The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants."

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

26 April 2010

The Directors
L'Occitane International S.A.

UBS AG, Hong Kong Branch
CLSA Equity Capital Markets Limited
The Hongkong and Shanghai Banking Corporation Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of L'Occitane International S.A. (the "Company") and its subsidiaries (together, the "Group") set out in Sections I to III below, for inclusion in the prospectus of the Company dated 26 April 2010 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The Financial Information comprises the consolidated balance sheets as at 31 March 2007, 2008 and 2009 and 31 December 2009, the balance sheets of the Company as at 31 March 2007, 2008 and 2009 and 31 December 2009 and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows for each of the years ended 31 March 2007, 2008 and 2009 and the nine months ended 31 December 2008 and 2009 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in Luxembourg on 22 December 2000 as 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.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and associated companies as set out in Note 34 of Section II below. All of these companies are private companies.

The financial statements of the Company, the principal subsidiaries and associated companies of the Company were audited by independent auditors as set out in Note 35 of Section II below.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Company for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") (the "Underlying Financial Statements"). PricewaterhouseCoopers Marseille, France has audited the Underlying Financial Statements for each of the years ended 31 March 2007, 2008 and 2009 and the nine months ended 31 December 2009 in accordance with International Standards on Auditing.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' responsibility

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with IFRSs.

For the financial information for each of the years ended 31 March 2007, 2008 and 2009 and the nine months ended 31 December 2009, the directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the nine months ended 31 December 2008, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with IFRSs.

Reporting accountant's responsibility

For the financial information for each of the years ended 31 March 2007, 2008 and 2009 and the nine months ended 31 December 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the financial information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the financial information for the nine months ended 31 December 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended 31 March 2007, 2008 and 2009 and the nine months ended 31 December 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Company and the Group as at 31 March 2007, 2008 and 2009 and 31 December 2009, and of the Group's results and cash flows for the respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the nine months ended 31 December 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with IFRSs.

I. FINANCIAL INFORMATION OF THE GROUP AND THE COMPANY

CONSOLIDATED STATEMENTS OF INCOME

	Notes	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Nine months ended 31 December 2008 (unaudited)	Nine months ended 31 December 2009
		In thousands of Euros, except per share data				
Net Sales		334,949	414,965	537,335	403,100	462,694
Cost of sales		(63,802)	(78,601)	(105,550)	(81,150)	(87,626)
Gross profit		271,147	336,364	431,785	321,950	375,068
% of net sales		81.0%	81.06%	80.36%	79.87%	81.06%
Distribution expenses		(149,256)	(180,221)	(239,906)	(176,481)	(197,647)
Marketing expenses		(37,144)	(44,658)	(59,434)	(48,081)	(44,450)
General and administrative expenses		(32,298)	(38,379)	(50,803)	(36,488)	(40,982)
Direct costs related to the projected IPO — net	(23)	—	—	(1,996)	(1,996)	—
Other (losses)/gains-net	(29.2)	(338)	30	844	737	1,752
Operating profit		52,111	73,136	80,490	59,641	93,741
Finance costs — net	(25)	(4,535)	(970)	(5,856)	(4,336)	(2,787)
Foreign currency gains/(losses)	(26)	(2,137)	(7,029)	1,677	2,202	3,080
Share of gain/(loss) in associates and joint-ventures	(10)	(114)	134	—	—	—
Profit before income tax		45,325	65,271	76,311	57,507	94,034
Income tax expense	(27)	(9,818)	(15,656)	(16,927)	(11,275)	(25,307)
Profit for the year/period from continuing operations		35,507	49,615	59,384	46,232	68,727
Profit/(loss) for the year/period from discontinued operations	(12)	—	(91)	—	—	—
Profit for the year/period		**35,507**	**49,524**	**59,384**	**46,232**	**68,727**
Attributable to:						
Equity holders of the Company		33,157	47,898	58,383	45,275	66,377
Minority interests		2,350	1,626	1,001	957	2,350
Total		**35,507**	**49,524**	**59,384**	**46,232**	**68,727**
Earnings per share for profit attributable to the equity holders of the Company during the year/period *(expressed in Euros per share)*						
Basic	(28)	0.034	0.038	0.046	0.036	0.052
Diluted	(28)	0.028	0.038	0.046	0.036	0.052
Number of shares used in earnings per share calculation adjusted for the new par value of €0.03 *(see note 33)*						
Basic	(28)	989,021,132	1,273,619,558	1,274,396,391	1,274,396,391	1,274,396,391
Diluted	(28)	1,256,719,278	1,274,359,308	1,274,396,391	1,274,396,391	1,274,396,391

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Nine months ended 31 December 2008 (unaudited)	Nine months ended 31 December 2009
		In thousands of Euros				
Profit for the year/period		35,507	49,524	59,384	46,232	68,727
Other comprehensive income:						
Cash flow hedges fair value gains/ (losses) net of tax	(16)	—	—	237	251	(913)
Currency translation differences		(2,099)	(5,428)	4,080	4,111	(1,597)
Other comprehensive (loss)/income for the year/period, net of tax		(2,099)	(5,428)	4,317	4,362	(2,510)
Total comprehensive income for the year/period		33,408	44,096	63,701	50,594	66,217
Attributable to:						
— Equity holders of the Company		31,254	42,397	62,291	49,592	63,775
— Minority interests		2,154	1,699	1,410	1,002	2,442
Total		33,408	44,096	63,701	50,594	66,217

CONSOLIDATED BALANCE SHEETS

		As at 31 March			As at 31 December
	Notes	2007	2008	2009	2009
		In thousands of Euros			
ASSETS					
Property, plant and equipment, net	(7)	47,028	51,729	69,350	71,556
Goodwill	(8)	31,749	35,334	78,510	83,477
Intangible assets, net	(9)	16,464	18,629	37,414	39,828
Investments in associates and joint-ventures	(10)	1,080	—	—	—
Deferred income tax assets	(27.2)	17,383	25,130	30,966	27,732
Available-for-sale financial assets		28	36	33	38
Other non-current receivables	(11)	7,882	10,856	17,181	16,852
Non-current assets		121,614	141,714	233,454	239,483
Inventories, net	(13)	41,616	57,245	77,666	65,894
Trade receivables, net	(14)	29,339	39,197	42,512	61,203
Other current assets	(15)	10,145	17,124	23,608	21,088
Derivative financial instruments	(16)	210	43	2,644	472
Cash and cash equivalents	(17)	55,916	39,073	27,279	88,323
Current assets		137,226	152,682	173,709	236,980
TOTAL ASSETS		258,840	294,396	407,163	476,463

	Notes	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009	As at 31 December 2009
		In thousands of Euros			
EQUITY AND LIABILITIES					
Share capital	(18)	38,185	38,232	38,232	38,232
Additional paid-in capital	(18)	49,995	49,995	49,995	49,329
Other reserves		(669)	(5,741)	(1,120)	(2,390)
Retained earnings		52,722	69,765	98,148	132,525
Capital and reserves attributable to the equity holders		140,233	152,251	185,255	217,696
Minority interest in equity		2,049	2,989	2,004	2,692
Total equity		142,282	155,240	187,259	220,388
Borrowings	(19)	27,185	9,452	75,137	60,039
Deferred income tax liabilities	(27.2)	827	781	5,851	5,699
Derivative financial instruments	(16)	—	—	1,335	1,189
Other financial liabilities	(6.6)	—	3,969	5,145	5,414
Other non-current liabilities	(20)	6,028	5,720	8,681	8,649
Non-current liabilities		34,040	19,922	96,149	80,990
Trade payables	(21)	37,184	53,702	50,702	49,557
Salaries, wages, related social items and other tax liabilities		13,435	14,478	19,608	29,034
Current income tax liabilities		12,623	15,783	13,998	16,076
Borrowings	(19)	15,873	29,044	33,831	73,754
Other current liabilities	(20)	1,865	2,273	3,187	3,343
Derivative financial instruments	(16)	—	1,637	769	1,082
Provisions for other liabilities and charges	(22)	1,538	2,317	1,660	2,239
Current liabilities		82,518	119,234	123,755	175,085
TOTAL EQUITY AND LIABILITIES		258,840	294,396	407,163	476,463
NET CURRENT ASSETS		54,708	33,448	49,954	61,895
TOTAL ASSETS LESS CURRENT LIABILITIES		176,322	175,162	283,408	301,378

COMPANY-ALONE BALANCE SHEETS

		As at 31 March			As at 31 December
	Notes	2007	2008	2009	2009
		In thousands of Euros			
ASSETS					
Property, plant and equipment, net		242	922	1,097	1,231
Intangible assets, net		204	121	951	1,329
Investments in subsidiaries	(34)	96,966	105,951	109,464	113,463
Deferred income tax assets		295	755	—	155
Other non-current receivables due from subsidiaries		7,669	3,917	1,647	4
Non-current assets		105,376	111,666	113,159	116,182
Inventories, net		1,103	1,787	1,959	1,611
Trade receivables due from subsidiaries, net		19,057	32,016	31,743	32,814
Trade receivables, net	(14)	7,807	9,845	6,331	6,435
Other current assets due from subsidiaries		49,168	60,149	132,967	133,705
Other current assets		2,043	2,596	1,953	358
Derivative financial instruments	(16)	210	4	2,644	472
Cash and cash equivalents	(17)	35,171	21,529	10,095	57,866
Current assets		114,559	127,926	187,692	233,261
TOTAL ASSETS		219,935	239,592	300,851	349,443

	Notes	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009	As at 31 December 2009
		In thousands of Euros			
Share capital	(18)	38,185	38,232	38,232	38,232
Additional paid-in capital	(18)	49,995	49,995	49,995	49,329
Retained earnings		75,536	84,881	115,556	134,843
Total equity		163,716	173,108	203,783	222,404
Borrowings	(19)	15,389	—	35,517	25,730
Deferred income tax liabilities		—	—	406	—
Derivative financial instruments	(16)	—	—	307	254
Other financial liabilities	(6.6)	—	3,969	4,339	4,574
Non-current liabilities		15,389	3,969	40,569	30,558
Trade payables due to subsidiaries		25,546	30,277	19,166	17,261
Trade payables		2,815	2,071	4,282	5,649
Salaries, wages, related social items and other tax liabilities		1,210	1,646	2,273	2,504
Current income tax liabilities		6,476	5,843	7,809	6,462
Borrowings	(19)	4,398	19,127	21,983	64,385
Other current liabilities		385	1,898	440	158
Derivative financial instruments	(16)	—	1,637	546	57
Provisions for other liabilities and charges		—	16	—	5
Current liabilities		40,830	62,515	56,499	96,481
TOTAL EQUITY AND LIABILITIES		219,935	239,592	300,851	349,443
NET CURRENT ASSETS		73,729	65,411	131,193	136,780
TOTAL ASSETS LESS CURRENT LIABILITIES		179,105	177,077	244,352	252,962

The profits attributable to shareholders for the years ended 31 March 2007, 2008 and 2009 are dealt with in the Financial Information of the Group to the extent of €29,992,000, €39,771,000 and €58,819,000. The profits attributable to shareholders for the nine months ended 31 December 2008 and 2009 are dealt with in the Financial Information of the Group to the extent of €51,561,000 and €51,285,000.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

		Capital and reserves attributable to the equity holders									
					Other reserves			Retained earnings			
	Notes	Number of shares	Share capital	Additional paid-in capital	Share Based Payment	Compound Financial instrument/ Hedging reserve	Cumulative Currency Translation Differences	Prior years	Profit for the year	Minority interest	TOTAL EQUITY
		In thousands of Euros (except "Number of Shares")									
Balance at 31 March 2006		13,656,492	27,065	8,772	—	(3,912)	1,234	2,789	24,782	3,566	64,296
Comprehensive income											
Profit for the year		—	—	—	—	—	—	—	33,157	2,350	35,507
Other comprehensive income											
Currency translation differences		—	—	—	—	—	(1,903)	—	—	(196)	(2,099)
Total comprehensive income		—	—	—	—	—	(1,903)	—	33,157	2,154	33,408
Transactions with owners											
Allocation of prior year earnings		—	—	—	—	—	—	24,782	(24,782)	—	—
Capital Increase – conversion of options	(18.1)	1,500,676	2,974	—	—	—	—	—	—	—	2,974
Dividends paid	(18.5)	—	—	—	—	—	—	(8,006)	—	(1,792)	(9,798)
Conversion of compound financial instruments, net of tax	(19.3)	3,644,965	7,224	22,894	—	3,912	—	—	—	—	34,030
Increase in capital in connection with the acquisition of minority interest	(6.5)	465,023	922	18,329	—	—	—	—	—	—	19,251
Acquisition of minority interests	(6.5)	—	—	—	—	—	—	—	—	(1,879)	(1,879)
Total transactions with owners		5,610,664	11,120	41,223	—	3,912	—	16,776	(24,782)	(3,671)	44,578
Balance at 31 March 2007		19,267,156	38,185	49,995	—	—	(669)	19,565	33,157	2,049	142,282
Comprehensive income											
Profit for the year		—	—	—	—	—	—	—	47,898	1,626	49,524
Other comprehensive income											
Currency translation differences		—	—	—	—	—	(5,501)	—	—	73	(5,428)
Total comprehensive income		—	—	—	—	—	(5,501)	—	47,898	1,699	44,096
Transactions with owners											
Allocation of prior year earnings		—	—	—	—	—	—	33,157	(33,157)	—	—
Capital Increase- conversion of options into LOI shares	(18.1)	23,518	47	—	—	—	—	—	—	—	47
Dividends paid	(18.5)	—	—	—	—	—	—	(30,855)	—	(1,999)	(32,854)
Contribution from the parent	(18.3)	—	—	—	429	—	—	—	—	—	429
Minority interest in capital increase		—	—	—	—	—	—	—	—	1,240	1,240
Total transactions with owners		23,518	47	—	429	—	—	2,302	(33,157)	(759)	(31,138)
Balance at 31 March 2008		19,290,674	38,232	49,995	429	—	(6,170)	21,867	47,898	2,989	155,240
Comprehensive income											
Profit for the year		—	—	—	—	—	—	—	58,383	1,001	59,384
Other comprehensive income											
Currency translation differences		—	—	—	—	—	3,671	—	—	409	4,080
Cash flow hedges fair value gains/(losses) net of tax	(16)	—	—	—	—	237	—	—	—	—	237
Total comprehensive income		—	—	—	—	237	3,671	—	58,383	1,410	63,701
Transactions with owners											
Allocation of prior year earnings		—	—	—	—	—	—	47,898	(47,898)	—	—
Dividends paid	(18.5)	—	—	—	—	—	—	(30,000)	—	(1,882)	(31,882)
Contribution from the parent	(18.3)	—	—	—	713	—	—	—	—	—	713
Minority interest in capital increase		—	—	—	—	—	—	—	—	425	425
Acquisition of minority interests	(6.5)	—	—	—	—	—	—	—	—	(938)	(938)
Total transactions with owners		—	—	—	713	—	—	17,898	(47,898)	(2,395)	(31,682)
Balance at 31 March 2009		19,290,674	38,232	49,995	1,142	237	(2,499)	39,765	58,383	2,004	187,259

		Capital and reserves attributable to the equity holders									
					Other reserves			Retained earnings			
	Notes	Number of shares	Share capital	Additional paid-in capital	Share Based Payment	Compound Financial instrument/ Hedging reserve	Cumulative Currency Translation Differences	Prior years	Profit for the year	Minority interest	TOTAL EQUITY
		In thousands of Euros (except "Number of Shares")									
Balance at 31 March 2008		19,290,674	38,232	49,995	429	—	(6,170)	21,867	47,898	2,989	155,240
Comprehensive income											
Profit for the period		—	—	—	—	—	—	—	45,275	957	46,232
Other comprehensive income											
Currency translation differences		—	—	—	—	—	4,066	—	—	45	4,111
Cash flow hedges fair value gains/(losses) net of tax	(16)	—	—	—	—	251	—	—	—	—	251
Total comprehensive income		—	—	—	—	251	4,066	—	45,275	1,002	50,594
Transactions with owners											
Allocation of prior year earnings		—	—	—	—	—	—	47,898	(47,898)	—	—
Dividends paid	(18.5)	—	—	—	—	—	—	(30,000)	—	(1,882)	(31,882)
Contribution from the parent	(18.3)	—	—	—	558	—	—	—	—	—	558
Minority interest in capital increase		—	—	—	—	—	—	—	—	12	12
Acquisition of minority interests	(6.5)	—	—	—	—	—	—	—	—	(938)	(938)
Total transactions with owners		—	—	—	558	—	—	17,898	(47,898)	(2,808)	(32,250)
Balance at 31 December 2008 (unaudited)		19,290,674	38,232	49,995	987	251	(2,104)	39,765	45,275	1,183	173,584
Balance at 31 March 2009		19,290,674	38,232	49,995	1,142	237	(2,499)	39,765	58,383	2,004	187,259
Comprehensive income											
Profit for the period		—	—	—	—	—	—	—	66,377	2,350	68,727
Other comprehensive income											
Currency translation differences		—	—	—	—	—	(1,689)	—	—	92	(1,597)
Cash flow hedges fair value gains/(losses) net of tax	(16)	—	—	—	—	(913)	—	—	—	—	(913)
Total comprehensive income		—	—	—	—	(913)	(1,689)	—	66,377	2,442	66,217
Transactions with owners											
Allocation of prior year earnings		—	—	—	—	—	—	58,383	(58,383)	—	—
Dividends paid	(18.5)	—	—	—	—	—	—	(32,000)	—	(1,633)	(33,633)
Contribution from the parent	(18.3)	—	—	—	1,332	—	—	—	—	—	1,332
Incremental costs directly attributable to the issue of new shares net of tax	(23)	—	—	(666)	—	—	—	—	—	—	(666)
Minority interest in capital increase		—	—	—	—	—	—	—	—	124	124
Acquisition of minority interests	(6.5)	—	—	—	—	—	—	—	—	(245)	(245)
Total transactions with owners		—	—	(666)	1,332	—	—	26,383	(58,383)	(1,754)	(33,088)
Balance at 31 December 2009		19,290,674	38,232	49,329	2,474	(676)	(4,188)	66,148	66,377	2,692	220,388

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Nine months ended 31 December 2008 (unaudited)	Nine months ended 31 December 2009
		In thousands of Euros				
Cash flows from operating activities						
Profit for the year/period from continuing operations		35,507	49,615	59,384	46,232	68,727
Adjustments to reconcile profit for the year to net cash from operating activities						
Depreciation, amortization and impairment	(29.3)	16,828	17,577	23,370	16,928	18,092
Deferred income taxes	(27.1)	(6,024)	(9,069)	(4,932)	(5,727)	3,874
Share of (gain)/loss in associates and joint-ventures	(10)	114	(134)	—	—	—
Unwinding of discount on other financial liabilities	(25)	—	—	595	490	269
Share based payment	(24)	—	429	713	558	1,332
Change in the fair value of derivatives	(16)	(170)	1,804	(1,878)	(2,618)	1,059
Other (losses) — net	(29.2)	338	(30)	(253)	(337)	(1,373)
Net movements in provisions	(29.4)	899	1,160	(100)	529	657
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation)						
Inventories		(14,100)	(16,188)	(12,030)	(11,706)	11,688
Trade receivables		(8,696)	(10,773)	5,452	(14,573)	(18,475)
Trade payables		7,782	14,623	(9,227)	1,993	(1,529)
Salaries, wages, related social items and other tax liabilities		3,944	1,279	1,260	4,798	9,162
Current income tax liabilities		5,208	2,955	(2,593)	(4,076)	4,566
Unpaid finance costs		3,222	—	292	342	(40)
Other assets and liabilities, net		3,017	(2,110)	(3,721)	(5,277)	1,075
Net cash generated from operating activities		47,869	51,138	56,332	27,556	99,084
Cash flows from investing activities						
Acquisition of subsidiary, net of cash acquired	(6.5)	(1,825)	(2,907)	(57,018)	(57,018)	(7,274)
Purchases of property, plant and equipment	(7)	(18,154)	(21,580)	(30,587)	(24,311)	(16,698)
Purchases of intangible assets	(9)	(5,795)	(6,462)	(8,473)	(7,599)	(5,406)
Proceeds from sale of fixed assets	(29.2)	424	392	742	476	1,940
Proceeds from sale of investment in associates and joint-ventures	(10)	—	500	—	—	—
Change in deposits and key moneys paid to the landlords		(3,300)	(2,138)	(4,684)	(3,117)	(820)
Change in non-current receivables and liabilities		—	(183)	(83)	(221)	320
Net cash used in investing activities		(28,650)	(32,378)	(100,103)	(91,790)	(27,938)

	Notes	Year ended 31 March 2007	2008	2009	Nine months ended 31 December 2008 (unaudited)	2009
		In thousands of Euros				
Cash flows from financing activities						
Payments directly attributable to the issue of new shares	(23)	—	—	—	—	(429)
Proceeds from the capital contributed by the minority shareholders		—	1,240	425	12	124
Proceeds from the exercise of stock options		2,974	47	—	—	—
Dividends paid to shareholders	(18.5)	(7,996)	(30,855)	(30,000)	(30,000)	(32,000)
Dividends paid to minority shareholders		(1,792)	(1,999)	(1,882)	(1,882)	(1,633)
Proceeds from borrowings	(19), (29.6)	16,720	2,049	69,338	90,790	7,802
Change in financing from parent	(19.4)	—	19,127	5,280	17,167	40,300
Repayments of borrowings	(19), (29.6)	(4,163)	(22,385)	(5,037)	(657)	(22,810)
Repayments on obligations under finance leases	(19)	(1,344)	(1,141)	(1,175)	(892)	(796)
Net cash generated from/(used in) financing activities		4,399	(33,917)	36,949	74,538	(9,442)
Effects of the exchange rate changes	(29.5)	937	(423)	(4,130)	(5,148)	(1,435)
Net increase/(decrease) in cash and bank overdrafts of discontinued operations		—	(91)	—	—	—
Net (decrease)/ increase in cash, cash equivalents and bank overdrafts		24,555	(15,671)	(10,952)	5,156	60,269
Cash, cash equivalents and bank overdrafts at beginning of the year/period		28,996	53,551	37,880	37,880	26,928
Cash		29,889	55,916	39,073	39,073	27,279
Bank overdrafts		(893)	(2,365)	(1,193)	(1,193)	(351)
Cash, cash equivalents and bank overdrafts at end of the year/period		53,551	37,880	26,928	43,036	87,197
Cash		55,916	39,073	27,279	44,376	88,323
Bank overdrafts		(2,365)	(1,193)	(351)	(1,340)	(1,126)

II. NOTES TO THE FINANCIAL INFORMATION

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 products are marketed in France and in some ninety other countries primarily through a selective owned stores chain.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of preparation

The Financial Information of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB").

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

The preparation of Financial Information 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 Financial Information is disclosed in note 4.

As at the date of this report, the following new standards, amendments to standards and interpretations have been issued by IASB, but are not effective for the period ended 31 December 2009 and have not been early adopted by the Group:

- IAS 17 (Amendment), 'Leases" (effective for annual periods beginning on or after 1 January 2010) related to the classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification.

- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 July 2009).The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 April 2010.

- IFRS 3 (Revised), 'Business combinations' (effective for annual periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 April 2010.

- IAS 38 (Amendment), 'Intangible assets', (effective for annual periods beginning on or after 1 January 2010) clarifies the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement (effective for annual periods beginning on or after 1 January 2010): the amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit and loss.

- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for annual periods beginning on or after 1 October 2008). The interpretation clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group.

- IFRS 9, 'Financial Instruments'. This is the first instalment of a 3 phased project to replace the existing standard on financial instruments, IAS39. IFRS 9 deals with classification and measurement of financial assets. The standard is effective for annual periods beginning on or after 1 January 2013.

2.2. Principles of consolidation

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

(a) *Subsidiaries*

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

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

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

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

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of minority interests result in gains and losses for the Group that are recorded in the statement of income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

When the minority interests have the right to sell the remaining shares through a put option, a liability is recognized for the put option. The liability is measured at present value of the redemption amount. When the put option is written as part of a business combination and when control over the subsidiary is acquired, no minority interest is recognized in respect of the shares subject to the put option and the goodwill arising on the business combination includes the goodwill related to the shares subject to the put option.

Subsequently to the initial recognition, the changes in the financial liability are recorded as follows:

- The unwinding of discount is recorded in finance costs.

- If any, the change in estimates in the redemption amount is recorded against goodwill.

(c) *Associates*

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

The Group's investment in associates includes goodwill identified on acquisition, if any (net of any impairment loss) (note 10).

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

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

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

(d) *Interest in joint-ventures*

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

2.3. Foreign currency translation

(a) *Functional and presentation currency*

Items included in the Financial Information 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 Financial Information is presented in euros.

(b) *Transactions and balances*

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

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

(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 as a separate component of shareholders' equity within "Cumulative currency translation differences".

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

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

2.4. Segment reporting

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

2.5. Intangible assets

(a) *Goodwill*

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

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

(b) *Key moneys*

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

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

(c) *Contractual customer relationship*

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

(d) *Trademarks*

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

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

(e) *Computer software*

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

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Directly attributable costs include the software development employee costs and an appropriate portion of relevant overheads. These costs are amortized using the straight-line method over their estimated useful lives (not exceeding 5 years).

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

(f) *Development costs*

Given the nature of the products developed and sold by the Group (products manufactured with natural ingredients), research and development costs for the products are non-significant and are expensed when incurred.

2.6. Property, Plant and Equipment

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

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

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

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

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

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

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

2.7. Impairment of non-financial assets

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

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

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

- 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 where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

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

(b) *Goodwill and trademarks*

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

2.8. Deposits

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

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

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

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

2.10. Inventories

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

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

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

2.11. Trade receivables

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

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within "Distribution expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "Distribution expenses" in the statement of income.

2.12. Financial assets

Classification of financial assets

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

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

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

(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 income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

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

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

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

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities 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 recognized in profit or loss — is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2.11.

2.13. Derivative financial instruments and hedging activities

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

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge) ;or

- Hedges of a net investment in a foreign operation (net investment hedge).

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

The fair value of the various derivative instruments used for hedging purposes is disclosed in note 16. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in shareholders' equity.

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

(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.

The Group does not use fair value hedges.

(b) *Cash flow hedge*

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

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

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

(c) *Net investment hedge*
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

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

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

The Group does not use net investment hedges.

(d) *Derivatives at fair value through profit and loss*
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognized immediately in the statement of income within 'Finance costs — net" or "Foreign currency gains/(losses)".

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

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

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

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

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

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

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

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

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

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

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

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

— And the amount has been reliably estimated.

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

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

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

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

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

2.19. Employee benefits

(a) *Pension obligations*

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

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

- A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. In a defined contribution plan, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

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

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

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

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

(b) ***Other post-employment obligations***
The Group does not provide any other post-employment obligations.

(c) ***Share-based compensation***
All equity instruments granted before 7 November 2002 are out of the scope of IFRS 2. Therefore, the fair value of the employee services received in exchange for the grant of these equity instruments is not recognised as an expense.

Following decisions approved on 28 September 2007, L'Occitane Groupe S.A., the parent of the Company, operates a number of equity-settled, share-based compensation plans which are granted to employees of the Group and its subsidiaries. The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The expense is determined by reference to the fair value of the equity instruments at grant date, excluding the impact of any service and non-market performance conditions if any. Service and non-market performance conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity (contribution from the parent).

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.

(d) ***Termination benefits***
Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(e) ***Profit-sharing and bonus plans***
The Group recognizes a provision where legally, contractually obliged or where there is a past practice that has created a constructive obligation.

2.20. Borrowings and compound financial instruments
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.

On initial recognition the fair value of the liability portion of a convertible bond is the present value of the contractually determined stream of future cash flows discounted using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax if compliant with the definition of an equity instrument according to IAS 32. The issuer's obligation to make scheduled payments of interest and principal is a financial liability that exists as long as the instrument is not converted. On conversion of a convertible instrument at maturity, the entity derecognizes the liability component and recognizes it as equity. The original equity component remains as equity. There is no gain or loss on conversion at maturity.

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 offer. In this case, the Group retains only an insignificant risk of ownership and the revenue is recognised at the time of sale net of a liability to cover the risk of return based on past experience. The liability is recognised as a decrease in net sales.

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

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

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

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

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

(c) *Sale of gift-certificates*

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

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

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

(d) *Loyalty program*

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

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

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

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

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

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

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

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

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

2.25. 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.

2.26. 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 16);

- 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 16).

2.27. 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.

2.28. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders 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 are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Anti-dilutive potential ordinary shares are not considered in the calculation of the diluted earnings per share. Potential ordinary shares are anti-dilutive when the conversion in ordinary shares increases the earnings per share or decreases the net losses per share. The Group has two categories of dilutive potential ordinary shares: share options and free shares. For the share options a calculation is made to determine the number of shares that could have been acquired at fair value 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.

2.29 Interim financial information at 31 December 2008 and 31 December 2009

The consolidated interim financial information for the nine-months ended 31 December 2009 and 31 December 2008 has been prepared using accounting policies consistent with those of the annual financial information for the years ended 31 March 2007, 31 March 2008 and 31 March 2009, as described in notes 2.1 to 2.28 except for taxes on income in the interim periods which are accrued using the tax rate that would be applicable to expected total annual earnings.

The Group is subject to significant seasonal variances in sales, especially within the United States. However, as the sales have become more international, the effect of seasonal fluctuations has correspondingly decreased. Nonetheless, the Group still experiences and relies to a certain extent on significantly higher sales in its financial third quarter (between 1 October and 31 December) in anticipation of and during the Christmas holiday season. For the three-month period ended 31 December 2008, the level of sales represented 35% of the annual level of sales in the year ended 31 March 2009.

Seasonality also has an impact on the production schedule and the use of working capital. The Group generally uses a significant part of its working capital between April to November in order to increase the production in anticipation of increased sales and new product launches during the Christmas holiday season.

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

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

(a) *Market risk*

Foreign exchange risk

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

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

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

During the years ended 31 March 2007, 2008 and 2009 and on 31 March 2007, 2008 and 2009, and during the nine months ended 31 December 2008 and 2009 and on 31 December 2008 and 2009, 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/periods would have been higher/lower as illustrated below:

	Currency translation differences (equity)			Net sales			Profit for the year		
	31 March								
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	In thousands of Euros								
USD	5,147	5,130	4,759	8,913	9,006	9,119	3,306	3,617	3,241
JPY	2,917	5,164	7,618	5,043	7,876	12,766	2,378	3,842	5,158
HKD	1,704	2,673	3,180	2,070	2,896	3,620	1,161	1,568	1,817
GBP	1,136	1,617	1,438	2,151	2,641	2,600	829	1,258	1,126

	Currency translation differences (equity)		Net sales		Profit for the period	
	31 December					
	2008	2009	2008	2009	2008	2009
	(unaudited)		(unaudited)		(unaudited)	
	In thousands of Euros					
USD	4,596	3,505	7,145	7,058	2,973	1,716
JPY	6,329	6,858	8,738	10,769	4,178	3,615
HKD	3,050	2,798	2,682	3,101	1,360	1,512
GBP	1,506	1,515	2,101	2,462	1,154	1,121

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

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The analysis of the borrowings by category of rate is provided in note 19.6.

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 19.8, the interest rate of certain bank borrowings can be re-priced.

Based on the simulations performed, on 31 March 2007, 2008 and 2009, and on 31 December 2008 and 2009, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the years/periods would have been lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings (note 25).

	Impact on post-tax profit				
	Year ended 31 March			31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Sensitivity of finance costs	106	27	345	173	149
Sensitivity of the post-tax profit	73	18	237	119	103

The above sensitivity takes into consideration the impact of the interest rate derivatives existing at 31 December 2009 on the interest expense but does not take into consideration the effect of a higher/lower interest rate on the fair market value of the derivatives designed to manage the cash flow interest risk floating-to-fixed interest rate swaps. The fair value of these derivatives at period end is not material.

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

(b) *Credit risk*
Credit risk 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 cash and cash equivalents and derivatives financial instruments, only major financial institutions are accepted by the Group;

- For wholesales, the Group maintains adequate allowances for potential credit losses and follows regularly the solvency of its counterpart. As of 31 March 2007, 2008, and 2009, and as of 31 December 2008 and 2009, the Group did not have any significant concentration of business conducted with a particular customer that could, if suddenly eliminated, severely impact the operations of the Group;

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

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

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow. The liquidity reserve on 31 December 2009 is as follows:

	As at 31 December 2009
	In thousands of Euros
Cash and cash equivalents and bank overdrafts	87,197
Undrawn borrowing facilities (note 19.10)	96,032
Liquidity reserves	183,229

The repayment of existing borrowings on 31 March 2007, 2008, 2009 and on 31 December 2009 and the related interest to be paid, assuming interest rate applicable on 31 March 2007, 2008, 2009 and on 31 December 2009 are as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	In thousands of Euros				
Borrowings	15,873	10,684	10,729	5,772	43,058
Interest payments on borrowings	2,137	1,319	2,498	635	6,589
Total on 31 March 2007	18,010	12,003	13,227	6,407	49,647
Borrowings	29,044	1,579	3,819	4,054	38,496
Interest payments on borrowings	2,082	527	1,190	455	4,254
Total on 31 March 2008	31,126	2,106	5,009	4,509	42,750
Borrowings	33,831	1,942	40,632	32,563	108,968
Interest payments on borrowings	3,898	3,465	3,734	611	11,708
Total on 31 March 2009	37,729	5,407	44,366	33,174	120,676
Borrowings	73,754	14,330	43,341	2,368	133,793
Interest payments on borrowings	1,322	956	1,485	89	3,852
Total on 31 December 2009	75,076	15,286	44,826	2,457	137,645

The amount of interest to be paid does not take into consideration the effect of interest rate derivatives.

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 shareholders 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 shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3.3. Fair value estimation

Fair value of financial instruments

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

	As at 31 March						As at 31 December	
	2007		2008		2009		2009	
	Net book value	Fair value	Net book value	Fair value	Net book value	Fair value	Net book value	Fair value
	In thousands of Euros							
Assets								
Available-for-sale financial assets (a)	28	28	36	36	33	33	38	38
Other non-current receivables	7,882	7,882	10,856	10,856	17,181	17,181	16,852	16,852
Derivatives financial instruments (b)	210	210	43	43	2,644	2,644	472	472
Total assets	8,120	8,120	10,935	10,935	19,858	19,858	17,362	17,362
Liabilities								
Non-current borrowings								
Fixed rate	2,274	2,274	1,015	1,015	—	—	—	—
Floating rate	24,911	24,911	8,437	8,437	75,137	75,137	60,039	60,039
Total borrowings	27,185	27,185	9,452	9,452	75,137	75,137	60,039	60,039
Derivatives financial instruments (b)	—	—	1,637	1,637	2,104	2,104	2,271	2,271
Total liabilities	—	—	1,637	1,637	2,104	2,104	2,271	2,271

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

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

Fair value measurement hierarchy

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

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

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

	As at 31 March 2009			As at 31 December 2009		
	Level 1 (a)	Level 2 (b)	Level 3 (c)	Level 1 (a)	Level 2 (b)	Level 3 (c)
	In thousands of Euros					
Assets						
Derivatives at fair value through profit and loss	—	882	—	—	451	—
Derivatives designated as hedging instruments	—	1,762	—	—	21	—
Cash and cash equivalents	27,279	—	—	88,323	—	—
Total assets	27,279	2,644	—	88,323	472	—
Liabilities						
Derivatives at fair value through profit and loss	—	(769)	—	—	(1,080)	—
Derivatives designated as hedging instruments	—	(1,335)	—	—	(1,191)	—
Total liabilities	—	(2,104)	—	—	(2,271)	—

(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, over-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 Financial Information 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 Financial Information and the reported amounts of revenue and expenses during the reporting period. Estimates are used for, but not limited to, depreciation, amortization and impairment (notes 2.5, 2.6 and 2.7) of non-current assets, allocation of the excess of the cost of an acquisition over the carrying value of the net assets acquired to key money (note 2.5) and to contractual customer relationship (note 2.5), valuation of inventories (note 2.10), depreciation of inventories (note 2.10), provisions (note 2.18), the provision for impairment of trade receivables (note 2.11), revenue recognition (note 2.21), income taxes (note 2.27), fair value of the derivative instruments (note 2.13) and contingencies (note 30).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

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

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

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

- Forecasted sales are determined for each store based on its location. This may vary significantly from one location to another or from one country to another. Management determined budgeted net sales, gross margin and operating cash flows based on past performance and its expectations of market developments;

- The terminal value is based on a long term growth rate of 1%;

- The pre-tax discount rate of 9.00% (9.27% for the year ended 31 March 2009 and 7.7% for the year ended 31 March 2008). The same pre-tax discount rate has been used for all the segments as;

    o All the products are produced in France;

    o Most of the financing is done centrally, and;

    o The specific local market risks are embedded in the cash flows projections.

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

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

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

4.4. Legal claims
The estimates for provisions for litigation are based upon available information and advice of counsel and are regularly reviewed on this basis by management (see notes 22 and 30).

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

5. SEGMENT INFORMATION

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

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

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

- Sell-out comprises the sale of our products directly to the final customers. These sales are mainly done in the Group's stores and/or through the Group's website;

- Sell-in comprises the sale of our products to an intermediate. These intermediates are mainly distributors, wholesalers, TV show channels and travel retailers. This segment also comprises sales of products to corporate customers which will give them out as presents, for example to their customers or employees;

- Business to business (B to B) comprises the sale of the Group's products to an intermediate who will provide them as free amenities to its final customers. These intermediates are mainly airline companies and hotels.

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

5.1. Operating segments

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

The operating segments information for the years ended 31 March 2007, 2008, 2009 and for the nine months ended 31 December 2008 and 2009 is as follows:

	Year ended 31 March				
	2007				
	Sell-Out	Sell-In	B to B	Other reconciling items	Total
	In thousands of Euros				
Sales	238,834	85,726	10,389	—	334,949
In %	71.3%	25.6%	3.1%	—	100.0%
Gross profit	208,772	59,099	3,276	—	271,147
% of sales	87.4%	68.9%	31.5%	—	81.0%
Distribution expenses	(121,025)	(12,055)	(1,436)	(14,740)	(149,256)
Marketing expenses	(11,908)	(4,545)	(82)	(20,609)	(37,144)
General and administrative expenses	(1,159)	(294)	—	(30,845)	(32,298)
Goodwill amortization and impairment	—	—	—	—	—
Other (losses)/gains – net	(191)	(77)	—	(70)	(338)
Operating profit	74,489	42,128	1,758	(66,264)	52,111
% of sales	31.2%	49.1%	16.9%		15.6%

	Year ended 31 March				
	2008				
	Sell-Out	Sell-In	B to B	Other reconciling items	Total
	In thousands of Euros				
Sales	293,158	105,797	16,010	—	414,965
In %	70.6%	25.5%	3.9%	—	100.0%
Gross profit	256,842	73,963	5,559	—	336,364
% of sales	87.6%	69.9%	34.7%	—	81.1%
Distribution expenses	(142,796)	(15,768)	(2,236)	(19,421)	(180,221)
Marketing expenses	(16,671)	(5,937)	(90)	(21,960)	(44,658)
General and administrative expenses	(1,822)	(303)	—	(36,254)	(38,379)
Goodwill amortization and impairment	—	—	—	—	—
Other (losses)/gains – net	118	(4)	—	(84)	30
Operating profit	95,671	51,951	3,233	(77,719)	73,136
% of sales	32.6%	49.1%	20.2%		17.6%

	Year ended 31 March				
	2009				
	Sell-Out	Sell-In	B to B	Other reconciling items	Total
	In thousands of Euros				
Sales	384,406	132,561	20,368	—	537,335
In %	71.5%	24.7%	3.8%	—	100.0%
Gross profit	336,953	88,998	5,834	—	431,785
% of sales	87.7%	67.1%	28.6%	—	80.4%
Distribution expenses	(190,972)	(24,086)	(2,638)	(22,210)	(239,906)
Marketing expenses	(24,984)	(7,231)	(100)	(27,119)	(59,434)
General and administrative expenses	(2,192)	(2,551)	—	(46,060)	(50,803)
Direct costs related to the projected IPO – net	—	—	—	(1,996)	(1,996)
Goodwill amortization and impairment	—	—	—	—	—
Other (losses)/gains – net	227	79	—	538	844
Operating profit	119,032	55,209	3,096	(96,847)	80,490
% of sales	31.0%	41.6%	15.2%		15.0%

	Nine months ended 31 December				
	2008 (unaudited)				
	Sell-Out	Sell-In	B to B	Other reconciling items	Total
	In thousands of Euros				
Sales	285,776	101,515	15,809	—	403,100
In %	70.9%	25.2%	3.9%	—	100.0%
Gross profit	249,930	67,393	4,627	—	321,950
% of sales	87.5%	66.4%	29.3%	—	79.9%
Distribution expenses	(139,665)	(18,027)	(2,050)	(16,739)	(176,481)
Marketing expenses	(20,216)	(5,557)	(70)	(22,238)	(48,081)
General and administrative expenses	(1,694)	(1,939)	—	(32,855)	(36,488)
Direct costs related to the projected IPO	—	—	—	(1,996)	(1,996)
Goodwill amortization and impairment	—	—	—	—	—
Other (losses)/gains – net	346	(10)	—	401	737
Operating profit	88,701	41,860	2,507	(73,427)	59,641
% of sales	31.0%	41.2%	15.9%		14.8%

	Nine months ended 31 December				
	2009				
	Sell-Out	Sell-In	B to B	Other reconciling items	Total
	In thousands of Euros				
Sales	339,935	107,087	15,672	—	462,694
In %	73.5%	23.1%	3.4%	—	100.0%
Gross profit	297,789	72,520	4,759	—	375,068
% of sales	87.6%	67.7%	30.4%	—	81.1%
Distribution expenses	(158,400)	(16,461)	(1,702)	(21,084)	(197,647)
Marketing expenses	(22,306)	(4,086)	(37)	(18,021)	(44,450)
General and administrative expenses	(1,295)	—	—	(39,687)	(40,982)
Direct costs related to the projected IPO	—	—	—	—	—
Goodwill amortization and impairment	—	—	—	—	—
Other (losses)/gains – net	1,345	(4)	—	411	1,752
Operating profit	117,133	51,969	3,020	(78,381)	93,741
% of sales	34.5%	48.5%	19.3%		20.3%

There are no significant inter-segment transfers or transactions.

5.2. Geographic areas

(a) *Sales*

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

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

	Year ended 31 March					
	2007		2008		2009	
	Total	In %	Total	In %	Total	In %
	In thousands of Euros					
Japan	50,403	15.0%	78,676	19.0%	127,470	23.7%
United States	89,046	26.6%	89,928	21.7%	90,872	16.9%
France	46,313	13.8%	53,781	13.0%	77,136	14.4%
Hong-Kong	24,360	7.3%	35,552	8.6%	43,312	8.1%
United Kingdom	21,479	6.4%	26,406	6.4%	26,004	4.8%
Luxembourg	19,728	5.9%	27,159	6.5%	24,231	4.5%
Taiwan	25,254	7.5%	24,758	6.0%	24,163	4.5%
Brazil	11,118	3.3%	14,332	3.5%	19,282	3.6%
Other countries	47,248	14.1%	64,373	15.5%	104,865	19.5%
Sales	334,949	100%	414,965	100%	537,335	100%

	Nine months ended 31 December			
	2008		2009	
	(unaudited)			
	Total	In %	Total	In %
	In thousands of Euros			
Japan	87,243	21.6%	107,190	23.2%
United States	71,189	17.7%	70,580	15.3%
France	58,986	14.6%	61,592	13.3%
Hong-Kong	32,176	8.0%	36,190	7.8%
United Kingdom	21,012	5.2%	24,621	5.3%
Luxembourg	19,345	4.8%	20,910	4.5%
Taiwan	19,017	4.7%	19,526	4.2%
Brazil	15,418	3.8%	19,994	4.3%
Other countries	78,714	19.5%	102,091	22.1%
Sales	403,100	100.0%	462,694	100.0%

(b) *Assets*

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

	As at 31 March 2007			As at 31 March 2008		
	Property, Plant and Equipment	Goodwill	Intangible assets	Property, Plant and Equipment	Goodwill	Intangible assets
	In thousand of Euros					
Luxembourg	242	—	204	922	—	121
France	20,233	125	7,449	24,014	125	7,727
United States	14,030	5,386	701	11,686	4,278	301
United Kingdom	2,910	1,847	237	2,981	1,543	133
Japan	2,423	17,416	487	2,818	16,525	611
Hong-Kong	668	2,336	—	948	1,861	—
Brazil	991	1,047	963	1,270	1,041	1,040
Spain	773	880	2,016	545	880	1,775
Mexico	148	—	1,089	418	—	1,877
Russia	—	—	—	398	6,449	24
Taiwan	765	1,508	35	645	1,396	139
Other countries	3,845	1,204	3,283	5,084	1,236	4,881
Total	47,028	31,749	16,464	51,729	35,334	18,629

	As at 2009					
	31 March			31 December		
	Property, Plant and Equipment	Goodwill	Intangible assets	Property, Plant and Equipment	Goodwill	Intangible assets
	In thousand of Euros					
Luxembourg	258	—	1,790	392	—	2,168
France	32,452	36,056	23,009	32,334	36,056	24,539
United States	10,585	5,083	224	8,899	4,695	168
United Kingdom	2,865	1,319	57	3,792	1,383	32
Japan	6,089	19,787	617	5,540	19,490	532
Hong-Kong	1,629	2,221	—	1,580	2,050	—
Brazil	1,716	939	1,305	2,379	3,939	2,070
Spain	1,018	880	2,694	1,053	880	2,423
Mexico	839	—	2,105	889	—	2,234
Russia	1,547	5,315	44	2,228	5,429	176
Taiwan	665	1,505	104	503	1,476	84
Other countries	9,687	5,405	5,465	11,967	8,079	5,402
Total	69,350	78,510	37,414	71,556	83,477	39,828

6. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE

6.1. For the year ended 31 March 2007

L'Occitane Airport LLC
In early fiscal year 2007, a new subsidiary, L'Occitane Airport LLC, was created in order to distribute L'Occitane products in the Fort Worth airport of Dallas, USA. L'Occitane Airport LLC is held 65% by the Group.

L'Occitane Japan K.K.
On 29 September 2006, during the Annual General Meeting, the Company has authorized the issuance of 465,023 new shares in return of the contributions to the Group by the minority shareholders of their shares in the subsidiary L'Occitane Japan K.K. for 40% of the capital. After the exchange, L'Occitane Japan K.K is now 100% held by the Group.

The shares issued in exchange of the minority shareholdings were estimated at market value. The market value was based on several approaches:

- method of discounted cash flows;
- method of the multiple which consisted of comparing the Group with comparable listed companies operating in the same business or having a similar scheme of distribution network;
- method which consisted of comparing the Group with the last transactions on the capital of other companies operating in the same business.

L'Occitane China Ltd
On 20 June 2006, a new intermediary holding subsidiary, L'Occitane China, was created in order to own the shares of the subsidiary L'Occitane Trading Shanghai (Co) Ltd. L'Occitane China is held at 51% by the Group. This restructuring resulted in the reduction of minority interests by €524,000.

L'Occitane Mexico
On 13 October 2006, a new subsidiary, L'Occitane Mexico, was created in order to distribute L'Occitane products in Mexico. L'Occitane Mexico is held at 50.1 % by the Group. On 1 November 2006, the Group then entered through L'Occitane Mexico into an asset deal to acquire, from an external agent, assets and liabilities related to retail and wholesale activities in Mexico. The objective of this acquisition was to strengthen the Group's position in this market. The purchase consideration had amounted to €1,752,000. The acquired business had contributed revenues of €732,000 and net loss of €13,000 to the Group for the period from 1 November 2006 to 31 March 2007.

6.2. For the year ended 31 March 2008

L'Occitane (Macau) Limitada
On 14 June 2007, a new intermediary holding subsidiary, L'Occitane (Macau) Limitada, was created in order to distribute L'Occitane products in Macau. L'Occitane (Macau) Limitada is held at 100 % by the Group.

L'Occitane Russia
On 18 December 2007, the Group acquired a 51% stake in a Group that was acting as an agent distributing L'Occitane products in Russia. The remaining 49% are held by Anton Lyubimov.

As at the same date, the Group obtained the right to purchase and Anton Lyubimov obtained the right to sell the remaining 49% through a call, respectively put, option giving the Group the right to acquire, at any time, respectively Anton Luybimov to sell these shares, during the option period. The option period means any three month period starting on 1 January and ending 31 March of every year, but not before the 1 January 2011. The valuation of exercise price will be based on a mutually agreed price or at a market value determined by an expert.

In accordance with IAS 32, a liability was recognized for the put option. The liability was measured at the present value of the redemption amount (note 6.6). As the put option was written as part of a business combination when control over the subsidiary was acquired, no minority interest was recognized in respect of the shares subject to the put option and the goodwill arising on the business combination included the goodwill related to the shares subject to the put option.

The objective of this acquisition was to strengthen the Group's position in this market. The purchase consideration for the 51% stake had amounted to €4,131,000. The acquired business had contributed revenues of €3,825,000 and net profit of €432,000 to the Group for the period from the acquisition date to 31 March 2008.

6.3. For the year ended 31 March 2009

(a) *Business combinations and acquisitions of minority interests*

M&A Développement (France)
On 5 June 2008, the Group signed a share purchase agreement for the purchase of 85% of M&A Développement (M&A) for a purchase price of €46,750,000. The remaining 15% were held by Bernard Chevilliat. M&A is the holding company which holds 100% of its following subsidiaries: M&A Santé Beauté, Melvita and Ardecosm. M&A Group is located in Lagorce (Ardèche — South of France) and is specialized in manufacturing and the distribution of organic cosmetic and hygiene products under the brand Melvita.

As at the same date, the Group obtained the right to purchase and Bernard Chevilliat obtained the right to sell the remaining 15% through a call, respectively put, option giving the Group the right to acquire, at any time, respectively Bernard Chevilliat to sell these shares, during the option period or when certain triggering events occurred. The option period was the period starting from 6 June 2013. The valuation of option shares was based on a formula deemed to approximate the fair value of the shares at the date of transaction. Depending upon certain triggering events, the valuation can be adjusted downward.

In accordance with IAS 32, a liability was recognized for the put option. The liability was measured at the present value of the redemption amount (note 6.6). As the put option was written as part of a business combination when control over the subsidiary was acquired, no minority interest was recognized in respect of the shares subject to the put option and the goodwill arising on the business combination included the goodwill related to the shares subject to the put option.

Following an agreement with the minority shareholder dated 21 November 2008, L'Occitane Groupe S.A., the parent company, has authorized on 30 March 2009, the issuance of 183,433 new shares in return of the contribution to the parent company by the minority shareholder Bernard Chevilliat of his shares in the company M&A Développement (M&A) for 15% of the capital. The shares issued by the parent company in exchange of the minority shareholdings were estimated at market value (€4,516,000). The market value was based on method of the multiple which consisted of comparing the Group with comparable listed companies operating in the same business or having a similar scheme of distribution network. These 15% of the shares in the company M&A Développement (M&A) were sold for an amount of €4,516,000 by the parent company to L'Occitane S.A., a 100% subsidiary of the Group (note 19.4). After the exchange, M&A Développement (M&A) is now 100% held by the Group.

After the acquisition of the 15% remaining shares, the goodwill was adjusted downward for an amount of €3,930,000 to reflect the final consideration.

The acquired business had contributed revenues of €19,101,000 and net profit of €1,351,000 to the Group for the period from the acquisition date to 31 March 2009.

L'Occitane (China) limited
On 5 December 2008, L'Occitane (Far East) Limited finalised the acquisition of 49% of the issued share capital of L'Occitane (China) limited from LS Holding Company Ltd, the minority shareholder. These shares were paid through €684,000 in cash and 92,469 of the L'Occitane Groupe S.A.'s treasury shares. The treasury shares of the parent company were valued at market value (€2,271,000). The market value was based on method of the multiple which consisted of comparing the Group with comparable listed companies operating in the same business or having a similar scheme of distribution network. Because the minority interests have been partly paid by the parent to the vendor, this transaction resulted in the increase of the financing from parent for the same amount of €2,271,000.

After this transaction, L'Occitane (China) Limited is now 100% held by the Group.

As indicated in note 19.4, on 2 November 2009 LS Holding Company Ltd has released and discharged the Group from the obligation to repay a loan amounting to €686,000. This has been recorded as an adjustment to the consideration to purchase the minority interests and the goodwill was adjusted downward accordingly (note 8.1).

Urban Design Sp.z.o.o (Poland)
On 7 July 2008, the Group acquired 100% of the issued share capital of Urban Design Sp.z.o.o (renamed L'Occitane Polska Sp.z.o.o.) for a total consideration of €1,773,000. L'Occitane Polska Sp.z.o.o is located in Warsaw, Poland and is specialized in the distribution of L'Occitane products in the territory of Poland.

The acquired business had contributed revenues of €1,495,000 and net loss of €94,000 to the Group for the period from the acquisition date to 31 March 2009.

L'Occitane (Thailand) Limited
Following various arrangements signed in April and May 2008, the Group acquired 49% of the business conducted by its agent distributing L'Occitane products in Thailand through the newly constituted subsidiary L'Occitane (Thailand) Limited. The transfer of risks and rewards was effective on 30 June 2008. The objective of this acquisition was to strengthen the Group's position in this market. The purchase consideration for the transfer of 49% of the business had amounted to €409,000. The inventories and fixed assets necessary to run the business were acquired separately for €1,475,000. The remaining 51% in L'Occitane (Thailand) Limited are held by Harald Link and Nunthinee Sudhirak. In accordance with these arrangements, the Group controls L'Occitane (Thailand) Limited.

As part of these arrangements, Harald Link and Nunthinee Sudhirak obtained the right to sell the remaining 51% through a put option during the option period which starts three years after the completion of these arrangements. The valuation of exercise price will be based on a mutually agreed price.

In accordance with IAS 32, a liability was recognized for the put option. The liability was measured at the present value of the redemption amount (note 6.4). As the put option was written as part of a business combination when control over the subsidiary was acquired, no minority interest was recognized in respect of the shares subject to the put option and the goodwill arising on the business combination included the goodwill related to the shares subject to the put option.

The acquired business had contributed revenues of €3,551,000 and net loss of €119,000 to the Group for the period from the acquisition date to 31 March 2009.

(b) *Disposals*

Oliviers & Co Importaçao Ltda
On 31 March 2009, the Group disposed its investment in Oliviers & Co Importaçao Ltda for an amount of €114,000 and recorded a gain amounting to €46,000.

The disposed business had contributed revenues of €235,000 and net profit of €(15,000) to the Group for the year ended 31 March 2009.

6.4. For the nine months ended 31 December 2009

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

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

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

The acquired business had contributed revenues of €4,188,000 and net profit of €281,000 to the Group for the period from the acquisition date to 31 December 2009.

6.5. Cash used in acquisitions and fair value of the net assets acquired

For the year ended 31 March 2007
The cash used in acquisitions made during the year ended 31 March 2007 can be analyzed as follows:

	On 31 March 2007			
	L'Occitane Mexico SA de CV (Mexico)	L'Occitane Australia PTY LTD (Australia)	L'Occitane Japan	Total
	In thousands of Euros			
Cash payments	1,752	73	—	1,825
Direct costs relating to the acquisitions	—	—	—	—
Cash acquired	—	—	—	—
Purchase of activities net of cash acquired	1,752	73	—	1,825
Fair value of the Company's shares issued	—	—	19,251	19,251
Acquisition costs net of cash acquired	1,752	73	19,251	21,076
Property, plant and equipment (note 7)	118	—	—	118
Key moneys (note 9)	1,198	—	—	1,198
Trademarks (note 9)	—	—	—	—
Contractual customer relationship (note 9)	—	—	—	—
Other non-current assets	—	—	—	—
Goodwill (note 8)	—	82	17,124	17,206
Deferred tax assets	—	—	—	—
Inventories	436	—	—	436
Trade receivables and other current assets	—	—	—	—
Trade payables and other current liabilities	—	—	772	772
Deferred tax liabilities	—	—	—	—
Changes in minority interest	—	(9)	1,355	1,346
Fair value of net assets acquired	1,752	73	19,251	21,076

The excess of the acquisition costs over the share of the fair value at the acquisition date of the acquiree's assets, liabilities and contingent liabilities is recorded to goodwill. The main differences between the fair value of assets and liabilities and the corresponding acquiree's carrying amount is related mainly to key moneys for €1,198,000 as the acquired business in Mexico mainly operates through owned stores.

The goodwill related mainly to the purchase of the minority shares in L'Occitane Japan K.K.

For the year ended 31 March 2008

The cash used in acquisitions made during the year ended 31 March 2008 can be analyzed as follows:

	On 31 March 2008	
	L'Occitane Russia	**Total**
	In thousands of Euros	
Cash payments	4,131	4,131
Direct costs relating to the acquisitions	—	—
Cash acquired	(1,224)	(1,224)
Purchase of activities net of cash acquired	2,907	2,907
Fair value of the Company's shares issued	—	—
Acquisition costs net of cash acquired	2,907	2,907
Acquisition of minority shareholdings (option rights: note 6.6)	3,969	3,969
Total acquisition costs including options	6,876	6,876
Property, plant and equipment (note 7)	295	295
Key moneys (note 9)	—	—
Trademarks (note 9)	—	—
Contractual customer relationship (note 9)	—	—
Other non-current assets	—	—
Goodwill (note 8)	6,651	6,651
Deferred tax assets (note 27.3)	69	69
Inventories	1,419	1,419
Trade receivables and other current assets	1,079	1,079
Trade payables and other current liabilities	(2,637)	(2,637)
Deferred tax liabilities (note 27.3)	—	—
Changes in minority interest	—	—
Fair value of net assets acquired	6,876	6,876

The excess of the acquisition costs over the share of the fair value at the acquisition date of the acquiree's assets, liabilities and contingent liabilities is recorded to goodwill. The goodwill related to L'Occitane Russia was attributable to the increased profitability linked to the margins previously earned by the agent and also to the fact that the access of the Group to this market will be facilitated.

For the year ended 31 March 2009

The cash used in acquisitions made during the year ended 31 March 2009 can be analyzed as follows:

	On 31 March 2009				
	M&A Développement	**L'Occitane (China) limited**	**L'Occitane Polska (Poland)**	**L'Occitane (Thailand) Limited**	**Total**
	In thousands of Euros				
Cash payments	46,750	684	1,773	1,884	51,091
Direct costs relating to the acquisitions	116	—	—	—	116
Fair value of the parent company's shares issued and related debt to parent	4,516	2,271	—	—	6,787
Cash acquired	(804)	—	(172)	—	(976)
Purchase of activities net of cash acquired	50,578	2,955	1,601	1,884	57,018
Unwinding of discount of the put option (note 6.6)	(196)	—	—	—	(196)
Acquisition costs net of cash acquired	50,382	2,955	1,601	1,884	56,822
Acquisition of minority shareholdings (option rights: note 6.6)	—	—	—	777	777
Total acquisition costs including options	50,382	2,955	1,601	2,661	57,599
Property, plant and equipment (note 7)	2,607	—	312	268	3,187
Key moneys (note 9)	255	—	—	—	255
Trademarks (note 9)	14,717	—	—	—	14,717
Contractual customer relationship (note 9)	334	—	—	—	334
Other non-current assets	134	—	98	—	232
Goodwill (note 8)	35,931	2,017	1,300	1,186	40,434
Deferred tax assets (note 27.3)	209	—	—	—	209
Inventories	5,553	—	203	1,207	6,963
Trade receivables and other current assets	6,891	—	81	—	6,972
Borrowings	(3,241)	—	—	—	(3,241)
Trade payables and other current liabilities	(7,093)	—	(393)	—	(7,486)
Other non current liabilities (note 20.1)	(270)	—	—	—	(270)
Deferred tax liabilities (note 27.3)	(5,645)	—	—	—	(5,645)
Changes in minority interest	—	938	—	—	938
Fair value of net assets acquired	50,382	2,955	1,601	2,661	57,599

The excess of the acquisition cost over the share of the fair value at the acquisition date of the acquiree's assets, liabilities and contingent liabilities is recorded to goodwill. The main differences between the fair value of assets and liabilities and the corresponding acquiree's carrying amount are related to the trademarks and the key moneys and to the related deferred tax liabilities.

The goodwill related to M&A was attributable to the fact that it will accelerate and facilitate the access of the Group to the organic cosmetic and hygiene markets. A portion of the goodwill is also attributable to synergies with the Group.

The goodwill related to L'Occitane (China) Limited related to the purchase of the minority shares in this subsidiary.

The goodwill related to L'Occitane (Thailand) Limited and L'Occitane Polska Sp.z.o.o (Poland) was attributable to the increased profitability linked to the margins previously earned by the agent and also to the fact that the access of the Group to these geographical markets will be facilitated.

For the nine months ended 31 December 2009
The cash used in acquisitions made during the nine months ended 31 December 2009 can be analyzed as follows:

	On 31 December 2009		
	L'Occitane Canada	**L'Occitane do Brazil**	**Total**
	In thousands of Euros		
Cash payments	4,684	2,701	7,385
Direct costs relating to the acquisitions	107	—	107
Cash acquired	(218)	—	(218)
Purchase of activities net of cash acquired	4,573	2,701	7,274
Fair value of the Company's shares issued	—	—	—
Acquisition costs net of cash acquired	4,573	2,701	7,274
Property, plant and equipment (note 7)	555	—	555
Key moneys (note 9)	—	—	—
Trademarks (note 9)	—	—	—
Contractual customer relationship (note 9)	—	—	—
Other non-current assets	—	(263)	(263)
Goodwill (note 8)	3,171	2,719	5,890
Deferred tax assets (note 27.3)	327	—	327
Inventories	507	—	507
Trade receivables and other current assets	155	—	155
Trade payables and other current liabilities	(142)	—	(142)
Deferred tax liabilities (note 27.3)	—	—	—
Changes in minority interest	—	245	245
Fair value of net assets acquired	4,573	2,701	7,274

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

The goodwill for L'Occitane do Brazil is related to the purchase of minority interests.

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

6.6. Other financial liabilities

For the year ended 31 March 2009

The following put options have been granted by the Group to the minority shareholders:

	31 March 2008	Grant of puttable instruments	Unwinding of discount (note 25)	Change in estimates in the valuation of the exercise price	Exercise of the option/ purchase of minority interests	31 March 2009
	In thousands of Euros					
Anton Luybimov (L'Occitane Russia)	3,969	—	370	—	—	4,339
Bernard Chevilliat (M&A Développement)	—	8,250	196	(3,930)	(4,516)	—
Harald Link and Nunthinee Sudhirak (L'Occitane Thailand)	—	777	29	—	—	806
Total put options	3,969	9,027	595	(3,930)	(4,516)	5,145

The unwinding of discount is recognised as finance costs in the statement of income (note 25).

For the nine months ended 31 December 2009

The following put options have been granted by the Group to the minority shareholders:

	31 March 2009	Grant of puttable instruments	Unwinding of discount (note 25)	Change in estimates in the valuation of the exercise price	Exercise of the option/ purchase of minority interests	31 December 2009
	In thousands of Euros					
Anton Luybimov (L'Occitane Russia)	4,339	—	235	—	—	4,574
Harald Link and Nunthinee Sudhirak (L'Occitane Thailand)	806	—	34	—	—	840
Total put options	5,145	—	269	—	—	5,414

7. PROPERTY, PLANT AND EQUIPMENT, NET

7.1. Year ended 31 March 2007

As of 31 March 2007, property, plant and equipment, net can be analyzed as follows:

	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
	In thousands of Euros							
Cost as of 1 April 2006	1,069	12,227	10,731	6,067	40,186	8,737	1,053	80,070
Additions	138	2,955	1,750	1,631	9,244	1,711	725	18,154
Disposals	—	(17)	(516)	(47)	(1,016)	(327)	—	(1,923)
Acquisition of subsidiaries	—	—	—	1	117	—	—	118
Other movements	—	(6)	24	355	292	(654)	(469)	(458)
Exchange differences	—	(111)	(166)	(44)	(2,580)	(535)	(24)	(3,460)
Cost as of 31 March 2007	1,207	15,048	11,823	7,963	46,243	8,932	1,285	92,501
Accumulated depreciation as of 1 April 2006	—	(2,527)	(6,580)	(3,279)	(17,910)	(5,323)	—	(35,619)
Depreciation	—	(916)	(1,741)	(1,458)	(7,889)	(1,401)	—	(13,405)
Impairment loss	—	—	—	—	(136)	—	—	(136)
Reversal of impairment loss	—	—	—	28	282	—	—	310
Disposals	—	—	442	18	782	248	—	1,490
Other movements	—	6	(56)	12	(82)	317	—	197
Exchange differences	—	42	101	34	1,190	323	—	1,690
Accumulated depreciation as of 31 March 2007	—	(3,395)	(7,834)	(4,645)	(23,763)	(5,836)	—	(45,473)
Net book value as of 31 March 2007	1,207	11,653	3,989	3,318	22,480	3,096	1,285	47,028
Including assets under finance leases:								
Property, plant & equipment, gross	1,069	10,212	2,737	—	—	680	—	14,698
Accumulated depreciation	—	(2,392)	(2,044)	—	—	(680)	—	(5,116)
Net book value under finance leases as of 31 March 2007	1,069	7,820	693	—	—	—	—	9,582

Main additions during the year relate to land and building for the new logistical center for €3,093,000, leasehold improvements for the new stores for €9,244,000 and other tangible assets related to the stores for €1,711,000.

There was no new acquisition under finance lease.

7.2. Year ended 31 March 2008

As of 31 March 2008, property, plant and equipment, net can be analyzed as follows:

	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
	In thousands of Euros							
Cost as of 1 April 2007	1,207	15,048	11,823	7,963	46,243	8,932	1,285	92,501
Additions	120	375	2,423	3,761	9,945	1,416	3,540	21,580
Disposals	—	—	(24)	(229)	(924)	(123)	—	(1,300)
Acquisition of subsidiaries	—	—	—	—	290	—	5	295
Other movements	—	787	155	565	(396)	413	(1,629)	(105)
Exchange differences	—	(271)	(316)	(317)	(5,238)	(985)	(117)	(7,244)
Cost as of 31 March 2008	1,327	15,939	14,061	11,743	49,920	9,653	3,084	105,727
Accumulated depreciation as of 1 April 2007	—	(3,395)	(7,834)	(4,645)	(23,763)	(5,836)	—	(45,473)
Depreciation	—	(1,061)	(1,887)	(1,741)	(7,353)	(1,644)	—	(13,686)
Impairment loss	—	—	—	—	(199)	—	—	(199)
Reversal of impairment loss	—	—	—	—	45	—	—	45
Disposals	—	—	21	186	794	74	—	1,075
Other movements	—	—	—	(105)	202	(32)	—	65
Exchange differences	—	131	235	204	2,889	716	—	4,175
Accumulated depreciation as of 31 March 2008	—	(4,325)	(9,465)	(6,101)	(27,385)	(6,722)	—	(53,998)
Net book value as of 31 March 2008	1,327	11,614	4,596	5,642	22,535	2,931	3,084	51,729
Including assets under finance leases:								
Property, plant & equipment, gross	1,069	10,212	2,737	—	—	680	—	14,698
Accumulated depreciation	—	(2,979)	(2,362)	—	—	(680)	—	(6,021)
Net book value under finance leases as of 31 March 2008	1,069	7,233	375	—	—	—	—	8,677

Main additions during the year related to leasehold improvements for the stores, the new logistical center in Manosque and the renovation of the Paris office.

There is no new acquisition under finance lease.

7.3. Year ended 31 March 2009

As of 31 March 2009, property, plant and equipment, net can be analyzed as follows:

	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
				In thousands of Euros				
Cost as of 1 April 2008	1,327	15,939	14,061	11,743	49,920	9,653	3,084	105,727
Additions	—	161	2,990	4,141	15,734	4,566	4,352	31,944
Disposals	—	(91)	(208)	(1,139)	(4,136)	(778)	—	(6,352)
Acquisition of subsidiaries	31	686	950	679	215	328	298	3,187
Other movements	—	1,220	260	1,036	1,202	192	(3,962)	(52)
Exchange differences	—	172	290	(40)	4,253	616	82	5,373
Cost as of 31 March 2009	1,358	18,087	18,343	16,420	67,188	14,577	3,854	139,827
Accumulated depreciation as of 1 April 2008	—	(4,325)	(9,465)	(6,101)	(27,385)	(6,722)	—	(53,998)
Depreciation	—	(1,224)	(2,214)	(2,489)	(10,473)	(2,016)	—	(18,416)
Impairment loss	—	—	—	—	(428)	—	—	(428)
Reversal of impairment loss	—	—	—	—	69	—	—	69
Disposals	—	81	197	1,092	3,579	991	—	5,940
Other movements	—	(8)	—	97	—	(117)	—	(25)
Exchange differences	—	(109)	(250)	4	(2,663)	(598)	—	(3,616)
Accumulated depreciation as of 31 March 2009	—	(5,585)	(11,732)	(7,397)	(37,301)	(8,462)	—	(70,477)
Net book value as of 31 March 2009	1,358	12,502	6,611	9,023	29,887	6,115	3,854	69,350
Including assets under finance leases:								
Property, plant & equipment, gross	1,100	10,893	2,737	—	—	682	—	15,412
Accumulated depreciation	—	(3,605)	(2,592)	—	—	(682)	—	(6,879)
Net book value under finance leases as of 31 March 2009	1,100	7,288	145	—	—	—	—	8,533

Main additions during the year related to leasehold improvements for the opening of 155 stores, the finalisation of the renovation of the Paris office and new offices in Manosque.

The additions in Other tangible assets related to the stores include the costs for dismantling and restoring that are recorded at the inception of the lease and that amount to €1,357,000. This component is subsequently depreciated over the lease term (note 2.18 and 20.3). Excluding these non-cash costs, total additions amount to €30,587,000.

The increase in finance leases is related to the acquisition of land and buildings.

Land is located in France.

7.4. Nine months ended 31 December 2009

As of 31 December 2009, property, plant and equipment, net can be analyzed as follows:

	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
	In thousands of Euros							
Cost as of 1 April 2009	1,358	18,087	18,343	16,420	67,188	14,577	3,854	139,827
Additions	—	261	1,931	2,210	6,632	2,224	3,561	16,819
Disposals	—	—	(624)	(355)	(1,386)	(372)	(150)	(2,887)
Acquisition of subsidiaries	—	—	102	453	—	—	—	555
Other movements	—	(1,890)	173	4,714	1,549	(959)	(3,101)	486
Exchange differences	—	(71)	(73)	366	(1,310)	(112)	15	(1,185)
Cost as of 31 December 2009	1,358	16,387	19,852	23,808	72,673	15,358	4,179	153,615
Accumulated depreciation as of 1 April 2009	—	(5,585)	(11,732)	(7,397)	(37,301)	(8,462)	—	(70,477)
Depreciation	—	(634)	(1,878)	(2,752)	(7,754)	(1,450)	—	(14,468)
Impairment loss	—	—	—	—	(220)	—	—	(220)
Reversal of impairment loss	—	—	—	—	184	—	—	184
Disposals	—	—	503	312	1,178	332	—	2,325
Other movements	—	1,340	(412)	(2,532)	(713)	1,624	—	(693)
Exchange differences	—	60	101	(102)	1,023	208	—	1,290
Accumulated depreciation as of 31 December 2009	—	(4,819)	(13,418)	(12,471)	(43,603)	(7,748)	—	(82,059)
Net book value as of 31 December 2009	1,358	11,568	6,434	11,337	29,070	7,610	4,179	71,556
Including assets under finance leases:								
Property, plant & equipment, gross	1,100	10,893	2,737	—	—	682	—	15,412
Accumulated depreciation	—	(3,895)	(2,672)	—	—	(682)	—	(7,249)
Net book value under finance leases as of 31 December 2009	1,100	6,998	65	—	—	—	—	8,163

Main additions during the period related to leasehold improvements for the opening of 91 stores.

The additions in Other tangible assets related to the stores include the costs for dismantling and restoring that are recorded at the inception of the lease and that amount to €121,000. This component is subsequently depreciated over the lease term (note 2.18 and 20.3). Excluding these non-cash costs, total additions amount to €16,698,000.

The tangible assets in progress are mainly related to the refurbishment of the plant's store, the furniture related to stores that are not yet opened and to the extension of the plant in Lagorce.

7.5. 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 income statements as follows:

	Year ended 31 March			Nine months ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Cost of goods sold	1,535	1,740	2,353	1,726	1,993
Distribution expenses	10,112	10,265	13,893	10,039	10,918
General and administrative expenses	1,758	1,681	2,170	1,435	1,557
Depreciation expenses	13,405	13,686	18,416	13,200	14,468

7.6. Impairment tests for property, plant and equipment

	As at 31 March			As at 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Accumulated impairment at the beginning of the period	(930)	(602)	(641)	(641)	(1,141)
Impairment loss	(136)	(199)	(428)	(421)	(220)
Reversal of impairment loss	310	45	69	67	184
Disposals	94	—	—	—	50
Exchange differences	60	115	(141)	(126)	(52)
Accumulated impairment at end of the period	(602)	(641)	(1,141)	(1,121)	(1,179)

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 €136,000, €199,000, €428,000, €421,000 and €220,000 for each of the years ended 31 March 2007, 2008 and 2009 and the nine months ended 31 December 2008 and 2009, respectively, has been recorded within the distribution expenses to adjust the carrying amount of certain assets.

A reversal of impairment loss amounting to €310,000, €45,000, €69,000, €67,000 and €184,000 for each of the years ended 31 March 2007, 2008 and 2009 and the nine months ended 31 December 2008 and 2009, respectively, has been recorded within the distribution expenses. No impairment loss has been recorded in the general and administrative expenses.

8. GOODWILL

Goodwill variation analysis is as follows:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Cost at the beginning of the period	14,645	31,749	35,334	78,510
Acquisition of new companies and of additional shareholdings (see note 6.5)	17,206	6,651	40,434	5,890
Adjustment to the purchase consideration	—	—	—	(686)
Exchange differences	(102)	(3,066)	2,742	(237)
Cost at the end of the period	31,749	35,334	78,510	83,477
Accumulated impairment at the beginning of the period	—	—	—	—
Impairment loss	—	—	—	—
Exchange differences	—	—	—	—
Accumulated impairment at the end of the period	—	—	—	—

8.1. Year ended 31 March 2007

As of 31 March 2007, the breakdown of the Group's goodwill by country of origin was detailed as follows:

	Net book value on 1 April 2006	Acquisitions of subsidiaries or of additional shareholdings	Exchange differences	Net book value on 31 March 2007
Geographic areas	In thousands of Euros			
France	125	—	—	125
United States	5,386	—	—	5,386
United Kingdom	1,847	—	—	1,847
Japan	307	17,124	(10)	17,421
Hong Kong	2,336	—	—	2,336
Taiwan	1,556	—	(48)	1,508
Brazil	1,086	—	(44)	1,042
Spain	880	—	—	880
Australia	669	82	—	751
Belgium	323	—	—	323
Germany	130	—	—	130
TOTAL	14,645	17,206	(102)	31,749

8.2. Year ended 31 March 2008

As of 31 March 2008, the breakdown of the Group's goodwill by country of origin was detailed as follows:

Geographic areas	Net book value on 1 April 2007	Acquisitions of subsidiaries or of additional shareholdings	Exchange differences	Net book value on 31 March 2008
	In thousands of Euros			
France	125	—	—	125
United States	5,386	—	(1,108)	4,278
United Kingdom	1,847	—	(305)	1,542
Japan	17,421	—	(896)	16,525
Hong Kong	2,336	—	(475)	1,861
Taiwan	1,508	—	(112)	1,396
Brazil	1,042	—	(1)	1,041
Spain	880	—	—	880
Australia	751	—	33	784
Belgium	323	—	—	323
Germany	130	—	—	130
Russia	—	6,651	(202)	6,449
TOTAL	31,749	6,651	(3,066)	35,334

8.3. Year ended 31 March 2009

As of 31 March 2009, the breakdown of the Group's goodwill by country of origin was detailed as follows:

Geographic areas	Net book value on 1 April 2008	Acquisitions of subsidiaries or of additional shareholdings	Exchange differences	Net book value on 31 March 2009
	In thousands of Euros			
France	125	35,931	—	36,056
United States	4,278	—	805	5,083
United Kingdom	1,542	—	(223)	1,319
Japan	16,520	—	3,267	19,787
Hong Kong	1,861	—	360	2,221
Taiwan	1,396	—	109	1,505
Brazil	1,046	—	(107)	939
Spain	880	—	—	880
Australia	784	—	(128)	656
Belgium	323	—	—	323
Germany	130	—	—	130
Russia	6,449	—	(1,134)	5,315
Thailand	—	1,186	39	1,225
Poland	—	1,300	(371)	929
China	—	2,017	125	2,142
TOTAL	35,334	40,434	2,742	78,510

8.4. Nine months ended 31 December 2009

As of 31 December 2009, the breakdown of the Group's goodwill by country of origin is detailed as follows:

Geographic areas	Net book value on 1 April 2009	Acquisitions of subsidiaries or of additional shareholdings	Adjustment to the purchase consideration	Exchange differences	Net book value on 31 December 2009
	In thousands of Euros				
France (a)	36,056	—	—	—	36,056
Japan (b)	19,787	—	—	(297)	19,490
Russia	5,315	—	—	114	5,429
United States	5,083	—	—	(388)	4,695
Brazil	939	2,719	—	281	3,939
Canada	—	3,171	—	123	3,294
Hong Kong	2,221	—	—	(171)	2,050
Taiwan	1,505	—	—	(29)	1,476
United Kingdom	1,319	—	—	64	1,383
China (c)	2,142	—	(686)	(158)	1,298
Thailand	1,225	—	—	(51)	1,174
Poland	929	—	—	133	1,062
Spain	880	—	—	—	880
Australia	656	—	—	142	798
Belgium	323	—	—	—	323
Germany	130	—	—	—	130
TOTAL	78,510	5,890	(686)	(237)	83,477

(a) The French goodwill mostly related to Melvita acquisition is allocated to the Sell-out operating segment for an amount of €22,067,000 and to the Sell-in operating segment for an amount of €13,864,000. The key step in relation to the impairment test is the international launch of the Melvita brand which has not yet started;

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

(c) On 2 November 2009, LS Holding Company Ltd has released and discharged the Group from the obligation to repay a loan amounting to €686,000. This has been recorded as an adjustment to the consideration to purchase the minority interests (note 6.2) and the goodwill was adjusted downward accordingly.

8.5. Impairment test for goodwill

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

No impairment loss was recognized during the periods.

9. INTANGIBLE ASSETS, NET

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

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

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

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

9.1. Year ended 31 March 2007

As of 31 March 2007, intangible assets, net can be analyzed as follows:

	Website	Trademarks	Key moneys	Contractual customer relationships	Other intangible assets	Total
			In thousands of Euros			
Cost as of 1 April 2006	658	—	17,609	1,427	4,354	24,048
Additions	36	—	4,672	—	1,087	5,795
Disposals	—	—	(705)	—	(24)	(729)
Acquisition of subsidiaries	—	—	1,198	—	—	1,198
Other movements	—	—	(4)	—	267	263
Exchange differences	—	—	(199)	—	(154)	(353)
Cost as of 31 March 2007	694	—	22,571	1,427	5,530	30,222
Accumulated amortization and impairment as of 1 April 2006	(573)	—	(7,216)	(499)	(2,395)	(10,683)
Impairment loss	—	—	—	—	—	—
Reversal of impairment loss	—	—	—	—	—	—
Amortization	(74)	—	(1,969)	(285)	(1,269)	(3,597)
Disposals	—	—	378	—	22	400
Other movements	—	—	—	—	(16)	(16)
Exchange differences	—	—	62	—	76	138
Accumulated amortization and impairment as of 31 March 2007	(647)	—	(8,745)	(784)	(3,582)	(13,758)
Net book value as of 31 March 2007	47	—	13,826	643	1,948	16,464
Including assets under finance leases						
Intangible assets, gross	—	—	—	—	1,170	1,170
Accumulated amortization	—	—	—	—	(1,093)	(1,093)
Net book value under finance leases as of 31 March 2007	—	—	—	—	77	77

Additions mainly concerned key moneys for an amount of €4,672,000. Such key moneys were mainly acquired in France and Spain.

The amount of intangible assets whose title was restricted or that were pledged as security for liabilities was €4,507,000 as at 31 March 2007.

9.2. Year ended 31 March 2008

As of 31 March 2008, intangible assets, net can be analyzed as follows:

	Website	Key moneys	Contractual customer relationships	Intangible Assets in progress	Other intangible assets	Total
			In thousands of Euros			
Cost as of 1 April 2007	694	22,571	1,427	—	5,530	30,222
Additions	11	4,656	—	498	1,297	6,462
Disposals	(9)	(240)	—	—	(120)	(369)
Acquisition of subsidiaries	—	—	—	—	—	—
Other movements	—	(100)	—	153	(148)	(95)
Assets classified as held for sale	—	—	—	—	—	—
Exchange differences	—	(466)	—	—	(204)	(670)
Cost as of 31 March 2008	696	26,421	1,427	651	6,355	35,550
Accumulated amortization and impairment as of 1 April 2007	(647)	(8,745)	(784)	—	(3,582)	(13,758)
Impairment loss	—	—	—	—	(39)	(39)
Reversal of impairment loss	—	—	—	—	—	—
Amortization	(49)	(2,363)	(285)	—	(1,001)	(3,698)
Disposals	9	157	—	—	66	232
Other movements	—	35	—	—	(10)	25
Exchange differences	—	151	—	—	166	317
Accumulated amortization and impairment as of 31 March 2008	(687)	(10,765)	(1,069)	—	(4,400)	(16,921)
Net book value as of 31 March 2008	9	15,656	358	651	1,955	18,629
Including assets under finance leases						
Intangible assets, gross	—	—	—	—	1,170	1,170
Accumulated amortization	—	—	—	—	(1,170)	(1,170)
Net book value under finance leases as of 31 March 2008	—	—	—	—	—	—

Additions mainly concern key moneys for an amount of €4,656,000. Such key moneys were mainly acquired in France, Mexico and Italy.

The amount of intangible assets whose title is restricted or that are pledged as security for liabilities is €3,060,000 as at 31 March 2008.

9.3. Year ended 31 March 2009

As of 31 March 2009, intangible assets, net can be analyzed as follows:

	Website	Trademarks	Key moneys	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
	In thousands of Euros						
Cost as of 1 April 2008	696	—	26,421	1,427	651	6,355	35,550
Additions	13	—	6,612	—	700	1,148	8,473
Disposals	(22)	—	(189)	—	—	(90)	(301)
Acquisition of subsidiaries	—	14,717	255	334	—	12	15,318
Other movements	11	—	(466)	—	(512)	514	(453)
Exchange differences	—	—	(552)	—	—	290	(262)
Cost as of 31 March 2009	698	14,717	32,081	1,761	839	8,229	58,325
Accumulated amortization and impairment as of 1 April 2008	(687)	—	(10,765)	(1,069)	—	(4,400)	(16,921)
Impairment loss	—	—	—	—	—	—	—
Reversal of impairment loss	—	—	—	—	—	—	—
Amortization	(7)	—	(3,059)	(413)	—	(1,116)	(4,595)
Disposals	11	—	188	—	—	82	281
Other movements	(3)	—	326	(1)	—	63	385
Exchange differences	—	—	135	—	—	(196)	(61)
Accumulated amortization and impairment as of 31 March 2009	(686)	—	(13,175)	(1,483)	—	(5,567)	(20,911)
Net book value as of 31 March 2009	12	14,717	18,906	278	839	2,662	37,414
Including assets under finance leases							
Intangible assets, gross	—	—	—	—	—	1,170	1,170
Accumulated amortization	—	—	—	—	—	(1,170)	(1,170)
Net book value under finance leases as of 31 March 2009	—	—	—	—	—	—	—

Additions and acquisitions mainly concern:

- Trademarks acquired through the business combination with M&A Développement (M&A): Melvita, Prosun, Procarbo and Algascience. These trademarks which have an indefinite useful life are not amortized but are tested for impairment;
- Key moneys for an amount of €6,612,000. Such key moneys were mainly acquired in France, Mexico and Spain.

The amount of intangible assets whose title is restricted or that are pledged as security for liabilities is €2,087,000 as at 31 March 2009.

9.4. Nine months ended 31 December 2009

As of 31 December 2009, intangible assets, net can be analyzed as follows:

	Website	Trademarks	Key moneys	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
				In thousands of Euros			
Cost as of 1 April 2009	698	14,717	32,081	1,761	839	8,229	58,325
Additions	—	—	2,122	—	2,507	777	5,406
Disposals	—	—	(68)	—	—	(12)	(80)
Acquisition of subsidiaries	—	—	—	—	—	—	—
Other movements	—	—	33	—	(1,269)	1,480	244
Exchange differences	—	—	558	—	—	(13)	545
Cost as of 31 December 2009	698	14,717	34,726	1,761	2,077	10,461	64,440
Accumulated amortization and impairment as of 1 April 2009	(686)	—	(13,175)	(1,483)	—	(5,567)	(20,911)
Impairment loss	—	—	—	—	—	—	—
Reversal of impairment loss	—	—	75	—	—	—	75
Amortization	(12)	—	(2,386)	(161)	—	(1,104)	(3,663)
Disposals	—	—	68	—	—	7	75
Other movements	—	—	7	—	—	(19)	(12)
Exchange differences	—	—	(224)	—	—	48	(176)
Accumulated amortization and impairment as of 31 December 2009	(698)	—	(15,635)	(1,644)	—	(6,635)	(24,612)
Net book value as of 31 December 2009	—	14,717	19,091	117	2,077	3,826	39,828
Including assets under finance leases							
Intangible assets, gross	—	—	—	—	—	1,170	1,170
Accumulated amortization	—	—	—	—	—	(1,170)	(1,170)
Net book value under finance leases as of 31 December 2009	—	—	—	—	—	—	—

Additions mainly concern:

- Key moneys for an amount of €2,122,000. Such key moneys were mainly acquired in France, Mexico and Brazil;
- Intangible assets in progress for an amount of €2,507,000.

The amount of intangible assets whose title is restricted or that are pledged as security for liabilities is €1,509,000 as at 31 December 2009.

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

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

	Year ended 31 March			Nine months 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Cost of goods sold	262	14	—	—	1
Distribution expenses	2,551	3,053	3,914	2,779	2,471
General and administrative expenses	784	631	681	595	1,191
Amortization expenses	3,597	3,698	4,595	3,374	3,663

9.6. Impairment tests for intangible assets

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

	As at 31 March			As at 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Accumulated impairment at the beginning of the period	(59)	(59)	(94)	(94)	(101)
Impairment loss	—	(39)	—	—	—
Reversal of impairment loss	—	—	—	—	75
Exchange differences	—	4	(7)	(7)	(12)
Accumulated impairment at end of the period	(59)	(94)	(101)	(101)	(38)

No new impairment loss has been recorded during the periods except for €39,000 for the year ended 31 March 2008 within the distribution expenses to adjust the carrying amount of certain assets. This impairment loss is fully allocated to the Sell-Out segment.

A reversal of impairment loss amounting to €75,000 for the nine months ended 31 December 2009 has been recorded within the distribution expenses. No reversal of impairment loss has been recorded for each of the years ended 31 March 2007, 2008 and 2009.

10. INVESTMENTS IN JOINT-VENTURES

Investments in joint-ventures can be analyzed as follows:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
As of 1 April	776	1,080	—	—
Change in cash advances	418	(1,214)	—	—
Share of gain/(loss) in joint-ventures	(114)	134	—	—
Disposals	—	—	—	—
As of 31 March	1,080	—	—	—

During the year ended 31 March 2006, the Group entered into a partnership ("Les Minimes SAS") to create and manage a hotel. The share capital was 50% held by the Group and 50% held by two other partners. According to the by-laws of the partnership, no single partner was in a position to control the activity unilaterally. On 31 March 2008, the Group had sold this investment to its parent and to Reinold Geiger (one of the shareholders of L'Occitane Group S.A.) for €500,000. The resulting gain of €433,000 has been recorded within "Share of gain/(loss) in associates and joint-venture". The related cash advances have been transferred to the parent company L'Occitane Groupe S.A..

At 31 March 2007, investments in joint-ventures did not include any goodwill. Investments in joint-ventures included cash advances granted by L'Occitane International to "Les Minimes SAS", amounting to a cumulative amount of €1,214,000 (€418,000 were granted in 2007). In accordance with principles described in note 2.2, the Group's share of interests in "Les Minimes SAS" amounting to a net accumulated loss of €134,000 on 31 March 2007 was recognized against the investment and the cash advances.

11. OTHER NON-CURRENT RECEIVABLES

The other non-current receivables consist of the following:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Deposits	7,339	9,953	15,049	15,583
Key moneys paid to the landlord	—	—	1,112	1,269
Loans to employees	543	903	1,020	—
Other non-current receivables	7,882	10,856	17,181	16,852

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).

The decrease in the loans to employees is mainly explained by repayments that occurred during the period and by the fact that certain loans were assigned to LOG on 31 December 2009 for an amount of €454,000. This resulted in a corresponding change in the current account from parent (note 32.4).

The fair value of these loans to employees (based on discounted cash flows at a market rate) was not significantly different from the above nominal value.

12. DISCONTINUED OPERATIONS

The assets and liabilities related to Oliviers & Co S.A., Oliviers & Co Boutiques SARL, Oliviers & Co Sprl and Oliviers & Co. Levis (the "Discontinued Oliviers & Co. companies") were presented as held for sale at 31 March 2005 following the approval of the Group's management to sell these entities on 9 March 2005. The Discontinued Oliviers & Co. companies used to package and market a range of olive oil based foodstuffs. The completion date for the transaction was 14 April 2005. The result from disposal was adjusted during the year ended 31 March 2008, which resulted in a loss of €91,000.

13. INVENTORIES, NET

Inventories, net consist of the following items:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Raw materials and supplies	10,477	14,516	15,559	14,258
Finished goods and work in progress	34,858	47,182	68,801	58,087
Inventories, gross	45,335	61,698	84,360	72,345
Less, allowance	(3,719)	(4,453)	(6,694)	(6,451)
Inventories, net	41,616	57,245	77,666	65,894

14. TRADE RECEIVABLES, NET

Group:

Trade receivables, net consist of the following:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Trade receivables, gross	30,625	40,316	44,865	62,763
Less, allowances for doubtful accounts	(1,286)	(1,119)	(2,353)	(1,560)
Trade receivables, net	29,339	39,197	42,512	61,203

Credit risk:

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

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

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Current and past due within 3 months	28,940	38,573	41,965	60,880
3 to 6 months	674	996	1,875	454
6 to 12 months	358	63	309	552
Over 12 months	653	684	716	877
Trade receivables-gross	30,625	40,316	44,865	62,763

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

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
At beginning of the year/period	903	1,286	1,119	2,353
Provision for impairment	544	187	1,693	210
Reversal of impairment	(110)	(268)	(459)	(994)
Exchange differences	(51)	(86)	—	(9)
At end of the year/period	1,286	1,119	2,353	1,560

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:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Within 3 months	357	176	761	771
3 to 6 months	327	358	860	53
6 to 12 months	102	27	103	113
Over 12 months	500	558	629	623
Impaired receivables	1,286	1,119	2,353	1,560

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 2007, 2008 and 2009 and 31 December 2009 is as follows:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Within 3 months	3,772	5,092	4,067	7,518
3 to 6 months	347	638	1,015	401
6 to 12 months	256	36	205	439
Over 12 months	153	126	88	254
Trade receivables past due but not impaired	4,528	5,892	5,375	8,612

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.

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

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Euros	12,042	15,522	15,956	18,480
US Dollar	2,474	2,990	2,777	5,186
Sterling Pound	1,336	1,244	683	1,397
Japanese Yen	4,883	7,226	9,860	13,843
Hong Kong Dollar	3,226	6,163	5,002	5,419
Brazilian Real	1,452	1,660	2,286	6,507
Taiwan Dollar	1,510	1,297	1,464	3,030
Chinese Renminbi	657	1,621	2,164	3,087
Other currencies	1,759	1,474	2,320	4,254
Total	29,339	39,197	42,512	61,203

Company
Trade receivables, net consist of the following:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Trade receivables, gross	7,946	9,883	7,433	6,864
Less, allowances for doubtful accounts	(139)	(38)	(1,102)	(429)
Trade receivables, net	7,807	9,845	6,331	6,435

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

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

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Current and past due within 3 months	7,204	9,347	6,803	6,703
3 to 6 months	312	398	453	62
6 to 12 months	185	17	75	15
Over 12 months	245	121	102	84
Trade receivables-gross	7,946	9,883	7,433	6,864

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

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
At beginning of the year/period	(139)	(139)	(38)	(1,102)
Provision for impairment	—	—	(1,064)	—
Reversal of impairment	—	101	—	673
At end of the year/period	(139)	(38)	(1,102)	(429)

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

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

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Within 3 months	—	—	567	347
3 to 6 months	—	—	423	17
6 to 12 months	—	—	10	5
Over 12 months	139	38	102	60
Impaired receivables	139	38	1,102	429

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

The ageing analysis of trade receivables from due date that were past due but not impaired as at 31 March 2007, 2008 and 2009 and 31 December 2009 is as follows:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Within 3 months	1,629	2,374	1,036	1,980
3 to 6 months	312	398	30	45
6 to 12 months	185	17	65	10
Over 12 months	106	83	—	24
Trade receivables past due but not impaired	2,232	2,872	1,131	2,059

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 trade receivables are denominated in the following currencies:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Euros	6,676	9,215	5,912	5,802
US Dollar	1,078	555	388	549
Sterling Pound	53	75	31	84
Total	7,807	9,845	6,331	6,435

15. OTHER CURRENT ASSETS
The following table presents details of other current assets:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Value added tax receivable and other taxes and social items receivable	3,615	10,033	8,637	6,926
Prepaid expenses	4,352	5,469	7,496	8,976
Income tax receivable	—	—	5,173	4,390
Loans to employees (Note 11)	595	260	321	98
Prepaid expenses relating to structured financing bank borrowing	129	—	—	—
Other current assets	1,454	1,362	1,981	698
Total other current assets	10,145	17,124	23,608	21,088

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

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

Analysis of derivatives financial instruments

Derivative financial instruments are analyzed as follows:

	As at 31 March						As at 31 December	
	2007		2008		2009		2009	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	In thousands of Euros							
Interest rate derivatives — held for trading	—	—	39	—	—	223	—	195
Foreign exchange derivatives — held for trading	210	—	4	1,637	882	546	451	885
Sub-total derivatives at fair value through profit and loss	210	—	43	1,637	882	769	451	1,080
Interest rate derivatives — cash flow hedges	—	—	—	—	—	1,335	—	1,189
Foreign exchange derivatives — cash flow hedges	—	—	—	—	1,762	—	21	2
Sub-total derivatives designated as hedging instruments	—	—	—	—	1,762	1,335	21	1,191
Total derivatives financial instruments	210	—	43	1,637	2,644	2,104	472	2,271
Less non-current portion:								
— Interest rate derivatives — cash flow hedges	—	—	—	—	—	1,335	—	1,189
— Interest rate derivatives — held for trading	—	—	—	—	—	—	—	—
Non current portion of derivatives financial instruments	—	—	—	—	—	1,335	—	1,189
Current portion of derivatives financial instruments	210	—	43	1,637	2,644	769	472	1,082

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 equity 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:

	Year ended 31 March			Nine months ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
— within "Finance costs" for interest derivatives (note 25)	—	39	(262)	(154)	28
— within "Foreign currence gains/(losses)" for currency derivatives (note 26)	210	(1,843)	1,970	2,418	(770)
Total change in the fair value of derivatives at fair value through profit and loss : gains / (losses)	210	(1,804)	1,708	2,264	(742)

Derivatives designated as hedging instruments

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

	Year ended 31 March			Nine months ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Interest rate derivatives — cash flow hedges	—	—	(1,334)	(828)	145
Foreign exchange derivatives — cash flow hedges	—	—	1,761	1,660	(1,741)
Total change in the fair value of hedging instruments	—	—	427	832	(1,596)
Less ineffective portion:					
— Ineffective portion of interest rate derivatives	—	—	(19)	6	(7)
— Ineffective portion of foreign exchange derivatives	—	—	189	348	(310)
Ineffective portion	—	—	170	354	(317)
Effective portion	—	—	257	478	(1,279)

The effective portion of changes in the fair value of derivatives designated as hedging instruments has been recognized in comprehensive income for an amount net of tax for €0, €0, €237,000, €251,000 and (€913,000) for each of the years ended 31 March 2007, 2008 and 2009 and the nine months ended 31 December 2008 and 2009 respectively.

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

	Year ended 31 March			Nine months ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
— within "Finance costs" for interest derivatives (note 25)	—	—	(19)	6	(7)
— within "Foreign currence gains/(losses)" for currency derivatives (note 26)	—	—	189	348	(310)
Total change in the fair value of derivatives at fair value through profit and loss : gains/(losses)	—	—	170	354	(317)

Notional amounts of derivatives

(a) *Foreign exchange derivatives*

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

Currencies	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009	As at 31 December 2009
Sale of currencies				
USD	6,000	—	18,000	—
AUD	10,000	67	2,850	2,650
GBP	2,000	—	1,100	2,330
JPY	600,000	950,000	3,100,000	3,500,000
CAD	—	—	7,000	960
RUB	—	—	143,730	—
THB	—	—	40,800	40,800
MXN	—	—	—	3,000
Purchase of currencies				
USD	—	—	—	370
EUR	—	—	—	3,100
CHF	—	—	3,200	—

(b) *Interest rate derivatives*

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

Instruments	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009	As at 31 December 2009
Swap EUR	—	—	15,000	15,000
Swap USD	—	—	10,000	10,000

The fixed interest rate for the first swap for a notional amount of €15,000,000 is 4.0%. The fixed interest rate for the second swap for a notional amount of $10,000,000 is 2.995%.

Gains and losses recognized in the hedging reserve in equity on interest rate swap contracts as of 31 December 2009 will be continuously released to the statement of income until the repayment of the bank borrowings.

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

	As at 31 March			As at 31 December
Instruments	**2007**	**2008**	**2009**	**2009**
Swap	4,998	4,652	4,294	4,019

As at 31 March 2007, 2008, 2009 and 31 December 2009, the fixed interest rate for the swap is 3.7625%.

17. CASH AND CASH EQUIVALENTS

Group:
The following table presents details of cash and cash equivalents:

	As at 31 March			As at 31 December
	2007	**2008**	**2009**	**2009**
	In thousands of Euros			
Cash at bank and in hand	30,524	39,073	20,921	42,980
Cash equivalents	25,392	—	6,358	45,343
Cash and cash equivalents	55,916	39,073	27,279	88,323

Cash equivalents include highly liquid investments in money market instruments.

The effective interest rate on cash at bank and in hand is based on Eonia Index -0.10% for Euro and on Fed Funds Rate -0.10% for US dollar. The effective interest rate on cash equivalents (short-term bank deposits) is based on Eonia Index in 2007, 2008 and 2009.

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

	As at 31 March			As at 31 December
Currencies	**2007**	**2008**	**2009**	**2009**
EUR	28,824	18,081	11,438	54,314
USD	15,340	11,288	6,458	17,344
JPY	10,755	3,410	4,383	4,062
Others	997	6,294	5,000	12,603
Total	55,916	39,073	27,279	88,323

Company:
The following table presents details of cash and cash equivalents:

	As at 31 March			As at 31 December
	2007	**2008**	**2009**	**2009**
	In thousands of Euros			
Cash at bank and in hand	9,779	21,529	3,737	12,540
Cash equivalents	25,392	—	6,358	45,326
Cash and cash equivalents	35,171	21,529	10,095	57,866

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

The effective interest rate on short-term bank deposits is based on Eonia Index.

18. CAPITAL AND RESERVES

L'Occitane International S.A. is a corporation incorporated in the Grand Duchy of Luxembourg. The authorized capital of the Company is €100,000,000 as at 31 December 2009. At 31 December 2009, the Company's share capital is held by the company "L'Occitane Groupe S.A.", in a proportion of 100% (fully diluted).

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

18.1. Share capital and Additional paid-in capital

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

	Number of shares	Share capital	Share premium
	In thousands of Euros except "Number of shares"		
Issued at 1 April 2005 and 31 March 2006	13,656,492	27,065	8,772
Shares issued in connection with acquisition of minority interest (a)	465,023	922	18,329
Exercise of options (b)	1,500,676	2,974	—
Exercise of compound financial instruments, net of tax (c)	3,644,965	7,224	22,894
Balance at 31 March 2007	19,267,156	38,185	49,995
Conversion of options (d)	23,518	47	—
Balance at 31 March 2008	19,290,674	38,232	49,995
Balance at 31 December 2008	19,290,674	38,232	49,995
Balance at 31 March 2009	19,290,674	38,232	49,995
Costs directly attributable to the issue of new shares, net of tax (note 23)	—	—	(666)
Balance at 31 December 2009	19,290,674	38,232	49,329

(a) On 3 July 2006, the Board of directors of the Company decided to issue 465,023 new shares in return of the contributions to the Group by the minority shareholders of their shares in the subsidiary L'Occitane Japan K.K. for 40% of the capital. After the exchange, L'Occitane Japan K.K is 100 % held by the Group. The exchange ratio has been calculated using the same valuation method for both companies involved in the said exchange.

(b) On 28 September 2006, the Board of directors approved the exercise of 1,486,061 share options with the exercise price of €1.982, resulting in a capital increase of €2,945,373.

On 26 February 2007, the Board of directors of the Company approved the exercise of 14,615 share options with the exercise price of €1.982, resulting in a capital increase of €28,966.93.

(c) On 26 February 2007, the Board of directors of the Company decided to issue 3,644,965 new shares in consideration for the conversion of the convertible bonds subscribed by the Clarins Group (note 19.3).

(d) On 29 September 2007, the shareholders general meeting of the Company approved the exercise of 23,518 share options with the exercise price of €1.982, resulting in a capital increase of €46,612.67.

18.2. Treasury shares
There is no treasury shares held by the Group.

18.3. Share-based payments

Share-based payments from the Company (first plan)
Share options were granted before 7 November 2002 to directors and selected employees. Each option gave rise to a right to subscribe for one share of the Company at the exercise price of €1.982.

There were 1,524,194 and 23,518 share options outstanding on 31 March 2006 and 31 March 2007 respectively out of which 284,559 and 7,000 were held by members of the Company's Board. Each option was initially exercisable until 31 October 2005. However, on 22 February 2005, the exercise period was extended to 31 October 2008 under the same terms and conditions. Holders representing 98.4% of the total number of options decided to accept the extension of the exercise period for three years.

On 29 September 2006, the Board of directors approved the exercise of 1,486,061 share options. On 26 February 2007, the Board of directors approved the exercise of 14,615 share options. On 28 September 2007, the shareholders general meeting approved the exercise of 23,518 share options. All the share options have been exercised as at 31 March 2008.

As indicated in note 2.19(c) all these above options were out of scope of IFRS 2.

Share-based payments from the parent (second, third and fourth plans)

Main characteristics of the plans
L'Occitane Groupe S.A. (the parent company of L'Occitane International S.A.) ("LOG") granted rights to its own equity instruments direct to L'Occitane International S.A. and its subsidiaries' employees.

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

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

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

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

At the time they become LOG shareholders, employees are subject to a liquidity agreement signed with CIME, which is controlled by Mr. Reinold Geiger, a Director of the Company.

Accounting treatment
In accordance with IFRIC 11 as the share-based arrangements is accounted for as equity-settled in the Financial Information of L'Occitane Groupe S.A., they are also accounted for as an equity-settled share-based payment transaction in the Financial Information of L'Occitane International S.A..

In the Financial Information of the Group, the share-based compensation expense is therefore recognized with a corresponding effect in shareholders' equity: contribution from the parent.

As at 31 March 2009, the share-based payments were as follows:

2nd plan authorized on 28 September 2007 for 200,000 stock options	Granted at the beginning of the year	Granted during the year	Forfeited	Expired	Granted at the end of the year	Vesting period	Grantees
Granted on February 2008 at an exercise price of €26.10 (b)	200,000	—	(2,000)	—	198,000	4 years	Management and middle management

2nd plan authorized on 28 September 2007 for 40,000 free shares	Granted at the beginning of the year	Granted during the year	Forfeited	Expired	Granted at the end of the year	Vesting period	Grantees
Granted on February 2008 (c)	5,500	—	—	—	5,500	4 years	Management and middle management
Granted on June 2008 (c). . .	—	34,500	(3,565)	—	30,935	4 years	

3rd plan authorized on 27 December 2007 for 30,000 free shares	Granted at the beginning of the year	Granted during the year	Forfeited	Expired	Granted at the end of the year	Vesting period	Grantees
Granted on June 2008 (c). . .	—	4,807	—	—	4,807	4 years	Management and middle management

As at 31 December 2009, the share-based payments are as follows:

4th plan authorized on 28 January 2010 for 730,000 stock options	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Vesting period	Grantees
Granted in July 2009 (authorized in January 2010) at an exercise price of €23.20 (a)	—	365,700	—	—	365,700	4 years	Management and middle management

2nd plan authorized on 28 September 2007 for 200,000 stock options	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Vesting period	Grantees
Granted on February 2008 at an exercise price of €26.10 (b)	198,000	—	(5,800)	—	192,200	4 years	Management and middle management

2nd plan authorized on 28 September 2007 for 40,000 free shares	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Vesting period	Grantees
Granted on February 2008 (c)	5,500	—	—	—	5,500	4 years	Management and middle management
Granted on June 2008 (c). . .	30,935	—	(1,000)	—	29,935	4 years	

3rd plan authorized on 27 December 2007 for 30,000 free shares	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Vesting period	Grantees
Granted on June 2008 (c). . .	4,807	—	—	—	4,807	4 years	Management and middle management
Granted on July 2009 (c) . . .	—	14,340	—	—	14,340	4 years	Management and middle management

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

The share-based compensation expense recognized within the employee benefits for the above plans was €0, €429,000, €713,000, €558,000 and €1,332,000 for each of the years ended 31 March 2007, 2008 and 2009 and the nine months ended 31 December 2008 and 2009.

Measurement of grant date fair values

(a) The fair value of options granted in July 2009 (authorized in January 2010) as assessed by the Directors, determined using the Black-Scholes valuation model was €19.91 per option. The significant inputs into the model in addition to the exercise price were the following:

- Fair value of a share of L'Occitane Groupe S.A. at the grant date;
- Volatility of 35% (based on historical volatility of listed comparable companies over a period of 4 years);
- No dividend yield;
- An expected option life of four years (derived from the expected tax behaviour from individuals);
- And an annual risk-free interest rate of 2.5%.

(b) The fair value of options granted during the year ended 31 March 2008, as assessed by the Directors, determined using the Black-Scholes valuation model was €12.01 per option. The significant inputs into the model in addition to the exercise price were the following:

- Fair value of a share of L'Occitane Groupe S.A. at the grant date;
- Volatility of 26% (based on historical volatility of listed comparable companies over a period of 4 years);
- No dividend yield;
- An expected option life of four years (derived from the expected tax behaviour from individuals);

- And an annual risk-free interest rate of 4.40%.

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

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

(d) The discount of 20% on the fair value for shares issued to the benefit of FCPE L'Occitane actionnariat in December 2007 was based on a fair value of a share of L'Occitane Groupe S.A. using the same methodology as described above applied to information available at the grant date. The corresponding charge recognised in the employee benefits during the year ended 31 March 2008 was €317,000.

18.4. Distributable reserves

On 31 March 2007, 2008 and 2009, the distributable reserves of L'Occitane International S.A. amounted to €98,435,000, €105,860,000 and €135,841,000.

On 31 December 2008 and 2009, the distributable reserves of L'Occitane International S.A. amounted to €124,622,000 and €157,382,000.

The articles of association of L'Occitane International S.A has been amended by the Board held on 9 April 2010. A list of undistributable reserves has been added. If this definition of undistributable reserves had been in place since 1 April 2006, the distributable reserves would have been modified as follows:

	31 March 2007	31 March 2008	31 March 2009	31 December 2008 (unaudited)	31 December 2009
	In thousands of Euros				
Original amount of distributable reserves (I)	98,435	105,860	135,841	124,622	157,382
Amount of distributable reserves in accordance with the new list of undistributable reserves (II)	74,856	82,281	112,262	101,043	133,803
Difference between (II) and (I)	(23,579)	(23,579)	(23,579)	(23,579)	(23,579)

18.5. Dividend per share

The dividend paid in 2007 was €8,005,630 being €0.415 per share (before adjusting for the new par value of €0.03). Following decisions by the General Meeting held on 29 September 2006, and the Board of directors of the Company held on 26 February 2007, the following sums consist of:

- €6,477,144 paid to the shareholders;
- €1,512,660 paid to the owner of convertible bonds that would have decided to convert the instruments before 31 March 2007. Following the decision from the Clarins Group to convert the convertible debenture loan, this sum was paid to the Clarins Group in March 2007; and
- €15,826 reserved in case the remaining share options holders decided to convert their share options into share.

During the year ended 31 March 2008, the dividend paid was €30,855,000 being €1.599 per share (before adjusting for the new par value of €0.03).

During the year ended 31 March 2009, the dividend paid was €30,000,000 being €1.555 per share (before adjusting for the new par value of €0.03).

On 30 September 2009, the annual Shareholder's Meeting approved the distribution of €32,000,000 being €1.659 per share (before adjusting for the new par value of €0.03) which was paid before 31 December 2009.

For information, the dividend per share adjusted for the new par value of €0.03 as detailed in note 33 paid during the years ended 31 March 2007, 2008, 2009 and the nine months ended 31 December 2009 is €0.006, €0.024, €0.024 and €0.025 respectively.

18.6. 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.

19. BORROWINGS

Group:

Borrowings include the following items:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Capex facility	—	—	48,275	49,599
Revolving facility	—	—	16,507	1,345
Other bank borrowings	7,287	5,940	5,999	4,808
Structured financing bank borrowing	19,787	—	—	—
Finance lease liabilities	9,446	8,193	7,274	6,657
Current accounts with minority shareholders and related parties (note 19.4)	4,173	23,170	30,561	70,258
Bank overdrafts	2,365	1,193	351	1,126
Total	43,058	38,496	108,968	133,793
Less, current portion:				
— Capex facility	—	—	(246)	(211)
— Revolving facility	—	—	(18)	(2)
— Other bank borrowings	(3,770)	(3,579)	(1,845)	(1,380)
— structured financing bank borrowing	(4,398)	—	—	—
— finance lease liabilities	(1,167)	(1,102)	(810)	(777)
— current accounts with minority shareholders and related parties (note 19.4)	(4,173)	(23,170)	(30,561)	(70,258)
— bank overdrafts	(2,365)	(1,193)	(351)	(1,126)
Total current	(15,873)	(29,044)	(33,831)	(73,754)
Total non-current	27,185	9,452	75,137	60,039

Other bank borrowings are secured by key moneys (note 9 and 31.3). The capex facility and the revolving facility are secured by investments (note 31.3).

Company

Borrowings include the following items:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Capex facility	—	—	26,122	24,451
Revolving facility	—	—	9,498	1,345
Other bank borrowings	—	—	—	—
Structured financing bank borrowing	19,787	—	—	—
Current accounts with related parties	—	19,127	21,880	64,319
Total	19,787	19,127	57,500	90,115
Less, current portion:				
— Capex facility	—	—	(95)	(64)
— Revolving facility	—	—	(8)	(2)
— other bank borrowings	—	—	—	—
— structured financing bank borrowing	(4,398)	—	—	—
— current accounts (financing from parent)	—	(19,127)	(21,880)	(64,319)
Total current	(4,398)	(19,127)	(21,983)	(64,385)
Total non-current	15,389	—	35,517	25,730

19.1. Maturity of non-current borrowings

For the year ended 31 March 2007, 2008, 2009 and the nine months ended 31 December 2009, maturity of non-current borrowings, excluding current portion, can be broken down as follows:

	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	In thousands of Euros			
Structured financing bank borrowing	8,589	6,800	—	15,389
Other bank borrowings	1,158	1,909	450	3,517
Finance lease liabilities	937	2,020	5,322	8,279
Maturity on 31 March 2007	10,684	10,729	5,772	27,185
Other bank borrowings	762	1,349	250	2,361
Finance lease liabilities	817	2,470	3,804	7,091
Maturity on 31 March 2008	1,579	3,819	4,054	9,452
Capex facility	—	35,651	12,378	48,029
Revolving facility	—	—	16,489	16,489
Other bank borrowings	1,129	2,438	588	4,155
Finance lease liabilities	813	2,543	3,108	6,464
Maturity on 31 March 2009	1,942	40,632	32,563	75,137
Capex facility	12,347	37,041	—	49,388
Revolving facility	—	1,343	—	1,343
Other bank borrowings	1,032	2,043	353	3,428
Finance lease liabilities	951	2,914	2,015	5,880
Maturity on 31 December 2009	14,330	43,341	2,368	60,039

19.2. Senior credit facilities agreement

In the fiscal year 2006, the Group entered into a structured financing agreement with a bank pool, for a total amount of €60 million, made up of:

- A Senior loan of €35 million with a maturity of 7 years. On 31 March 2007, a total net amount of €20 million was drawn.
- A short term revolving bank borrowing of €25 million granted for a period of 3 years. During the year ended 31 March 2007, an amount of €5 million was drawn and is fully repaid at year end.

The structured financing agreement amounting to €19,787,000 on 31 March 2007 was secured by a pledge on 66% of the investment in L'Occitane Inc and L'Occitane Far East (note 31.3).

On 22 May 2007, the structured financing bank borrowing was repaid at nominal value without any penalties for early repayment. Unamortized transaction costs had been expensed for €232,000 as of 31 March 2008.

On 4 July 2007, the Company, its parent company and it subsidiary L'Occitane S.A. entered into a senior credit facilities agreement for the amount in principal of €280,000,000, made up of:

- A capex facility of € 50 million with a maturity of 7 years that can be drawn only by the Company or L'Occitane SA. This facility was drawn in the following currencies at the end of the following periods:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Drawn by L'Occitane SA				
EUR	—	—	22,000	25,000
Drawn by the Company				
JPY	—	—	7,433	5,933
GBP	—	—	2,041	450
USD	—	—	14,277	15,272
AUD	—	—	2,277	2,733
Capex facility - nominal value	—	—	48,028	49,388
Accrued interests	—	—	247	211
Capex facility	—	—	48,275	49,599

- A multi-currency revolving facility of € 25 million granted for a period of 7 years that can be drawn only by the Company or L'Occitane SA. This facility was drawn in the following currencies at the end of the following periods:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Drawn by L'Occitane SA				
EUR	—	—	7,000	—
Drawn by the Company				
JPY	—	—	2,783	—
GBP	—	—	1,182	—
USD	—	—	4,809	—
AUD	—	—	716	1,332
Revolving facility - nominal value	—	—	16,490	1,332
Accrued interest	—	—	17	13
Revolving facility	—	—	16,507	1,345

- A senior loan of €205 million that can be drawn only by L'Occitane Groupe S.A.. An amount of €195 million net is drawn as at 31 March 2009. After a repayment of €20.75 million in April 2009, an amount of €174.25 million is drawn as at 31 December 2009. This loan is secured by a pledge on 100% of the Company's shares.

The capex and revolving facilities are secured by a pledge on respectively 100% of L'Occitane SA shares and 100% of Les Relais L'Occitane France shares (note 31.3). In addition, L'Occitane Groupe S.A. granted a guarantee ("caution solidaire") on the Group's borrowings in relation to the capex or revolving facilities above mentioned.

19.3. Compound financial instruments

On 19 April 2001, the Clarins Group subscribed to a convertible debenture loan issued by the Company.

During the fiscal year 2005, the non-conversion rate was reduced to 8.25% and the nominal value of the loan was increased. Since 1 April 2004, the main characteristics of the agreement were as follows:

- 1,834 convertible debentures of nominal value amounting to €15,245 per unit, representing a total amount of €27,959,330;
- Loan repayable in fine on 19 April 2011;
- In case of non-conversion, the convertible debentures reimbursed give right to a non-conversion bonus of 8.25% per year capitalized and payable in fine.

On 26 February 2007, the Clarins Group decided to use its right to convert the compound financial instrument. The conversion was mainly based on the Group's results and particularly on the Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA). Based on this criterion, the Clarins Group increased its total stake in the Company from 5.18% to 22.97% (fully diluted) between 31 March 2006 and 31 March 2007. In this respect the Company issued 3,644,965 new shares (note 18.1).

The allocation of the convertible debenture loan between equity and liabilities and the impact of the conversion on the equity component was analyzed as follows on 31 March 2007:

	As at 31 March 2007
	In thousands of Euros
Face value of convertible debenture loan at issuance	27,960
Equity component	(3,869)
Liability component at issuance	24,091
Interest	12,990
Conversion	(37,081)
Liability component at end of the year	—

On 31 March 2007, the conversion of compound financial instruments, net of tax recognized in the consolidated statement of changes in shareholders' equity is composed of:

	Equity component
	In thousands of Euros
Equity component, gross amount	37,081
Income taxes (note 27)	(2,707)
Transaction costs on the conversion	(344)
Equity component, net amount	34,030

19.4. Current accounts with minority shareholders and related parties

Current accounts with minority shareholders and related parties concern:

		As at 31 March			As at 31 December
		2007	2008	2009	2009
		In thousands of Euros			
Subsidiaries	**Minority shareholders and related parties**				
L'Occitane China (a)	LS Holding Company Ltd.	1,060	934	1,102	—
L'Occitane Mexico (note 32.4)	Clarins Group	925	1,127	1,334	2,255
L'Occitane Korea (note 32.4)	Clarins Group	700	700	1,475	1,502
L'Occitane Suisse (note 32.4)	Clarins Group	1,134	1,146	1,165	1,165
L'Occitane Thailand	Various individual minority shareholders	—	—	882	781
L'Occitane India	Beauty Concepts Pvt Ltd.	—	—	—	232
L'Occitane Brazil (b)	Shower	74	74	104	—
Other	Other	280	62	93	4
Total current accounts with minority shareholders and related parties		4,173	4,043	6,155	5,939
Financing from parent (note 32.4 and (c))		—	19,127	24,406	64,319
Total current accounts		4,173	23,170	30,561	70,258

(a) On 2 November 2009, LS Holding Company Ltd has released and discharged the Group from the obligation to repay a portion of the loan. This has been recorded as an adjustment to the consideration to purchase the minority interests (note 6.3) and the goodwill was adjusted downward accordingly.

(b) Since the acquisition of minority interests in November 2009 (see note 6.4), this current account has been settled.

(c) The financing from parent is based on the following rules:

- Interest rate is based on Euribor 3M + 1%;
- There is no specified repayment date;
- There is no guarantee granted by the Group;
- This facility can be cancelled within 30 days notice.

During the year ended 31 March 2009, the financing from parent has increased mainly due to:

- The acquisition of the 15 % remaining shares of M&A Développement (M&A) in return of the issuance by the parent company of 183,433 new shares estimated at a market value of €4,516,000 (note 6);
- The acquisition of the 49% remaining shares of L'Occitane (China) Limited through €684,000 in cash and 92,469 of the parent company's treasury shares estimated at a market value of €2,271,000.

During the nine months ended 31 December 2009, the increase in the financing from parent is explained by the payment of dividends (€32,000,000) and by the financing of working capital needs.

19.5. Finance lease liabilities

Finance lease liabilities outstanding are analyzed as follows:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Within one year	1,592	1,399	1,063	922
One to two years	1,357	1,192	987	938
Two to three years	1,154	1,127	992	954
Three to four years	1,093	1,113	998	970
Four to five years	1,083	1,098	1,004	987
Thereafter	5,606	4,644	3,392	2,505
Total minimum lease payments	11,885	10,573	8,436	7,276
Less, amount representing interest	(2,439)	(2,380)	(1,162)	(619)
Present value of finance lease liabilities	9,446	8,193	7,274	6,657
Less, current portion of finance lease liabilities	(1,167)	(1,102)	(810)	(777)
Non-current portion of finance lease liabilities	8,279	7,091	6,464	5,880

19.6. Effective interest rates

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

	As at 31 March			As at 31 December
	2007	2008	2009	2009
Other bank overdrafts and borrowings	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Structured financing bank borrowing	See note 19.7	—	—	—
Capex and revolving facilities	—	See note 19.7	See note 19.7	See note 19.7
Other bank overdrafts and borrowings	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Finance lease liabilities	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Compound financial instruments	See note 19.3	—	—	—
Current accounts with minority shareholders and related parties	See note 19.4	See note 19.4	See note 19.4	See note 19.4

19.7. Exposure to interest rate changes

Structured financing bank borrowing

The structured financing bank borrowing that was repaid on 22 May 2007 included a repricing option. The interest rates depended on a covenant and were calculated every year after the Financial Information was issued.

The covenant was based on the following ratio (leverage financial ratio): Consolidated net debt/EBITDA. For the measurement of this ratio, the definitions to be used were as follows:

- Consolidated net debt: current and non-current borrowings — cash and cash equivalents
- EBITDA: operating profit before depreciation, amortization and impairment, before net movements in provisions for other liabilities and before allowance for inventories and trade receivables and before any other allowance.

The change in the above ratio resulted in repricing the interest rate as follows:

Ratio being lower than 1.5	:	Euribor 3M + Margin
Ratio being comprised between 1.5 and 2	:	Euribor 3M + Margin + 0.2
Ratio being comprised between 2 and 3	:	Euribor 3M + Margin + 0.5

On 31 March 2007 the ratio amounted to (0.19).

Capex and revolving credit facilities
The capex and revolving facilities issued on 4 July 2007, include a repricing option. The interest rates depend on a covenant and are calculated every semester after the consolidated financial statements of L'Occitane Groupe SA are issued.

The covenant is based on the leverage financial ratio: Consolidated net debt/EBITDA. For the measurement of this ratio, which is based on the consolidated financial statements of L'Occitane Groupe S.A., the definitions to be used are as follows:

- Consolidated net debt:
  current and non-current borrowings (excluding subordinated loan of L'Occitane Groupe S.A.) minus cash and cash equivalents
- EBITDA: operating profit before depreciation, amortization and impairment, before net movements in provisions for other liabilities and before allowance for inventories and trade receivables and before any other allowance.

The change in the above ratio results in repricing the interest rate as follows:

Leverage financial ratio		**Capex and revolving facilities**
Ratio being higher or equal than 2.4	:	Euribor 3M + Margin
Ratio being comprised between 1.9 and 2.4	:	Euribor 3M + Margin -0.1
Ratio being comprised between 1.4 and 1.9	:	Euribor 3M + Margin -0.2
Ratio being comprised between 1.0 and 1.4	:	Euribor 3M + Margin -0.25
Ratio being lower than 1.0	:	Euribor 3M + Margin -0.3

During the year ended 31 March 2008, the interest rate was based on Euribor 3M + Margin.

On 31 March 2008 the ratio amounted to 2.12, therefore the rate used from July 2008 was based on Euribor 3M + Margin -0.1.

On 31 March 2009, the ratio amounted to 2.26, therefore the rate used from July 2009 is based on Euribor 3M+ Margin -0.1. On 30 September 2009, the unaudited ratio amounted to 1.75 and the rate to be used from January 2010 is based on Euribor 3M + Margin -0.2.

19.8. Exposure to debt covenants

Structured financing bank borrowing
Event of default resulting in the early repayment of the structured financing bank borrowings issued in 2006 depended on 2 ratios: the Gearing ratio and the Leverage financial ratio.

Gearing ratio
Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio was calculated as net debt divided by total equity. Net debt was calculated as defined in above note.

According to the bank borrowing agreement applicable since fiscal year 2006, the gearing ratio should be lower than 1.7 for fiscal year 2006, and 1.2 for fiscal year 2007 and then 1.0 for the following fiscal years up to 2012.

The gearing ratio at 31 March 2007 amounted to (0.09). This ratio is no more applicable as this borrowing has been repaid.

Leverage financial ratio
The leverage financial ratio is calculated as defined in note 19.7. According to the bank borrowing agreement applicable since fiscal year 2006, the leverage financial ratio should be lower than 2.0 for fiscal year 2006, and 1.5 for the fiscal year 2007 and then 1.0 for the followings years up to 2012.

The leverage financial ratio on 31 March 2007 amounted to (0.19). This ratio is no more applicable as this borrowing has been repaid.

Capex and revolving facilities
Event of default resulting in the early repayment of the Capex and Revolving facilities issued on 4 July 2007 depends on 2 ratios based on L'Occitane Groupe S.A. Financial Information (issued each semester): the Leverage financial ratio and the Finance cost coverage ratio.

Leverage financial ratio
For the purpose of debt covenant, 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 (excluding subordinated loan of L'Occitane Groupe S.A.) — cash and cash equivalents

- EBITDA: operating profit before depreciation, amortization and impairment, before net movements in provisions for other liabilities and before allowance for inventories and trade receivables and before any other allowance.

According to the agreement, the leverage financial ratio should be lower than:

- 3.75 for the year ended 31 March 2008;

- 3.50 for the 6 months ended 30 September 2008;

- 3.25 for the year ended 31 March 2009;

- 3.00 for the 6 months ended 30 September 2009;

- 2.75 for the year ending 31 March 2010;

- 2.50 for the 6 months ending 30 September 2010 and the following 6-month periods.

The unaudited Leverage financial ratio on 31 March 2008 and 2009 and 30 September 2009 amounted to 2.12, 2.26 and 1.75 respectively.

On 15 December 2008, the Group re-negotiated the terms of the senior credit facilities. Characteristics remained unchanged except mainly for:

- The leverage financial ratio should be lower than 2.75 for the 6 months ending 30 September 2010 and the following 6-month periods;

- Reimbursement events were redefined to exclude the listing of the Group and more generally the agreement was modified to allow potential listing of the Group and to determine the use of the proceeds;

- Reduction on constraints made on investments.

Finance costs coverage ratio
This ratio was calculated as EBITDA (as defined above) divided by finance costs (only paid).

According to the agreement, the finance costs coverage ratio should be higher than:

- 4.00 for the year ended 31 March 2008;
- 4.25 for the 6 months ended 30 September 2008;
- 4.50 for the year ended 31 March 2009;
- 5.00 for the 6 months ended 30 September 2009 and the following 6-month periods.

The unaudited finance costs coverage ratio on 31 March 2008 and 2009 and 30 September 2009 amounted to 5.71, 6.09 and 6.08 respectively.

19.9. Denomination in currencies
The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Euro	35,682	31,929	67,207	104,168
US dollar	100	4	19,086	17,643
Japanese Yen	1,272	1,271	10,216	5,933
Sterling Pound	897	—	3,223	450
Australian dollar	—	—	2,992	4,079
Swiss Franc	1,134	1,146	1,165	500
Mexican Peso	925	1,127	1,334	—
Other currencies	3,048	3,019	3,745	1,020
Total	43,058	38,496	108,968	133,793

19.10. Borrowing facilities
The Group has the following undrawn borrowing facilities:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Floating rate:				
— Expiring within one year	2,600	1,894	3,514	8,763
— Expiring beyond one year	25,400	75,000	55,483	87,269
Fixed rate:				
— Expiring within one year	—	—	—	—
— Expiring beyond one year	—	—	—	—
Total	28,000	76,894	58,997	96,032

The above amount includes:

- Three borrowing facilities for an amount of €15,000,000 each that were signed in August 2008, October 2008 and November 2008 for a total amount of €45,000,000 over the year ended 31 March 2009. These facilities were drawn up to €25,000,000 and were repaid during the period. No amount is drawn at 31 December 2009. The interest rates of these new borrowing facilities are based on Euribor + margin. One of the above borrowing facilities is subject to debt covenants. Event of default resulting in the early reimbursement of the borrowing facility depends on 2 ratios based on L'Occitane Groupe SA consolidated financial statements (issued each semester): the leverage financial ratio and the finance costs coverage ratio. These ratios are defined and measured as those used for the capex and revolving facilities (note 19.7 and note 19.8).

- Two new borrowing facilities issued for an amount of €23,000,000. No amount is drawn at 31 December 2009.

20. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities include the following:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Retirement indemnities	720	953	1,411	1,794
Liabilities linked to operating leases	3,208	3,267	4,780	5,011
Provisions for dismantling and restoring	—	—	1,690	1,844
Grants to a foundation	2,100	1,500	800	—
Total non current liabilities	6,028	5,720	8,681	8,649
Grants to a foundation	500	600	700	800
Deferred revenue	1,365	1,673	2,487	2,543
Total current liabilities	1,865	2,273	3,187	3,343

20.1. Provision for retirement indemnities

Subsidiaries of the Group incorporated in France contribute to the national pension system, which is a defined contribution obligation. The defined benefit obligations are limited to a lump-sum payment payable on the date the employee reaches retirement age, such award being determined for each individual based upon factors such as years of service provided and projected final salary. There are no plan assets. In other countries, the Group contributes to pensions with defined contributions.

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

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Present value of unfunded obligations	720	953	1,411	1,794
Unrecognized past service cost	—	—	—	—
Liability in the balance sheet	720	953	1,411	1,794

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

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Beginning of the year/period	570	720	953	1,411
Acquisition of subsidiaries (note 6.5)	—	—	270	—
Current service cost	74	136	230	285
Interest cost	28	35	51	42
Actuarial losses/(gains)	47	59	(84)	72
Exchange differences	1	3	(9)	10
Benefits paid	—	—	—	(26)
Curtailments	—	—	—	—
Settlements	—	—	—	—
End of year/period	720	953	1,411	1,794

The amounts recognized in the income statement are as follows:

	Year ended 31 March			Nine months ended 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Current service cost	93	160	230	285
Interest cost	28	35	51	42
Actuarial losses/(gains)	47	59	(84)	72
Total included in employee benefit expenses (note 24)	168	254	197	399

The principal actuarial assumptions used were as follows:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In percentage			
Discount rate	4.75	5.75	5.75	5.00
Inflation rate	2.00	2.00	2.00	2.00
Future salary increases	4.00	4.00	3.00	3.00

The effect of a 1% movement of the actuarial assumptions is not material on the calculation of the defined benefit obligation.

20.2. Liabilities linked to operating leases

The liabilities linked to operating leases are related to:

- The impact of recognizing the lease payment as an expense on a straight-line basis (note 2.24);
- Incentives received from the lessors at the inception of the lease, which are recognized pro-rata over the lease term (note 2.24).

20.3. Provision for dismantling and restoring

As at 31 March 2009, provisions for dismantling and restoring costs are as follows:

	31 March 2008	Provisions recorded in the statement of income	Provisions recorded as a component of tangible fixed assets	Unused amounts reversed	Used during the year	Exchange differences	31 March 2009
	In thousands of Euros						
Provisions recorded over the length of the lease	—	282	—	—	—	8	290
Provisions recorded at the inception of the lease	—	—	1,358	—	—	42	1,400
Total	—	282	1,358	—	—	50	1,690

As at 31 December 2009, provisions for dismantling and restoring costs are as follows:

	31 March 2009	Provisions recorded in the statement of income	Provisions recorded as a component of tangible fixed assets	Unused amounts reversed	Used during the period	Exchange differences	31 December 2009
	In thousands of Euros						
Provisions recorded over the length of the lease	290	73	—	(5)	—	(10)	348
Provisions recorded at the inception of the lease	1,400	—	121	(63)	—	38	1,496
Total	1,690	73	121	(68)	—	28	1,844

20.4. Grants to a foundation
In early fiscal year 2007, L'Occitane SA and Relais de L'Occitane SARL, two wholly owned French subsidiaries of the Group, participated in the creation of a foundation ("La Fondation L'Occitane"). The objective of this foundation is to participate in the development of sustainable economic projects conducted by women in developing countries, in safeguarding traditions from Provence and in the integration of people suffering from visual deficiency.

At the creation of the foundation, the two companies L'Occitane SA and Relais de L'Occitane SARL were unconditionally committed to fund the foundation for an amount of €3,000,000. The maturity of the remaining obligation can be analyzed as follows:

	As at 31 March			As at 31 December
	2007	**2008**	**2009**	**2009**
	In thousands of Euros			
Within one year	500	600	700	800
One to two years	600	700	800	—
Two to three years	700	800	—	—
Three to four years	800	—	—	—
Total obligation	2,600	2,100	1,500	800
Less, current portion	(500)	(600)	(700)	(800)
Non-current portion of the obligation	2,100	1,500	800	—

The obligation is recorded at its nominal value. The impact for not discounting is not significant. The payment of the total obligation is guaranteed by the bank Calyon.

The payments to the foundation benefit from a tax incentive as the payments are deductible at a rate of 60% as opposed to the normal enacted rate of 34.43% in France.

20.5. Deferred revenue
Deferred revenue is related to:

- Sales for which the transfer of ownership and related risks has not occurred at year-end;
- The fair value of the consideration received allocated to the award credits granted in case of loyalty program.

21. 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 are as follows:

	As at 31 March			As at 31 December
	2007	**2008**	**2009**	**2009**
	In thousands of Euros			
Current and past due within 3 months	35,541	53,195	50,157	49,134
Past due from 3 to 6 months	1,443	244	278	117
Past due from 6 to 12 months	70	109	176	215
Past due over 12 months	130	154	91	91
Trade payables	37,184	53,702	50,702	49,557

22. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Within the normal framework of their activities, the Group and its subsidiaries are subject to various forms of litigation and legal proceedings. The Group sets aside a provision based on its past experience and on facts and circumstances known at the balance sheet date. The provision charge is recognized in the statement of income within "General and administrative expenses". When the date of the utilization is not reliably measurable, the provisions are not discounted and are classified in current liabilities. The impact for not discounting is not significant.

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

Commercial claims relate mainly to claims from distributors.

In the 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.

22.1. Year ended 31 March 2007

As at 31 March 2007, provisions for other liabilities and charges can be analyzed as follows:

	31 March 2006	Additional provisions	Unused amounts reversed	Used during the year	Exchange differences	31 March 2007
			In thousands of Euros			
Social litigations	738	883	(50)	(24)	(46)	1,501
Commercial claims	97	16	(67)	(9)	—	37
Total	835	899	(117)	(33)	(46)	1,538

22.2. Year ended 31 March 2008

As at 31 March 2008, provisions for other liabilities and charges can be analyzed as follows:

	31 March 2007	Additional provisions	Unused amounts reversed	Used during the year	Exchange differences	31 March 2008
			In thousands of Euros			
Social litigations	1,501	1,508	(314)	(286)	(153)	2,256
Commercial claims	37	22	—	—	2	61
Total	1,538	1,530	(314)	(286)	(151)	2,317

22.3. Year ended 31 March 2009

As at 31 March 2009, provisions for other liabilities and charges can be analyzed as follows:

	31 March 2008	Additional provisions	Unused amounts reversed	Used during the year	Exchange differences	31 March 2009
			In thousands of Euros			
Social litigations	2,256	114	(295)	(521)	(77)	1,477
Commercial claims	61	442	(23)	(296)	(1)	183
Total	2,317	556	(318)	(817)	(78)	1,660

22.4. Nine months ended 31 December 2009

As at 31 December 2009, provisions for other liabilities and charges can be analyzed as follows:

	31 March 2009	Additional provisions	Unused amounts reversed	Used during the period	Exchange differences	31 December 2009
			In thousands of Euros			
Social litigations	1,477	324	(563)	(24)	289	1,503
Commercial claims	183	195	(103)	(12)	14	277
Onerous contracts	—	462	—	—	(3)	459
Total	1,660	981	(666)	(36)	300	2,239

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

23. DIRECT COSTS RELATED TO THE PROJECTED IPO — NET

During the year ended 31 March 2009, the Group has conducted an IPO project which has been postponed due to adverse market conditions in October 2008.

Transactions costs (external and incremental costs directly attributable to the project) incurred during the period and related to this project were expensed for an amount of €1,996,000, as the achievement of the IPO project was not probable in the foreseeable future and as the future economic benefits were questioned due to the time that has elapsed since the costs have been incurred. They are classified in a separate line in the operating profit in the statement of income. The total costs amounted to €3,986,000 and were partly recharged to L'Occitane Groupe S.A. the parent company, for an amount of €1,990,000.

In September 2009, the Group has decided to resume the IPO project. The total incremental transaction costs related to the new project amounted to €1,864,000. The accounting treatment of these costs is as follows:

- the costs associated with the listing of new shares amounting to €932,000 are recorded as a reduction to equity for €666,000 net of tax.;

- the costs allocated to the listing of existing shares amounting to €932,000 have been recharged to L'Occitane Groupe SA (note 32.2).

24. EXPENSES BY NATURE

Expenses by nature include the following amounts:

	Year ended 31 March			Nine months ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Employee benefit expenses	88,482	105,380	136,303	101,385	117,021
Rent and occupancy	49,794	61,899	83,734	59,135	76,781
Advertising costs	29,002	35,963	49,159	39,653	38,281
Raw materials and consumables used	50,658	57,975	71,820	60,510	48,093
Professional fees	12,926	18,475	28,045	20,282	21,181
Depreciation, amortization and impairment (note 29.3)	16,828	17,577	23,370	16,928	18,092
Transportation expenses	11,424	16,783	21,819	17,575	11,367
Change in inventories of finished goods and work in progress	(13,861)	(12,675)	(16,327)	(16,615)	10,568
Other expenses	37,247	40,482	59,766	45,343	29,321
Total cost of sales, distribution expenses, marketing expenses, general and administrative expenses and direct costs related to the projected IPO-net	282,500	341,859	457,689	344,196	370,705

Professional fees included direct costs related to the first projected IPO and amounting to €1,996,000 and €1,996,000 for the nine months ended 31 December 2008 and the year ended 31 March 2009 respectively.

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.

Employee benefits include the following amounts:

	Year ended 31 March			Nine months ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Wages, salaries and bonus	72,857	86,490	110,868	82,202	96,146
Share-based payments	—	429	713	558	1,332
Social security	15,061	17,697	23,800	17,978	18,497
Post employment benefit (note 20)	168	254	197	185	399
Others	396	510	725	462	647
Total employee benefits	88,482	105,380	136,303	101,385	117,021
Workforce (full time equivalent)	2,679	3,465	4,292	4,029	4,682

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.

25. FINANCE COSTS, NET

Finance costs, net consist of the following:

	Year ended 31 March			Nine months 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Interest on cash and cash equivalent	556	109	130	68	66
Fair value gains on derivatives (note 16)	—	—	76	72	114
Finance income	556	109	206	140	180
Interest expense:					
— Interest on other borrowings	(1,394)	(597)	(1,638)	(1,121)	(794)
— Interest on convertible debenture bonds	(3,222)	—	—	—	—
— Interest on capex facility	—	—	(1,743)	(1,289)	(1,124)
— Interest on revolving facility	—	(19)	(523)	(435)	(145)
— Interest on finance lease	(475)	(458)	(281)	(211)	(129)
— Interest on financing from parent	—	(5)	(925)	(710)	(413)
— Unwinding of discount on financial liabilities (note 6.6)	—	—	(595)	(490)	(269)
Fair value losses on derivatives (note 16)	—	—	(357)	(220)	(93)
Finance costs	(5,091)	(1,079)	(6,062)	(4,476)	(2,967)
Finance costs, net	(4,535)	(970)	(5,856)	(4,336)	(2,787)

The interest expense on other borrowings is related to other bank borrowings, current account with minority shareholders and related parties (excluding financing from parent) and bank overdrafts.

The interests paid amount to €1,251,000, €948,000, €4,755,000, €3,356,000 and €2,392,000 for each of the years ended 31 March 2007, 2008 and 2009 and the nine months ended 31 December 2008 and 2009 respectively.

26. FOREIGN CURRENCY GAINS/(LOSSES)

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

	Year ended 31 March			Nine months ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Foreign exchange differences	(2,347)	(5,186)	(482)	(564)	4,160
Fair value gains on derivatives (note 16)	210	(1,843)	2,159	2,766	(1,080)
Foreign currency (losses)/gains	(2,137)	(7,029)	1,677	2,202	3,080

27. INCOME TAX EXPENSE

27.1. Income tax expense

The components of income tax expense are as follows:

	Year ended 31 March			Nine months 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Current income tax	(15,842)	(24,725)	(21,859)	(17,002)	(21,433)
Deferred income tax	6,024	9,069	4,932	5,727	(3,874)
Total tax expense	(9,818)	(15,656)	(16,927)	(11,275)	(25,307)

Reconciliation between the reported income tax expense and the theoretical amount that would arise using a standard tax rate is as follows:

	Year ended 31 March			Nine months 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Profit before tax and share of gain/(loss) in joint ventures	45,439	65,137	76,311	57,507	94,034
Income tax calculated at corporate tax rate *(Luxembourg tax rate of 29.63% as at 31 March 2007 and 2008 and of 28.59% as at 31 December 2008, 31 March 2009 and 31 December 2009*	(13,464)	(19,300)	(21,817)	(16,442)	(26,884)
Effect of different tax rates in foreign countries	3,079	4,577	7,834	7,122	3,271
Effect of unrecognized tax assets	(442)	(748)	(1,440)	(880)	253
Expenses not deductible for taxation purposes	(292)	(500)	(1,114)	(889)	(1,050)
Effect of unremitted tax earnings	(612)	(724)	(480)	(272)	(231)
Effect of new tax regulation (a)	—	—	—	—	(666)
Recognition of previously unrecognised tax assets	1,259	1,017	90	86	—
Minimum tax payments	(134)	(7)	—	—	—
Effect of grants to a foundation	788	29	—	—	—
Income tax expense	(9,818)	(15,656)	(16,927)	(11,275)	(25,307)

(a) A new tax regulation was enacted in France end of December 2009. This tax which will replace an existing operating tax is based on a measure of income (revenue less expenses) and therefore is considered within the scope of IAS 12. A net deferred tax liability was recorded on all temporary differences impacted by this new tax.

27.2. Components of deferred income tax assets and liabilities

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

The components of the net deferred income tax assets recorded on 31 March 2007, 2008 and 2009 are:

	As at 31 March		
	2007	2008	2009
	In thousands of Euros		
ASSETS			
Tax loss carried forward	1,364	964	630
Intercompany margin in inventory	5,197	8,871	13,035
Excess tax basis over carrying amount of non-current assets	4,374	6,611	8,191
Promotional goods expensed	1,405	2,328	3,865
Rent on operating leases recognized on a straight-line basis	978	849	1,122
Inventory valuation	481	899	1,200
Deferred tax related to grants to a foundation	1,560	1,260	900
Retirement indemnity	250	305	440
Mandatory profit sharing scheme to employees of French subsidiaries	575	760	472
Provision for litigation	237	674	436
Derivatives financial instruments	—	—	381
Loyalty programs	—	184	312
Other temporary differences	1,244	1,779	1,543
Total	***17,665***	***25,484***	***32,527***
To be recovered after more than 12 months	*7,577*	*9,355*	*10,437*
To be recovered within 12 months	*10,088*	*16,129*	*22,090*
LIABILITIES			
Compound financial instruments	—	—	—
Identified intangible assets in business combinations	(313)	(186)	(5,224)
Income tax on unremitted earnings	(609)	(887)	(1,228)
Derivatives financial instruments	—	—	(654)
Excess carrying amount over tax basis of non-current assets	(13)	(5)	—
Other temporary differences	(174)	(57)	(306)
Total	***(1,109)***	***(1,135)***	***(7,412)***
To be recovered after more than 12 months	*(500)*	*(247)*	*(5,224)*
To be recovered within 12 months	*(609)*	*(888)*	*(2,188)*
Deferred income tax, net	***16,556***	***24,349***	***25,115***
Deferred income tax assets	*17,383*	*25,130*	*30,966*
Deferred income tax liabilities	*(827)*	*(781)*	*(5,851)*

As indicated in note 2.29, the taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. Due to this approach, a detailed analysis of balance sheet position by temporary differences is not available as at 31 December 2009.

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 2007, 2008 and 2009, the Group had tax losses of €8,995,000, €8,449,000 and €9,479,000 respectively to be carried over, generating a potential deferred tax asset of €2,648,000, €2,438,000 and €2,574,000 respectively.

The use of the deferred tax assets will mainly depend upon the Group's results from operations, which are difficult to accurately predict in certain tax jurisdictions. The deferred income tax assets that were not recognized on 31 March 2007, 2008 and 2009 amount to €901,000, €1,581,000 and €2,484,000.

27.3. Movements in deferred tax assets and liabilities, net

The movement in deferred tax assets and liabilities, net during the year is as follows:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
At the beginning of the year/period	13,657	16,556	24,349	25,115
(Charged)/credited to income, continuing operations (note 27.1)	6,024	9,069	4,932	(3,874)
(Charged)/credited to equity	(2,707)	—	(19)	631
Acquisition of subsidiary (note 6.5)	—	69	(5,436)	327
Exchange differences	(418)	(1,345)	1,289	(166)
At the end of the year/period	16,556	24,349	25,115	22,033

As at 31 March 2007, the deferred income tax charged to equity in 2007 related to the conversion to equity of the compound financial instruments.

As at 31 March 2009, the deferred income tax charged to equity related to the effective portion of changes in the fair value of derivatives designated as hedging instruments that were recognized in equity (note 16).

As at 31 December 2009, the deferred income tax credited to equity related to:

- The effective portion of change in the fair value of derivatives designated as hedging instruments that were recognized in equity (note 16): €366,000;

- The costs directly attributable to the issue of new shares (note 23): €266,000.

27.4. 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 €609,000, €887,000, €1,228,000, €1,011,000 and €1,677,000 as at 31 March 2007, 2008 and 2009 and 31 December 2008 and 2009.

28. EARNINGS PER SHARE

The Group applies the rules governing earnings per share as described in note 2.28 above. The reconciliation between basic earnings per share and diluted earnings per share is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
Profit for the year/period attributable to equity holders of the Company *(in thousands of Euros)*	33,157	47,898	58,383	45,275	66,377
Weighted average number of ordinary shares in issue	14,970,918	19,278,915	19,290,674	19,290,674	19,290,674
Weighted average number of ordinary shares in issue adjusted for the new par value of €0.03	989,021,132	1,273,619,558	1,274,396,391	1,274,396,391	1,274,396,391
Basic earnings per share *(in € per share)*	0.034	0.038	0.046	0.036	0.052
Dilutive effect					
Profit for the year/period attributable to equity holders of the Company *(in thousands of Euros)*	33,157	47,898	58,383	45,275	66,377
Adjustments of the interest expenses relating to the convertible debt, after income tax *(in thousands of Euros)*	2,267	—	—	—	—
Restated profit, group share *(in thousands of Euros)*	35,424	47,898	58,383	45,275	66,377
Weighted average number of ordinary shares in issue	14,970,918	19,278,915	19,290,674	19,290,674	19,290,674
Number of potential additional shares					
— arising from the share options	736,756	11,198	—	—	—
— arising from the financial compound instruments	3,315,420	—	—	—	—
Diluted average number of shares	19,023,094	19,290,113	19,290,674	19,290,674	19,290,674
Diluted average number of shares adjusted for the new par value of €0.03	1,256,719,278	1,274,359,308	1,274,396,391	1,274,396,391	1,274,396,391
Diluted earnings per share *(in € per share)*	0.028	0.038	0.046	0.036	0.052

Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares in issue has been adjusted for the new par value of €0.03 as detailed in note 33.

Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the periods, the Group had various categories of dilutive potential ordinary shares: share options and convertible debt.

For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to the 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.

The convertible debt was assumed to have been converted into ordinary shares and the net profit was adjusted to eliminate the interest expense less the tax effect. The Group had used the conversion rules resulting from the agreements signed on 22 February 2005 and used to convert the bonds on 26 February 2007 (see note 19.3).

The diluted average number of shares has been adjusted for the new par value of €0.03 as detailed in note 33.

29. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION

29.1. Cash paid for interest and income taxes

Cash paid for interest and income taxes are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Cash paid for:					
— Interest net	1,251	948	4,755	3,356	2,392
— Income taxes	8,991	21,881	24,372	20,472	15,952

29.2. Proceeds from sale of assets

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

	Year ended 31 March									
	2007			2008			2009			
	Intangible assets	Property, plant and equipment	Total	Intangible assets	Property, plant and equipment	Total	Intangible assets	Property, plant and equipment	Disposal of Oliviers & Co Importaçao Ltda	Total
	In thousands of Euros									
Disposals — Cost	729	1,923	2,652	369	1,300	1,669	301	6,352	68	6,721
Disposals — Accumulated depreciation and amortization	(400)	(1,490)	(1,890)	(232)	(1,075)	(1,307)	(281)	(5,951)	—	(6,232)
Net book value (7), (9)	329	433	762	137	225	362	20	401	68	489
Profit/(loss) on sale of assets	(23)	(315)	(338)	242	(212)	30	506	(299)	46	253
Proceeds from sale of assets	306	118	424	379	13	392	526	102	114	742

	Nine months ended 31 December					
	2008 (unaudited)			2009		
	Intangible assets	Property, plant and equipment	Total	Intangible assets	Property, plant and equipment	Total
	In thousands of Euros					
Disposals — Cost	176	1,675	1,851	80	2,887	2,967
Disposals — Accumulated depreciation and amortization	(160)	(1,552)	(1,712)	(75)	(2,325)	(2,400)
Net book value (7), (9)	16	123	139	5	562	567
Profit/(loss) on sale of assets	358	(21)	337	(122)	1,495	1,373
Proceeds from sale of assets	374	102	476	(117)	2,057	1,940

The profit/(loss) on sale of assets is presented in the line "Other (losses)/gains — net" in the consolidated statement of income that also comprises a tax credit on research & development costs as detailed below:

	Year ended 31 March			Nine months ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Profit/(loss) on sale of assets	(338)	30	253	337	1,373
Tax credit on research & development costs	—	—	591	400	379
Other (losses)/gains — net	(338)	30	844	737	1,752

29.3. Depreciation, amortization and impairment
Depreciation, amortization and impairment include the following:

		Year ended 31 March			Nine months ended 31 December	
	Notes	2007	2008	2009	2008	2009
					(unaudited)	
		In thousands of Euros				
Depreciation of property, plant and equipment	(7.5)	13,405	13,686	18,416	13,200	14,468
Impairment charge on property, plant and equipment, net	(7.6)	(174)	154	359	354	36
Amortization of intangible assets	(9.5)	3,597	3,698	4,595	3,374	3,663
Impairment charge on intangible assets, net	(9.6)	—	39	—	—	(75)
Depreciation, amortization and impairment		16,828	17,577	23,370	16,928	18,092

29.4. Net movement in provisions
In the cash flow statement, net movement in provisions comprises the following:

		Year ended 31 March			Nine months ended 31 December	
	Notes	2007	2008	2009	2008	2009
					(unaudited)	
		In thousands of Euros				
Social litigations	(22)	809	908	(702)	(63)	(263)
Commercial claims	(22)	(60)	22	123	266	80
Onerous contracts	(22)	—	—	—	—	462
Dismantling and restoring	(20)	—	—	282	141	5
Retirement indemnities	(20)	150	230	197	185	373
Net movement in provisions		899	1,160	(100)	529	657

29.5. 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.

29.6. Cash flows reported on a net basis
In accordance with IAS 7 § 23, proceeds from and repayments of borrowings (Capex facility, Revolving facility, other bank borrowings and current account with the parent company) 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.

30. CONTINGENCIES

30.1. Legal proceedings
In the year ended 31 March 2002, a legal action related to a commercial claim was brought against the Group. The requested indemnity amounted to 6.4 millions of Euros. In January 2004, the law court decided to rule against the plaintiff. However, this judgment was appealed. As of 31 March 2006, the legal case was still pending before the Court of Appeal. In November 2006, the Court of Appeal confirmed the first judgment and ruled against the plaintiff. There was no provision for this litigation at 31 March 2006 and since the decision of November 2006, this litigation is no more outstanding.

In the year ended 31 March 2007, Posada Sanchez, a Spanish limited company initiated legal action before the courts of Madrid against the Group and its subsidiary L'Occitane SA, on the basis of wrongful termination of a concession agreement and of an exclusive wholesale agreement, with a claim for €1,500,000 damages. The Group argues on the one hand that the non-renewal of the wholesale agreement was done in accordance with notice periods provided for by the agreement itself and on the other hand that the concession agreement was rightly terminated for breach of contract. On 2 September 2008, the judgement awarded to the plaintiff compensation for an amount of €296,000 that was paid during the fiscal year. The Group appealed against this judgement. On 1 December 2009, the Court of Appeal has increased the compensation awarded to the plaintiff to €329,000. Although the Group's management still disagrees with the decision of the Court, it has been decided not to file against this decision before the Spanish Supreme Court.

In November 2006, a class action complaint was filed against L'Occitane Inc, the US subsidiary of the Group. The class action was mainly related to overtime pay and check payment issues for Sales Managers of L'Occitane stores in California. After mediation between the Group and the plaintiff a settlement was executed, approved and paid in first semester 2008 for a total amount of €262,000.

In July 2007, a class action complaint was filed against L'Occitane Inc, the US subsidiary of the Group. The class action was mainly related to overtime, break and meal pay issues for Sales Associates of L'Occitane stores in California. After mediation between the Group and the plaintiff a settlement was executed, approved and paid in March 2009 for a total amount of €418,000.

In September 2008, a complaint was filed by the co-owners of the L'Occitane Soho building against H. Stern, a third party and lessee, and against L'Occitane Inc and O.&Co. Table LLC, respectively as sub-lessee and assignee of the sublease, requesting damages and the termination of the lease and sublease. The suit has been dropped following a settlement agreement dated 2 April 2009 according to which L'Occitane Inc and O.&Co. Table LLC left the premises in consideration to termination compensations of €1,893,000 (net of excluding lawyers costs). The related profit net of disposal costs of €1,893,000 (the net book value of related assets was nil as at 31 March 2009) has been recognised during the nine months ended 31 December 2009.

Also, we launched a new Immortelle product "Immortelle Crème Divine" in September 2009. In French, "divine" is a generic descriptive adjective with a similar meaning to the English word "divine", and is often used to mean "godly". A third party claiming to be the registered owner of the trademark "Divine" recently commenced legal proceedings against us for unauthorized use of their mark in France only. The claimant or plaintiff sought an interdiction of the commercialization via a preliminary claiming for damages. On 14 January 2010, the Court decided against the plaintiff, dismissed the action and consequently enabled the continuous use of the name "Divine". It is theoretically possible that the claimant files another legal action (main proceedings) against L'Occitane. Should we lose the main proceedings contrary to our expectations, we believe that using another word in the name of that product will not affect our sale of that product in any materially adverse way given that the product is very new to the market and there would not be a significant or material marketing goodwill attached to that particular name yet, and in any event our products are marketed for their principal ingredients, and the word "divine" was not included nor intended to indicate the ingredients of that product. We therefore believe that these claims are immaterial and will not materially affect our results of operation.

In addition to the litigations and claims mentioned above, the Group is subject to legal proceedings, claims and litigation arising in the ordinary course of business. The Group's management does not expect that the ultimate costs to resolve these other matters will have a material adverse effect on the Group's consolidated financial position, statement of income or cash flows.

30.2. Contingent liabilities

The Group has contingent liabilities in respect of bank, other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

All guarantees given by the Group are described in note 31.

31. COMMITMENTS

31.1. Capital expenditure commitments

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

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Property, plant and equipment	1,939	2,463	2,162	8,907
Intangible assets	—	—	—	—
Investment	—	—	—	—
Total	1,939	2,463	2,162	8,907

The amount as at 31 March 2007 is related to the new logistically center and the amounts as at 31 March 2008 and 2009 and 31 December 2009 are mainly related to factory improvements.

31.2. 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 24.

The future aggregate minimum annual lease payments under all non-cancellable operating leases are as follows:

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Within one year	29,172	33,055	48,049	48,633
One to two years	27,192	27,318	40,387	40,360
Two to three years	22,626	22,806	33,617	33,213
Three to four years	18,685	19,300	28,517	25,025
Four to five years	15,981	16,131	23,508	19,401
Subsequent years	44,405	38,961	48,877	51,198
Total	158,061	157,571	222,955	217,830

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

31.3. Other commitments

	As at 31 March			As at 31 December
	2007	2008	2009	2009
	In thousands of Euros			
Pledge of key money (note 19)	4,507	3,060	2,087	1,509
Pledge of Investments (note 19)	19,787	—	64,782	50,822
Total	24,294	3,060	66,869	52,331

The pledge of investments corresponds to the capex and revolving facilities. The senior loan of the parent company which amounted to €172,109,000 as at 31 March 2009 is pledged by 100% of the Company's shares.

Following the sale agreement of the entities Oliviers & Co SA and its 100% held subsidiaries, the Group had committed to continue to hold Oliviers & Co LLC (USA) for at least two years with a minimum of 8 stores on the US territory up to 14 April 2007, except if the Group find an acquirer subject to the approval of the owner of Oliviers & Co SA and its 100% held subsidiaries. This commitment is over since 15 April 2007.

32. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties:

32.1. Key management compensation

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

Director's emoluments

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

	Year ended 31 March 2007					
	Salaries and other benefits kind	Bonus	Directors fees	Share-based payments	Services	Total
	In thousands of Euros					
Executive directors						
Reinold Geiger	—	—	—	—	680	680
André Hoffmann	360	150	—	—	—	510
Emmanuel Osti	216	96	18	—	—	330
Martial Lopez	125	53	18	—	—	196
Christopher Braden	61	—	—	—	120	181
Non executive directors						
Yves Chezeaud	—	—	—	—	—	—
Karl Guenard	—	—	—	—	—	—
Elise Lethuillier	—	—	—	—	—	—
Olivier Baussan	—	—	—	—	—	—
Olivier Courtin	—	—	—	—	—	—
Henri Biard	—	—	—	—	—	—
Total	762	299	36	—	800	1,897

	Year ended 31 March 2008					
	Salaries and other benefits kind	Bonus	Directors fees	Share-based payments	Services	Total
	In thousands of Euros					
Executive directors						
Reinold Geiger	—	—	100	—	770	870
André Hoffmann	400	150	—	—	—	550
Emmanuel Osti	217	100	41	—	—	358
Christopher Braden	106	10	60	—	—	176
Martial Lopez	125	45	24	3	—	197
Non executive directors						
Yves Chezeaud	—	—	—	—	—	—
Karl Guenard	—	—	—	—	—	—
Elise Lethuillier	—	—	—	—	—	—
Olivier Baussan	—	—	—	—	—	—
Olivier Courtin	—	—	—	—	—	—
Henri Biard	—	—	—	—	—	—
Total	848	305	225	3	770	2,151

	Year ended 31 March 2009					
	Salaries and other benefits kind	Bonus	Directors fees	Share-based payments	Services	Total
	In thousands of Euros					
Executive directors						
Reinold Geiger	—	75	100	—	664	839
Emmanuel Osti	248	100	50	—	—	398
André Hoffmann	400	167	—	—	—	567
Thomas Levilion**	89	—	—	—	—	89
Bernard Chevilliat**	36	—	—	—	—	36
Nicolas Veto**	50	10	—	—	—	60
Peter Reed**	55	21	—	—	—	76
Mark Broadley**	—	—	—	—	—	—
Martial Lopez	141	24	24	10	—	199
Christopher Braden*	51	—	33	—	—	84
Non executive directors						
Yves Chezeaud	—	—	—	—	—	—
Karl Guenard	—	—	—	—	—	—
Elise Lethuillier	—	—	—	—	—	—
Olivier Courtin	—	—	—	—	—	—
Olivier Baussan*	—	—	—	—	—	—
Henri Biard*	—	—	—	—	—	—
Total	1,070	397	207	10	664	2,348

* Correspond to the emoluments up to the date of resignation from the Board as at 30 September 2008.

** Correspond to the emoluments from the date of nomination as director by the General Meeting held on 30 September 2008.

	Nine months ended 31 December 2008 (unaudited)					
	Salaries and other benefits kind	Bonus	Directors fees	Share-based payments	Services	Total
	In thousands of Euros					
Executive directors						
Reinold Geiger	—	113	75	—	496	684
Emmanuel Osti	183	124	38	—	—	345
André Hoffmann	321	128	—	—	—	449
Thomas Levilion**	44	—	—	—	—	44
Bernard Chevilliat**	18	—	—	—	—	18
Nicolas Veto**	28	10	—	—	—	38
Peter Reed**	29	11	—	—	—	40
Martial Lopez	106	38	18	10	—	172
Christopher Braden*	49	2	30	—	—	81
Non executive directors						
Mark Broadley**	—	—	—	—	—	—
Yves Chezeaud	—	—	—	—	—	—
Karl Guenard	—	—	—	—	—	—
Elise Lethuillier	—	—	—	—	—	—
Olivier Courtin	—	—	—	—	—	—
Olivier Baussan*	—	—	—	—	—	—
Henri Biard*	—	—	—	—	—	—
Total	778	426	161	10	496	1,871

* Correspond to the emoluments up to the date of resignation from the Board as at 30 September 2008.

** Correspond to the emoluments from the date of nomination as director by the General Meeting held on 30 September 2008.

	Nine months ended 31 December 2009					
	Salaries and other benefits kind	Bonus	Directors fees	Share-based payments	Services	Total
	In thousands of Euros					
Executive directors						
Reinold Geiger	—	56	100	—	504	660
Emmanuel Osti	190	38	50	6	—	284
André Hoffmann	333	124	—	6	—	463
Thomas Levilion	142	24	—	24	—	190
Martial Lopez**	92	(24)	10	—	—	78
Bernard Chevilliat*	72	—	75	51	—	198
Nicolas Veto*	30	6	—	11	—	47
Peter Reed*	81	20	—	—	—	101
Non executive directors						
Martial Lopez**	—	—	—	—	—	—
Karl Guenard	—	—	—	—	—	—
Mark Broadley	—	—	—	—	—	—
Yves Chezeaud*	—	—	—	—	—	—
Elise Lethuillier*	—	—	—	—	—	—
Olivier Courtin*	—	—	—	—	—	—
Total	940	244	235	98	504	2,021

* On 25 January 2010, the extraordinary general shareholders meeting approved the termination of the mandate of these Directors. On 25 January 2010, the extraordinary general shareholders meeting also approved the appointment of Mr. Pierre Milet, Mrs. Susan Kilsby and Mr. Ng, Chick Sum Jackson.

** Mr. Martial Lopez was an executive Director up to 1 September 2009. Since that date, he is a consultant of the Group and is non executive Director.

Other than the types of emoluments described above, none of the Directors received any other form of compensation during the relevant periods. There was no arrangement under which a director has waived or agreed to waive any emolument.

There was no payment during the above financial years or periods to directors as an inducement to join the Group or as compensation for loss of office.

Mr. Yves Chezeaud, Mr. Karl Guenard, Ms. Elise Lethuillier, Mr. Olivier Baussan, Mr. Olivier Courtin and Mr. Henri Biard did not perform executive functions, nor were they involved in the day to day operations or management of the Group. Accordingly, they did not receive any emoluments as Directors during the above periods.

Mr. Olivier Baussan, a Director, and Olivier Baussan S.a.r.l., a company wholly owned by Mr. Olivier Baussan, were engaged as design consultants to the Group in return for an annual design consulting service fee. These fees were not paid to Mr. Olivier Baussan as a Director and were not in the nature of Directors' emoluments (note 32.3).

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 32.3).

Highest paid individuals
The five highest paid individuals are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Salaries and other benefits in kind	890	1,034	1,058	818	878
Bonus	348	296	385	425	272
Directors fees	36	141	150	113	150
Share-based payments	—	—	78	78	58
Services	680	770	664	496	504
Total	1,954	2,241	2,335	1,930	1,862

Three members of the Board were included in the 31 March 2007 amounts.

Three members of the Board were included in the 31 March 2008 amounts.

Three members of the Board are included in the 31 March 2009 amounts.

Three members of the Board were included in the 31 December 2008 amounts.

Three members of the Board are included in the 31 December 2009 amounts.

The emoluments of the five highest paid individuals are analyzed by the following banding:

	Year ended 31 March			Nine months ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Nil to € 100,000	—	—	—	—	—
€ 100,000 to € 150,000	—	—	—	—	—
€ 150,000 to € 200,000	—	—	—	—	—
€ 200,000 to € 250,000	2	2	1	2	2
over € 250,000	3	3	4	3	3
Total	5	5	5	5	5

32.2. Sales of products and services

	Year ended 31 March			Nine months ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Sales of goods and services					
— Sales of L'Occitane products to Clarins and its subsidiaries (a)	2,577	3,419	3,073	2,636	2,341
— Sales of L'Occitane promotional goods to Clarins and its subsidiaries (b)	404	559	337	240	177
— Sales of L'Occitane and Le Couvent des Minimes products to Les Minimes (c)	—	—	62	55	35
— Recharge of IPO costs to parent (d)	—	—	1,990	1,990	932
Total Sales of products	2,981	3,978	5,462	4,921	3,485
Receivable to related parties in connection with the above sales of products					
— Receivables from Clarins and its subsidiaries (a)(b)	718	1,145	566	1,042	782
— Receivables from Les Minimes (c)	—	—	4	24	6
— Receivables from parent (d)	—	—	—	—	—
Total receivables	718	1,145	570	1,066	788

(a) In the normal course of business the Group has sold L'Occitane products, L'Occitane promotional goods and private label products to Clarins and its subsidiaries, which has a common Director with the Group.

(b) Sales of L'Occitane promotional goods are recorded as a decrease of marketing expenses.

(c) In the normal course of business the Group has sold L'Occitane and Le Couvent des minimes products to Les Minimes SA, which is owned by the parent company as to 25%, by Mr. Reinold Geiger as to 25% and by independent third parties as to 50% (note 32.5).

(d) As at 31 March 2009, the recharge of costs corresponds to costs of the first IPO project that was postponed due to adverse market conditions in October 2008 (note 23). These costs were incurred by the company for €3,986,000 and partly recharged to L'Occitane Groupe S.A. the parent company, for €1,990,000. In September 2009, the Group has decided to resume the IPO project. The costs allocated to the listing of existing shares amounted to €932,000 as at 31 December 2009 and were recharged to L'Occitane Groupe SA (note 23).

32.3. Purchases of goods and services

	Year ended 31 March			Nine months ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Purchases of services					
— Services from Clarins and its subsidiaries (a)	377	736	1,046	1,013	793
— Services from Directors (b)	773	772	180	180	96
— Services from Marquenous S.C.I. (c)	—	—	373	282	428
— Services from Les Minimes SAS (d)	—	—	455	45	91
— Services from CIME S.A. (e)	—	2	3	3	—
Total purchases of services	1,150	1,510	2,057	1,523	1,408
Payables to related parties in connection with the above services					
— Services from Clarins and its subsidiaries (a)	32	518	841	1,058	1,239
— Services from Directors (b)	10	—	—	—	49
— Services from Marquenous S.C.I. (c)	—	—	—	—	31
— Services from Les Minimes SAS (d)	—	—	411	1	25
— Services from CIME S.A. (e)	—	—	—	—	—
Total payables	42	518	1,252	1,059	1,344

(a) Some of the subsidiaries of the Group have contracts for administrative services and cost sharing with Clarins and its subsidiaries, which has a common Director with the Group.

(b) One of the French subsidiaries of the Group has a contract for design consulting services with the company Olivier Baussan S.A.R.L., whose general manager Mr. Olivier Baussan was also a Director of the Company up to the date of resignation from the Board as at 30 September 2008. The services mainly concern advisory and consulting in the development of new products marketed under the L'Occitane brand. The Group recorded expenses for these services for €330,000, €341,000 and €180,000 for the years ended 31 March 2007, 2008 and 2009, up to the date of resignation from the board, respectively.

The Hong Kong subsidiary of the Group had a contract for administrative services with the company Pacifique Agencies, with which it had a common Director Mr. André Hoffmann. The Group recorded expenses for these services for €443,000 and €431,000 for the years ended 31 March 2007 and 2008 respectively. This contract was terminated on 31 March 2008.

The Company has a contract for financial consulting services with the company Esprit-fi Eurl, wholly owned by Mr. Martial Lopez. The Group recorded expenses for these financial consulting services for €96,000.

(c) The land on which the manufacturing facilities of Melvita Production S.A.S. are located is owned by Marquenoux S.C.I, a company controlled by Mr. Bernard Chevilliat, a Director of the Company up to 25 January 2010. This land is leased pursuant to several lease agreements (see also post balance sheet events on note 33).

(d) L'Occitane SA, a French subsidiary, has a contract for communication and marketing services with the company Les Minimes SAS, which is indirectly owned by the parent company as to 25%, by Mr. Reinold Geiger as to 25% and by independent third parties as to 50%.

(e) In 2007, a shareholding fund (FCPE L'Occitane actionnariat) was established. The fund holds L'Occitane Groupe's shares, the beneficiaries of whom are certain employees of some of our French subsidiaries. Pursuant to relevant French regulations, a fund of this nature is required to afford its beneficiaries a certain minimum degree of liquidity in their investment. The company CIME, which is controlled by Mr. Reinold Geiger, a Director of the Company, agreed to act as liquidity guarantor whereby it would purchase such number of LOG's shares at certain regular times as may be requested by the manager of the fund in order to comply with the minimum liquidity requirements. L'Occitane SA, a French wholly owned subsidiary, has agreed to pay CIME an annual fee representing 0.125% of the net asset value of the fund for so acting as liquidity guarantor (note 18.3).

32.4. Borrowings from related parties (note 19.4)

An advance was granted to L'Occitane Suisse SA by the company Clarins BV, a subsidiary of the Clarins group, which has a common Director with the Group, for an amount in euro equivalent of €1,134,000, €1,146,000, €1,165,000 and €1,165,000 on 31 March 2007, 2008 and 2009 and 31 December 2009, with a 2.2625% fixed interest rate on Swiss Francs and with a 4.431% interest rate on euro. An interest expense of €67,000, €54,000, €48,000, €41,000 and €30,000 was recorded by the Group during the each of the years ended 31 March 2007, 2008 and 2009 and the nine months ended 31 December 2008 and 2009.

An advance was granted to L'Occitane Korea Ltd by the company Clarins BV, a subsidiary of the Clarins group, which has a common Director with the Group, for an amount of €700,000, €700,000, €1,475,000 and €1,502,000 on 31 March 2007, 2008 and 2009 and 31 December 2009 and with a 5.96% fixed interest rate. An interest expense of €17,000, €39,000, €64,000, €34,000 and €56,000 was recorded by the Group during each of the years ended 31 March 2007, 2008 and 2009 and the nine months ended 31 December 2008 and 2009.

An advance was granted to L'Occitane Mexico SA de CV by the company Clarins BV, a subsidiary of the Clarins group, which has a common Director with the Group, for an amount of €925,000, €1,127,000, €1,334,000, €1,261,000 and €2,246,000 on 31 March 2007, 2008 and 2009 and 31 December 2008 and 2009 and with a 3.443% fixed interest rate. An interest expense of €26,000, €87,000, €65,000, €53,000 and €38,000 was recorded by the Group during each of the years ended 31 March 2007, 2008 and 2009 and the nine months ended 31 December 2008 and 2009.

Hopeful Development Ltd, a company ultimately owned by Mr. Reinold Geiger, Mr. André Hoffman, Mr. Henri Biard and Mr. Olivier Baussan, and previously a minority shareholder in L'Occitane Japan has granted cash advances in dollars. These advances were granted from January 1999 until June 2001 and amounted to €851,000 at 31 March 2006. These advances had no specified repayment date and did not bear any interest. These advances were repaid during the fiscal year ending 31 March 2007 with the purchase of the minority interests in L'Occitane Japan. In connection with the acquisition of the minority interests, the Company issued 465,023 new shares at an estimated fair value of €19,251,000 (note 6.5).

Since 19 April 2001, the Group has held an obligation under a convertible debenture loan subscribed by Clarins BV, a subsidiary of the Clarins group. This loan was modified and increased during the year ended 31 March 2005. The features of this loan that was converted to equity on February 26, 2007 are set out in paragraph 19.3.

Since the year ended 31 March 2008, the Group benefited from a financing from parent amounting to €19,127,000, €24,406,000 and €64,319,000 as at 31 March 2008 and 2009 and 31 December 2009. The terms of such financing are disclosed in note 19.4.

32.5. Sale of assets

On 31 March 2008, the Group sold its investment in Les Minimes SAS to its parent and to Reinold Geiger (one of the shareholders of L'Occitane Groupe SA). The resulting gain of €433,000 has been recorded within "Share of gain/(loss) in associates and joint-ventures" (note 10).

32.6. 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:

	Year ended 31 March			Nine months ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
	In thousands of Euros				
Cost of services					
— Employees benefits	238	260	238	191	192
— Other services	30	42	42	30	30
Total purchases of services	268	302	280	221	222
Payables to related parties in connection with the above services					
— Employees benefits	—	—	—	—	—
— Other services	—	—	—	—	—
Total payables	—	—	—	—	—

Other services mainly include legal services.

32.7. Formation of joint ventures/acquisition of additional interests in a subsidiary

On 29 September 2006, the Company has authorized the issuance of 465,023 new shares in return of the contribution to the Group by Hopeful Development Ltd, a company ultimately owned by Mr. Reinold Geiger, Mr. André Hoffmann, Mr. Henri Biard and Mr. Olivier Baussan, of its 40% equity interest in L'Occitane Japan. L'Occitane Japan KK thereby became a wholly owned subsidiary. The consideration was determined on the basis of the relative value of L'Occitane Japan KK's operations and the Group's.

The Group formed a joint venture with Clarins for the distribution of our L'Occitane products in Mexico. For this purpose, on 13 October 2006, the Group established L'Occitane Mexico SA de CV with a total paid up capital of €2,078 and subscribed for a 50.1% equity interest, whilst Clarins BV subscribed for a 49.90% equity interest.

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 2008 and 2009.

32.8. Commitments and contingencies

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

33. POST BALANCE SHEET EVENTS

On 2 November 2009, Oliviers and Co. LLC, L'Occitane Inc (the sellers, two fully owned subsidiaries of the Group) and Oliviers & Co S.A (the buyer) have signed a transition and an asset purchase agreement. This agreement has been amended on 17 December 2009 and again on 5 January 2010. Following these arrangements the current distribution agreement with Oliviers & CO S.A. has been terminated and the assets of four stores have been transferred from the Group to Oliviers & Co S.A as at 1 February 2010 (the closing date). Five other stores owned by the Group will continue distributing Oliviers & Co products until 31 March 2010. The consideration to be paid by Oliviers & Co S.A. to the Group for this agreement will amount to approximately €570,000 which may be increased to approximately €1,260,000 depending upon the renewal of a lease. The net profit on this sale will approximate the consideration as the carrying amount of the assets sold is close to zero. Inventories have also been transferred at the closing date for a consideration closed to their net carrying amounts.

A multi-currency borrowing facility for an amount of €15,000,000 has been signed on 2 February 2010. This facility was drawn for CHF1,500,000 (equivalent to €1,000,000) from 25 March 2010 to 25 June 2010.

On 30 March 2010, the Company signed a finance lease agreement in connection with (i) the acquisition of the existing land and building of Melvita for an amount of €4,934,000 and (ii) the extension and restructuring of the plant for an amount of €9,066,000. The lease term of the finance lease is 15 years and the interest rate will be based on Euribor 3M (Euribor 3M + 1.5% for a part of the finance lease amounting to €9,334,000; Euribor 3M +1.25% for a part of the finance lease amounting to €4,666,000). As at 30 March 2010, an amount of €4,934,000 was drawn.

On 30 March 2010, the amount of the current account due from LOG was fully settled for an amount of €59,647,000.

On 31 March 2010, the Shareholders' Meeting approved the distribution of €80,000,000. This distribution was conditional upon the approval of the interim financial information of the Company as at 28 February 2010. This interim financial information was approved by the Board of Directors held for 9 April 2010 on a stand alone basis under Luxembourg Generally Accepted Accounting Principles.

Between 31 December 2009 and 9 April 2010, the Capex facility was reimbursed for an amount of €13,254,000 and the Revolving Facility was fully settled for an amount of €1,345,000.

The articles of association of L'Occitane International S.A has been amended by the Board held on 9 April 2010 and a list of undistributable reserves has been added (see note 18.4).

On 9 April 2010, the sole shareholder of the Company, LOG, resolved that a value of €0.03 be designated as the par value per ordinary share in the share capital of the Company so that the subscribed share capital of the Company amounting to €38,232,000 be represented by 1,274,396,391 shares having a par value of €0.03. In accordance with IAS 33, the calculation of basic and diluted earnings per share for all periods presented has been adjusted retrospectively (see note 28).

34. LIST OF SUBSIDIARIES AND ASSOCIATES

The list of subsidiaries and associates was as follows:

	City — Country	% of interest			% of interest		Method of consolidation			Method of consolidation	
		31 March			31 December		31 March			31 December	
Subsidiaries		**2007**	**2008**	**2009**	**2008**	**2009**	**2007**	**2008**	**2009**	**2008**	**2009**
L'Occitane International S.A.	Luxembourg	Parent	Parent	Parent	Parent	Parent	Global	Global	Global	Global	Global
L'Occitane S.A.*	Manosque — France	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
Relais L'Occitane S.a.r.l.**	Manosque — France	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
L'Occitane Inc.*	New York — USA	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
Oliviers & Co., LLC**	New York — USA	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
L'Occitane LLC**	Delaware — USA	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
L'Occitane (Far East) Limited*	Hong Kong	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
L'Occitane Singapore Pte. Limited**	Singapore	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
L'Occitane Japon K.K.***	Tokyo -Japan	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
L'Occitane Holding Brasil*	Sao Paulo — Brazil	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
L'Occitane Do Brasil**	Sao Paulo — Brazil	75.0	75.0	75.0	75.0	100.0	Global	Global	Global	Global	Global
Espaço Do Banho**	Sao Paulo — Brazil	75.0	75.0	75.0	75.0	100.0	Global	Global	Global	Global	Global
Oliviers Importaçao**	Sao Paulo — Brazil	75.0	75.0	—	75.0	—	Global	Global	Global	Global	—
L'Occitane Ltd.*	London — UK	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
L'Occitane GmbH*	Villach — Austria	56.6	56.6	56.6	56.6	56.6	Global	Global	Global	Global	Global
L'Occitane GmbH*	Dusseldorf-Germany	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
L'Occitane Italia S.r.l.*	Milan — Italy	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
L'Occitane Australia**	Sydney — Australia	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
Oliviers & Co., Ltd.****	London — UK	75.0	—	—	—	—	Global	—	—	—	—
L'Occitane (Suisse) S.A.*	Geneva — Switzerland	50.1	50.1	50.1	50.1	50.1	Global	Global	Global	Global	Global
L'Occitane Espana S.L*	Barcelona — Spain	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
L'Occitane Central Europe s.r.o.*	Prague — Czech Rep.	85.0	85.0	85.0	85.0	94.6	Global	Global	Global	Global	Global
L'Occitane (Taiwan) Limited**	Taipei — Taiwan	50.1	50.1	50.1	50.1	50.1	Global	Global	Global	Global	Global
AHP S.a.r.l.**	Mane — France	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
L'Occitane Belgium Sprl*	Brussels — Belgium	100.0	100.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
Les Minimes SAS****	Manosque — France	50.0	—	—	—	—	Equity	Equity	—	—	—
Le Cloître des Minimes S.a.r.l.****	Mane — France	50.0	—	—	—	—	Equity	Equity	—	—	—
L'Occitane Trading (Shanghai) Co. Limited**	Shanghai — China	51.0	51.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
L'Occitane (Korea) Limited**	Seoul — Korea	50.1	50.1	50.1	50.1	50.1	Global	Global	Global	Global	Global
L'Occitane Airport Venture LLC**	Dallas — USA	65.0	65.0	65.0	65.0	65.0	Global	Global	Global	Global	Global
L'Occitane Mexico S.A. de CV*	Mexico City — Mexico	50.1	50.1	50.1	50.1	50.1	Global	Global	Global	Global	Global
L'Occitane (China) Limited**	Hong Kong	51.0	51.0	100.0	100.0	100.0	Global	Global	Global	Global	Global
L'Occitane Macau Limited**	Macau	—	100.0	100.0	100.0	100.0	—	Global	Global	Global	Global
L'Occitane Russia OOO*	Moscow — Russia	—	51.0	51.0	51.0	51.0	—	Global	Global	Global	Global
Tsai Szu Ltd.**	Taiwan	—	25.1	—	—	—	—	Global	—	—	—
Verveina SAS**	Manosque — France	—	100.0	100.0	100.0	100.0	—	Global	Global	Global	Global
L'Occitane Americas Export & Travel Retail Inc*	Miami — USA	—	100.0	100.0	100.0	100.0	—	Global	Global	Global	Global
M&A Développement SAS**	Lagorce — France	—	—	100.0	100.0	100.0	—	—	Global	Global	Global
M&A Santé Beauté SAS**	Lagorce — France	—	—	100.0	100.0	100.0	—	—	Global	Global	Global
Melvita Distribution SAS**	Lagorce — France	—	—	100.0	100.0	100.0	—	—	Global	Global	Global
Melvita Production SAS**	Lagorce — France	—	—	100.0	100.0	100.0	—	—	Global	Global	Global
L'Occitane Thailand Ltd.**	Bangkok — Thailand	—	—	49.0	49.0	49.0	—	—	Global	Global	Global
O.&Co. Table LLC*****	New York — USA	100.0	100.0	100.0	100.0	—	Global	Global	Global	Global	—
Urban Design Sp.z.o.o*	Warsaw — Poland	—	—	100.0	100.0	100.0	—	—	Global	Global	Global
Aromas y Perfumes de Provence S.A de C.V.**	Mexico City — Mexico	—	—	50.1	50.1	50.1	—	—	Global	Global	Global
L'Occitane Canada Corp*	Toronto — Canada	—	—	—	—	100.0	—	—	—	—	Global
L'Occitane India Private Limited**	New Delhi — India	—	—	—	—	51.0	—	—	—	—	Global

* directly held by the Company

** indirectly held by the Company

*** both directly and indirectly held by the Company

**** no more directly or indirectly held by the Company

*****limited liability company with no share capital with sole member witch is L'Occitane Inc.

The percentages of interest are representative of voting rights as no shares have multiple voting rights. These percentages are unchanged at the approval date of the Financial Information.

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

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

Subsidiaries	City — Country	Date of incorporation	Share capital	Principal activities
L'Occitane International S.A.	Luxembourg	2000	EUR 38,231,891.72	Holding & Distribution
L'Occitane S.A.*	Manosque — France	1976	EUR 8,126,409.35	Production
Relais L'Occitane S.a.r.l.**	Manosque — France	1994	EUR 3,097,000	Distribution
L'Occitane Inc.*	New York — USA	1995	USD 1	Distribution
Oliviers & 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
L'Occitane Holding Brasil*	Sao Paulo — Brazil	1999	BRL11,132,197	Holding
L'Occitane Do Brasil**	Sao Paulo — Brazil	1999	BRL 8,700,000	Distribution
Espaço Do Banho**	Sao Paulo — Brazil	1996	BRL 3,800,000	Distribution
Oliviers Importaçao**	Sao Paulo — Brazil	2006	BRL 11,132,197	Distribution
L'Occitane Ltd.*	London — UK	1996	GBP 1,398,510.75	Distribution
L'Occitane GmbH*	Villach — Austria	2000	EUR 70,000	Distribution
L'Occitane GmbH*	Dusseldorf-Germany	2004	EUR 25,000	Distribution
L'Occitane Italia S.r.l.*	Milan — Italy	2001	EUR 80,000	Distribution
L'Occitane Australia**	Sydney — Australia	2000	AUD 5,000,000	Distribution
L'Occitane (Suisse) S.A.*	Geneva — Switzerland	2002	CHF100,000	Distribution
L'Occitane Espana S.L*	Barcelona — Spain	2003	EUR 2,924,650.10	Distribution
L'Occitane Central Europe s.r.o.*	Prague — Czech Rep.	2004	CZK 9,361,000	Distribution
L'Occitane (Taiwan) Limited**	Taipei — Taiwan	2005	TWD 28,500,000	Distribution
AHP S.a.r.l.**	Mane — France	2004	EUR 10,000	Marketing support
L'Occitane Belgium Sprl*	Brussels — Belgium	2005	EUR 20,000	Distribution
L'Occitane Trading (Shanghai) Co. Limited**	Shanghai — China	2005	USD 1,400,000	Distribution
L'Occitane (Korea) Limited**	Seoul — Korea	2005	KRW 2,505,000,000	Distribution
L'Occitane Airport Venture LLC**	Dallas — USA	2006	USD 10,000	Distribution
L'Occitane Mexico S.A. de CV*	Mexico City — Mexico	2006	MXP 28,250,000	Distribution
L'Occitane (China) Limited**	Hong Kong	2006	HKD 10,000	Distribution
L'Occitane Macau Limited**	Macau	2007	MOP 25,000	Distribution
L'Occitane Russia OOO*	Moscow — Russia	2006	RUB 10,000	Distribution
Tsai Szu Ltd.**	Taiwan	2008	TWD 2,500,000	Distribution
Verveina SAS**	Manosque — France	2008	EUR 37,000	Dormant
L'Occitane Americas Export & Travel Retail Inc*	Miami — USA	2008	USD 1,000	Distribution
M&A Développement SAS**	Lagorce — France	2005	EUR 4,600,000	Holding
M&A Santé Beauté SAS**	Lagorce — France	1998	EUR 500,000	Holding
Melvita Distribution SAS**	Lagorce — France	1982	EUR 555,105	Distribution
Melvita Production SAS**	Lagorce — France	1987	EUR 150,000	Production
L'Occitane Thailand Ltd.**	Bangkok — Thailand	2008	THB 20,000,000	Dormant
O.&Co. Table LLC****	New-York — USA	2007	—	Out
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 3,000,000	Distribution
L'Occitane India Private Limited**	New Delhi — India	2009	INR 17,500,000	Distribution

35. LIST OF AUDITORS

The list of auditors for the statutory accounts of the Company and subsidiaries was as follows:

Subsidiaries	City — Country	Auditor's name 31 March 2009
L'Occitane International S.A.	Luxembourg	PricewaterhouseCoopers
L'Occitane S.A.*	Manosque — France	PricewaterhouseCoopers
Relais L'Occitane S.a.r.l.**	Manosque — France	PricewaterhouseCoopers
L'Occitane (Far East) Limited*	Hong Kong	PricewaterhouseCoopers
L'Occitane Singapore Pte. Ltd**	Singapore	Robert Tan & Co
L'Occitane Ltd.*	London — UK	PricewaterhouseCoopers
L'Occitane (Suisse) S.A.*	Geneva — Switzerland	PricewaterhouseCoopers
L'Occitane (Taiwan) Limited**	Taipei — Taiwan	PricewaterhouseCoopers
L'Occitane Trading (Shanghai) Co. Limited**	Shanghai — China	Shanghai Shangzi Certified Public Accountants Co. LED.
L'Occitane Mexico S.A. de CV*	Mexico City — Mexico	PricewaterhouseCoopers
L'Occitane (China) Limited**	Hong Kong	PricewaterhouseCoopers
Verveina SAS**	Manosque — France	PricewaterhouseCoopers
M&A Développement SAS**	Lagorce — France	PricewaterhouseCoopers
M&A Santé Beauté SAS**	Lagorce — France	Cabinet Serge Combe
Melvita Distribution SAS**	Lagorce — France	Cabinet Serge Combe
Melvita Production SAS**	Lagorce — France	PricewaterhouseCoopers
L'Occitane Central Europe s.r.o.*	Prague — Czech Rep.	PricewaterhouseCoopers
L'Occitane India Private Limited**	New-Delhi — India	PricewaterhouseCoopers

36. ULTIMATE HOLDING COMPANY

The Directors consider L'Occitane Groupe S.A., an unlisted company incorporated in Luxembourg as the ultimate holding company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 31 December 2009. Save as disclosed in "Post balance sheet events" in note 33 of Section II of this report, no dividend or distribution has been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to 31 December 2009.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong