brazil, China and Russia were the best performing markets growing at 20.8%, 19.9% and 17.4%, respectively at constant exchange rates. The United States market continued to contribute and posted strong sales growth of 11.2% at constant exchange rates.

As part of the on-going retail development, in FY2014 the Group increased the total number of own retail stores to 1,295 (FY2013: 1,198). During the same period, the Group renovated and relocated 121 stores (compared to 74 during FY2013). The management team has stepped up digital marketing investments to promote greater brand awareness in the digital space and support the higher margin E-commerce retail business which is the fastest growing channel of the Group (accounts for about 7% of the Group's retail sales). These corporate actions are combined with an on-going active customer relationship management program to encourage greater customer engagement and retail sales conversion, both in-store and online.

To ensure the Group has a steady pipeline of innovative new products, higher R&D efforts were dedicated to the Group's portfolio of brands for strategic product developments and regulatory issues. These corporative initiatives executed with the support of a committed management team will transform the Group to maintain its role as the leader in the natural beauty and personal care business in the context of rising competition.

As the Group executed its strategy to drive infrastructure efficiency, the Group achieved progress and succeeded to implement and roll-out SAP in our factories, China and Switzerland during FY2014. With the support of the new expanded main Manosque factory, the Group has increased production capacity and implemented further initiatives to deliver greater operational efficiencies. The launch of "Operations roadmap" has been smooth and has led to savings and improvements in our logistics and productions costs.

The Group's profit for FY2014 was less than that of the same period last year due to factors that were highlighted during the first half of the financial year. Japan, one of the key markets, posted an improvement in sales trend during the second half of the financial year. This positive result demonstrates the management's focus to improve the business in Japan. For FY2014, the Group was significantly affected by the currencies conversion effect which had reduced the operating margin by 1.5 points. In addition, the Group had unrealized foreign currency losses of €12.2 million in FY2014 (as compared to €1.9 million in FY2013). The foreign currency exchange impacts from weak Japanese Yen and strong Euro put together pressure the profitability which led to higher spending and investments in the retail business and thus lowered overall business performance.

The Group's operations and performance are exposed to the risks that it faces as an international player in the natural beauty and personal care industry. The risks included the global market uncertainty that had softened consumer demand and volatile exchange rates fluctuations which have affected the Group's revenue, costs, margins and profitability.

For FY2014, the Group had achieved a balanced development focus on revenue growth and further investments. It also managed to maintain a net cash position and its cash balance unchanged while funding the investing activities. During FY2014, management continued its global assessment project to optimize and drive infrastructure efficiency. The Group resumed to identify and to set clear objectives to track the performance of cost savings projects that have been undertaken.

OUTLOOK

In FY2015 and beyond, the Group continues to pursue its corporate strategy to build a stronger and more efficient company.

- Enhance customer engagement with CRM initiatives, both in-store and digital to drive sales frequency
- Selective retail network expansion to complement the Group's E-commerce strategy
- Accelerate the upgrade of retail network through increased renovations and relocations
- Launch pipeline of innovative new products from Group's portfolio of brands
- Set operational targets to drive operational efficiency and cost-savings

Looking ahead, the global macro-economic outlook may remain challenged, particularly with high currency volatility. Nevertheless, the management and the Board believe that the combined results of the operational, sales and marketing initiatives will drive growth and deliver strong sustainable results in the interest of the shareholders.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of the Company reviews its corporate governance practices regularly in order to meet the rising expectations of its shareholders, to 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 Corporate Governance Code and Corporate Governance Report" (the "Code"), there are two levels of corporate governance practices, namely: 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.

On 17 June 2013 the Board adopted its own corporate governance manual which is based on the principles, provisions and practices set out in the Code; this is available on the Company's website www.loccitane.com. Please select "Leadership" under Investor Relations.

DEVIATIONS FROM THE CODE

Throughout FY2014 (the "Review Period") the Company was in compliance with the mandatory provisions of the Code, with the exception of the deviations as set out below.

The role of the Chief Executive Officer (the "CEO") of the Group has been assumed by Mr. Reinold Geiger ("Mr. Geiger"), the Chairman of the Board. This deviation 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 of directors of the Company (the "Directors") believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are four independent non-executive Directors on the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests. Moreover, Mr. Geiger is not a member of any of the committees (Audit Committee, Nomination Committee and Remuneration Committee) and each committee is composed of a majority of independent non-executive Directors. 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. He is responsible to the Board and focuses on Group strategies and Board issues, and ensures 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.

Code provision F.1.3 provides that the company secretary should report to the Chairman and CEO.

Mrs. Sylvie Duvieusart-Marquant resigned as joint company secretary of the Company on 31 August 2013 and was replaced on 1 September 2013 by Mr. Karl Guénard. Mr. Guénard is based in Luxembourg and reports to Thomas Levilion, the Group's Deputy General Manager whose primary responsibility is to oversee the Group's finance functions worldwide. The Company believes this is appropriate because both Mr. Guénard and Mr. Levilion work closely together on a day to day basis including dealing with matters relating to corporate governance and other Board-related matters. Mr. Kenny Yee Hing Choy resigned as joint company secretary on 25 April 2013 and was replaced on the same date by Ms. Mei Yee Yung, who is based in Hong Kong. Ms. Yung works in coordination with Mr. Guénard in the discharge of the company secretarial duties.

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 as the code of conduct for dealing in the Securities of the Company by the Directors of the Company. Having made specific enquiry of all Directors, they have confirmed that they have complied with the Model Code during 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

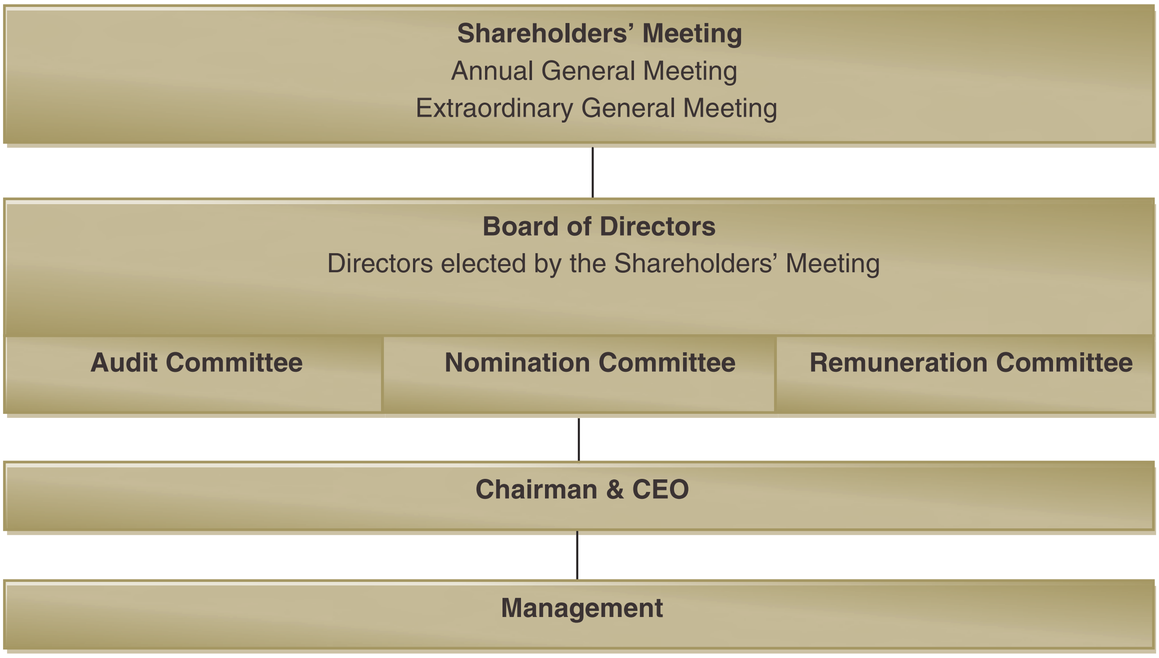
— the Nomination Committee

— 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 Report

Corporate Governance Structure



Composition of the Board

The Board consists of eleven Directors, comprising six executive Directors ("ED"), one non-executive Director ("NED") and four 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 are shown on pages 39 to 46 of the Annual Report.

Board Diversity Policy

During the Review Period, the Board adopted the Board Diversity Policy which aims to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and recognises and embraces the benefits of diversity in the boardroom. The Company sees diversity as a wide concept and believes that a diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to skills, regional and industry experience, background, race, gender and other qualities.

The Company endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. The Board will review this policy on a regular basis to ensure its continued effectiveness.

Directors' Attendance at Board, Board Committee and General Meetings

The following is the attendance record of Directors at the Board, committee and general meetings held during FY2014:

		Attendance:				
Name	Category	Board of Directors	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Reinold Geiger	ED	7/9				1/1
Emmanuel Osti	ED	6/9				0/1
André Hoffmann	ED	5/9		0/0		1/1
Domenico Trizio	ED	7/9			3/4	0/1
Thomas Levilion	ED	9/9				1/1
Karl Guénard	ED	9/9				1/1
Martial Lopez	NED	9/9	4/4			0/1
Mark Broadley	INED	9/9	4/4		4/4	1/1
Jackson Ng	INED	9/9	4/4	0/0		1/1
Valérie Bernis	INED	7/9		0/0		0/1
Pierre Milet	INED	9/9			3/4	1/1

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 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.

Joint Company Secretaries

On 25 April 2013 the Company engaged Ms. Mei Yee Yung, senior manager of KCS Hong Kong Limited, as joint company secretary to replace Mr. Kenny Choy.

On 1 September 2013, Mr. Karl Guénard replaced Ms. Sylvie Duvieusart-Marquant as a joint company secretary. Mr. Karl Guénard and Ms. Mei Yee Yung have complied with the Company secretary training requirements in Rule 3.29 of the Listing Rules. Ms. Mei Yee Yung's primary corporate contact person at the Company is Mr. Karl Guénard.

NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company's NED has his respective terms of appointment coming to an end three years after their appointment to the Board, subject to re-election at the end of their respective three year term.

The four INEDs are each person of high experience, with academic and professional qualifications in the field of accounting, finance or marketing. 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 each to be independent. They all fulfill the criteria of independence under Rule 3.13 of the Listing Rules.

INDUCTION AND ONGOING DEVELOPMENT

Newly appointed Directors receive an induction course to ensure their understanding of the Company's business and their awareness of a Director's responsibilities and obligations. Each member of the Board attended training on corporate governance, regulatory developments and other relevant topics during FY2014 and is frequently updated on developments in the statutory and regulatory regime and the business environment to assist in the discharge of their responsibilities.

COMMITTEES

As an integral part of good corporate governance, the Board has established audit, nomination and remuneration committees, each of which has adopted Terms of Reference. During FY2014 each committee met and carried out its duties in accordance with its Terms of Reference. The authorities, functions, composition and duties of each committee are set out below:

Audit Committee

The Audit Committee has three members, Mr. Mark Broadley (Chairman), Mr. Jackson Ng and Mr. Martial Lopez. Mr. Martial Lopez is a NED, and the two other members are 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 the Board in providing an independent view of the effectiveness of the Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The following is a summary of the work performed by the Audit Committee during FY2014:

i. Review of the report from the auditors on the audit of the final results of the Group for FY2013;

ii. Review of the draft financial statements of the Group for FY2013;

iii. Review of the draft results announcement and annual report of the Group for FY2013;

iv. Review of the audit fees payable to the external auditors for FY2013;

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 Annual General Meeting ("AGM");

vi. Review of the draft results announcement and interim report of the Group for as of 30 September 2013;

vii. Review of the financial statements for the period ended 31 December 2013;

viii. Review of the internal control system including the internal audit results analysis and the internal audit plan for 2014-2015, and report to the Board;

ix. Review of the Listing Rules modification affecting the Group in order to monitor appropriate corporate governance and oversaw the implementation of the Company's corporate governance manual. Under its terms of reference, the Audit Committee oversees the Company's corporate governance.

There have been three meetings of the Audit Committee during the Review Period: two following the publication of financial reports (annual report and interim report) and one specific to the internal control and Company's corporate governance.

Nomination Committee

The terms of reference of the Nomination Committee were amended on 29 March 2012 to comply with the provisions set out in the Code. The Nomination Committee has three members, who are Mr. Jackson Ng (Chairman), Mr. André Hoffmann and Mrs. Valérie Bernis. Mr. André Hoffmann is an ED, and the two others are INED.

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

As the composition of the Board remained the same during the Review Period, there were no Nomination Committee meetings being held.

Remuneration Committee

The terms of reference of the Remuneration Committee were amended on 29 March 2012 to comply with the provisions set out in the Code. The Remuneration Committee has three members, who are Mr. Pierre Milet (Chairman), Mr. Mark Broadley, and Mr. Domenico Trizio. Mr. Domenico Trizio is an ED, and the two others are INED.

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

The following is a summary of the work performed by the Remuneration Committee during FY2014:

i. Review of the structuration,repartition and cost of the New Long Term Incentive Plan 2013 (stock options and free share plans).

ii. Consideration of a share plan (stock options and free shares) with recommendation to the Board for general guidelines.

iii. Review of the Directors' and senior management's compensation, with recommendation to the Board for approval.

There have been four meetings of the Remuneration Committee during the Review Period.

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 the Directors is determined by the Board which receives recommendations from the Remuneration Committee. Under our current compensation arrangements, the ED receive compensation in the form of salaries, bonus subject to performance and share-based payments. Some of our ED received Directors' fees and one of the ED received service fees. All the INED received Directors' fees.

ii. The remuneration the Directors have received (including fees, salaries, discretionary bonus, share based payments, housing and other allowances, service fees and other benefits in kind) for FY2014 was approximately €2,970,000. 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 the Group, including certain Directors, for FY2014 was approximately €3,199,000.

We have not paid any remuneration to the 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 FY2014. Further, none of the Directors has waived any remuneration during the same period.

AUDITORS' REMUNERATION

The fees in relation to the audit and related services for FY2014 provided by PricewaterhouseCoopers, the external auditors of the Company, amounted to approximately €907,000 and €196,000 respectively.

	€'000
Annual audit and interim review services	907
Audit related services	196
TOTAL	1,103

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 62 to 63 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 controls and is responsible for establishing and maintaining adequate internal controls over the Group's financial reporting 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 relevant Directors, external auditors and 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 FY2014, the internal control deviations were addressed effectively and action plans implemented to reduce the risks. The Audit Committee was satisfied that appropriate actions were undertaken and the overall internal control system has functioned effectively as intended.

The Board has conducted a review of the effectiveness of the Group's internal control system and considers that it is effective and adequate as a whole. The Board further considers that there were no issues relating to the material controls and risk management functions of the Group.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The Company attaches great importance to communication with shareholders. To this end, a number of means are used to promote greater understanding and dialogue with the investment community. The Company holds group meetings with analysts in connection with the Company's annual and interim results. In addition, designated senior executives maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development, subject to compliance with the applicable laws and regulations, including the two results announcements. In addition, certain of the Company's Directors also made presentations and held group meetings with investors at investor forums in Hong Kong and overseas.

Further, the Company's website, www.loccitane.com, contains an investor relations section which offers timely access to the Company's press releases, other business information and information on the Company's corporate governance structure and practices. For efficient communication with shareholders and in the interest of environmental preservation, shareholders are encouraged to refer to the Company's corporate communications on the Company's website.

No significant changes have been made to the Company's constitutional documents during the year under review.

SHAREHOLDERS' RIGHTS

Procedure for shareholders to convene a General Meeting

Any one or more shareholder(s) who together hold not less than 5 per cent. of the paid-up capital that carries the right to vote at general meetings may convene a general meeting by depositing a written request signed by such shareholders and addressed to the attention of the Company's Joint Company Secretary at the registered office of the Company in Luxembourg or at the office of the Company in Hong Kong, the addresses of which are set below.

Such request must specify the objects of the meeting. If the Board does not within two calendar days from the date of deposit of the request proceed duly to convene the meeting to be held within a further 28 calendar days, the shareholders signing the request (or any of them representing more than one-half of the total voting rights of all shareholders signing the request) may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board. No general meeting convened by request of the shareholders may be held later than three months after the date of deposit of the request.

Procedure for Shareholders to make enquiries to the Board

Shareholders may make enquiries to the Board in writing by sending such enquiries to the attention of the Company's Joint Company Secretary at the registered office of the Company in Luxembourg or at the office of the Company in Hong Kong, the addresses of which are set out below. The Joint Company Secretary will forward enquiries to the Chairman for consideration.

In addition, shareholders in attendance at any general meeting of the Company's shareholders may make enquiries at such meeting to the Chairman of the Board, the chairman of the various Board committees, or to other directors in attendance at such meeting.

Procedure for Shareholders to put forward proposals at General Meetings

Upon a written request by (i) one or more shareholder(s) representing not less than 2.5 per cent. of the total voting rights of all shareholders who at the date of such request have a right to vote at the meeting to which the request relates, or (ii) not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HKD 2,000, the Company shall, at the expense of the shareholders making the request, (a) give to shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may be properly moved and is intended to be moved at that meeting, and (b) circulate to shareholders entitled to receive notice of any general meeting a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with in the meeting.

Such request must be signed by all the shareholders making the request (or two or more copies between them containing the signatures of all the shareholders making the request) and deposited at the registered office of the Company in Luxembourg or at the office of the Company in Hong Kong, the addresses of which are set below.

Such request must be deposited (i) not less than six weeks before the meeting in question in the case of a request proposing that a resolution be adopted at the meeting, and (ii) not less than one week before the meeting in the case of any request that does not propose that a resolution be adopted at the meeting.

In addition, one or more shareholder(s) who together hold at least 10 per cent. of the Company's issued and outstanding shares may request that one or more additional items be put on the agenda of any general meeting. Such request must be sent to the registered office of the Company in Luxembourg by registered mail not less than five days before the meeting.

Except pursuant to the procedures described above, a shareholder may not make a motion at a general meeting.

Procedure for Election to the Office of Director upon Shareholder Proposal

A shareholder who intends to propose a candidate for election to the office of Director of the Company shall provide the Company's Joint Company Secretary at the registered office of the Company in Luxembourg or at the office of the Company in Hong Kong, the addresses of which are set below, with a written notice reflecting its intention to propose a person for election to the office of Director of the Company.

The notice shall be delivered by the shareholder at the registered office of the Company in Luxembourg or at the office of the Company in Hong Kong, the addresses of which are set out below, during a period commencing no earlier than the day after the dispatch of the convening notice of the meeting scheduled for such election and ending not later than seven days prior to the date of such meeting. Such notice must be delivered by a shareholder (not being the person proposed) who is entitled to attend and vote at the meeting. In addition, the candidate proposed for election shall deliver to the Company's Joint Company Secretary at the registered office of the Company in Luxembourg or at the office of the Company in Hong Kong, the addresses of which are set below, a signed written notice reflecting his willingness to be elected as director of the company.

In accordance with Article 10.1 of the Articles of Association of the Company, the appointment of the Director will be made by way of a general shareholders' meeting of the Company and by ordinary resolution adopted at a simple majority of the votes cast.

Registered Office
49, Boulevard Prince Henri
L-1724 Luxembourg

Principal Place of Business in Hong Kong
38/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Directors and Senior Management

EXECUTIVE DIRECTORS

Directors

The Board is responsible for and has general powers over the management and conduct of the Company's business. The table below shows certain information in respect of the Board:

Name	Age	Position
Reinold Geiger	67	Executive Director, Chairman and Chief Executive Officer
Emmanuel Osti	49	Executive Director and Managing Director
André Hoffmann	58	Executive Director and Managing Director, Asia Pacific
Domenico Trizio	52	Executive Director and Chief Operating Officer
Thomas Levilion	54	Executive Director and Group Deputy General Manager, Finance and Administration
Karl Guénard	47	Executive Director and Company Secretary
Martial Lopez	54	Non-Executive Director
Pierre Milet	72	Independent Non-Executive Director
Charles Mark Broadley	50	Independent Non-Executive Director
Jackson Chik Sum Ng	53	Independent Non-Executive Director
Valérie Bernis	55	Independent Non-Executive Director

Directors and Senior Management

Reinold Geiger
Executive Director, Chairman and Chief Executive Officer

Mr. Reinold Geiger was appointed as an executive Director with effect from 22 December 2000 and is the Company's Chairman and Chief Executive Officer. Mr. Geiger is primarily responsible for the Group's overall strategic planning and the management of the Group's business. Mr. Geiger joined the Group in 1996 as Chairman and controlling shareholder. Mr. Geiger is a director and managing director ("administrateur délégué") of the 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, chairman 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 the Group from a largely domestic operation based in France to an international business. He has spent time travelling to the Group's worldwide locations in order to implement this growth strategy, where he has established the Group's 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 the 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.

Emmanuel Osti
Executive Director and Managing Director

Mr. Emmanuel Osti was appointed as an executive Director with effect from 22 December 2000 and is a managing director. Mr. Osti is primarily responsible for the Group's overall strategic planning and the management of the Group's business. Mr. Osti has been the Company's general manager since February 2000. He is managing director ("administrateur délégué") of the Company, director of LOG, chairman of the board of directors ("presidente del consíglio di amministrazione") and managing director ("consigliere delegato") of L'Occitane Italia Srl 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.à.r.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, USA and the Università Commerciale Luigi Bocconi in Milan, Italy. Mr. Osti is the spouse of Mrs. Cécile de Verdelhan.

André Hoffmann
Executive Director and Managing Director, Asia Pacific

Mr. André Hoffmann was appointed as an executive Director with effect from 2 May 2001. Mr. Hoffmann has been primarily responsible for the Group's strategic planning and the management of the 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.

Directors and Senior Management

Domenico Trizio
Executive Director and Chief Operating Officer

Mr. Domenico Trizio was appointed as an executive Director with effect from 30 September 2011 and is Chief Operating Officer. Mr. Trizio joined the 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 is chairman of the board of directors ("président du Conseil d'administration") of Laboratoires M&L S.A.. 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.

Thomas Levilion
Executive Director and Group Deputy General Manager, Finance and Administration

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 the Group's finance functions worldwide. Mr. Levilion joined the Group in March 2008 and is managing director ("administrateur délégué") of the Company. Furthermore, he is manager (a "gérant") of Relais L'Occitane S.à.r.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.

Karl Guénard
Executive Director and Joint Company Secretary

Mr. Karl Guénard was non-executive Director of the Group from 30 June 2003. Mr. Guénard joined the Group in September 2013. Since 1 September 2013, he is executive Director and Joint Company Secretary of the Group. Between 2000 and 2013, Mr. Guénard worked at Edmond de Rothschild Group, where he was senior vice president of the Banque Privée Edmond de Rothschild Europe and responsible of the financial and engineering department. Between 1998 and 2000, he was a manager of the financial engineering 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 economics and management sciences from the University of Strasbourg, France.

Martial Lopez
Non-Executive Director

Mr. Martial Lopez was appointed as a non-executive Director with effect from 30 September 2009 and is a consultant of the 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 the 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 the 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").

Pierre Milet
Independent Non-Executive Director

Mr. Pierre Milet ("Mr. Milet"), has been appointed as an independent non-executive Director with effect from 29 January 2013. Mr. Milet was a member of the executive board and managing director of Clarins from 1988 until 10 March 2010. On 8 February 2010, Mr. Milet was 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 from 1975 to 1982. Mr. Milet has a masters degree in business administration from Ecole des Hautes Etudes Commerciales (France) where he majored in finance.

Mr. Milet was a non-executive director of the Company from 25 January 2010 until 27 November 2012, when he resigned to create a casual vacancy which enabled the Board to appoint Mrs. Bernis as an independent non-executive director. Mr. Pierre Milet was initially appointed as a non-executive of the Company because of his extensive experience in the cosmetic sector. At the time of his initial appointment to the Board, he was designated a non-executive and not an independent non-executive director due to his connections with Clarins and their substantial shareholding in the Company. From August 2011, Clarins ceased to be a shareholder of the Company and also ceased all commercial relationships with the Company. Mr. Milet has also ceased acting in the majority of his roles in connection with the Clarins Group. For this reason he has been appointed as an independent non-executive director of the Company and both the Board and the nomination committee have confirmed that they believe he is independent of the Company. Other than in relation to his past role on the Board, Mr. Milet fulfils all of the indicative criteria of independence set out in Rule 3.13 of the Listing Rules.

Directors and Senior Management

Charles Mark Broadley
Independent Non-Executive Director

Mr. Charles Mark Broadley was appointed as an independent non-executive Director with effect from 30 September 2008. He started his career in Investment Banking in Europe and Asia before becoming Finance Director of The Hong Kong & Shanghai Hotels. Subsequently, he founded a private equity business focused on the hotel sector and now is an active investor in a number of businesses. Mr. Broadley graduated in law from Cambridge University, England.

Jackson Chik Sum Ng
Independent Non-Executive Director

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 was previously 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.

Mrs. Valérie Bernis
Independent Non-Executive Director

Mrs. Valérie Bernis ("Mrs. Bernis"), was appointed as an independent non-executive Director with effect from 28 November 2012. She was responsible for Public Relations and Press for French Prime Minister Edouard Balladur (1993-95) (after being a member of his team when he was Minister of the Economy, Finance and Privatization (1986-88)). In 1988, she became Executive Vice President — Communications of Cerus, part of the De Benedetti Group. In 1996 she joined Compagnie de SUEZ as Executive Vice President - Communications, then in 1999, she became Executive Vice President Financial and Corporate Communications and Sustainable Development. During the same period, she served for 5 years as Chairman and CEO of Paris Première, an iconic French TV channel. Mrs. Bernis is now Executive Vice-President of GDF SUEZ, in charge of Marketing and Communications. She is a Member of the boards of Euro Disney (since 2006), Suez Environnement Company (since 2008), Bull (since 2010), and CEGID (since 2012). She is Officier de l'Ordre National de la Légion d'Honneur (2011), and Officier de l'Ordre National du Mérite (2008). Mrs. Bernis graduated from Paris Institut Supérieur de Gestion (ISG) in 1982.

SENIOR MANAGEMENT

Mr. David Boynton, aged 51, is Managing Director of the Group's North Atlantic and Australia region, supervising US, UK, Canada, Ireland, Australia and South Africa. He is also CEO of the Group's US affiliate. Mr. Boynton joined the Group in August 2006 as marketing and retail operations director for the operations in the UK prior to being appointed managing director in the UK in April 2007. Mr. Boynton 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 H ong 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 51, is the Group's head of Strategy. He joined the Group in December 2003. In December 2004, he became managing director of AHP S.à.r.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.

Ms. Bénédicte Le Bris, aged 48 is the head of Research & Development and Quality. Ms. Le Bris joined the Group in November 2012. She has more than 24 years of experience in leading and strengthening international Research and Development organizations in the Consumer Good sector. From 1989 to 1993, Ms. Le Bris worked in Product Development at Procter & Gamble Technical Center in Germany; from 1994 to 2001 at Johnson & Johnson, she was in charge of creating the R&D Skincare Center in Europe, and till 2010 at L'Oreal she was leading the R&D organization dedicated to Skincare innovations and then created the Natural & Organic R&D department. Ms. Le Bris graduated from Ecole Nationale Supérieure de Chimie de Paris in 1989.

Mr. Nicolas Siriez, aged 40, is International Managing Director for the L'Occitane en Provence brand, Continental Europe and Latin America. Mr. Siriez joined the Group in May 2012 as General Manager for Continental Europe. From January 2013, he became International Managing Director for the L'Occitane en Provence brand in charge of global marketing and communication, and from November 2013, he also took over the management of the Latin America zone. Prior to joining the Group, Mr. Siriez spent 14 years with L'Oreal where he held various roles in marketing and general management. Between 2008 and 2012, he was General Manager of the brands Garnier and Maybelline for China, based in Shanghai. Mr. Siriez graduated from the IAE of Grenoble, France with a master's degree in marketing and business administration in 1998.

Mr. Jean-François Gonidec, aged 57, is the Group's Deputy General Manager principally in charge of supply chain management. From January 2014, he is a "General Manager" ("Directeur Général") of Laboratoires M&L. Mr. Gonidec joined the 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 47, is the Group Managing Director for STREAM Region comprising of Russia, Poland, Scandinavia and Central Europe subsidiaries as well as Export & worldwide Duty Free divisions for Asia, Europe, Middle East, Africa and Americas. Mr. Jasiak manages also the Group's B-to-B division. Mr. Jasiak joined the Group in March 2003 as director for export in Geneva and subsequently became managing director in Geneva in 2005. Prior to joining the Group, Mr. Jasiak was a junior consultant at KPMG specializing in due diligence and audit. He joined Procter & Gamble, Inc. in 1993 for ten years, based in Poland, Germany and Switzerland serving different management positions. Mr. Jasiak graduated from the University of Warsaw, Poland with two master's degrees, in English Philology and management and marketing, and from the University of Illinois at Urbana-Champaign, USA with a master's degree in business administration.

Mrs. Shiho Takano, aged 48, is head of the Group's operations in Japan and is primarily responsible for the Group's strategic planning and the management of the Group's business in Japan. Mrs. Takano joined the Group in January 2001 as general manager for L'Occitane Japon K.K. before being promoted to president representative director. Prior to joining the 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.

THE DIRECTORS SUBMIT THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2014.

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 FY2014 by operating segments is set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for FY2014 are set out in the Consolidated Statements of Income on page 64.

The Board recommends a final dividend of €0.0213 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 24 September 2014. The record date to determine which shareholders will be eligible to attend and vote at the forthcoming AGM will be 24 September 2014 (the "AGM Record Date"). The register of members of the Company will be closed from Thursday, 18 September 2014 to Wednesday, 24 September 2014, 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 Wednesday, 17 September 2014.

Subject to the shareholders approving the recommended final dividend at the forthcoming AGM, such dividend will be payable on or about 22 October 2014 to shareholders whose names appear on the register of members on 10 October 2014 (the "Dividend Record Date"). To determine eligibility for the final dividend, the register of members will be closed from Tuesday 7 October 2014 to Friday, 10 October 2014, 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 Monday, 6 October 2014.


AMANDE
HUILE SOUPLESSE
RAFFERMISSANTE ET EMBELLISSANTE
FIRMING AND BEAUTIFYING
SUPPLE SKIN OIL
A L'HUILE D'AMANDE
WITH ALMOND OIL
12 M
L'OCCITANE
EN PROVENCE
100ml
Made in France - 04100 Manosque
3.4fl.oz.
L'OCCITANE

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 164 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 68 and note 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2014, the Company's reserves available for distribution to shareholders in accordance with the Company's articles of association (the "Articles of Association") as adopted on 15 April 2010 and amended on 30 September 2011 amounted to approximately €371,057,108.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during FY2014 are set out in note 7 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during FY2014 amounted to €1,700,000.

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 Company's listed securities during the Review Period.

During FY2012, the Company purchased a total of 6,655,000 shares of the Company on the Hong Kong Stock Exchange, representing 0.45% of the Company's shares in issue. On 4 October 2013, the Stock Exchange granted a conditional waiver (the "Waiver") to the Company in respect of Rule 10.06(5) of the Listing Rules to allow it, following any repurchase of shares, to elect to hold its own shares in treasury instead of automatically cancelling such shares. As a consequence of such Waiver, the Stock Exchange has agreed certain consequential modifications to other Listing Rules applicable to the Company.

Shares held in treasury may subsequently be sold for cash, transferred pursuant to an employees' share scheme or cancelled.

Full details of the Waiver and the conditions attached thereto are set out in the announcement issued by the Company on 4 November 2013 and can be found on the Company's website at www.loccitane.com and on the Stock Exchange's website at www.hkexnews.hk.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2014 are set out in note 32 to the consolidated financial statements.

L'OCCITANE
EN PROVENCE
shampooing
pure fraîcheur
300 ml
10.1 fl.oz
5
huiles essentielles
essential oils
L'OCCITANE
EN PROVENCE
spray démêlant
pure fraîcheur
L'OCCITANE
EN PROVENCE
après-shampooing
pure fraîcheur
8.4 fl.oz
250 ml
5
conditioner
usage quotidien
daily use
OCCITANE
EN PROVENCE
3.4 fl.oz
5
scalp tonic
normal hair

DIRECTORS

The Directors of the Company during FY2014 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 Osti
(appointed on 22 December 2000)
Mr. André Hoffmann
(appointed on 2 May 2001)
Mr. Thomas Levilion
(appointed on 30 September 2008)
Mr. Domenico Trizio
(appointed on 30 September 2011)
Mr. Karl Guénard
(appointed on 30 June 2003 as Non-Executive Director and designated as Executive Director on 1 September 2013)

Non-Executive Directors

Mr. Martial Lopez
(appointed on 22 December 2000 and designated as Non-Executive Director on 30 September 2009)

Independent Non-executive Directors

Mr. Charles Mark Broadley
(appointed on 30 September 2008)
Mr. Jackson Chik Sum Ng
(appointed on 25 January 2010)
Ms. Valérie Bernis
(appointed on 28 November 2012)
Mr. Pierre Milet
(appointed on 29 January 2013)

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.

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 39 to 46 of this report.

DIRECTORS' SERVICE CONTRACTS

None of the 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.

Bright eyes

An organic concentrate that
brightens eyes & reduces dark circles

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

As at 31 March 2014, 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 or controlled	Approximate % of Shareholding (Note 3)
Reinold Geiger (Note 1)	Interest in controlled corporation, beneficial Interest and deemed Interest	1,030,363,352 (long position)	69.76%
André Hoffmann	Beneficial Interest	2,766,961 (long position)	0.19%
Charles Mark Broadley	Beneficiary of a trust and beneficial Interest	152,000 (long position)	0.01%
Jackson Chik Sum Ng	Beneficial Interest	80,000 (long position)	0.01%
Thomas Levilion	Beneficial Interest	679,500 (long position)	0.05%
Martial Lopez	Beneficial Interest	60,000 (long position)	0.00%
Emmanuel Osti (Note 2)	Beneficial Interest and deemed Interest	949,247 (long position)	0.06%
Domenico Trizio	Beneficial Interest	2,024,500 (long position)	0.14%
Karl Guénard	Beneficial Interest	90,500 (long position)	0.01%
Pierre Milet	Beneficial Interest	50,000 (long position)	0.00%

Notes:

(1) *Mr. Reinold Geiger is the beneficial owner of 1,352,750 Shares of the Company and of the entire issued share capital of Société d'Investissements Cime S.A. ("CIME"), which in turn has beneficial interest and deemed interest in approximately 66.84% of the entire issued share capital of the L'Occitane Groupe S.A. ("LOG") (being beneficial owner of 10,917,207 shares and having deemed interest in 4,648,796 treasury shares being held by LOG and in 34,460 shares being held by Mr. Geiger's wife). 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 and controls 6,655,500 treasury shares held by the Company. Mr. Geiger also has a beneficial interest in shares of the Company (527,211 underlying shares). See details in Share Option Plans section.*

(2) *Comprised of 693,711 underlying shares held by Mr. Emmanuel Osti and 255,536 underlying shares held by Ms. Cécile de Verdelhan, each as beneficial and registered owner. Mr. Osti is deemed under the SFO to be interested in the underlying shares of the Company held by Mr. Osti's spouse, Ms. de Verdelhan.*

(3) *Based on guidance received from the SFC, the disclosure of interest calculations shown in the table above have been calculated on the basis of the Company's total issued share capital including 6,655,500 shares that are held in treasury and do not have voting rights whilst they are held in treasury.*

(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/ underlying shares held or controlled	Approximate % of Shareholding (Note 3)
Reinold Geiger	Beneficial interest and deemed Interest	15,600,716 *(Note 1)*	66.84%
André Hoffmann	Deemed interest	3,268,676	14.00%
Emmanuel Osti	Beneficial interest and deemed interest	267,124 *(Note 2)*	1.14%
Martial Lopez	Beneficial interest	18,000	0.08%
Thomas Levilion	Beneficial interest	10,041	0.04%

Notes:

(1) *Comprised of 253 shares held by Mr. Reinold Geiger, 10,917,207 shares held by CIME, 34,460 shares held by Ms. Dominique Maze-Sencier, each as beneficial and registered owner and 4,648,796 treasury shares held by LOG. Mr. Geiger is the beneficial owner of the entire issued share capital of CIME; Mr. Geiger is therefore deemed under the SFO to be interested in all the shares in LOG held by CIME. 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. As a controlling shareholder of LOG, Mr. Geiger is also deemed to be interested in the treasury shares being held by LOG.*

(2) *Comprised of 225,812 shares held by Mr. Emmanuel Osti and 41,312 shares held by Ms. Cécile de Verdelhan, each as beneficial and registered owner. Mr. Osti is deemed under the SFO to be interested in the shares and underlying shares of LOG held by Mr. Osti's spouse, Ms. Cécile de Verdelhan.*

(3) *The approximate percentage shareholdings in the share capital of LOG are calculated on the basis of the total number of 23,341,954 LOG shares issued, inclusive of 4,648,796 treasury shares held by LOG.*

Save as disclosed herein, as at 31 March 2014, 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 Stock Exchange pursuant to the Model Code.

INTERESTS IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2014, 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 or controlled	Approximate % of Shareholding (Note 3)
Société d'Investissements Cime S.A.	Interest in controlled corporation and deemed interest	1,028,483,391 (long position) (Note 1)	69.63%
LOG	Interest in controlled corporation and deemed interest	1,028,483,391 (long position) (Note 1)	69.63%
The Capital Group Companies, Inc.	Interest in controlled corporation	86,457,000 (long position) (Note 2)	5.85%

Notes:

(1) *CIME has an interest in approximately 66.69% of the total issued share capital of LOG (being beneficial owner of 10,917,207 shares and having deemed interest in 4,648,796 treasury shares being held by LOG). CIME is the controlling corporation of LOG and is therefore deemed under the SFO to be interested in all the 1,021,827,891 shares held in the Company by LOG. As suggested by SFC, being the controlling corporations of the Company, both CIME and LOG have deemed interest in the 6,655,500 treasury shares being held by the Company.*

(2) *The Capital Group Companies, Inc. directly holds 100% equity interest in Capital Research and Management Company and is therefore deemed to be interested in the 86,457,000 shares held by Capital Research and Management Company.*

(3) *Based on guidance received from the SFC, the disclosure of interest calculations shown in the table above have been calculated on the basis of the Company's total issued share capital including 6,655,500 shares that are held in treasury and do not have voting rights whilst they are held in treasury.*

Save as disclosed herein, as at 31 March 2014, 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 FY2014 are set out in the Consolidated Statement of Changes in Shareholders' Equity page 68 and note 16 to the consolidated financial statements.

SHARE OPTION PLAN

On 30 September 2010, a meeting of the shareholders of the Company authorised the adoption of a share option plan (the "Share Option Plan 2010"), which expired and was terminated on 29 September 2013 to be replaced by another share option plan (the "Share Option Plan 2013") which was adopted on 25 September 2013. The purpose of the Share Option Plan 2013 is to provide employees of the Group, all its Directors (including non-executive Directors) 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 2013 rules (the "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 maximum number of Shares in respect of which Options may be granted under the Share Option Plan 2013 shall not exceed 22,054,641 Shares, being 1.5% of the Company's issued share capital (excluding shares held in treasury) as at 30 September 2013.

Particulars and movements of share options granted under the Share Option Plan 2013 (the 2013 Options) during the twelve months ended 31 March 2014 were as follows. 12,053,250 Share options were granted under the Share Option Plan 2013 during this period.

Name/ Category of Participant	As of 01/04/2013	Number of share options Granted during the period	Cancelled during the period	As of 31/03/2014	Date of grant	Exercise Period (Note 1)	Exercise Price per Share (HK$)	Price immediately preceding the date of grant (Note 2) (HK$)
Directors								
Reinold Geiger	250,000	–	–	250,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	277,211	–	–	277,211	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
Emmanuel Osti (Note 3)	300,000	–	–	300,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
(Note 4)	407,747	–	–	407,747	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
(Note 5)	–	75,000	–	75,000	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
André Hoffmann	250,000	–	–	250,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	277,211	–	–	277,211	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
Thomas Levilion	250,000	–	–	250,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	118,000	–	–	118,000	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
	–	311,500	–	311,500	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
Jackson Ng	50,000	–	–	50,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
Mark Broadley	50,000	–	–	50,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
Domenico Trizio	1,200,000	–	–	1,200,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	169,000	–	–	169,000	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
	–	655,500	–	655,500	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
Karl Guénard	–	90,500	–	90,500	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
Sub-total	3,599,169	1,132,500	–	4,731,669				
Others								
Employees	6,218,000	–	(405,000)	5,813,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	3,389,180	–	(232,500)	3,156,680	26-Oct-12	26/10/2016-26/10/2020	23.60	23.60
	–	10,920,750	(584,500)	10,336,250	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
Sub-total	9,607,180	10,920,750	(1,222,000)	19,305,930			–	–
Total	13,206,349	12,053,250	(1,222,000)	24,037,599			–	–

Notes:

(1) *As a general rule, the vesting period of the 2010 and 2013 Options is set at four years and the exercise period is set at four years after the date of vesting. The Share Option Plan 2010 was terminated on 29 September 2013. The Board was however entitled to grant Options to Eligible Persons under the Share Option Plan 2013 subject to such conditions as the Board may think fit, including in respect to the vesting and exercise of such 2013 Options.*

(2) *Being the closing price of the Shares quoted on the Hong Kong Stock Exchange on the trading day immediately prior to the date of grant of the 2010 or 2013 Options.*

(3) *Includes 50,000 shares of 2010 Options held by Ms. Cécile de Verdelhan, Mr. Osti's spouse.*

(4) *Includes 130,536 Options held by Ms. Cécile de Verdelhan, Mr. Osti's spouse.*

(5) *Corresponding to the 75,000 Options held by Ms. Cécile de Verdelhan, Mr. Osti's spouse.*

[6] The weighted average fair value of Options granted under the 2010 Share Option Scheme on 4 April 2011, 26 October 2012, 28 November 2012 and under the 2013 Options on 4 December 2013 were approximately €0.44, €0.45, €0.47 and €0.31 respectively. The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Date of grant	Expected volatility (%)	Expected life	Risk-free interest rate (%)	Expected dividend yield (%)
4 April 2011	25%	5 years	1.92%	20% of budgeted profit attributable to the equity holders
26 October 2012	25%	5 years	0.50%	30% of budgeted profit attributable to the equity holders
28 November 2012	25%	5 years	0.50%	30% of budgeted profit attributable to the equity holders
4 December 2013	25%	5 years	1.00%	35% of budgeted profit attributable to the equity holders

In total, share-based compensation expense of €1,787,000 was included in the consolidated statement of comprehensive income for FY2014 (FY2013: €1,039,000). These expenses included the amortisation of the fair value of the share-based awards in the form of Options granted to the Directors and employees under our 2010 & 2013 Share Option Plans.

FREE SHARE PLAN

On 30 September 2010, a meeting of the shareholders of the Company authorised the adoption of a free share plan (the "Free Share Plan 2010"), which expired and was terminated on 29 September 2013 to be replaced by another free share plan (the "Free Share Plan 2013") which was adopted on 25 September 2013. The purpose of the Free Share Plan 2013 is to provide employees of the Group (the "Employees") with an opportunity to have a proprietary interest in the Company through being granted free shares under the Free Share Plan 2013 rules (the "Free Shares"), which will motivate the relevant Employees 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 Employees whose contributions are or will be beneficial to the long-term growth of the Group. The maximum number of Free Shares that may be granted under the Free Share Plan 2013 shall not exceed 7,351,546 Shares, being 0.5% of the Company's issued share capital (excluding shares held in treasury) as at 30 September 2013.

On 4 December 2014 the Company granted 867,500 free shares in the Company pursuant to the Company's Free Share Plan 2013 to certain eligible Employees (as defined in the rules of the Free Share Plan 2013). The Free Shares will vest on 4 December 2017.

TREASURY SHARES

On 4 October 2013, the Stock Exchange granted a conditional waiver (the "Waiver") to the Company in respect of Rule 10.06(5) of the Listing Rules to allow it, following any repurchase of shares, to elect to hold its own shares in treasury instead of automatically cancelling such shares. As a consequence of the Waiver, the Stock Exchange has agreed certain consequential modifications to other Listing Rules applicable to the Company.

Shares held in treasury may subsequently be sold for cash, transferred pursuant to an employees' share scheme or cancelled.

Full details of the Waiver and the conditions attached thereto are set out in the announcement issued by the Company on 4 November 2013 and can be found on the Company's website at www.loccitane.com and on the Stock Exchange's website at www.hkexnews.hk.

The Company confirmed that during the Review Period the Company was in compliance with the conditions of the waiver.

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 PLANS" 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 FY2014, 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 FY2014, the Company did not enter into any connected transactions or continuing connected transactions that were required to comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at 31 March 2014 are set out in note 17 to the consolidated 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 consolidated financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct for dealing in the Securities of the Company by the Directors of the Company. Having made specific enquiry to all Directors, they have confirmed that they have complied with the required standard of the Model Code throughout the Review Period.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is set out on pages 30 to 38.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out under the heading "Contingencies" on page 25.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 31 to the consolidated financial statements.

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 Review Period.

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.

HUMAN RESOURCES

As at 31 March 2014, the Group had 7,694 employees (31 March 2013 : 6,798 employees).

The Group ensures that all levels of employees are paid competitively and are rewarded in accordance with the Group's salary, incentive and bonus schemes. Options and Free Shares may also be offered to eligible employees. Training schemes are available where appropriate.

CHANGES IN DIRECTORS' INFORMATION

Prior to 31 March 2014 the following changes have occurred in Directors' information:-

Mr. Emmanuel Osti, the executive Director and Managing Director of the Company, has resigned as director, chairman of the board of directors and general manager of Laboratoires M&L S.A..

Mr. Domenico Trizio was appointed chairman of the board of directors of Laboratoires M&L S.A..

Mr. Thomas Levilion is no longer a Manager ("Gérant") of AHP S.a.r.l., since this company has merged with Laboratoires M&L S.A.. He has resigned as deputy managing director of Laboratoires M&L S.A..

By order of the Board

Reinold Geiger
Chairman
10 June 2014

Consolidated Financial Statements


CRÈME DIVINE
À L'IMMORTELLE BIOLOGIQUE
L'OCCITANE
EN PROVENCE
CRÈME DIVINE

Independent Auditors' Report

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 2014, 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers, Société coopérative, 400 Route d'Esch, B.P. 1443, L-1014 Luxembourg
T: +352 494848 1, F:+352 494848 2900, www.pwc.lu

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - Capital social EUR 516 950 - TVA LU25482518

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of L'Occitane International S.A. and its subsidiaries as at 31 March 2014, and of their performance and 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, Société coopérative
Represented by

Luxembourg, 10 June 2014

Philippe Duren

Consolidated Statements of Income

Year ended 31 March *In thousands of Euros, except per share data*	Notes	2014	2013
Net Sales	(5.2)	**1,054,872**	**1,043,363**
Cost of sales		(199,279)	(187,902)
Gross profit		**855,593**	**855,461**
% of net sales		*81.1%*	*82.0%*
Distribution expenses		(493,032)	(478,744)
Marketing expenses		(113,867)	(107,350)
Research & development expenses		(10,936)	(8,918)
General and administrative expenses		(104,389)	(101,541)
Share of profit/(loss) from joint ventures accounted for using the equity method	(6.1)	(10)	—
Other (losses)/gains-net	(22)	(438)	(624)
Operating profit		**132,921**	**158,284**
Finance income	(23)	3,075	2,970
Finance costs	(23)	(4,451)	(4,272)
Foreign currency gains/(losses)	(24)	(12,197)	(1,901)
Profit before income tax		**119,347**	**155,081**
Income tax expense	(25)	(26,825)	(29,473)
Profit for the year		**92,522**	**125,608**
Attributable to:			
Equity owners of the Company		89,349	122,702
Non-controlling interests		3,173	2,906
Total		**92,522**	**125,608**
Earnings per share for profit attributable to the equity owners of the Company during the year *(expressed in Euros per share)*			
Basic	(26)	0.061	0.083
Diluted	(26)	0.061	0.083
Number of shares used in earnings per share calculation			
Basic	(26)	1,470,309,391	1,470,309,391
Diluted	(26)	1,470,943,111	1,470,483,186

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

Year ended 31 March *In thousands of Euros, except per share data*	**Notes**	**2014**	**2013**
Profit for the year		92,522	125,608
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial (gains)/losses on defined benefit obligation	(25.5)	13	(513)
		13	**(513)**
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges fair value gains net of tax	(25.5)	—	258
Currency translation differences		(19,895)	(4,699)
		(19,895)	**(4,441)**
Other comprehensive income for the year, net of tax		**(19,882)**	**(4,954)**
Total comprehensive income for the year		**72,640**	**120,654**
Attributable to:			
Equity owners of the Company		69,769	117,803
Non-controlling interests		2,871	2,851
Total		**72,640**	**120,654**

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 25.5.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

ASSETS *In thousands of Euros*	**Notes**	**31 March 2014**	**31 March 2013**
Property, plant and equipment	(7)	177,424	164,608
Goodwill	(8)	134,789	120,701
Intangible assets	(9)	69,748	62,531
Deferred income tax assets	(25.2)	57,169	52,550
Investments in joint ventures	(6.1)	10	—
Other non-current assets	(10)	25,594	27,329
Non-current assets		**464,733**	**427,719**
Inventories	(11)	148,723	137,177
Trade receivables	(12)	85,315	86,696
Other current assets	(13)	56,613	61,160
Derivative financial instruments	(14)	313	406
Cash and cash equivalents	(15)	319,253	319,874
Current assets		**610,218**	**605,313**
TOTAL ASSETS		**1,074,951**	**1,033,032**
Share capital	(16)	44,309	44,309
Additional paid-in capital	(16)	342,851	342,851
Other reserves		(31,060)	(12,705)
Retained earnings		401,296	354,880
Capital and reserves attributable to the equity owners		**757,396**	**729,335**
Non-controlling interests		5,388	4,974
Total equity		**762,784**	**734,309**
Borrowings	(17)	73,552	76,771
Other financial liabilities	(6.3)	6,900	23,795
Other non-current liabilities	(18)	19,530	17,259
Deferred income tax liabilities	(25.2)	3,127	3,207
Non-current liabilities		**103,109**	**121,032**
Trade payables	(19)	91,253	94,990
Social and tax liabilities		47,862	50,195
Current income tax liabilities		7,533	10,294
Borrowings	(17)	5,811	5,944
Derivative financial instruments	(14)	121	558
Provisions	(20)	4,908	6,206
Other current liabilities	(18)	51,570	9,504
Current liabilities		**209,058**	**177,691**
TOTAL EQUITY AND LIABILITIES		**1,074,951**	**1,033,032**
NET CURRENT ASSETS/(LIABILITIES)		**401,160**	**427,622**
TOTAL ASSETS LESS CURRENT LIABILITIES		**865,893**	**855,341**

The accompanying notes are an integral part of these consolidated financial statements.

Company-Alone Balance Sheets

ASSETS *In thousands of Euros*	Notes	31 March 2014	31March 2013
Property, plant and equipment		1,283	1,541
Intangible assets		21,202	1,887
Investments in subsidiaries	(32)	226,945	160,762
Other non-current receivables due from subsidiaries		5,485	24,119
Other non-current receivable		44	—
Non-current assets		**254,959**	**188,309**
Inventories		2,985	3,023
Trade receivables due from subsidiaries		78,260	71,972
Trade receivables	(12.2)	11,779	11,105
Other current assets due from subsidiaries		325,965	283,259
Other current assets		2,867	2,221
Derivative financial instruments		313	406
Cash and cash equivalents	(15.2)	253,279	254,138
Current assets		**675,448**	**626,124**
TOTAL ASSETS		**930,407**	**814,433**
Share capital	(16)	44,309	44,309
Additional paid-in capital	(16)	342,851	342,851
Retained earnings		366,757	311,712
Total equity		**753,917**	**698,872**
Borrowings	(17)	51,983	38,241
Deferred income tax liabilities		574	358
Other financial liabilities	(6.3)	6,900	23,795
Other non current liabilities		95	—
Non-current liabilities		**59,552**	**62,394**
Trade payables due to subsidiaries		63,411	43,830
Trade payables		8,170	5,010
Social and tax liabilities		2,334	2,243
Borrowings	(17)	112	111
Other current liabilities due to subsidiaries		1,103	883
Other current liabilities		41,687	700
Derivative financial instruments		121	390
Current liabilities		**116,938**	**53,167**
TOTAL EQUITY AND LIABILITIES		**930,407**	**814,433**
NET CURRENT ASSETS		**558,510**	**572,957**
TOTAL ASSETS LESS CURRENT LIABILITIES		**813,469**	**761,266**

The profits attributable to equity owners of the Company for the years ended 31 March 2014 and 2013 are dealt with in the consolidated financial statements of the Group to the extent of € 95,137,000 and € 101,013,000.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

In thousands of Euros (except "Number of Shares")	Notes	Number of shares	Share capital	Additional paid-in capital	Share based payments	Attributable to equity owners of the Company Other reserves Hedging reserve	Cumul. Currency Transl. Diff.	Excess of consideration paid in transaction with non-controlling interests	Actuarial gains/ (losses)	Other reserves	Profit for the period	Non-controlling interests	TOTAL EQUITY
Balance at 31 March 2012		1,476,964,891	44,309	342,851	8,105	(258)	6,164	(9,732)	–	(9,742)	268,495	5,075	655,267
Comprehensive income													
Profit for the period		–	–	–	–	–	–	–	–	–	122,702	2,906	125,608
Other comprehensive income													
Currency translation differences		–	–	–	–	–	(4,644)	–	–	–	–	(55)	(4,699)
Actuarial losses on defined benefit obligation	(25.5)	–	–	–	–	–	–	–	(513)		–	–	(513)
Cash flow hedges fair value gains/(losses), net of tax	(25.5)	–	–	–	–	258	–	–	–	–	–	–	258
Total comprehensive income for the year		*–*	*–*	*–*	*–*	*258*	*(4,644)*	*–*	*(513)*	*–*	*122,702*	*2,851*	*120,654*
Transactions with owners													
Allocation of prior year earnings		–	–	–	–	–	–	–	–	–	–	–	–
Dividends declared		–	–	–	–	–	–	–	–	–	(36,317)	(3,129)	(39,446)
Contribution from the parent	(16.3)	–	–	–	1,331	–	–	–	–	–	–	–	1,331
Employee share option : value of employee services	(16.3)	–	–	–	1,039	–	–	–	–	–	–	–	1,039
Non-controlling interests in capital increase		–	–	–	–	–	–	–	–	–	–	177	177
Total contributions by and distributions to owners of the Company		*–*	*–*	*–*	*2,370*	*–*	*–*	*–*	*–*	*–*	*(36,317)*	*(2,952)*	*(36,899)*
Non-controlling interests arising on business combination		–	–	–	–	–	–	–	–	–	–	–	–
Transactions with non-controlling interests	(6.2)	–	–	–	–	–	–	(4,713)	–	–	–	–	(4,713)
Total transactions with owners		*–*	*–*	*–*	*–*	*–*	*–*	*(4,713)*	*–*	*–*	*–*	*–*	*(4,713)*
Balance at 31 March 2013		1,476,964,891	44,309	342,851	10,475	–	1,520	(14,445)	(513)	(9,742)	354,880	4,974	734,309
Comprehensive income													
Profit for the period		–	–	–	–	–	–	–	–	–	89,349	3,173	92,522
Other comprehensive income													
Currency translation differences		–	–	–	–	–	(19,593)	–	–	–	–	(302)	(19,895)
Actuarial losses on defined benefit obligation	(25.5)	–	–	–	–	–	–	–	13	–	–	–	13
Cash flow hedges fair value gains/(losses), net of tax	(25.5)	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year		*–*	*–*	*–*	*–*	*–*	*(19,593)*	*–*	*13*	*–*	*89,349*	*2,871*	*72,640*
Transactions with owners													
Allocation of prior year earnings		–	–	–	–	–	–	–	–	–	–	–	–
Dividends declared		–	–	–	–	–	–	–	–	–	(42,933)	(2,946)	(45,879)
Contribution from the parent	(16.3)	–	–	–	(112)	–	–	–	–	–	–	–	(112)
Employee share option : value of employee services	(16.3)	–	–	–	1,787	–	–	–	–	–	–	–	1,787
Non-controlling interests in capital increase		–	–	–	–	–	–	–	–	–	–	369	369
Total contributions by and distributions to owners of the Company		*–*	*–*	*–*	*1,675*	*–*	*–*	*–*	*–*	*–*	*(42,933)*	*(2,577)*	*(43,835)*
Non-controlling interests arising on business combination		–	–	–	–	–	–	–	–	–	–	–	–
Transactions with non-controlling interests	(6.1)	–	–	–	–	–	–	(450)	–	–	–	120	(330)
Total transactions with owners		*–*	*–*	*–*	*–*	*–*	*–*	*(450)*	*–*	*–*	*–*	*120*	*(330)*
Balance at 31 March 2014		1,476,964,891	44,309	342,851	12,150	–	(18,073)	(14,895)	(500)	(9,742)	401,296	5,388	762,784

Consolidated Statements of Cash Flows

Year ended 31 March *In thousands of Euros*	**Notes**	**2014**	**2013**
Cash flows from operating activities			
Profit for the year from continuing operations		92,522	125,608
Adjustments to reconcile profit for the year to net cash from operating activities			
Depreciation, amortization and impairment	(27.3)	50,306	42,183
Deferred income taxes	(25.1)	(8,133)	(9,903)
Unwinding of discount on other financial liabilities	(23)	1,921	1,126
Share based payment	(21)	1,675	2,370
Change in the fair value of derivatives	(14)	(344)	940
Other losses/(gains) - net	(27.2)	1,179	546
Net movements in provisions	(27.4)	391	3,332
Share of (profit)/loss of joint ventures	(6.1)	10	—
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation)			
Inventories		(17,051)	(9,780)
Trade receivables		(6,196)	(8,610)
Trade payables		3,300	11,040
Social and tax liabilities		101	2,573
Current income tax assets and liabilities		(3,442)	(2,612)
Other assets and liabilities, net		3,368	(14,414)
Net cash inflow from operating activities		**119,607**	**144,399**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	(6.1),(6.2)	—	(4,632)
Purchases of property, plant and equipment	(7)	(60,859)	(79,725)
Purchases of intangible assets	(9)	(18,549)	(15,374)
Proceeds from sale of fixed assets	(27.2)	996	2,212
Change in deposits and key moneys paid to the landlords		(1,504)	(2,763)
Change in non-current receivables and liabilities		835	(602)
Net cash outflow from investing activities		**(79,081)**	**(100,884)**

Consolidated Statements of Cash Flows

Year ended 31 March *In thousands of Euros*	Notes	2014	2013
Cash flows from financing activities			
Proceeds from non-controlling interests		349	177
Transactions with non-controlling interests	(6.1),(6.2)	(330)	—
Dividends paid to equity owners of the Company	(16.5)	(42,933)	(36,317)
Dividends paid to non-controlling interests		(2,946)	(5,058)
Proceeds from borrowings	(17),(27.8)	37,096	35,617
Repayments of borrowings	(17),(27.8)	(40,715)	(23,132)
Net cash outflow from financing activities		**(49,479)**	**(28,713)**
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts	(27.7)	8,397	(3,277)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(556)**	**11,525**
Cash, cash equivalents and bank overdrafts at beginning of the year		**319,809**	**308,284**
Cash and cash equivalents		*319,874*	*308,303*
Bank overdrafts		*(65)*	*(19)*
Cash, cash equivalents and bank overdrafts at end of the year		**319,253**	**319,809**
Cash and cash equivalents		*319,253*	*309,874*
Bank overdrafts		—	*(65)*

Notes to the Consolidated Financial Statements

1.	THE GROUP	74
2.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	74
2.1.	Basis of preparation and changes in accounting principles	74
2.2.	Principles of consolidation	76
2.3.	Foreign currency translation	78
2.4.	Segment reporting	80
2.5.	Intangible assets	80
2.6.	Property, Plant and Equipment	82
2.7.	Impairment of non-financial assets	83
2.8.	Deposits	83
2.9.	Assets held for sale and assets directly associated with discontinued operations	84
2.10.	Inventories	84
2.11.	Trade receivables	84
2.12.	Financial assets	84
2.13.	Derivative financial instruments and hedging activities	87
2.14.	Cash and cash equivalents	88
2.15.	Share capital	88
2.16.	Dividend distribution	88
2.17.	Trade payables	89
2.18.	Provisions	89
2.19.	Employee benefits	90
2.20.	Borrowings	93
2.21.	Revenue recognition	93
2.22.	Distribution expenses	95
2.23.	Marketing expenses	95
2.24.	Research and Development costs	95
2.25.	Accounting of rent expenses	96
2.26.	Start-up and pre-opening costs of stores	96
2.27.	Government grants	96
2.28.	Foreign currency gains/(losses)	96
2.29.	Income taxes	97
2.30.	Earnings per share	97
3.	FINANCIAL RISK MANAGEMENT	98
3.1.	Financial risk factors	98
3.2.	Capital risk management	103
3.3.	Fair value estimation	104
4.	CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	106
4.1.	Impairment test of non-current assets	106
4.2.	Depreciation and amortization periods	107
4.3.	Allowance on inventories	107
4.4.	Legal claims	107
4.5.	Income taxes	107
5.	SEGMENT INFORMATION	108
5.1.	Operating segments	109
5.2.	Geographic areas	110
6.	INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE	111
6.1.	For the year ended 31 March 2014	111
6.2.	For the year ended 31 March 2013	112
6.3.	Other financial liabilities	114

Notes to the Consolidated Financial Statements

7.	PROPERTY, PLANT AND EQUIPMENT	115
7.1.	Year ended 31 March 2014	115
7.2.	Year ended 31 March 2013	116
7.3.	Classification of the depreciation of the tangible assets in the statement of income	117
7.4.	Impairment tests for property, plant and equipment	118
8.	GOODWILL	118
8.1.	Goodwill variation analysis	118
8.2.	Goodwill breakdown	119
8.3.	Impairment test for goodwill	119
9.	INTANGIBLE ASSETS	120
9.1.	Year ended 31 March 2014	120
9.2.	Year ended 31 March 2013	121
9.3.	Classification of the amortization of the intangible assets in the statement of income	122
9.4.	Impairment test for intangible assets	122
10.	OTHER NON-CURRENT ASSETS	122
11.	INVENTORIES	123
12.	TRADE RECEIVABLES	123
12.1.	Group information	123
12.2.	Company information	125
13.	OTHER CURRENT ASSETS	127
14.	DERIVATIVE FINANCIAL INSTRUMENTS	127
15.	CASH AND CASH EQUIVALENTS	130
15.1.	Group information	130
15.2.	Company information	130
16.	CAPITAL AND RESERVES	131
16.1.	Share capital and Additional paid-in capital	131
16.2.	Treasury shares	131
16.3.	Share-based payments	132
16.4.	Distributable reserves	135
16.5.	Dividend per share	135
16.6.	Additional paid in capital	135
17.	BORROWINGS	136
17.1.	Maturity of non-current borrowings	137
17.2.	Credit facilities agreements	137
17.3.	Current accounts with non-controlling interests	138
17.4.	Finance lease liabilities	139
17.5.	Effective interest rates	139
17.6.	Borrowing facilities	140
18.	OTHER CURRENT AND NON-CURRENT LIABILITIES	140
18.1.	Provision for retirement indemnities	141
18.2.	Provision for dismantling and restoring	142
19.	TRADE PAYABLES	143
20.	PROVISIONS	143
21.	EXPENSES BY NATURE	144
22.	OTHER (LOSSES)/GAINS - NET	145
23.	FINANCE COSTS, NET	146
24.	FOREIGN CURRENCY GAINS/(LOSSES)	146

25. INCOME TAX EXPENSE 147
25.1. Income tax expense 147
25.2. Components of deferred income tax assets and liabilities 148
25.3. Movements in deferred tax assets and liabilities, net 149
25.4. Income tax on unremitted earnings 149
25.5. Income tax on components of other comprehensive income 149
26. EARNINGS PER SHARE 150
26.1. Basic 150
26.2. Diluted 150
27. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION 151
27.1. Cash paid for interest and income taxes 151
27.2. Proceeds from sale of assets 151
27.3. Depreciation, amortization and impairment 151
27.4. Net movement in provisions 152
27.5. Acquisition of fixed assets under finance lease 152
27.6. Other non cash items 152
27.7. Effects of the exchange rate changes on the net (decrease)/increase in cash and cash equivalents 152
27.8. Cash flows reported on a net basis 152
28. CONTINGENCIES 153
28.1. Legal proceedings 153
28.2. Tax risks 153
28.3. Other contingent liabilities 153
29. COMMITMENTS 154
29.1. Capital and other expenditure commitments 154
29.2. Lease commitments 154
29.3. Other commitments 155
30. TRANSACTIONS WITH RELATED PARTIES 155
30.1. Key management compensation 155
30.2. Sales of products and services 158
30.3. Purchases of goods and services 159
30.4. Borrowings from related parties/loans to related parties 159
30.5. Transactions with other related parties 159
30.6. Formation of joint ventures/acquisition of additional interests in a subsidiary 159
30.7. Commitments and contingencies 160
31. POST BALANCE SHEET EVENTS 160
32. LIST OF SUBSIDIARIES AND ASSOCIATES 160

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 trademarks "Couvent des Minimes" and "Erborian". These products are marketed primarily through external distribution.

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: 49, Boulevard Prince Henri, L-1724 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 10 June 2014.

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 and changes in accounting principles

The consolidated financial statements of the Group and the Company-alone balance sheets have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board 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 derivative financial 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 and changes in accounting principles *(continued)*

(a) ***New amended standards adopted by the Group***

The Group has applied the following amended standards and standards that are effective for the first time for the Group for the financial period beginning 1 April 2013:

Standard	Topic	Key requirements
IAS 1 (amendment)	Financial statements presentation regarding other comprehensive income	To group items presented in 'other comprehensive income' on the basis of whether they could subsequently be reclassifiable to profit or loss.
IAS 19 (amendment)	Employee benefits	To immediately recognize all past service costs and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).
IFRS 10	Consolidated Financial Statements	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
IFRS 11	Joint arrangements	To classify the joint arrangements either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement.
IFRS 12	Disclosure of Interests in Other Entities	To disclose information for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
IFRS 13	Fair Value Measurement	To improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement.

The above amended standards and standards do not have any material impact on the consolidated financial statements. The IAS 19 amendment did not have a material impact on the financial statements as the Group has no plan assets and already recognises the actuarial gains/(losses) on other comprehensive income.

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

2.1. Basis of preparation and changes in accounting principles *(continued)*

(b) New standards and interpretations not yet adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for the fiscal years beginning after 31 March 2014 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Standard	Topic	Key requirements
IFRIC 21	Levies	The interpretation sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised.

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 structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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 to the former owners of the acquiree 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 at the acquisition date. 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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through statement of income.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. 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 recognised amounts of the acquiree's identifiable net assets. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of income.

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

2.2. Principles of consolidation *(continued)*

(a) Subsidiaries (continued)

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.

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.

(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.

Put options arrangements

Put options on non-controlling interests issued before 2010

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

- The present value of the cash payments related to the potential exercise of put options issued by the Group over non-controlling interests are accounted for as 'other financial liabilities';
- The initial amount was recognised at fair value within 'other financial liabilities' with a corresponding impact on 'goodwill'. The change in estimates in the fair value of the financial liability is recorded with a corresponding adjustment to 'goodwill';
- In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to '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 present value of the cash payments related to the potential exercise of put options issued by the Group over non-controlling interests are accounted for as 'other financial liabilities';
- The initial amount was recognised at fair value within 'other financial liabilities' with a corresponding charge directly to 'equity'. The change in estimates in the fair value of the financial liability is recorded with a corresponding adjustment to 'equity';
- In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to 'equity'.

When the put option is written as part of a business combination and when the control over the subsidiary is acquired, no non-controlling interests is recognized in respect of the shares subject to the put option.

Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first become exercisable. The charge arising is recorded as a financing cost.

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

2.2. Principles of consolidation *(continued)*

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in statement of income. 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 recognized 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 recognized in other comprehensive income are reclassified to statement of income.

(d) 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. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. The Group's investment in associates included goodwill identified on acquisition. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the statement of income.

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

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.

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

2.3. Foreign currency translation *(continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation of items are remeasured. 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 deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income within 'finance income' or 'finance costs'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in statement of income, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in statement of income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units or groups of cash generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(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 an additional rental payment 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. 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. 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.

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

2.5. Intangible assets *(continued)*

(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 and testing 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. The main ERP of the Group (SAP) is amortized over 10 years.

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

(f) Commercial websites

Development costs that are directly attributable to the design and testing of commercial websites are recognised as intangible fixed assets and are amortized over their estimated useful lives, which does not exceed 3 years.

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

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.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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.

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:

Tangible assets	Estimated useful lives
Buildings	20 years
Equipment and machinery	Between 5 and 10 years
Information system equipments and cash registers	3 years
Leasehold improvements	Between 5 and 10 years
Leasehold improvements related to the stores	5 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).

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 (a) distribution and marketing promotional goods that are intended to be sold to third parties and (b) mini products, pouches and boxes that are essentially bundled and sold together with regular products.

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 within 'cost of sales' 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 also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

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 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 'finance income' or 'finance costs' in the period in which they arise. Dividend income from 'financial assets at fair value through profit and loss' is recognised in the statement of income when the Group's right to receive payments is established.

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 in 'finance income' or 'finance costs'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of income in 'finance income' or 'finance costs'. Dividends on available-for-sale equity instruments are recognised in the statement of 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.

(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 statement of income – 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 consolidated statement of income.

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

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 on-going 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 other comprehensive income 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.

(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 income' or '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 income' or 'finance costs'. The gain or loss relating to the ineffective portion is recognized in the statement of income within 'finance income' or '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 income' or 'finance costs' for interest derivatives and within 'foreign currency gains/(losses)' for currency derivatives.

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

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

(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 income', 'finance costs' or 'foreign currency gains/(losses)'.

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. There are no preference shares.

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

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.

2.18. Provisions

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. 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

The provision charge is recognized in the statement of income within "General and administrative expenses".

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. 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.

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)*

2.18. Provisions *(continued)*

Provision for returned goods
When there is a legal or constructive obligation to accept returns, revenue is recognised when the products are delivered and a provision is deducted from this revenue for expected returns based on historical and statistics in-house data. This provision is classified in current provisions for other liabilities and charges.

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. 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.

From 1 April 2011, actuarial gains and losses resulting from experience adjustments and changes in the actuarial assumptions that are used to calculate the obligations (including the estimated return on the plan's assets) are fully recognized within "Other comprehensive income" in the period in which they arise (refer note 2.1).

Past-service costs are recognized immediately in the statement of income.

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.

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

2.19. Employee benefits *(continued)*

(b) Other post-employment obligations

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

(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 over the vesting period.

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 market conditions are taken into account in the valuation of the option at the grant date and are not updated for the subsequent closings.

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 the 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)*

Equity settled share-based compensations – modification and cancellation

If a non-market vesting conditions of an equity-settled award is modified, the Group revises its estimates of the number of equity instruments that are expected to vest. 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 fair value of the option is not modified.

If a market conditions is modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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 at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their 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.

(f) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

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

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.

2.21. 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 offered. 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.

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

2.21. Revenue recognition *(continued)*

(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.

(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.

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

2.21. Revenue recognition *(continued)*

(d) Loyalty program (continued)

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.

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

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 (progressive lease payments), lease payments are recognized as an expense on a straight-line basis. The counterpart is recorded in 'liabilities linked to operating leases' in 'non-current liabilities'.

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. Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are first deferred in non-current liabilities and then classified as a reduction of the fixed asset when it is put in service. The government grant is then credited to the income statement on a straight-line basis over the expected lives of the related assets.

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

2.29. 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.

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.

2.30. 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.

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.

As at 31 March 2014, the exposure to foreign exchange risk on the statement of financial position is as follows:

In thousands of Euros	EUR	JPY	HKD	USD	GBP	CNY	BRL	TWD	CHF	CAD	Other	Total
Trade receivables	11,538	15,014	11,426	3,124	880	12,425	4,534	2,530	312	449	23,083	85,315
Other current receivables	27,571	1,955	522	1,699	5,211	3,405	11,378	194	336	133	4,209	56,613
Cash and cash equivalents	190,481	35,590	13,514	31,790	2,747	8,391	6,241	3,256	1,311	1,873	24,059	319,253
Monetary assets	229,590	52,559	25,462	36,613	8,838	24,221	22,153	5,980	1,959	2,455	51,351	461,181
Borrowings	24,370	5,617	–	31,187	4,226	–	–	–	5,741	3,415	4,807	79,363
Trade payables	55,583	7,879	2,714	4,213	5,836	3,264	4,310	590	447	720	5,697	91,253
Social and tax liabilities	30,227	3,377	934	2,760	717	1,145	1,931	512	18	312	5,929	47,862
Monetary liabilities	110,180	16,873	3,648	38,160	10,779	4,409	6,241	1,102	6,206	4,447	16,433	218,478
Gross exposure in the statement of financial position before hedging	119,410	35,686	21,814	(1,547)	(1,941)	19,812	15,912	4,878	(4,247)	(1,992)	34,918	242,703

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. Financial risk factors *(continued)*

(a) ***Market risk** (continued)*

As at 31 March 2013, the exposure to foreign exchange risk on the statement of financial position is as follows:

In thousands of Euros	EUR	JPY	HKD	USD	GBP	CNY	BRL	TWD	CHF	CAD	Other	Total
Trade receivables	21,288	14,975	12,978	5,391	1,601	11,148	5,880	3,096	–	–	10,339	86,696
Other current receivables	26,645	2,772	565	3,272	4,986	3,956	13,507	158	344	386	4,569	61,160
Cash and cash equivalents	234,537	5,957	16,775	15,149	13,273	12,773	6,065	2,293	2,787	1,381	8,884	319,874
Monetary assets	282,470	23,704	30,318	23,812	19,860	27,877	25,452	5,547	3,131	1,767	23,792	467,730
Borrowings	41,313	–	–	21,085	6,623	–	–	–	3,690	5,146	4,858	82,715
Trade payables	58,369	7,928	3,238	5,184	5,719	4,232	2,568	712	566	615	5,859	94,990
Social and tax liabilities	30,786	4,161	948	3,007	617	1,343	2,536	475	(3)	258	6,067	50,195
Monetary liabilities	130,468	12,089	4,186	29,276	12,959	5,575	5,104	1,187	4,253	6,019	16,784	227,900
Gross exposure in the statement of financial position before hedging	152,002	11,615	26,132	(5,464)	6,901	22,302	20,348	4,360	(1,122)	(4,252)	7,008	239,830

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, Singapore Dollar and the Sterling Pound. 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.

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.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. Financial risk factors *(continued)*

(a) ***Market risk*** *(continued)*

During the fiscal years 2014 and 2013 and on 31 March 2014 and 2013, 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	2014	2013	2014	2013	2014	2013
USD	5,420	4,710	13,790	12,492	5,121	4,004
JPY	9,592	12,670	17,775	21,945	5,262	7,782
HKD	6,989	8,029	9,476	9,742	4,287	4,924
GBP	3,059	2,571	5,993	5,663	2,723	2,227

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 deposits 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. 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 17.2, 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)*

Based on the simulations performed, on 31 March 2014 and 2013, 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 23).

In thousands of Euros	31 March 2014	2013
Sensitivity of finance costs	402	352
Sensitivity of finance income	267	645
Sensitivity of the post-tax profit	51	73

The above sensitivity takes into consideration the impact of the interest rate derivatives existing at 31 March 2014 and 2013 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 commodity price risk.

The Group is also exposed to price risk arising from investments in equity securities. The investments are done in accordance with the limits set by the Financial Investment Committee in charge of selecting the investments.

On 31 March 2014, the Group has no investment in equity securities.

(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 customers in the Sell-in and B-to-B segments, sales are made with credit terms generally from 60 and 90 days and the Group maintains adequate allowances for potential credit losses and follows regularly the solvency of its counterpart. As of 31 March 2014 and 2013, 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;

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. Financial risk factors *(continued)*

(b) Credit risk (continued)

- For customers in the Sell-out segment, the Group's sales to end customers are made in cash or via major credit cards and no credit terms are generally granted to the end customers. When the Sell-out sales are generated in department stores, a credit term is granted to the department store until the cash is transferred to the Group. This credit term is generally from 60 to 90 days.
- Cash and cash equivalents and derivatives financial instruments are concentrated on few independently rated parties with a minimum rating of 'A'.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and 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 (comprising 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*	**2014**	**2013**
Cash and cash equivalents and bank overdrafts	319,253	319,809
Undrawn borrowing facilities (note 17.6)	298,379	299,625
Liquidity reserves	**617,632**	**619,434**

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. Financial risk factors *(continued)*

***(c) Liquidity risk** (continued)*

Surplus cash held by the Group is invested in call accounts, certificates of deposit, money market funds and securities.

The repayment of certain bank borrowings depends on a financial ratio (note 17.2).

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 (note 17)	5,811	54,642	6,605	12,305	79,363
Trade payables (note 19)	91,253	-	-	-	91,253
Interests payments on borrowings	834	541	684	306	2,365
Total on 31 March 2014	**97,898**	**55,183**	**7,289**	**12,611**	**172,981**
Borrowings (note 17)	5,944	2,668	60,088	14,015	82,715
Trade payables (note 19)	94,990	-	-	-	94,990
Interests payments on borrowings	886	804	869	325	2,884
Total on 31 March 2013	**101,820**	**3,472**	**60,957**	**14,340**	**180,589**

The interest payments on borrowings are based on the existing interest rates as at 31 March 2014.

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. FINANCIAL RISK MANAGEMENT *(continued)*

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):

In thousands of Euros	2014 Net book value	2014 Fair value	2013 Net book value	2013 Fair value
Assets				
Available-for-sale financial assets (a)	52	52	47	47
Other non-current receivables	25,542	25,542	27,282	27,282
Derivative financial instruments (b)	313	313	406	406
Total assets	**25,907**	**25,907**	**27,735**	**27,735**
Liabilities				
Non-current borrowings	—	—	—	—
Fixed rate	—	—	—	—
Floating rate	79,363	79,363	82,715	82,715
Total borrowings	**79,363**	**79,363**	**82,715**	**82,715**
Derivative financial instruments (b)	121	121	558	558
Total liabilities	**121**	**121**	**558**	**558**

(a) Available-for-sale financial assets include non-consolidated investments that are not significant and are valued 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 13 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 2014			31 March 2013		
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	—	313	—	—	406	—
Derivatives designated as hedging instruments	—	—	—	—	—	—
Cash equivalents	2,503	—	—	1,037	—	—
Total assets	**2,503**	**313**	**—**	**1,037**	**406**	**—**
Liabilities						
Derivatives at fair value through profit and loss	—	(121)	—	—	(558)	—
Derivatives designated as hedging instruments	—	—	—	—	—	—
Total liabilities	**—**	**(121)**	**—**	**—**	**(558)**	**—**

(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 of non-current assets (notes 2.5, 2.6 and 2.7), 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), allowance of inventories (note 2.10), measurement of provisions (note 2.18), allowance of trade receivables (note 2.11), revenue recognition (note 2.21), current and deferred income taxes (note 2.28), fair value of the derivative instruments (note 2.13), valuation of share-based compensation (note 16.3) and contingencies (note 28).

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% (1% in the fiscal year ended 31 March 2013);
- The pre-tax discount rate of 10.16% (10.36% in the fiscal year ended 31 March 2013). 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 an 8 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 including the renewal option) 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 28).

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.

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.

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 by country. Financial information is available for both, however the channels are the operating segments.

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

- Sell-out comprises the sales of the 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 the 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 airlines companies and hotels.

In accordance with the aggregation criteria of IFRS 8, the operating segments Sell-in and B-to-B have been aggregated into a single reportable segment.

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 segments information as at 31 March 2014 and 2013 is as follows:

	31 March 2014			
In thousands of Euros	Sell-out	Sell-in and B-to-B	Other reconciling items	Total
Net sales	795,672	259,200	—	1,054,872
In %	*75.4%*	*24.6%*	—	*100.0%*
Gross profit	680,177	175,416	—	855,593
% of net sales	*85.5%*	*67.7%*	—	*81.1%*
Distribution expenses	(404,140)	(44,039)	(44,852)	(493,032)
Marketing expenses	(44,911)	(7,643)	(61,313)	(113,867)
Research & development expenses	—	—	(10,936)	(10,936)
General and administrative expenses	—	—	(104,389)	(104,389)
Share of profit/(losses) from joint operations	—	—	(10)	(10)
Other (losses)/gains - net	(711)	(41)	314	(438)
Operating profit	**230,415**	**123,692**	**(221,186)**	**132,921**
% of net sales	*29.0%*	*47.7%*	*0.0%*	*12.6%*

	31 March 2013			
In thousands of Euros	Sell-out	Sell-in and B-to-B	Other reconciling items	Total
Net sales	784,859	258,504	—	1,043,363
In %	*75.2%*	*24.8%*	—	*100.0%*
Gross profit	681,327	174,134	—	855,461
% of net sales	*86.8%*	*67.4%*	—	*82.0%*
Distribution expenses	(386,366)	(42,196)	(50,182)	(478,744)
Marketing expenses	(43,057)	(6,762)	(57,531)	(107,350)
Research & development expenses	—	—	(8,918)	(8,918)
General and administrative expenses	—	—	(101,541)	(101,541)
Other (losses)/gains - net	(332)	30	(322)	(624)
Operating profit	**251,572**	**125,206**	**(218,494)**	**158,284**
% of net sales	*32.1%*	*48.4%*	*0.0%*	*15.2%*

There are no significant inter-segment transfers or transactions.

In addition, the 'other reconciling items' column includes amounts corresponding to central functions unrelated to a specific business segment (mainly the central distribution warehouses, central marketing and most of general and administration expenses).

5. SEGMENT INFORMATION *(continued)*

5.2. Geographic areas

(a) *Net sales*

Net sales are allocated based on the country of the invoicing subsidiary.

31 March	2014		2013	
In thousands of Euros	Total	*In % of total*	Total	*In % of total*
Japan	177,749	*16.9%*	219,455	*21.0%*
United States	133,264	*12.6%*	124,916	*12.0%*
Hong-Kong	110,674	*10.5%*	111,007	*10.6%*
France	87,142	*8.3%*	82,532	*7.9%*
China	79,893	*7.6%*	67,724	*6.5%*
Russia	59,034	*5.6%*	56,309	*5.4%*
United Kingdom	58,582	*5.6%*	56,086	*5.4%*
Luxembourg - Swiss branch	52,591	*5.0%*	49,608	*4.8%*
Brazil	45,992	*4.4%*	44,217	*4.2%*
Taiwan	36,338	*3.4%*	36,196	*3.5%*
Other countries	213,612	*20.3%*	195,313	*18.7%*
Net sales	**1,054,872**	***100%***	**1,043,363**	***100%***

(b) *Assets*

The following table shows the breakdown of certain non-current assets by geographical areas, allocated based on the country of the subsidiary owning the asset.

31 March	2014			2013		
In thousands of Euros	Property, Plant and Equipment	Goodwill	Intangible assets	Property, Plant and Equipment	Goodwill	Intangible assets
Japan	9,442	18,223	489	7,952	21,478	815
United States	19,362	4,906	291	16,130	5,282	257
Hong-Kong	3,678	2,141	—	2,647	2,304	—
Chine	2,007	1,355	48	2,101	1,458	85
France	104,148	38,440	31,863	94,986	38,440	44,078
Russia	4,151	42,684	581	4,669	20,747	643
United Kingdom	4,632	1,483	62	4,917	1,453	7
Luxembourg	1,283	—	21,202	1,541	—	1,887
Brazil	6,760	3,163	5,921	7,387	3,848	3,759
Taiwan	1,354	1,606	59	1,570	1,761	113
Other countries	20,607	20,787	9,231	20,708	23,930	10,887
Total	**177,424**	**134,789**	**69,748**	**164,608**	**120,701**	**62,531**

6. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE

6.1. For the year ended 31 March 2014

(a) Joint arrangement

On 2 July 2013, LOI and SMCM (a third company held by Daniel Margot) entered into the shareholder's agreement of a new created entity 'Savonnerie nature en Provence' ('SNP') with the objective of combining the expertise of SMCM in soap manufacturing and LOI's decision to outsource its soap production. LOI owns 20% of Savonnerie nature en Provence. Under the shareholders' agreement, a joint control is established between LOI and SMCM. Therefore this investment in a joint venture is recorded using the equity method with a percentage of 20%.

The summarized financial information for SNP is the following:

In thousands of Euros	**31 March 2014**
Current assets	56
Non-current assets	20
Total assets	**76**
Current liabilities	(25)
Non-current liabilities	—
Total liabilities	**(25)**
Net assets	**51**
Net sales	—
Operating result	(50)
Net result	**(50)**

(b) Creation of subsidiaries

On 4 July 2013, a new subsidiary, L'Occitane Portugal Unipessoal LDA was created to distribute the products in Portugal.

On 21 February 2014, a new subsidiary, L'Occitane International GmbH was created to allow more flexibility for the management of our cash balances.

On 3 June 2013, the Company created a new subsidiary in South Africa, L'Occitane South Africa Ltd. This new subsidiary acquired 6 stores from the former distributor for a consideration of approximately €500,000.

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

6.1. For the year ended 31 March 2014 *(continued)*

(c) Transaction with non-controlling interests

On 17 May 2013, the Company acquired the remaining 5.45% in the subsidiary L'Occitane Central Europe s.r.o. for a total consideration of € 330,000. L'Occitane Central Europe is located in Czech Republic and is specialized in the distribution of L'Occitane products in Central Europe countries. After this transaction, L'Occitane Central Europe is now 100% held by the Group.

The effect of changes in the ownership interest of L'Occitane Central Europe on the equity attributable to owners of the Company during the year ended 31 March 2014 is summarised as follows:

In thousands of Euros	L'Occitane Central Europe
Carrying amount of non-controlling interests acquired	(120)
Consideration paid to non-controlling interests	330
Excess of consideration paid recognised in the transaction with non-controlling interests within 'other reserves' in equity	**450**

6.2. For the year ended 31 March 2013

(a) Business combinations in France

On 6 July 2012, the Group acquired 50.14% of the issued shares in Symbiose Cosmetics France SAS that distributes cosmetic products under the trademark Erborian mainly in France and in Korea, for a total amount of € 2,757,000:

- € 2,507,000 were paid in July 2012 ; and
- € 250,000 were paid in January 2014 (this amount bore interests at 6% and was not to be discounted),

At that date, the Group also agreed to subscribe a capital increase to acquire a 12.46% additional interest in Symbiose for an amount of € 1,831,000. Consequently, the total purchase consideration amounted to € 4,588,000 for a percentage of interest of 62.6%. The outflow of cash to acquired business, net of cash acquired amounted to € 2,206,000.

The goodwill determined under the partial goodwill approach amounted to € 2,384,000.

The acquired business contributed net sales of € 2,381,000 and net profit for the period of € 374,000.

The Group has also granted a put option to the minority shareholders Katalin Berenyi and Hojung Lee whereby they can require L'Occitane to purchase up to 30% of their shares after July 2015. After July 2017, the non-controlling interests can also require the conversion of the Symbiose shares in a variable number of LOI shares. The purchase price of the Symbiose shares will be defined by a formula deemed to approximate the fair market value.

At the acquisition date a financial liability relating to the acquisition of the 37.4% remaining interests was recorded for an amount of € 6,031,000. The difference between the initial accounting of the financial liability of € 6,031,000 and the historical value of non-controlling interest amounting to € 1,318,000 was recorded within 'other reserves' in 'equity attributable to the equity owners of the Company' for an amount of € 4,713,000.

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

6.2. For the year ended 31 March 2013 *(continued)*

(b) Business combinations in Ireland

On 14 June 2012, a new subsidiary, L'Occitane Ireland Ltd was created. On 9 July 2012 L'Occitane Ireland Ltd acquired 100% of the issued share capital and voting rights of Orange Tree Ltd and Olive tree lifestyle products Ltd for a total consideration of € 3,082,000. L'Occitane Ireland Ltd is located in Dublin, Ireland and is specialized in the distribution of L'Occitane products in that country. The outflow of cash to acquired business, net of cash acquired amounted to € 2,426,000.

The goodwill determined under the partial goodwill approach amounted to € 2,715,000.

The acquired business contributed net sales of € 3,719,000 and net profit for the period of € 9,000.

(c) L'Occitane Thailand

On 30 November 2012, the Company acquired the remaining 51% of non-controlling interests in L'Occitane Thailand Ltd. for a total consideration of € 262,000 in cash. L'Occitane Thailand Ltd. is located in Thailand and was specialized in the distribution of L'Occitane products in that country. After this transaction, L'Occitane Thailand Ltd. was 100% held by the Group.

On 29 November 2012, a new subsidiary, L'Occitane Ventures (Thailand) Limited, was created with a local partner and acquired the net assets related to the retail activities in Thailand from L'Occitane Thailand Ltd. The Group held 49% of the new subsidiary. As part of the arrangement, the local partner was granted a put option for the remaining 51%. The valuation of exercise price was based on a mutually agreed price. In accordance with these arrangements, the Group controls L'Occitane Ventures (Thailand) Limited.

(d) Creation of subsidiaries

On 1 September 2012, a new subsidiary, L'Occitane Nordic AB was created to distribute the products in Sweden.

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

6.3. Other financial liabilities

For the year ended 31 March 2014

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

In thousands of Euros	31 March 2013	Dividend paid to the non-controlling interests	Change in estimates in the valuation of the exercice price	Unwinding of discount (note 23)	Reclassification to other current liabilities (note 18)	31 March 2014
Anton Luybimov (L'Occitane Russia)	17,406	–	22,488	1,410	(41,304)	–
Katalin Berenyi and Hojung Lee (Symbiose)	6,389	–	–	511	–	6,900
Total put options	**23,795**	**–**	**22,488**	**1,921**	**(41,304)**	**6,900**

The put was exercised on April 30, 2014 and the Company acquired the remaining non-controlling interests of 49%. The total purchase consideration amounts to € 41,304,000. Therefore, the financial liability relating to the put was accordingly revised upward from € 17,400,000 to € 41,304,000 to take into account those arrangements on the fair value of the liability. The resulting change in estimate amounting to € 22,488,000 was recorded as an increase in the goodwill (note 8.1).

For the year ended 31 March 2013

The change in the other financial liabilities was as follows:

In thousands of Euros	31 March 2012	Dividend paid to the non-controlling interests	Acquisition of subsidiaries (note 6.1)	Change in estimates in the valuation of the exercice price	Unwinding of discount (note 23)	Exercise of the option/ purchase of non-controlling interests	31 March 2013
Anton Luybimov (L'Occitane Russia)	8,154	(1,929)	–	10,425	756	–	17,406
Harald Link and Nunthinee Sudhirak (L'Occitane Thailand)	250	–	–	–	12	(262)	–
Katalin Berenyi and Hojung Lee (Symbiose)	–	–	6,031	–	358	–	6,389
Total put options	**8,404**	**(1,929)**	**6,031**	**10,425**	**1,126**	**(262)**	**23,795**

The put option granted to Anton Luybimov was issued before 2010. As a consequence, changes in estimates in the valuation of the exercice price of this put option are recorded against goodwill (note 2.2 (b)).

7. PROPERTY, PLANT AND EQUIPMENT

7.1. Year ended 31 March 2014

As of 31 March 2014, property, plant and equipment 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 2013	2,805	41,567	31,510	50,415	123,099	30,836	35,596	315,828
Additions	516	5,628	5,790	10,657	26,294	6,876	5,861	61,622
Disposals	–	(19)	(1,020)	(2,527)	(12,823)	(2,942)	(5)	(19,336)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–
Other movements	–	26,066	2,342	2,614	350	1,201	(32,280)	293
Exchange differences	–	–	(212)	(2,619)	(9,605)	(2,439)	(381)	(15,256)
Cost as of 31 March 2014	3,321	73,242	38,410	58,540	127,315	33,532	8,791	343,151
Accum. depreciation as of April 1, 2013	–	(9,286)	(19,975)	(26,588)	(78,068)	(17,303)	–	(151,220)
Depreciation	–	(3,571)	(4,174)	(9,498)	(19,012)	(5,603)	–	(41,858)
Impairment loss	–	–	–	–	(152)	–	–	(152)
Reversal of impairment loss	–	–	–	–	1,035	24	–	1,059
Disposals	–	–	963	2,089	11,731	2,730	–	17,513
Acquisition of subsidiaries	–	–	–	–	–	–	–	–
Other movements	–	90	374	21	681	(834)	–	332
Exchange differences	–	–	134	1,349	5,687	1,429	–	8,599
Accum. depreciation as of 31 March 2014	–	(12,767)	(22,678)	(32,627)	(78,098)	(19,557)	–	(165,727)
Net book value as of 31 March 2014	3,321	60,475	15,732	25,913	49,217	13,975	8,791	177,424
Including assets under finance leases :								
Property, plant & equipment, gross	898	22,754	4,337	350	–	–	–	28,339
Accumulated depreciation	–	(9,153)	(3,178)	(100)	–	–	–	(12,431)
Net book value under finance leases as of 31 March 2014	898	13,601	1,159	250	–	–	–	15,908

Main additions during the period are related to:

- Leasehold improvements for the opening of 185 stores;
- Extension of the plant in Lagorce and Manosque, France.

Excluding the costs of dismantling and restoring and the acquisitions under finance lease that are non-cash items, total cash additions amount to € 60,859,000.

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

7.1. Year ended 31 March 2014 *(continued)*

As at 31 March 2014, a new finance lease was drawn for an amount of € 599,000 in connection with the restructuring of the plant in Lagorce.

The land relating to the logistic platform in Manosque, France is pledged as a security for the loan signed on 20 June 2011.

7.2. Year ended 31 March 2013

As of 31 March 2013, property, plant and equipment 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 2012	3,608	24,508	27,413	41,356	108,174	25,499	18,650	249,208
Additions	–	4,863	3,784	8,028	20,586	5,329	37,496	80,086
Disposals	(62)	(1,329)	(1,339)	(1,115)	(8,732)	(1,563)	(22)	(14,162)
Acquisition of subsidiaries	–	–	10	35	24	51	–	120
Other movements	(741)	13,525	1,630	2,179	3,169	1,155	(20,581)	336
Exchange differences	–	–	12	(68)	(122)	365	53	240
Cost as of 31 March 2013	2,805	41,567	31,510	50,415	123,099	30,836	35,596	315,828
Accum. depreciation as of April 1, 2012	–	(7,234)	(17,606)	(19,995)	(69,702)	(13,884)	–	(128,421)
Depreciation	–	(2,630)	(3,642)	(7,399)	(16,612)	(4,784)	–	(35,067)
Impairment loss	–	–	–	–	(71)	–	–	(71)
Reversal of impairment loss	–	–	–	–	571	–	–	571
Disposals	–	576	1,236	896	7,935	1,636	–	12,279
Acquisition of subsidiaries	–	–	(8)	(24)	(3)	(7)	–	(42)
Other movements	–	–	63	34	(24)	(34)	–	39
Exchange differences	–	2	(18)	(100)	(162)	(230)	–	(508)
Accum. depreciation as of 31 March 2013	–	(9,286)	(19,975)	(26,588)	(78,068)	(17,303)	–	(151,220)
Net book value as of 31 March 2013	2,805	32,281	11,535	23,827	45,031	13,533	35,596	164,608
Including assets under finance leases:								
Property, plant & equipment, gross	898	22,155	4,337	350	–	–	15	27,755
Accumulated depreciation	–	(7,719)	(3,080)	–	–	–	–	(10,799)
Net book value under finance leases as of 31 March 2013	898	14,436	1,257	350	–	–	15	16,956

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

7.2. Year ended 31 March 2013 *(continued)*

Main additions during the period related to:

- Leasehold improvements for the opening of 207 stores;
- Extension of the plant in Manosque, France.

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 2013, no new finance lease was drawn (€ 3,909,000 during the fiscal year ended 31 March 2012).

Excluding the costs of dismantling and restoring and the acquisitions under finance lease that are non-cash items, total cash additions amount to € 79,725,000.

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*	**2014**	**2013**
Cost of goods sold	7,361	5,755
Distribution expenses	29,592	24,881
Marketing expenses	—	—
Research & development expenses	739	535
General and administrative expenses	4,166	3,896
Depreciation expenses	**41,858**	**35,067**

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

7.4. Impairment tests for property, plant and equipment

31 March *In thousands of Euros*	**2014**	**2013**
Accumulated impairment as of the beginning of the year	**(3,063)**	**(3,486)**
Impairment loss	(152)	(71)
Reversal of impairment loss (used)	1,035	482
Reversal of impairment loss (unsued)	24	89
Disposals	—	—
Exchange differences	106	(77)
Accumulated impairment as of 31 March	**(2,050)**	**(3,063)**

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 € 152,000 at 31 March 2014 and € 71,000 at 31 March 2013 has been recorded within 'distribution expenses' to adjust the carrying amount of certain fixed assets related to the stores (in the Sell-out operating segment).

The reversal of used impairment loss corresponds to stores that are closed. Reversal of impairment loss has been recorded within 'distribution expenses'.

No impairment loss has been recorded in the general and administrative expenses.

8. GOODWILL

8.1. Goodwill variation analysis

Goodwill variation analysis is as follows:

31 March *In thousands of Euros*	**2014**	**2013**
Cost as of the beginning of the year	**120,701**	**106,747**
Acquisition of new companies (see note 6)	—	5,099
Change in the estimated fair value of other financial liabilities relating to put options (note 6.3)	22,488	10,425
Exchange differences	(7,400)	(1,570)
Cost as of 31 March	**135,789**	**120,701**
Accumulated impairment as of the beginning of the year	**—**	**—**
Impairment loss	(1,000)	—
Exchange differences	—	—
Accumulated impairment as of 31 March	**(1,000)**	**—**
Net book value as of 31 March	**134,789**	**120,701**

8. GOODWILL *(continued)*

8.2. Goodwill breakdown

As of 31 March 2014, 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 2013	Impairment losses	Change in the estimated fair value of other financial liabilities to put options (note 6.3)	Exchange differences	Net book value on 31 March 2014	Net book value on 31 March 2014 Sell-out	Sell-in
France	36,056	–	–	–	36,056	22,067	13,989
France – Erborian business	2,384	–	–	–	2,384	2,384	–
Japan	21,478	–	–	(3,256)	18,222	18,222	–
Russia	20,747	–	22,488	(551)	42,684	42,684	–
United States	5,282	–	–	(377)	4,906	4,906	–
Brazil	3,848	–	–	(685)	3,163	3,163	–
Canada	3,827	–	–	(554)	3,273	3,273	–
Nederland	2,033	(1,000)	–	–	1,033	1,033	–
Hong Kong	2,304	–	–	(163)	2,141	2,141	–
Taiwan	1,761	–	–	(155)	1,606	1,606	–
United Kingdom	1,453	–	–	31	1,483	1,483	–
Ireland	2,715	–	–	–	2,715	2,715	–
China	1,458	–	–	(103)	1,355	1,355	–
Thailand	551	–	–	(48)	503	503	–
Poland	1,042	–	–	2	1,044	1,044	–
Spain	880	–	–	–	880	880	–
Australia	1,052	–	–	(195)	858	858	–
Belgium	323	–	–	–	323	323	–
Germany	130	–	–	–	130	130	–
Malaysia	11,377	–	–	(1,347)	10,030	10,030	–
TOTAL	**120,701**	**(1,000)**	**22,488**	**(7,400)**	**134,789**	**120,800**	**13,989**

8.3. Impairment test for goodwill

An impairment loss was recognized in Nederland during the period ending 31 March 2014 for an amount of € 1,000,000. Key assumptions relating to impairment test are presented in note 4.1.

Excluding in Nederland, the management is of the opinion that the value-in-use significantly exceeds the carrying value of goodwill by such a magnitude that no reasonably possible change in any of the key assumptions would eliminate the headroom.

9. INTANGIBLE ASSETS

Intangible assets include notably:

- Key moneys,
- Acquired trademarks (Melvita, Erborian) with indefinite useful lives;
- Internally used software including enterprise resources planning system, point-of-sales system and others.

9.1. Year ended 31 March 2014

As of 31 March 2014, intangible assets can be analyzed as follows:

In thousands of Euros	Websites	Trademarks	Key moneys	Software	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
Cost as of 1 April 2013	778	16,087	45,869	27,081	1,761	11,775	1,292	104,643
Additions	–	–	5,292	9,006	–	2,929	1,322	18,549
Disposals	–	–	(979)	(2,498)	–	–	(3)	(3,480)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–
Other movements	–	–	957	6,406	–	(6,816)	(807)	(260)
Exchange differences	(6)	–	(1,826)	(684)	–	–	(66)	(2,582)
Cost as of 31 March 2014	772	16,087	49,313	39,311	1,761	7,888	1,738	116,870
Accumulated amortization and impairment as of April 1, 2013	(767)	(611)	(26,363)	(11,512)	(1,761)	–	(1,098)	(42,112)
Impairment loss	–	–	(125)	–	–	–	–	(125)
Reversal of impairment loss	–	–	50	–	–	–	–	50
Amortization	(11)	–	(4,068)	(4,846)	–	–	(355)	(9,280)
Disposals	–	–	778	2,342	–	–	8	3,128
Other movements	–	–	(20)	(594)	–	–	565	(49)
Exchange differences	6	–	821	389	–	–	50	1,266
Accumulated amortization and impairment as of 31 March 2014	(772)	(611)	(28,927)	(14,221)	(1,761)	–	(830)	(47,122)
Net book value as of 31 March 2014	–	15,476	20,386	25,090	–	7,888	909	69,748

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

Additions mainly concern:

- Intangible assets in progress for € 2,929,000 are related mainly to the implementation of a new ERP. The total costs capitalized on this project amount to € 28,500,000 as at 31 March 2014.
- Key moneys for an amount of € 5,292,000. Such key moneys were mainly acquired in Brazil and France.

9. INTANGIBLE ASSETS *(continued)*

9.1. Year ended 31 March 2014 *(continued)*

The amount of intangible assets whose title is restricted or that are pledged as security for liabilities is nil as at 31 March 2014.

There is no intangible asset under financial lease.

The accumulated impairment as of 31 March 2014 amounts to € 227,000 (€ 150,000 as at 31 March 2013).

9.2. Year ended 31 March 2013

As of 31 March 2013, intangible assets can be analyzed as follows:

In thousands of Euros	Websites	Trademarks	Key moneys	Software	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
Cost as of 1 April 2012	774	14,717	43,564	24,026	1,761	6,634	1,059	92,535
Additions	–	1	2,800	2,998	–	9,283	292	15,374
Disposals	–	(145)	(732)	(3,132)	–	–	(23)	(4,032)
Acquisition of subsidiaries	–	1,419	–	–	–	–	3	1,422
Other movements	–	95	236	3,372	–	(4,141)	(62)	(500)
Exchange differences	4	–	1	(183)	–	(1)	23	(156)
Cost as of 31 March 2013	778	16,087	45,869	27,081	1,761	11,775	1,292	104,643
Accumulated amortization and impairment as of April 1, 2012	(738)	(624)	(22,674)	(11,009)	(1,743)	–	(824)	(37,612)
Impairment loss	–	–	(50)	–	–	–	–	(50)
Reversal of impairment loss	–	–	–	–	–	–	–	–
Amortization	(26)	(8)	(3,909)	(3,316)	(18)	–	(289)	(7,566)
Disposals	–	79	317	2,738	–	–	23	3,157
Other movements	–	(58)	4	3	–	–	(3)	(54)
Exchange differences	(3)	–	(51)	72	–	–	(5)	13
Accumulated amortization and impairment as of 31 March 2013	(767)	(611)	(26,363)	(11,512)	(1,761)	–	(1,098)	(42,112)
Net book value as of 31 March 2013	11	15,476	19,506	15,569	–	11,775	195	62,531

Additions mainly concerned:

- Intangible assets in progress for € 9,283,000 were related mainly to the implementation of a new ERP. The total costs capitalized on this project amounted to € 21,080,000 as at 31 March 2013.
- Key moneys for an amount of € 2,800,000. Such key moneys were mainly acquired in Italy and Brazil.

9. INTANGIBLE ASSETS *(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*	**2014**	**2013**
Cost of goods sold	1	3
Distribution expenses	4,303	4,252
Marketing expenses	192	5
Research & development costs	15	—
General and administrative expenses	4,769	3,306
Amortization expenses	**9,280**	**7,566**

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 key assumptions used for the value-in-use calculation.

31 March *In thousands of Euros*	**2014**	**2013**
Accumulated impairment as of the beginning of the year	**(150)**	**(100))**
Impairment loss	(125)	(50)
Reversal of impairment loss	50	—
Exchange differences	(2)	—
Accumulated impairment as of 31 March	**(227)**	**(150)**

10. OTHER NON-CURRENT ASSETS

The other non-current assets consist of the following:

31 March *In thousands of Euros*	**2014**	**2013**
Deposits	23,560	25,006
Key moneys paid to the landlord	1,982	2,276
Available-for-sales financial assets	52	47
Other non-current assets	**25,594**	**27,329**

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

Inventories consist of the following items:

31 March *In thousands of Euros*	2014	2013
Raw materials and supplies	25,623	23,619
Finished goods and work in progress	138,397	125,819
Inventories, gross	**164,020**	**149,438**
Less, allowance	(15,297)	(12,261)
Inventories	**148,723**	**137,177**

Included in the finished goods are mini products, pouches and boxes bundled with regular products for an amount of € 16,329,000 (€ 11,194,000 as at 31 March 2013).

12. TRADE RECEIVABLES

12.1. Group information

Trade receivables consist of the following:

31 March *In thousands of Euros*	2014	2013
Trade receivables, gross	88,096	89,956
Less, allowances for doubtful accounts	(2,781)	(3,260)
Trade receivables	**85,315**	**86,696**

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.

Ageing analysis of trade receivables from due date at the respective balance sheet date is as follows:

31 March *In thousands of Euros*	2014	2013
Current and past due within 3 months	84,590	86,133
3 to 6 months	792	1,289
6 to 12 months	617	862
Over 12 months	2,097	1,672
Trade receivables, gross	**88,096**	**89,956**

12. TRADE RECEIVABLES *(continued)*

12.1. Group information *(continued)*

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

31 March *In thousands of Euros*	**2014**	**2013**
At beginning of the year/period	(3,260)	(2,376)
Provision for impairment	(791)	(1,946)
Reversal of impairment	879	1,081
Exchange differences	90	(19)
Reclassification	301	—
At end of the year/period	**(2,781)**	**(3,260)**

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

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

31 March *In thousands of Euros*	**2014**	**2013**
Within 3 months	594	736
3 to 6 months	317	380
6 to 12 months	174	600
Over 12 months	1,696	1,544
Impaired receivables	**2,781**	**3,260**

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 2014 and 2013 is as follows:

31 March *In thousands of Euros*	**2014**	**2013**
Within 3 months	6,731	9,505
3 to 6 months	475	909
6 to 12 months	443	262
Over 12 months	401	128
Trade receivables past due but not impaired	**8,050**	**10,804**

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 *(continued)*

12.2. Company information

Trade receivables consist of the following:

31 March *In thousands of Euros*	2014	2013
Trade receivables, gross	12,838	12,317
Less, allowances for doubtful accounts	(1,059)	(1,212)
Trade receivables	**11,779**	**11,105**

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 is as follows:

31 March *In thousands of Euros*	2014	2013
Current and past due within 3 months	11,472	10,725
3 to 6 months	242	336
6 to 12 months	—	377
Over 12 months	1124	879
Trade receivables-gross	**12,838**	**12,317**

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

31 March *In thousands of Euros*	2014	2013
At beginning of the year/period	(1,212)	(969)
Provision for impairment	(172)	(321)
Used amounts reversed during the year	—	—
Unused amounts reversed	325	78
At end of the year/period	**(1,059)**	**(1,212)**

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

12. TRADE RECEIVABLES *(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*	2014	2013
Within 3 months	81	26
3 to 6 months	17	3
6 to 12 months	—	363
Over 12 months	961	820
Impaired receivables	**1,059**	**1,212**

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

The ageing analysis of trade receivables from due dates that were past due but not impaired as at 31 March 2014 and 2013 is as follows:

31 March *In thousands of Euros*	2014	2013
Within 3 months	1,183	1,239
3 to 6 months	225	333
6 to 12 months	—	14
Over 12 months	163	59
Trade receivables past due but not impaired	**1,571**	**1,645**

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.

Denomination in currencies:

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

31 March *In thousands of Euros*	2014	2013
Euros	8,770	8,182
US Dollar	2,718	2,567
Sterling Pound	290	315
Other currencies	1	41
Total	**11,779**	**11,105**

13. OTHER CURRENT ASSETS

The following table presents details of other current assets:

31 March *In thousands of Euros*	**2014**	**2013**
Value added tax receivable and other taxes and social items receivable	20,672	23,581
Prepaid expenses (a)	19,076	22,177
Income tax receivable (b)	6,426	4,794
Short-term bank deposit (c)	3,213	3,504
Advance payments to suppliers	4,204	1,136
Other current assets	3,022	5,968
Total other current assets	**56,613**	**61,160**

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

(b) 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.

(c) The short-term bank deposit is pledged as collateral for a short-term bank borrowing (note 17).

14. DERIVATIVE FINANCIAL INSTRUMENTS

Analysis of derivative financial instruments

Derivative financial instruments are analyzed as follows:

31 March	**2014**		**2013**	
In thousands of Euros	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate derivatives - held for trading	—	—	—	—
Foreign exchange derivatives - held for trading	313	121	406	558
Sub-total derivative financial instruments at fair value through profit and loss	**313**	**121**	**406**	**558**
Interest rate derivatives - cash flow hedges	—	—	—	—
Foreign exchange derivatives - cash flow hedges	—	—	—	—
Sub-total derivative financial instruments designated as hedging instruments	**—**	**—**	**—**	**—**
Total derivative financial instruments	**313**	**121**	**406**	**558**
Less non-current portion:				
– Interest rate derivatives - cash flow hedges	—	—	—	—
– Interest rate derivatives - held for trading	—	—	—	—
Non current portion of derivative financial instruments	**—**	**—**	**—**	**—**
Current portion of derivative financial instruments	**313**	**121**	**406**	**558**

14. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Analysis of derivative financial instruments *(continued)*

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.

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*	**2014**	**2013**
– within 'finance income'/'finance costs' for interest derivatives (note 23)	—	87
– within 'foreign currency gains/(losses)' for currency derivatives (note 24)	344	(1,080)
Total change in the fair value of derivatives at fair value through profit and loss : gains/(losses)	**344**	**(993)**

Derivatives designated as hedging instruments

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

31 March *In thousands of Euros*	**2014**	**2013**
Interest rate derivatives - cash flow hedges	—	360
Foreign exchange derivatives - cash flow hedges	—	—
Total change in the fair value of hedging instruments	**—**	**360**
Less ineffective portion:		
– Ineffective portion of interest rate derivatives	—	53
– Ineffective portion of foreign exchange derivatives	—	—
Ineffective portion	**—**	**53**
Effective portion (note 25.5)	**—**	**307**

No effective portion of changes in the fair value of derivatives designated as hedging instruments has been recognized in comprehensive income (€ 258,000 at 31 March 2013 (note 25.5)).

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*	**2014**	**2013**
– within 'finance income'/'finance costs' for interest derivatives (note 23)	—	53
– within 'foreign currency gains/(losses)' for currency derivatives (note 24)	—	—
Total change in the fair value of derivatives at fair value through profit and loss : gains/(losses)	**—**	**53**

Notional amounts of derivatives

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

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

Currencies	**2014**	**2013**
Sale of currencies		
JPY	14,006	7,777
SGD	7,854	8,553
GBP	5,373	6,776
MXN	3,436	1,441
AUD	2,443	—
PLN	391	41
CZK	230	—
USD	—	7,809
Purchase of currencies		
CHF	2,462	6,888
EUR	—	5,061

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*	**2014**	**2013**
Cash at bank and in hand	316,750	318,837
Cash equivalents	2,503	1,037
Cash and cash equivalents	**319,253**	**319,874**

Cash equivalents include highly liquid investments in short-term bank deposits.

The effective interest rates on cash at bank and in hand are as follows:

	2014	**2013**
Cash in Euros	Eonia Index or Euribor 3M + margin	Eonia Index or Euribor 3M + margin
Cash in USD	Libor USD index + margin	Libor USD index + margin

The effective interest rates on cash equivalents are as follows:

	2014	**2013**
Cash equivalents in Euros (short-term bank deposits)	Eonia Index	Eonia Index

15.2. Company information

The following table presents details of cash and cash equivalents:

31 March *In thousands of Euros*	**2014**	**2013**
Cash at bank and in hand	253,279	254,138
Cash equivalents	—	—
Cash and cash equivalents	**253,279**	**254,138**

16. CAPITAL AND RESERVES

L'Occitane International S.A. ("LOI") 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 2014. At 31 March 2014, the Company's share capital is held by the company "L'Occitane Groupe S.A." ("LOG"), in a proportion of 69.18%.

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

16.1. Share capital and Additional paid-in capital

The changes in the number of shares, share capital and additional paid-in capital 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 2012	**1,476,964,891**	**44,309**	**342,851**
Balance at 31 March 2013	**1,476,964,891**	**44,309**	**342,851**
Balance at 31 March 2014	**1,476,964,891**	**44,309**	**342,851**

16.2. Treasury shares

As at 31 March 2014, the Company owns 6,655,500 own shares and the aggregate price of the purchased shares was deducted from equity as treasury shares reserve for an amount of € 9,247,000.

During the fiscal year ended 31 March 2014 and 31 March 2013, the Company did not purchase any own shares.

16. CAPITAL AND RESERVES *(continued)*

16.3. Share-based payments

There are two types of share-based payments that were granted: (i) share-based payments related to LOI equity instruments and (ii) share-based payments related to LOG equity instruments.

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

On 31 March 2014, the stock options and free shares plans are the following:

Plans/grants	At the beginning of the period/year	Movements in the number of equity instruments granted: Granted over the period/year	Movements in the number of equity instruments granted: Forfeited	At the end of the period/year	Number of options exercisable or shares	Characteristics of the plans/grants: Contractual option term	Characteristics of the plans/grants: Vesting period	Characteristics of the plans/grants: Grantees	Characteristics of the plans/grants: Performance conditions
Stock options plan authorized on 30 September 2010 for 1.5% of the Company's issued share capital as at 30 September 2010 (a):									
Granted on 4 April 2011 at an exercice price of HKD 19.84	6,808,000	–	(585,000)	6,223,000	–	8 years	4 years	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
Granted on 4 April 2011 at an exercice price of HKD 19.84	520,000	–	–	520,000	–	8 years	4 years	Group management	Market performance conditions : the number of options exercisable depends on the change in the share price
Granted on 4 April 2011 at an exercice price of HKD 19.84	1,470,000	–	(50,000)	1,420,000	–	8 years	4 years	Group management	No performance condition other than the service conditions.
Granted on 26 October 2012 at an exercice price of HKD 23.60	3,406,680	–	(250,000)	3,156,680	–	8 years	4 years	Group & Middle management	No performance condition other than the service conditions.
Granted on 28 November 2012 at an exercice price of HKD 24.47	1,249,169	–	–	1,249,169	–	8 years	4 years	Group & Middle management	No performance condition other than the service conditions.
Stock options plan authorized on 25 September 2013 for 1.5% of the Company's issued share capital as at 25 September 2013 (a):									
Granted on 4 December 2013 at an exercice price of HKD 17.62	–	11,468,750	–	11,468,750	–	8 years	4 years	Group & Middle management	No performance condition other than the service conditions.
Free share plan authorized on 30 September 2010 for 0.5% of the Company's issued share capital as at 30 September 2010 (b):									
Granted on 26 October 2012	1,952,680	–	(186,000)	1,766,680	–	N/A	4 years	Group & Middle management	No performance condition other than the service conditions.
Free share plan authorized on 25 September 2013 for 0.5% of the Company's issued share capital as at 25 September 2013 (b):									
Granted on 4 December 2013	–	867,500	–	867,500	–	N/A	4 years	Group & Middle management	No performance condition other than the service conditions.

Characteristics of the above authorizations:

(a) The validity of the authorization is 3 years. A vesting period of 4 years as service condition is required. At each grant date, the Board may specify performance targets. The exercise price is to be determined by the Board.

(b) The validity of the authorization is 3 years. A vesting period of 4 years as service condition is required. At each grant date, the Board may specify performance targets.

16. CAPITAL AND RESERVES *(continued)*

16.3. Share-based payments *(continued)*

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

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

The fair value of options is determined using the Black-Scholes valuation model. The significant inputs into the models and the resulting fair value of the option are the following:

	Inputs into the model						
Grant date	Exercise price	Fair value of a share of the Company	Volatility	Dividend yield	Annual risk-free interest rate	Expected option life	Fair value of the option
Grants on 4 December 2013 without market performance conditions	HKD17,62 (approximately €1.7 at the exchange rate of the grant date)	HKD17,62	25%	35% of the budgeted profit attributable to the equity owners	1%	5	€0,31

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

LOG, the parent company of L'Occitane International S.A. granted rights to its own equity instruments direct to L'Occitane International S.A. and its subsidiaries' employees.

On 31 March 2014, the stock options plans are the following:

	Movements in the number of equity instruments granted						Characteristics of the plans/grants			
Plans/grants	At the beginning of the period/ year	Exercised over the period/ year	Forfeited	Expired	At the end of the period/ year	Number of options exercisable	Contractual option term	Vesting period	Grantees	Performance conditions
Plan authorized on 28 January 2010 for 730,000 stock options										
Granted on July 2009 (authorized in January 2010) at an exercice price of € 23.20	282,200	(62,850)	(77,000)	–	142,350	142,350	6 years	4 years	Management and middle management	None
Granted on April 2010 at an exercice price of € 23.20	10,000	–	–	–	10,000	10,000	6 years	4 years	Management and middle management	None
Plan authorized on 28 September 2007 for 200,000 stock options										
Granted on February 2008 at an exercice price of € 26.10	18,050	(6,200)	(2,500)	–	9,350	9,350	6 years	4 years	Management and middle management	None

16. CAPITAL AND RESERVES *(continued)*

16.3. Share-based payments *(continued)*

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

On 31 March 2014, the free shares plans are the following:

	Movements in the number of equity instruments granted					Characteristics of the plans/grants		
Plans/grants	At the beginning of the period/ year	Vested over the period/ year	Forfeited	Expired	At the end of the period/ year	Vesting period	Grantees	Performance conditions
Plan authorized on 28 September 2007 for 40,000 free shares								
Granted on August 2010	8,505	(8,505)	–	–	–	4 years	Management and middle management	None
Plan authorized on 27 December 2007 for 30,000 free shares								
Granted on June 2008	–	–	–	–	–	4 years	Management and middle management	None
Granted on July 2009	13,955	(13,705)	(250)	–	–	4 years	Management and middle management	None
Granted on August 2010	3,745	(3,745)	–	–	–	4 years	Management and middle management	None

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

(iii) ***Total share-based compensation expense***

During the period ended 31 March 2014, the share-based compensation expense recognized within the employee benefits is the following:

In thousands of Euros	2014	2013
LOI equity instruments	1,787	1,039
LOG equity instruments	(112)	1,331
Total (note 21)	**1,675**	**2,370**

The total remaining share-based compensation expense to be recognized within the future employee benefits is the following:

In thousands of Euros	2014	2013
LOI equity instruments	6,900	5,700
LOG equity instruments	—	1,000
Total	**6,900**	**6,700**

16. CAPITAL AND RESERVES *(continued)*

16.4. Distributable reserves

On 31 March 2014, the distributable reserves of L'Occitane International S.A. amounted to €371,057,108 (€314,501,008 as at 31 March 2013).

16.5. Dividend per share

On 25 September 2013, the annual Shareholder's Meeting approved the distribution of €42,933,000 being €0.0292 per share (excluding 6,655,500 own shares) which was paid on 23 October 2013.

On 26 September 2012, the annual Shareholder's Meeting approved the distribution of €36,317,000 being €0.0247 per share (excluding 6,655,500 own shares) which was paid on 24 October 2012.

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 information:

Borrowings include the following items:

31 March *In thousands of Euros*	2014	2013
FY 2011 Revolving facility	52,095	53,373
FY 2012 bank borrowing	9,289	10,003
Other bank borrowings	3,067	3,183
Finance lease liabilities	14,812	15,988
Current accounts with minority shareholders and related parties	100	103
Bank overdrafts	—	65
Total	**79,363**	**82,715**
Less, current portion:		
– FY 2011 Revolving facility	(112)	(128)
– FY 2012 bank borrowing	(717)	(717)
– Other bank borrowings	(3,067)	(3,183)
– Finance lease liabilities	(1,915)	(1,851)
– Current accounts with minority shareholders and related parties	—	—
– Bank overdrafts	—	(65)
Total current	**(5,811)**	**(5,944)**
Total non-current	**73,552**	**76,771**

The other bank borrowing is secured by a pledge on a short-term bank deposit (note 13).

Company information:

Borrowings include the following items:

31 March *In thousands of Euros*	2014	2013
FY 2011 Revolving facility	52,095	38,353
Total	**52,095**	**38,353**
Less, current portion:		
FY 2011 Revolving facility	(112)	(111)
Total current	**(112)**	**(111)**
Total non-current	**51,983**	**38,242**

17. BORROWINGS *(continued)*

17.1. Maturity of non-current borrowings

For the year ended 31 March 2014 and 2013, 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 non-current
FY 2011 Revolving facility	51,983	—	—	51,983
FY 2012 bank borrowing	714	2,142	5,716	8,572
Current account with minority interests	100	—	—	100
Finance lease liabilities	1,845	4,463	6,589	12,897
Maturity on 31 March 2014	**54,642**	**6,605**	**12,305**	**73,552**
FY 2011 Revolving facility	—	53,245	—	53,245
FY 2012 bank borrowing	714	2,142	6,430	9,286
Current account with minority interests	103	—	—	103
Finance lease liabilities	1,851	4,701	7,585	14,137
Maturity on 31 March 2013	**2,668**	**60,088**	**14,015**	**76,771**

17.2. Credit facilities agreements

FY 2012 bank borrowing

On 20 June 2011, the Group signed a new bank borrowing agreement for an amount of € 10.0 million with a 15 years maturity and that can be drawn only by L'Occitane S.A. As at 31 March 2014, the bank borrowing was totally drawn (€ 10,000,000 as at 31 March 2013). A first repayment occurred in December 2013 for an amount of € 714,000. New balance of the FY 2012 bank borrowing as at 31 March 2014 is € 9,286,000.

The interest rate of the bank borrowing is based on Euribor 3M + margin.

The FY 2012 bank borrowing is secured by a pledge on the land acquired by L'Occitane S.A. to build the new logistic platform in Manosque, France (note 29.3).

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 year maturity that can be drawn only by the Company and L'Occitane S.A. An amount of € 51,983,000 is drawn as at 31 March 2014 (€ 53,242,000 as at 31 March 2013).

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 this level was respected as at 31 March 2014 and 2013.

17. BORROWINGS *(continued)*

17.2. Credit facilities agreements *(continued)*

FY 2011 Revolving facility (continued)

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 years ended 31 March 2014 and 31 March 2014, 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 was no evidence that it was probable that some or all the facility would 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, i.e. 5 years (note 13).

17.3. Current accounts with non-controlling interests

Current accounts with non-controlling interests:

31 March *In thousands of Euros*	Minority shareholders	2014	2013
L'Occitane Nordic AB	Johan Nilsson	100	103
Total current accounts		**100**	**103**

17. BORROWINGS *(continued)*

17.4. Finance lease liabilities

Finance lease liabilities outstanding are analyzed as follows:

31 March *In thousands of Euros*	2014	2013
Within one year	2,150	2,067
One to two years	2,049	2,098
Two to three years	1,672	1,969
Three to four years	1,679	1,617
Four to five years	1,573	1,623
Thereafter	6,956	8,023
Total future minimum lease payments	**16,079**	**17,397**
Less, amount representing interest	(1,267)	(1,409)
Present value of finance lease liabilities	**14,812**	**15,988**
Less, current portion of finance lease liabilities	(1,915)	(1,851)
Non-current portion of finance lease liabilities	**12,897**	**14,137**

The main finance lease liability relates to the 2010 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 + Margin for a part of the finance lease amounting to € 9,334,000; Euribor 3M + Margin for a part of the finance lease amounting to € 4,666,000). On 9 September 2011, the Company signed an additional clause to increase by € 2,700,000 the total amount of the finance lease with the same conditions.

17.5. Effective interest rates

The effective interest rates at the balance sheet date were as follows:

	2014	2013
FY 2012 bank borrowing	Euribor 3M + Margin	Euribor 3M + Margin
FY 2011 Revolving facility	Euribor 3M + Margin	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

17. BORROWINGS *(continued)*

17.6. Borrowing facilities

The Group has the following undrawn borrowing facilities:

31 March *In thousands of Euros*	**2014**	**2013**
Floating rate:		
– Expiring within one year	362	2,867
– Expiring beyond one year	298,017	296,758
Fixed rate:		
– Expiring within one year	—	—
– Expiring beyond one year	—	—
Total	**298,379**	**299,625**

18. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities include the following:

31 March *In thousands of Euros*	**2014**	**2013**
Retirement indemnities	6,573	5,464
Long term employment benefits	357	—
Liabilities linked to operating leases (a)	8,725	7,927
Provisions for dismantling and restoring	3,874	3,803
Grants to a foundation	—	65
Total non current liabilities	**19,530**	**17,259**
Grants to a foundation	65	308
Deferred revenue (b)	10,201	9,196
Liabilities linked to purchase of non controlling interests (note 6.3)	41,304	—
Total current liabilities	**51,570**	**9,504**

(a) The liabilities linked to operating leases are related to (i) the impact of recognizing the lease payment as an expense on a straight-line basis (note 2.25); and (ii) incentives received from the lessors at the inception of the lease, which are recognized pro-rata over the lease term (note 2.25).

(b) Deferred revenue is related to (i) sales for which the transfer of ownership and related risks has not occurred at year-end; and (ii) the fair value of the consideration received allocated to the award credits granted in case of loyalty program.

18. OTHER CURRENT AND NON-CURRENT LIABILITIES *(continued)*

18.1. Provision for retirement indemnities

Subsidiaries of the Group generally contribute to the national pension system, which is a defined contribution obligation. The expense recognized in connection with those defined contribution plans is classified in 'social security' in the 'employee benefits' (note 21).

In addition to these defined contribution plans, a defined benefit plan exist in France. 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.

Amounts recognized in the balance sheet and in the statement of income

The amounts recognized in the balance sheet are determined as follows:

31 March *In thousands of Euros*	**2014**	**2013**
Present value of unfunded obligations	6,573	5,464
Unrecognized past service cost	—	—
Liability in the balance sheet	**6,573**	**5,464**

The movement in the defined benefit obligation over the year is as follows:

31 March *In thousands of Euros*	**2014**	**2013**
Beginning of the year/period	5,464	3,519
Current service cost	1,028	727
Past service cost	—	—
Interest cost	143	135
Actuarial (gains)/losses (note 25.5)	(23)	1,062
Exchange differences	(20)	21
Benefits paid	(19)	—
End of year/period	**6,573**	**5,464**

The amounts recognized in the income statement are as follows:

31 March *In thousands of Euros*	**2014**	**2013**
Current service cost	1,028	727
Interest cost	143	135
Total included in employee benefit expenses (note 21)	**1,171**	**862**

18. OTHER CURRENT AND NON-CURRENT LIABILITIES *(continued)*

18.1. Provision for retirement indemnities *(continued)*

Main assumptions

The principal actuarial assumptions used were as follows:

31 March *In thousands of Euros*	2014	2013
Discount rate	2.80	3.00
Inflation rate	2.00	2.00
Future salary increases	3.00	3.00
Retirement age (in number of years)	62-64	62-64

The discount rate is set with reference to corporate bond yield: iBoxx Euro zone AA rated corporate bonds + 10 years.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for France (the most important country) are based on the following table: Insee TD/TV 2009-11.

Assumptions regarding headcount turnover is based on historical statistics experienced by the French subsidiaries over the past years.

The sensitivity of the overall pension liability to changes in the principal assumptions is not material: an increase/decrease by 0.25% in the discount rate would result in a decrease/decrease by € 260,000 in the defined benefit obligation.

18.2. Provision for dismantling and restoring

As at 31 March 2014, provisions for dismantling and restoring costs are as follows:

		Charged / (credited) to the statement of income (note 27.4)					
In thousands of Euros	31 March 2013	Provisions recorded in the statement of income	Unused amounts reversed	Used during the year	Provisions recorded as a component of tangible fixed assets	Exchange differences	31 March 2014
Provisions recorded over the length of the lease	827	512	–	(83)	–	(39)	1,217
Provisions recorded at the inception of the lease	2,976	–	–	(14)	164	(469)	2,657
Total	**3,803**	**512**	**–**	**(97)**	**164**	**(508)**	**3,874**

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*	**2014**	**2013**
Current and past due within 3 months	90,296	94,507
Past due from 3 to 6 months	102	480
Past due from 6 to 12 months	855	3
Past due over 12 months	—	—
Trade payables	**91,253**	**94,990**

20. PROVISIONS

As at 31 March 2014 provisions can be analyzed as follows:

		Charged / (credited) to the income statement (note 27.4)					
In thousands of Euros	31 March 2013	Additional provisions	Unused amounts reversed	Used during the year	Reclassification	Exchange differences	31 March 2014
Social litigations (a)	1,339	853	(396)	(449)	–	(22)	1,325
Commercial claims (b)	1,158	386	(440)	(40)	40	(69)	1,035
Provision for returned goods	490	10	–	(344)	262	(3)	415
Onerous contracts (c)	897	305	–	(703)	–	(30)	469
Tax risks	2,322	365	(408)	(315)	–	(300)	1,664
Total	**6,206**	**1,919**	**(1,244)**	**(1,851)**	**301**	**(424)**	**4,908**

(a) Social litigation relates mainly to litigations with employees in relation to staff benefits or potential claims from social security administrations authorities.

(b) Commercial claims relate mainly to claims from distributors.

(c) Onerous contracts relate to operating lease contracts for certain stores where the unavoidable costs of meeting the obligations under the lease agreement exceed the economic benefits expected to be received from it.

In the directors' 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.

The provisions reversed unused are mainly due to statute of limitation of certain risks.

21. EXPENSES BY NATURE

Expenses by nature

Expenses by nature include the following amounts:

31 March *In thousands of Euros*	**2014**	**2013**
Employee benefit expenses (a)	297,034	286,482
Rent and occupancy (b)	190,953	183,913
Raw materials and consumables used	112,978	122,459
Change in inventories of finished goods and work in progress	(20,555)	(12,711)
Advertising costs (c)	97,041	91,142
Professional fees (d)	63,362	60,239
Depreciation, amortization and impairment (note 27.3)	50,306	42,183
Transportation expenses	52,620	43,908
Auditor's remuneration (e)	1,103	991
Other expenses, net	76,660	65,849
Total cost of sales, distribution expenses, marketing expenses, research and development expenses and general and administrative expenses	**921,503**	**884,455**

(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 given for free to customers without any obligation to purchase products.

(d) Professional fees include mainly payments made to warehouse management companies, marketing agencies and lawyers.

(e) Auditor's remuneration relates to audit services for € 907,000 (€ 860,000 for the fiscal year ended 31 March 2013) and audit related services for € 196,000 (€131,000 for the fiscal year ended 31 March 2013).

21. EXPENSES BY NATURE *(continued)*

Employee benefits

Employee benefits include the following amounts:

31 March *In thousands of Euros*	**2014**	**2013**
Wages, salaries and bonus	238,751	230,913
Share-based payments (note 16.3)	1,675	2,370
Social security	53,933	52,263
Post employment benefits (note 18.1)	1,171	862
Others	1,504	74
Total employee benefits	**297,034**	**286,482**
Workforce (full time equivalent)	**7,694**	**7,047**

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. OTHER (LOSSES)/GAINS - NET

Other (losses)/gains – net are detailed as follows:

31 March *In thousands of Euros*	**2014**	**2013**
Profit/(loss) on sale of assets (note 27.2)	(1,179)	(546)
Other (losses)/gains	(307)	(846)
Government grants	1,048	768
Other (losses)/gains - net	**(438)**	**(624)**

The 'other (losses)/gains' correspond to the adjustments on prior years results that are individually not significant.

The government grants correspond to grants on research and development costs and on employee profit sharing scheme.

23. FINANCE COSTS, NET

Finance costs, net consist of the following:

31 March *In thousands of Euros*	2014	2013
Interest on cash and cash equivalents	3,075	2,830
Fair value gains on derivatives (note 14)	—	140
Finance income	**3,075**	**2,970**
Interest expense on:		
– FY 2011 Revolving facility	(1,318)	(1,799)
– Interest on other borrowings	(902)	(988)
– Finance lease	(310)	(359)
– Unwinding of discount on financial liabilities (note 6.3)	(1,921)	(1,126)
Finance costs	**(4,451)**	**(4,272)**
Finance costs, net	**(1,376)**	**(1,302)**

The interest expense on other borrowings is related to FY 2012 bank borrowing, other bank borrowings, current account with non-controlling interests and related parties (excluding financing from parent) and bank overdrafts.

24. FOREIGN CURRENCY GAINS/(LOSSES)

Foreign currency gains/(losses) consist of the following:

31 March *In thousands of Euros*	2014	2013
Foreign exchange gains/(losses) differences	(12,541)	(821)
Fair value gains on derivatives (note 14)	344	(1,080)
Foreign currency gains/(losses)	**(12,197)**	**(1,901)**

25. INCOME TAX EXPENSE

25.1. Income tax expense

The components of income tax expense are as follows:

31 March *In thousands of Euros*	2014	2013
Current income tax	(34,958)	(39,376)
Deferred income tax	8,133	9,903
Total tax income expense	**(26,825)**	**(29,473)**

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*	2014	2013
Profit before tax and share of loss from joint ventures accounted for using the equity method	119,357	155,081
Income tax calculated at corporate tax rate *(Luxembourg tax rate of 29.22% as at 31 March 2014 and 31 March 2013)*	(34,876)	(45,315)
Effect of different tax rates in foreign countries	12,842	19,983
Effect of unrecognized tax assets	(2,729)	(1,807)
Expenses not deductible for taxation purposes	(537)	(2,112)
Effect of unremitted tax earnings	(1,101)	(1,290)
Recognition of previously unrecognised tax assets	—	1,235
Minimum tax payments	(424)	(167)
Income tax expense	**(26,825)**	**(29,473)**

25. INCOME TAX EXPENSE *(continued)*

25.2. Components of deferred income tax assets and liabilities

Nature of deferred income tax assets and liabilities

The components of the net deferred income tax assets recorded on 31 March 2014 and 2013 are:

In thousands of Euros	2014	2013
ASSETS		
Tax losses carried forward	13,512	12,789
Intercompany margin in inventory	20,445	21,309
Excess tax basis over carrying amount of tangible fixed assets	12,815	9,857
Employee benefits	4,071	3,604
Promotional goods expensed	3,238	2,808
Inventory valuation	3,099	2,863
Rent on operating leases recognized on a straight-line basis	1,530	1,451
Loyalty programs	1,087	1,027
Provision for charges and other liabilities (onerous contracts, litigations)	401	533
Derivative financial instruments	393	215
New tax regulation	636	383
Other temporary differences	4,399	4,210
Total assets	**65,626**	**61,049**
To be recovered after more than 12 months	*30,787*	*26,742*
To be recovered within 12 months	*34,839*	*34,307*
LIABILITIES		
Identified intangible assets in business combinations	(5,738)	(5,727)
Income tax on unremitted earnings (note 25.4)	(4,477)	(4,127)
Excess carrying amount over tax basis of tangible fixed assets	(429)	(845)
Derivative financial instruments	(430)	(452)
Other temporary differences	(510)	(555)
Total liabilities	**(11,584)**	**(11,706)**
To be recovered after more than 12 months	*(6,677)*	*(7,126)*
To be recovered within 12 months	*(4,907)*	*(4,580)*
Deferred income tax, net	**54,042**	**49,343**
Deferred income tax assets	*57,169*	*52,550*
Deferred income tax liabilities	*(3,127)*	*(3,207)*

Recognition of deferred income tax assets

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 2014, the Group had tax losses of € 63,936,000 to be carried over, generating a potential deferred tax asset of € 20,104,000. On 31 March 2013, these figures were € 49,069,000 and € 15,853,000 respectively.

The tax losses not recognized as deferred tax assets amount to € 25,545,000 (€ 15,999,000 as at March 31, 2013). The corresponding deferred income tax assets that were not recognized on 31 March 2014, amount to € 6,691,000 (€ 4,211,000 on 31 March 2013).

25. INCOME TAX EXPENSE *(continued)*

25.3. 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*	2014	2013
At the beginning of the year	**49,343**	**40,024**
(Charged)/credited to income (note 25.1)	8,133	9,903
(Charged)/credited to equity (note 25.5)	(10)	500
Acquisition of subsidiary (note 6)	—	(300)
Exchange differences	(3,424)	(784)
At the end of the year	**54,042**	**49,343**

As at 31 March 2014, the deferred income tax (charged)/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): nil (€ (49,000) as at 31 March 2013);
- The actuarial (gains)/losses on defined benefit obligation: € (10,000) (€ 549,000 as at 31 March 2013).

25.4. 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 € 4,477,000 on 31 March 2014 and € 4,127,000 on 31 March 2013.

25.5. Income tax on components of other comprehensive income

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2014			2013		
In thousands of euros	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
Cash flow hedges fair value gains/(losses) (note 14)	—	—	—	307	(49)	258
Actuarial gains/(losses) on defined benefit obligation (18.1)	23	(10)	13	(1,062)	549	(513)
Currency translation differences	(19,895)	—	(19,895)	(4,699)	—	(4,699)
Other comprehensive income	**(19,872)**	**(10)**	**(19,882)**	**(5,454)**	**500**	**(4,954)**

26. EARNINGS PER SHARE

The Group applies the rules governing earnings per share as described in note 2.29 above.

26.1. 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.

	2014	2013
Profit for the year attributable to equity holders of the Company *(in thousands of Euros)*	**89,349**	**122,702**
Weighted average number of ordinary shares in issue (a)	1,470,309,391	1,470,309,391
Basic earnings per share *(in € per share)*	**0.061**	**0.083**

(a) Treasury shares are deducted from total shares in issue for the purposes of calculating earnings per share.

26.2. Diluted

The Group has two categories of dilutive potential ordinary shares: share options and free shares. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2014	2013
Profit for the year attributable to equity holders of the Company *(in thousands of Euros)*	**89,349**	**122,702**
Weighted average number of ordinary shares in issue (a)	1,470,309,391	1,470,309,391
Adjustments for:		
– Share options	—	173,795
– Free shares	633,720	—
Weighted average number of ordinary shares for diluted earnings per share in issue	**1,470,943,111**	**1,470,483,186**
Diluted earnings per share *(in € per share)*	**0.061**	**0.083**

(a) Treasury shares are deducted from total shares in issue for the purposes of calculating earnings per share.

27. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION

27.1. Cash paid for interest and income taxes

Cash paid for interest and income taxes are as follows:

31 March *In thousands of Euros*	2014	2013
Cash paid for:		
– Interest net	545	316
– Income taxes	38,400	41,988

27.2. Proceeds from sale of assets

In the cash flow statement, proceeds from sale of assets comprise the following:

31 March *In thousands of euros*	2014 Intangible assets	 Property, plant and equipment	 Total	2013 Intangible assets	 Property, plant and equipment	 Total
Disposals - Cost	3,480	19,336	22,816	4,032	14,162	18,194
Disposals - Accumulated depreciation and amortization	(3,128)	(17,513)	(20,641)	(3,157)	(12,279)	(15,436)
Net book value (7), (9)	**352**	**1,823**	**2,175**	**875**	**1,883**	**2,758**
Profit/(loss) on sale of assets (22)	148	(1,327)	(1,179)	(189)	(357)	(546)
Proceeds from sale of assets	**500**	**496**	**996**	**686**	**1,526**	**2,212**

The profit/(loss) on sale of assets is presented in the line 'Other (losses)/gains – net' in the consolidated statement of income.

27.3. Depreciation, amortization and impairment

Depreciation, amortization and impairment include the following:

31 March *In thousands of Euros*	Notes	2014	2013
Depreciation of property, plant and equipment	(7.3)	41,858	35,067
Impairment charge/(reversal) on property, plant and equipment, net	(7.4)	(907)	(500)
Amortization of intangible assets	(9.3)	9,280	7,566
Impairment charge on intangible assets, net	(9.4)	75	50
Depreciation, amortization and impairment, net		**50,306**	**42,183**

27. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION *(continued)*

27.4. Net movement in provisions

In the statement of cash flows, net movement in provisions recorded in the statement of income comprises the following:

31 March *In thousands of Euros*	**Notes**	**2014**	**2013**
Social litigations	(20)	8	263
Commercial claims	(20)	(94)	1,006
Provision for returned goods		(335)	—
Onerous contracts	(20)	(398)	10
Tax risks	(20)	(358)	1,176
Dismantling and restoring	(18.3)	415	15
Retirement indemnities	(18.1)	1,153	862
Net movement in provisions		**391**	**3,332**

27.5. Acquisition of fixed assets under finance lease

On 31 March 2014 and on 31 March 2013, no amount was drawn in connection with finance lease agreements.

27.6. Other non cash items

The Group has granted share-based payments that are described in the note 16.3.

27.7. 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.

27.8. 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.

28. CONTINGENCIES

28.1. Legal proceedings

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.

In the United States, the Group is facing two legal actions:

- The Federal Trade Commission is pursuing legal settlement versus L'Occitane Inc. as a result of an investigation of advertising claims. Based on the lawyer's opinion, the risk is probable but the final outcome of this legal action cannot be reliably estimated. As at 31 March 2014 the legal accrual was based on the final settlement cost, for a total amount of € 400,000 including legal expenses. The fine was paid on 11 April 2014.
- A class action lawsuit is pending in the State of California versus L'Occitane Inc. as a result of the collection of customer personal information by L'Occitane. Based on the lawyer's opinion, the risk is probable but the final outcome of this legal action cannot be reliably estimated. As at 31 March 2014, after consultation with external lawyer, the Group recorded an accrual for a total amount of € 610,000 which includes (i) the accrued lawyer's fees, (ii) the distribution to customers in the form of gift cards, and (iii) the legal fees to be paid for the class action lawyer for the plaintiff.

28.2. Tax risks

In October 2012, the Group has received a tax reassessment from the tax authority in Brazil amounting to € 4.9 million for the year 2008, 2009 and 2010. This reassessment does not relate to an underestimation of the declared revenues in Brazil but to a lack of formal adequate paper documentation (instead of the electronic documentation provided by the Group). After consultation with external lawyers and comparison with other similar cases in Brazil for which the final penalty was significantly reduced, the Group recorded a provision amounting to € 600,000.

In July 2012, the French tax authorities started an audit of the tax returns filed by L'Occitane SA for the years ended in March 2009, 2010 and 2011. In December 2012, the company received a tax reassessment for a total amount of € 10,000,000 plus the late payment of interests and penalties relating to the year-ended 31 March 2009. In December 2013, the company received a tax reassessment for an additional total amount of € 23,700,000 plus the late payment of interests and penalties relating to the year-ended 31 March 2010 and 2011. The French tax authorities questioned the nature and level of intercompany transactions. After consulting its tax advisors, the Group considers that the French tax authorities' position is unfounded and has challenged this reassessment. At the present time, the probability and the amount of the obligation cannot be reliably assessed. Consequently, no provision has been recorded.

28.3. Other 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 29.

29. COMMITMENTS

29.1. Capital and other expenditure commitments

Capital and other expenditure contracted for at the balance sheet date but not yet incurred is as follows:

In thousands of Euros	31 March 2014	31 March 2013
Property, plant and equipment	4,641	10,737
Intangible assets	27	3,947
Investment	—	—
Raw materials	5,338	5,525
Total	**10,006**	**20,209**

The amounts as of 31 March 2014 and 2013 are mainly related to the plants in France.

29.2. 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:

In thousands of Euros	31 March 2014	31 March 2013
Within one year	95,876	91,403
One to two years	80,385	72,382
Two to three years	60,292	54,691
Three to four years	47,224	40,070
Four to five years	36,604	30,863
Subsequent years	97,499	86,160
Total	**417,879**	**375,569**

The above minimum lease payments do not include contingent rents (mainly variable rents based on sales in the stores).

The increase in lease commitments relates to the lease agreements of the new stores open during the period and to lease agreements renewals during the period ended 31 March 2014.

29. COMMITMENTS *(continued)*

29.3. Other commitments

In thousands of Euros	31 March 2014	31 March 2013
Pledge of land and building (note 17.2)	9,289	10,003
Pledge of investments (note 17.2)	52,095	53,373
Total	**61,384**	**63,376**

As at 31 March 2014 and 31 March 2013, the pledge of investments corresponds to the FY 2011 Revolving facility.

As at 31 March 2014 and 31 March 2013, the pledge of land and building corresponds to the FY 2012 bank borrowing.

30. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties:

30.1. Key management compensation

Key management is composed of the Directors (executive and non-executive Company's Board members) and the senior management.

Director's emoluments

Directors are the Board members. Directors' emoluments expensed during the periods are analysed as follows:

31 March 2014 *In thousands of Euros*	Salaries and other benefits kind	Bonus	Directors fees	Share-based payments (c)	Services	Total
Executive directors						
Reinold Geiger (a)	–	125	100	49	672	946
Emmanuel Osti	256	60	10	49	–	376
André Hoffmann	322	60	8	81	–	470
Domenico Trizio	373	10	–	230	–	613
Thomas Levilion	301	50	–	46	–	397
Karl Guénard(d)	61	27	25	2	–	115
Non executive directors						
Martial Lopez (b)	–	–	–	–	–	–
Mark Broadley	–	–	39	5	–	44
Pierre Milet	–	–	28	–	–	28
Valérie Bernis	–	–	30	–	–	30
Jackson Ng	–	–	33	5	–	38
Total	**1,313**	**332**	**273**	**468**	**672**	**3,058**

30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

30.1. Key management compensation *(continued)*

Director's emoluments (continued)

(a) *Reinold Geiger is the Chairman and Chief Executive Officer.*

(b) *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 30.3).*

(c) *967,000 stock options were granted to the Directors.*

(d) *Karl Guénard has been appointed as joint company secretary of the Company with effect from 1 September 2013. He was re-designated as an Executive Director of the Company due to his appointment as joint company secretary with effect from 1 September 2013.*

31 March 2013 *In thousands of Euros*	Salaries and other benefits kind	Bonus	Directors fees	Share-based payments (d)	Services	Total
Executive directors						
Reinold Geiger	–	–	100	45	672	817
Emmanuel Osti	261	(50)	10	193	–	414
André Hoffmann	384	151	5	102	–	642
Domenico Trizio	342	150	–	212	–	704
Thomas Levilion	278	100	–	69	–	447
Non executive directors						
Martial Lopez	–	–	–	–	–	–
Karl Guénard	–	–	20	–	–	20
Mark Broadley	–	–	24	5	–	29
Pierre Milet (c)	–	–	17	–	–	17
Susan Kilsby (a)	–	–	18	–	–	18
Valérie Bernis (b)	–	–	9	–	–	9
Jackson Ng	–	–	24	5	–	29
Total	**1,265**	**351**	**227**	**631**	**672**	**3,146**

(a) *Susan Kilsby resigned on 21 December 2012 (ratification by the Board of Directors held on 29 January 2013).*

(b) *Valérie Bernis has been nominated by the Board of Directors on 27 November 2012 in replacement of Pierre Milet.*

(c) *Pierre Milet resigned on 27 November 2012 and has been reappointed by the Board of Directors on 29 January 2013 in replacement of Susan Kilsby.*

(d) *1,118,633 stock options were granted to the Directors.*

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.

On 1 November 2011, a manager has been granted a payment of welcome bonus amounting to € 250,000 after a 24-month vesting period. This bonus is recognized on a straight-line basis over the vesting period. This manager has since been appointed as director. There is no other payment during the above financial years or periods to directors as an inducement to join the Group or as compensation for loss of office.

In addition to the directors' remuneration disclosed above, certain directors receive remuneration from the Company's holding company, LOG, which totals € 247,000 (€ 200,000 for the fiscal year ended 31 March 2013), part of which is in respect of their services to the Company and its subsidiaries.

30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

30.1. Key management compensation *(continued)*

Five highest paid individuals

The five highest paid individuals are as follows:

31 March *In thousands of Euros*	**2014**	**2013**
Salaries and other benefits in kind	1,472	1,471
Bonus	451	606
Directors fees	108	105
Share-based payments	497	544
Services	672	672
Total	**3,199**	**3,398**

Three Directors' compensations are included in the 31 March 2014 amounts.

Three Directors' compensations are included in the 31 March 2013 amounts.

The emoluments of the five highest paid individuals are analysed by the following bands:

Number of individuals	**2014**	**2013**
Nil to € 300,000	—	—
€ 300,000 to € 400,000	—	—
€ 400,000 to € 500,000	2	1
€ 500,000 to € 600,000	—	—
over € 600,000	3	4
Total	**5**	**5**

Senior management's emoluments expensed during the period

The emoluments of the senior management are as follows:

31 March *In thousands of Euros*	**2014**	**2013**
Salaries and other benefits in kind	1,903	1,723
Bonus	464	566
Directors fees	—	—
Share-based payments	355	470
Total	**2,721**	**2,759**

30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

30.1. Key management compensation *(continued)*

Senior management's emoluments expensed during the period *(continued)*

The emoluments of the senior management are analysed by the following bands:

31 March *Number of individuals*	**2014**	**2013**
Nil to € 100,000	—	—
€ 100,000 to € 200,000	—	1
€ 200,000 to € 300,000	3	1
€ 300,000 to € 400,000	2	2
over € 400,000	2	3
Total	**7**	**7**

30.2. Sales of products and services

31 March *In thousands of Euros*	**2014**	**2013**
Sales of goods and services		
– Sales of L'Occitane and Le Couvent des Minimes products to Les Minimes (a)	39	78
– Management fees to parent (b)	105	125
Total Sales of products	**144**	**203**
Receivable to related parties in connection with the above sales of products		
– Receivables from Les Minimes (a)	—	16
– Receivables from parent (b)	86	—
Total receivables	**86**	**16**

a) *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 74.3%, by Mr. Reinold Geiger as to 25.7%.*

b) *Management fees invoiced by the Company to the parent company amounted to € 105,000 (€ 125,000 for the fiscal year ended 31 March 2013).*

30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

30.3. Purchases of goods and services

31 March *In thousands of Euros*	2014	2013
Purchases		
– Services from Directors (a)	23	66
– Services from Les Minimes SAS (b)	270	334
Total purchases	**293**	**400**
Payables to related parties in connection with the above services		
– Services from Directors (a)	—	10
– Services from Les Minimes SAS (b)	5	20
Total payables	**5**	**30**

a) *L'Occitane International has a contract for financial consulting services with the company Esprit-fi Eurl, wholly owned by Mr. Martial Lopez.*

b) *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 74.3%, by Mr. Reinold Geiger as to 25.7%.*

30.4. Borrowings from related parties/loans to related parties

The Group has no borrowings from the related parties or loans to related parties.

30.5. 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*	2014	2013
Cost of services		
– Employees benefits	184	170
– Other services	—	25
Total purchases of services	**184**	**195**
Payables to related parties in connection with the above services		
– Employees benefits	—	—
– Other services	—	—
Total payables	**—**	**—**

Other services mainly include legal services. Employees' benefits are excluding share-based payment.

30.6. 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 2014 and 31 March 2013.

30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

30.7. Commitments and contingencies

The Group has not guaranteed any loan to any key management personnel.

31. POST BALANCE SHEET EVENTS

There are no post balance sheet events that require to be reported.

32. LIST OF SUBSIDIARIES AND ASSOCIATES

The list of subsidiaries and associates was as follows:

			% of interest 31 March		Method of consolidation 31 March	
Subsidiaries		City - Country	2014	2013	2014	2013
L'Occitane International S.A.		Luxembourg	Parent	Parent	Global	Global
Laboratoires M&L 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
Melvita Distribution SAS	**	Lagorce - 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	100.0	Global	Global
Couvent des minimes Japon K.K.	**	Tokyo -Japan	100.0	100.0	Global	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	100.0	100.0	Global	Global
L'Occitane Espana S.L	*	Madrid – Spain	100.0	100.0	Global	Global
L'Occitane Central Europe s.r.o.	*	Prague – Czech Rep.	100.0	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	-	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	100.0	100.0	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	99.9	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

32. LIST OF SUBSIDIARIES AND ASSOCIATES *(continued)*

The list of subsidiaries and associates was as follows: *(continued)*

Subsidiaries		City - Country	% of interest 31 March 2014	2013	Method of consolidation 31 March 2014	2013
L'Occitane Russia OOO	*	Moscow - Russia	100.0	100.0	Global	Global
Verveina SAS	**	Manosque - France	100.0	100.0	Global	Global
L'Occitane Americas Export & Travel Retail Inc	*	Miami - USA	100.0	100.0	Global	Global
L'Occitane Thailand Ltd.	**	Bangkok - Thailand	100.0	100.0	Global	Global
L'Occitane Ventures (Thailand) Ltd.	**	Bangkok - Thailand	100.0	100.0	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
L'Occitane Nederland B.V.	*	Amsterdam - The Netherlands	100.0	100.0	Global	Global
L'Occitane Malaysia SDN	**	Kuala Lumpur - Malaysia	100.0	100.0	Global	Global
Far east cosmetics BV	**	Apeldoorn - The Netherlands	100.0	100.0	Global	Global
L'Occitane Ireland Ltd	*	Dublin - Ireland	100.0	100.0	Global	Global
Orange Tree Ltd	**	Dublin - Ireland	100.0	100.0	Global	Global
Olive tree lifestyles products Ltd	**	Dublin - Ireland	100.0	100.0	Global	Global
Symbiose Cosmetics France SAS	*	Paris - France	62.6	62.6	Global	Global
Symbiose Cosmetics Korea	*	Seoul - Korea	62.6	62.6	Global	Global
L'Occitane Nordic AB	*	Stockholm - Sweden	100.0	100.0	Global	Global
L'Occitane South Africa	*	Johannesburg - South Africa	100.0	–	Global	–
L'Occitane International GmbH	*	Dusseldorf-Germany	100.0	–	Global	–
L'Occitane Portugal Unipessoal LDA	*	Lisbon- Portugal	100.0	–	Global	–
SAS Savonnerie Nature en Provence	**	Villeneuve - France	20.0	–	Equity	–

* *Directly held by the Company*

** *Indirectly held by the Company*

*** *Both directly and indirectly held by the Company*

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.

32. 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
Laboratoires M&L 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
Couvent des minimes Japon K.K.	**	Tokyo - Japan	2012	JPY 50,000,000	Distribution
L'Occitane Holding Brasil	*	Sao Paulo - Brazil	1999	BRL26,091,197	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	*	Madrid - 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
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

32. LIST OF SUBSIDIARIES AND ASSOCIATES *(continued)*

The date of incorporation, the share capital and the principal activities of the subsidiaries are as follows: *(continued)*

Subsidiaries		City - Country	Date of incorporation	Share capital	Principal activities
Verveina SAS	**	Manosque - France	2008	EUR 37,000	Dormant
L'Occitane Americas Export & Travel Retail Inc	*	Miami - USA	2008	USD 1,000	Distribution
Melvita Distribution SAS	**	Lagorce - France	1982	EUR 555,105	Distribution
L'Occitane Thailand Ltd.	**	Bangkok - Thailand	2008	THB 20,000,000	Distribution
L'Occitane Ventures (Thailand) Ldt	**	Bangkok - Thailand	2012	THB 451,700	Distribution
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 6,000,000	Distribution
L'Occitane India Private Limited	**	New Delhi - India	2009	INR 17,500,000	Distribution
L'Occitane Nederland BV	*	Amsterdam - the Netherlands	2010	EUR 200,000	Distribution
L'Occitane Malaysia SDN	**	Kuala Lumpur - Malaysia	2011	MYR 2	Distribution
Far East cosmetics BV	**	Apeldoorn - the Netherlands	2011	EUR 18,000	Dormant
L'Occitane Ireland Ltd	*	Dublin - Ireland	2012	EUR 100	Distribution
Orange Tree Ltd	**	Dublin - Ireland	1999	EUR 3	Distribution
Olive tree lifestyles products Ltd	**	Dublin - Ireland	2001	EUR 3	Distribution
Symbiose Korea	*	Seoul - Korea	2012	KRW 100,000,000	Production
Symbiose Cosmetics France SAS	*	Paris - France	2012	EUR 140,000	Distribution
L'Occitane Nordic AB	*	Stockholm - Sweden	2012	SEK 50,000	Distribution
L'Occitane South Africa	*	Johannesburg - South Africa	2013	ZAR 750	Distribution
L'Occitane International GmbH	*	Dusseldorf - Germany	2014	EUR 25,000	Holding
SAS Savonnerie nature en Provence	**	Villeneuve - France	2013	EUR 100,000	Production
L'Occitane Portugal Unipessoal LDA	*	Lisbon - Portugal	2013	EUR 50,000	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*

The main changes in the list of subsidiaries and associates are disclosed in note 6.

Financial Summary

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	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
Net sales	**1,054,872**	1,043,363	913,448	772,294	612,245
Gross profit	**855,593**	855,461	755,488	636,962	497,263
Gross profit margin	**81.1%**	*82.0%*	*82.7%*	*82.5%*	*81.2%*
Operating profit	**132,921**	158,284	152,273	132,084	110,193
Operating profit margin	**12.6%**	*15.2%*	*16.7%*	*17.1%*	*18.0%*
Profit for the year	**92,522**	125,608	124,191	102,700	84,559
attributable to:					
equity owners of the Company	**89,349**	122,702	121,159	99,501	81,626
non-controlling interests	**3,173**	2,906	3,032	3,199	2,933
Total assets	**1,074,951**	1,033,032	910,997	785,860	436,590
Total liabilities	**312,167**	298,723	255,730	220,596	275,312
Equity attributable to the equity owners of the Company	**757,396**	729,335	650,192	560,266	157,290
Non-controlling interests	**5,388**	4,974	5,075	4,998	3,988

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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