UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 13, 2010

PHILLIPS-VAN HEUSEN CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**001-07572**	**13-1166910**
(State or other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

200 Madison Avenue **New York, New York**	**10016**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: **(212) 381-3500**

Not Applicable
(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01. Other Events.

On March 15, 2010, Phillips-Van Heusen Corporation (the "Company") announced that it had entered into a definitive purchase agreement (the "Purchase Agreement") to acquire Tommy Hilfiger B.V. (together with its subsidiaries, the "TH Group"), controlled by funds affiliated with Apax Partners L.P. (the "Acquisition"). The consideration for the Acquisition consists of €1.924 billion in cash and €276 million in shares of the Company's common stock, par value $1.00 per share, as well as the assumption by the Company of €100 million in liabilities of the TH Group. The purchase price is a debt-free/cash-free basis, and assumes a normalized level of working capital for the TH Group at closing. The Company expects to close the transaction during its fiscal 2010 second quarter.

Consummation of the Acquisition is subject to certain customary conditions, including, among others, governmental filings and regulatory approvals and expiration of applicable waiting periods, accuracy of specified representations and warranties of the other party, and material performance by the other party of its obligations under the Purchase Agreement.

Certain historical financial statements of Tommy Hilfiger B.V. are filed herewith as Exhibits 99.1, 99.2 and 99.3.

Item 9.01 Financial Statements And Exhibits.

(a) Financial Statements of Business Acquired.

Audited special purpose consolidated financial statements of Tommy Hilfiger B.V. for the fiscal years ended March 31, 2008 and 2009.

Audited special purpose consolidated financial statements of Tommy Hilfiger B.V. for the fiscal years ended March 31, 2007 and 2008.

Unaudited special purpose consolidated interim financial statements of Tommy Hilfiger B.V. for the nine months ended December 31, 2009.

(d) Exhibits.

Exhibit No.	Description
99.1	Audited Special Purpose Consolidated Financial Statements of Tommy Hilfiger B.V. for the fiscal years ended March 31, 2008 and 2009
99.2	Audited Special Purpose Consolidated Financial Statements of Tommy Hilfiger B.V. for the fiscal years ended March 31, 2007 and 2008
99.3	Unaudited Special Purpose Consolidated Interim Financial Statements of Tommy Hilfiger B.V. for the nine months ended December 31, 2009

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHILLIPS-VAN HEUSEN CORPORATION

Date: April 13, 2010

By: /s/ Mark D. Fischer
Name: Mark D. Fischer
Title: Senior Vice President

EXHIBIT INDEX

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Exhibit 99.1

Special Purpose Consolidated

Financial Statements 2008/2009

Tommy Hilfiger B.V.

Amsterdam, The Netherlands

Tommy Hilfiger B.V.
Special Purpose Consolidated Financial Statements 2008/2009

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

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(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Special Purpose Consolidated Financial Statements

Tommy Hilfiger B.V.
Special Purpose Consolidated Financial Statements 2008/2009

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Consolidated balance sheets

	Note	31 March 2009	31 March 2008
Non-current assets			
Property and equipment	6	195,671	171,899
Goodwill and other intangible assets	7	817,239	765,942
Deferred income tax assets	21	31,453	34,458
Derivative financial instruments	8	—	6,388
Loans and other receivables	9	31,550	23,211
		1,075,913	**1,001,898**
Current assets			
Inventories	10	214,685	191,389
Trade and other receivables	11	288,138	226,201
Current income tax receivable		1,711	—
Derivative financial instruments	8	5,131	495
Cash and cash equivalents	12	139,845	74,752
		649,510	**492,837**
Total assets		**1,725,423**	**1,494,735**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares and share premium	13	48,923	48,923
Other reserves	15	5,739	6,606
Accumulated deficit		(48,714)	(73,032)
Total equity		**5,948**	**(17,503)**
LIABILITIES			
Subordinated Shareholder loan	34	467,940	410,884
Non-current liabilities			
Borrowings	19	564,164	549,173
Other non-current liabilities	20	117,987	102,369
Deferred income tax liabilities	21	85,360	91,775
Retirement benefit obligations	22	12,034	9,918
Provisions for other liabilities and charges	23	7,059	7,213
Derivative financial instruments	8	18,179	7,909
		804,783	**768,357**
Current liabilities			
Trade and other payables	18	302,914	264,555
Short term borrowings	19	61,600	26,943
Current income tax liabilities		6,962	5,298
Current portion provisions for other liabilities and charges	23	70,508	34,675
Derivative financial instruments	8	4,768	1,526
		446,752	**332,997**
Total liabilities		**1,719,475**	**1,512,238**
Total equity and liabilities		**1,725,423**	**1,494,735**

See Accompanying Notes to Special Purpose Consolidated Financial Statements.

Tommy Hilfiger B.V.
Special Purpose Consolidated Financial Statements 2008/2009

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Consolidated income statements

	Note	For the year ended 31 March 2009	2008
Revenue	24	1,612,304	1,369,377
Cost of goods sold	10	(710,913)	(558,461)
Gross Margin		**901,391**	**810,916**
Distribution and selling costs	27	(362,296)	(315,552)
Administrative expenses	27	(300,308)	(236,629)
Other expenses	27	(14,457)	(29,083)
		(677,061)	(581,264)
Depreciation, amortisation and impairment expenses	25	(105,497)	(59,941)
Operating result		**118,833**	**169,711**
Financial income	26	33,660	3,747
Financial expense	26	(113,756)	(156,832)
Finance costs, net	26	**(80,096)**	**(153,085)**
Result before tax		**38,737**	**16,626**
Income tax	29	(14,419)	(26,978)
Result for the year		**24,318**	**(10,352)**
Attributable to:			
- Equity holder of the parent		24,318	(10,352)
Earnings per share for result for the year attributable to the equity holders of the Group during the year			
- Basic	30	0.12	(0.05)
- Diluted	30	0.12	(0.05)

See Accompanying Notes to Special Purpose Consolidated Financial Statements.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Consolidated statements of cash flows

	Note	For the year ended 31 March 2009	2008
Cash flows from operating activities			
Cash generated from operations	31	266,951	227,567
Income tax paid		(14,475)	(28,360)
Net cash generated from operating activities		252,476	199,207
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(56,326)	(42,930)
Purchases of property and equipment		(96,317)	(56,048)
Purchases of intangible assets		(7,324)	(7,580)
Loans to related parties		—	3,784
Interest received		1,227	2,626
Net cash used in investing activities		(158,740)	(100,148)
Cash flows from financing activities			
Changes in short term borrowings		23,771	8,800
Repayments of borrowings		(12,370)	(103,060)
Interest paid		(41,080)	(45,021)
Payments on financial lease obligations		(5,245)	(1,378)
Settlement of contingent FX forward derivative		—	(613)
Net cash used in financing activities		(34,924)	(141,272)
Net increase in cash, cash equivalents and bank overdrafts		**58,812**	**(42,213)**
Cash, cash equivalents and bank overdrafts at beginning of year		74,752	122,687
Exchange gains/(losses) on cash and bank overdrafts		6,281	(5,722)
Cash, cash equivalents and bank overdrafts at end of period	12	**139,845**	**74,752**

See Accompanying Notes to Special Purpose Consolidated Financial Statements.

Tommy Hilfiger B.V.
Special Purpose Consolidated Financial Statements 2008/2009

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Consolidated statements of changes in equity

	Note	Attributable to equity holders of the Company			
		Ordinary shares and share premium	**Other reserves**	**Accumulated Deficit**	**Total**
Balance at 31 March 2007		**35,136**	**337**	**(62,680)**	**(27,207)**
Cash flow hedges, net of tax	15	—	233	—	233
Currency translation differences	15	—	5,244	—	5,244
Net income recognised directly in equity		—	5,477	—	5,477
Result for the period		—	—	(10,352)	(10,352)
Total recognised income and expense		—	5,477	(10,352)	(4,875)
Management Participation and Option plan	14/16	13,787	792	—	14,579
Balance at 31 March 2008		**48,923**	**6,606**	**(73,032)**	**(17,503)**
Cash flow hedges, net of tax	15	—	(5,195)	—	(5,195)
Currency translation differences	15	—	2,181	—	2,181
Net loss recognised directly in equity		—	(3,014)	—	(3,014)
Result for the period		—	—	24,318	24,318
Total recognised income and expense		—	(3,014)	24,318	21,304
Management Participation and Option plan	14/16	—	2,147	—	2,147
Balance at 31 March 2009		**48,923**	**5,739**	**(48,714)**	**5,948**

See Accompanying Notes to Special Purpose Consolidated Financial Statements.

Notes to the Special Purpose Consolidated Financial Statements
(Amounts in € and thousands except per share/option amounts and/or as otherwise indicated)

1. General information

Tommy Hilfiger B.V. ('the Company') is a limited liability holding company which was incorporated in the Netherlands on 5 July 2005. The address of its registered office is Stadhouderskade 6, Amsterdam. The fiscal year ('FY') of the Company starts at 1 April and ends on 31 March.

Tommy Hilfiger B.V. and its subsidiaries (together 'the Group') design, source and market men's and women's sportswear and activewear, jeanswear, childrenswear and footwear under the *Tommy Hilfiger* and *Karl Lagerfeld* trademarks. Through a range of strategic licensing agreements, the Group also offers a broad array of related apparel, accessories, footwear, fragrance and home furnishings products. The Group's products can be found in leading department and specialty stores throughout the United States, Canada, Europe, Mexico, Central and South America, Hong Kong and other countries in the Far East, as well as the Group's own network of specialty and outlet stores in the United States, Canada, Japan and Europe.

The parent company is Tommy Hilfiger Holding S.à r.l. registered in Luxemburg. The ultimate majority shareholders of the Company are funds advised by Apax Partners. The remainder is owned by various other investors and management of the Company.

These Special Purpose Consolidated Financial Statements were approved for issue on 9 April 2010.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Special Purpose Consolidated Financial Statements ("the financial statements") are set out below. These policies have been consistently applied to the years and/or periods presented, unless otherwise stated.

2.1 Basis of preparation

On 15 March 2010, Phillips- van Heusen Corporation (PVH) announced to acquire the Company. The transaction is subject to financing and other customary conditions, including receipt of required regulatory approvals and is expected to close before August 2010. The Company has prepared these Special Purpose Consolidated Financial Statements to conform to the requirements of PVH's anticipated filing and related securities offerings. The Board of Directors authorised the Company's Statutory Financial Report 2008/2009 for issuance on 15 June 2009. Subsequent event disclosures since 15 June 2009 have been updated up to the date of these Special Purpose Consolidated Financial Statements.

The Special Purpose Consolidated Financial Statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss or equity.

Comparable figures are aligned to agree with current year presentation. Such changes are disclosed in the related notes.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The consolidated balance sheet is presented in accordance with maturities. Therefore, the balance sheet items are classified as either non-current or current assets and liabilities. Assets and liabilities with a remaining term to maturities less than one year are classified as current. Assets and liabilities with a remaining term to maturities of more than one year are classified as non-current.

Due to their long-term nature pension obligations are shown as non-current liabilities.

The preparation of the financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to consolidated financial information are disclosed in Note 4.

The following new interpretations are mandatory for the first time for the fiscal year beginning 1 April 2008.

- IFRIC 11, 'IFRS 2 — Group and treasury share transactions', was early adopted in 2007/2008. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any impact on the group's financial statements, as the Company has early adopted IFRIC 11.

- IFRIC 12, 'Service concession arrangements', applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The Company assessed that IFRIC 12 is not relevant. The Company is not involved in infrastructure for public sector services.

- IFRIC 14, 'IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the group's financial statements, as the group has no material defined benefit plans and is not subject to any minimum funding requirements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the fiscal year beginning 1 April 2008 and have not been early adopted. The new accounting pronouncements which could potentially affect the (presentation of the) Group's future results, financial position and cash flows under IFRS are described below:

- IAS 23 (Amendment), 'Borrowing costs' (effective for fiscal years starting on or after 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The revised IAS 23 will become mandatory for the Group as of 1 April 2009 and will constitute a change in accounting policy. The revised IAS 23 will not have a material impact on the Group's financial statements.

- IAS 1 (Revised), 'Presentation of financial statements' (effective for fiscal years starting on or after 1 January 2009) mainly introduces a statement of comprehensive income. The Company will adopt this standard as of 1 April 2009. The Company opted to present items of income and expense and components of other comprehensive income in two separate statements as of 1 April 2009.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' — 'puttable financial instruments and obligations arising on liquidation' (effective for fiscal years starting on or after 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 and IAS 1(Amendment) from 1 April 2009. The IAS1 Amendment will not have any impact on the Group's financial statements.

- IFRIC 13, Customer loyalty programs (effective for fiscal years starting on or after 1 July 2008), clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer should be allocated between the components of the arrangement in proportion to their fair values. As the Group operates no material customer loyalty programs IFRIC 13 will not have any impact on the Group's financial statements.

- IFRS 2 (Amendment), 'Share-based payment' (effective for fiscal years starting on or after 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. The amended standard also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group will apply IFRS 2 (Amendment) from 1 April 2009. It is not expected to have a material impact on the group's financial statements. The amendment will have an impact on the accounting for share-based payments which include conditions unrelated to service. The Company's current accounting of the management participation plans is not impacted by these amendments.

- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective for fiscal years starting 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 Company will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 April 2010.

- IFRS 3 (Revised), 'Business combinations' (effective for fiscal years starting 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 value 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.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

- In November 2006 the IASB issued IFRS 8 ‘Operating Segments’ (effective for fiscal years starting on or after 1 January 2009) which replaced IAS 14 ‘Segment reporting’. The standard aligns the identification and reporting of operating segments with internal management reporting. Generally, the information to be reported should be aligned with internal management reporting for evaluating segment performance and strategic decision making on how to allocate resources to operating segments. The standard converges IFRS with US Accounting Standard SFAS 131 ‘Disclosure about Segments of an Enterprise and Related Information’. Information. IFRS 8 is applicable for annual periods beginning on or after 1 January 2009. In view of the anticipated transaction with PVH and the related required changes in financial reporting, the Company has decided to not provide operating segment disclosures in accordance with IFRS 8 as per the effective date of that standard as it is not mandatory for non listed entities.

- IFRIC 16, ‘Hedges of a net investment in a foreign operation’ (effective for fiscal years starting on or after 1 October 2008). IFRIC 16 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. The requirements of IAS 21, ‘The effects of changes in foreign exchange rates’ do apply to the hedged item. The Company will apply IFRIC 16 from 1 April 2009. It will not have a material impact on the Group’s financial statements.

- IAS 20 (Amendment), ‘Accounting for government grants and disclosure of government assistance’ (effective for fiscal years starting on or after 1 January 2009). The benefit of a below market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, ‘Financial instruments: Recognition and measurement’, and the proceeds received with the benefit accounted for in accordance with IAS 20. The Company will apply the amendment from 1 April 2009. It will not have an impact as there are no loans or other grants received from the government.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

2.2 Basis of Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern directly or indirectly 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. 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 recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of newly acquired subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity as 'cumulative translation adjustments'. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity will be released and recognised in the income statement as part of the gain or loss on sale.

Translation differences arising from long-term loans granted to Group companies that have the nature of permanent investments (quasi equity), are recorded directly in equity as 'cumulative translation adjustments' by analogy of translation of net investments. When the quasi equity is settled, exchange differences that were recorded in equity will be released and recognised in the income statement as part of the gain or loss on sale.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The main subsidiaries included in the consolidated financial statements are as follows:

	Country of incorporation	Ownership interest 2009	Ownership interest 2008
Tommy Hilfiger Group B.V.	The Netherlands	100%	100%
Tommy Hilfiger Europe B.V.	The Netherlands	100%	100%
Hilfiger Stores GmbH	Germany	100%	100%
Tommy Hilfiger Footwear Europe GmbH	Germany	100%	100%
Tommy Hilfiger USA Inc.	United States	100%	100%
Tommy Hilfiger Wholesale Inc.	United States	100%	100%
Tommy Hilfiger Licensing LLC	United States	100%	100%
Tommy Hilfiger Retail LLC	United States	100%	100%
Tommy Hilfiger Canada Inc.	Canada	100%	100%
Tommy Hilfiger Canada Retail Inc.	Canada	100%	100%
Tommy Hilfiger Japan Corporation	Japan	100%	100%

2.3 Segment reporting

Tommy Hilfiger's geographical segments are based on the internal organization and reporting structure of the Company and thus, consists primarily of the regions Europe, North America and Rest of World (RoW). Secondary segmentation is based on business segments, which include revenue from retail, wholesale, licensing activities and others. Revenue, Assets and Liabilities are allocated based on the location of assets.

Segment information is based on the same accounting policies as those applied in the consolidated financial statements.

2.4 Foreign Currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in EURO (€), which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using an average rate that approximates the actual rate at the date of the transaction. Whenever exchange rates fluctuate significantly, the exchange rates prevailing at the dates of the transactions are used. 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 recognised in the income statement line item financial income/(expense), except when deferred in the hedge reserve in equity as qualifying cash flow hedges.

Group companies

Some Group entities have a functional currency that is different from the presentation currency. None of these entities has a currency of a hyperinflationary economy.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity (Cumulative Translation Adjustment or 'CTA').

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.

2.5 Property and Equipment

Property and equipment are stated at historical cost less any accumulated depreciation. The cost includes all the expenditures that are directly attributable to the acquisition of the property and equipment. Finance costs are not capitalised. Depreciation is calculated using the straight-line method. Included as furniture and fixtures are assets related to shop-in-shop displays, as the Company has both the right to control the in-store displays and has not transferred the economic risk and rewards of these in-store displays.

Leasehold improvements are amortised using the straight-line method over the lesser of the terms of the leases or the estimated useful lives of the assets. In situations where the lessor provides funds intended to reimburse the Group for the costs of leasehold improvements (or alternatively the lessor makes expenditures on behalf of the Group), these are accounted for as a deferred lease incentives under other non-current liabilities.

Major additions and improvements are capitalised as part of the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to operations in the period incurred. Upon the disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts. Any gain or loss on the disposal is charged to the income statement.

Costs related to real estate that are necessary to operate the store or distribution centre in a later stage and are necessary to bring the asset to its working condition, are capitalised under the condition where management has identified a specific location and it is probable that the Group will acquire the property or enter into a lease agreement for the property. All operating costs during the pre-opening period are expensed when incurred.

Useful lives and depreciation methods for property and equipment are reviewed periodically to ensure that depreciation methods and periods reflect the expected useful life of the assets.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

	Years
Buildings	0-25
Furniture and fixtures, including shop-in-shop displays	3-5
Leasehold improvements	3-5
Computer equipment	3-5
Machinery and equipment	3-5

2.6 Leases

Finance lease

Leases of property and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Any initial direct costs of the lessee are added to the amount recognised as an asset. Initial direct costs are defined as 'incremental costs directly attributable to negotiating and arranging a lease'. These include commissions, legal fees, broker fees, registration fees or stamp duties. They exclude general overheads such as those incurred by a sales- and marketing team. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term borrowing. The interest element of the finance cost is charged to the income statement 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 and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Operating lease

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 income statement on a straight-line basis over the period of the lease. In an operating lease the initial direct costs are capitalised and expensed over the lease term on a straight-line basis.

Key money

The payment of key money in a lease classified as an operating lease is deferred as an asset (prepayments) and amortised over the period of the contract. The amortisation is presented as part of rental expenses.

Rent free periods

Rent holidays refer to a period of time during a lease term where the Group is not obligated to pay rent. Any rent holidays are allocated straight-line over the lease period.

Contingent rent

Contingent rent is the portion of the lease payments that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales). Contingent rents are charged as expenses in the periods in which they are incurred.

Rent deposits

Rent deposits are initially recognised at fair value. After initial recognition the receivables are measured at amortised cost using the effective interest method. The difference between the nominal and the fair value is presented as prepaid rent within other receivables and amortised against rent expense over the term of the deposit. Rent deposits are presented within other receivables.

2.7 Intangible assets

Acquired intangible assets are capitalised if they are controlled by the Group, it is probable that the use of the asset will embody a future economic benefit and the cost of the asset can be reliably measured. The Group's intangible assets consist of goodwill, trademark rights, customer relationships, computer software and other intangible assets (see Note 7).

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable value. The recoverable value is the higher of an asset's fair value less costs to sell and value in use. Impairment losses on goodwill are not reversed. 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. The Group allocates goodwill to each territory in which it operates (Note 7).

Trademarks

Acquired trademarks are shown at historical cost less impairment. Certain trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives. Trademarks with indefinite useful lives are tested for impairment on an annual basis. Other trademarks subject to amortisation are considered for impairment where there is an indication that the assets may be impaired.

Trademarks are 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 trademarks arose. The Group allocates trademarks to each territory in which it operates (Note 7).

Customer relationships

The customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives.

Computer software and others

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Related finance costs are not capitalised.

Amortisation

Amortisation is calculated using the straight-line method over the following estimated useful lives of the assets:

	Years
Finite life trademark rights	10
Customer relationships	10-15
Software	3-5
Other	1-5

2.8 Impairment for non-financial assets

Assets that have an indefinite useful life, for example goodwill and certain trademarks, are not subject to amortisation and are tested annually for impairment or when a triggering event occurs. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The individual directly operated stores are defined as cash generating units. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

The Group classifies its financial assets in the following categories: (i) at fair value through profit or loss (derivative financial instruments) and (ii) loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The Group determines the classification of its financial assets at initial recognition.

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

Regular purchases and sales of financial assets are recognised on the trade date — the date on which the Group commits to purchase or sells the asset.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income — net, in the period in which they arise. For the treatment of results on derivatives, see Note 2.10.

The fair values are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Loans and receivables

Loans and receivables 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. Loans and receivables are classified as trade and other receivables in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date when 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 a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 8. Movements on the hedging reserve in shareholders' equity are shown in Note 15. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedge item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within financial income and expense if it concerns foreign currency exchange ('FX') derivatives hedging currency risks on purchase orders. The gain or loss relating to the ineffective portion of interest rate derivatives is recognised within financial income and expense.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs. When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in case of inventory, or in depreciation in case of fixed assets.

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

Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within financial income and expense.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

2.11 Inventories

Inventories are carried at historical cost calculated on the basis of the weighted average method. The costs of inventories comprise the cost to purchase the product (including buying office commissions) and other costs incurred in bringing the inventories to their present location and condition such as inbound freight charges, purchasing and receiving costs, inspection costs, internal transfer costs, as well as insurance, duty, brokers' fees and consolidators' fees. Costs of inventories include also the transfer from equity of any gains/losses on qualifying cash flow hedges for purchases of products. Finance costs are not taken into account.

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Any write down of inventory to net realisable value includes impairment for shrinkage based on historical shrink levels. A write-down to net realisable value taken in a prior period is reversed when the conditions causing the write-down cease to exist.

2.12 Trade receivables

Trade receivables are initially recognised at the fair value and subsequently measured at amortised cost, less a provision for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. The amount of the provision is recognised in the income statement within distribution and selling costs. 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 and selling costs in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

2.14 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Management participation plans

Management participations plans are accounted for according to the nature of the respective plans.

Equity settled plan

For equity-settled share based payment arrangements, the fair value of equity instruments are estimated at the grant date and recorded within the shareholders' equity. The fair value of the plan is equal to the difference between (i) the fair market value of the grant or award and (ii) the subscription price of the plan. Where vesting conditions are applicable the expense is recognised over the vesting period of the instruments granted.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Cash settled plan

For cash-settled share based payment arrangements the fair value of the equity instruments granted is remeasured at each reporting date and the associated liability is spread over the vesting period of the instruments granted.

Fair value Company's shares

The fair market value applied for the underlying Company's shares is based on the shareholder value which has been derived from the Enterprise Value ('EV') for the Company. For the determination of the fair value, EV/EBITDA multiples are applied which are based on (i) a market approach by using trading multiples of comparable companies as a benchmark and (ii) an income approach as a cross-check in the valuation.

Grant date

The grant date for a management plan is set at the date on which the Group and the participants in the management plan have a shared understanding of and agree to the terms and conditions of the arrangement.

2.16 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The Group believes that the face value for trade payables is approximate to the amortised cost initially recognised and the fair value as maturity is generally within 12 months and trade payables are generally not interest bearing. Therefore trade payables are recognised effectively at face value.

2.17 Borrowings

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

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are expensed in the period in which they are incurred. 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.

2.18 Deferred Income Taxes

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

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

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.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

2.19 Employee benefits

Pension obligations

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. 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.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define 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.

The liability recognised 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 unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

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

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Bonus plans

The Group recognises a liability and an expense for bonuses, based on the agreements with the employees. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Provisions

Provisions are recognised 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.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

The Group may accept the return of goods from their customers and distributors in the course of normal business. Where this practice is applied, revenue is reduced by the estimated amount of such a return, and a corresponding entry is made to provisions. The estimated rate of return is based on statistics of historical returns.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The Group may be contractually obliged to contribute in the mark down costs of their customers and distributors. Where this contractual obligation exists, revenue is reduced by the estimated amount of mark down contributions and a corresponding entry is made to provisions. The estimated mark down contribution is based on historical data and current market circumstances

Where there are a number of similar obligations (e.g. returns or similar obligations) the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognised.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

If the Group has contracts that are onerous, the unavoidable costs of a present obligation under the contract is recognised and measured as a provision. For individual stores, current and forecasted future negative four wall cash flows are considered to be indicators for such onerous contracts.

2.21 Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the financial statements. Contingent liabilities are disclosed in the Notes, unless there is a very low probability that they will result in an outflow of resources embodying economic benefits. Likewise, contingent assets are not recognised. They are disclosed in the Notes, provided that an associated inflow of resource embodying economic benefits is considered likely.

2.22 Events after the balance sheet date

Events after the balance sheet date, which provide additional information on the situation of the Group on the balance sheet date (adjusting event after the balance sheet date), are recognised in the consolidated balance sheet/income statement. Non-adjusting events after the balance sheet date are disclosed in the Notes if they are of a material nature.

2.23 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 discounts and after eliminating sales within the Group.

The Group recognises 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. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Sale of goods – wholesale

The Group sells a range of goods in the wholesale market. Sales of goods are recognised when a Group entity has delivered goods to the wholesaler, the wholesaler has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the goods. Delivery does not occur until the goods have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The goods are often sold with a variety of customer incentives such as volume discounts, mark down compensation and cash settlement discounts. Customers have a right to return faulty goods in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts, mark down compensation, other incentives and returns at the time of sale.

Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with the market practice.

On a seasonal basis, the Group negotiates price adjustments with its wholesale customers as sales incentives or to partially reimburse them for the cost of certain promotions. The Group estimates the cost of such adjustments on an ongoing basis considering historical trends, projected seasonal results and an evaluation of current economic conditions. These costs are recorded as a reduction to net revenue.

Sale of goods – retail

The Group operates a chain of retail stores for selling sportswear, activewear, jeanswear, and childrenswear. Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

It is the Group's policy to sell its products to the retail customer with a right to return within 15-90 days (depending on territory). Accumulated experience is used to estimate and provide for such returns at the time of sale. The Group does operate some loyalty programs with a minimal exposure.

License income

License income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

2.24 Costs of Goods Sold

The Group includes in cost of goods sold all costs and expenses related to obtaining merchandise incurred prior to the receipt of finished goods at the Group's distribution facilities.

These costs include, but are not limited to, product cost, inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs and internal transfer costs, as well as insurance, duty, brokers' fees and consolidators' fees.

In addition, certain costs in the Group's retail distribution network, such as the costs of shipping merchandise to Group-owned retail stores, are charged to cost of goods sold.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

2.25 Distribution and selling cost

The Group includes in selling and distribution expenses costs incurred subsequent to the receipt of finished goods in the distribution centres, such as the cost of picking and packing goods for delivery to customers. In addition, selling and distribution expenses include product design costs, selling and store service costs and marketing expenses.

Advertising costs and promotion expenses include the costs of producing advertising media, purchasing media space and in general, the cost of all activities designed to promote the Group's brands and products. Advertising and promotion expenses are recognised as expenses for the period in which they are incurred.

The Group has no long-term commitment for advertising programs. In conjunction with each selling season, the Group makes arrangements with certain retailers to enter into cooperative advertising programs whereby the retailers are reimbursed for a portion of the qualified advertising costs spent on behalf of the Group. The Group's share of these programs, which typically represents 50% of the total cost incurred by the retailers, is classified as Selling and distribution expenses.

2.26 Administrative expenses

Administrative expenses mainly comprise of personnel, IT and accommodation expenses in relation to the activities at various head offices and business supporting operations.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, 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 minimise potential adverse effects on the Group's financial performance. The Group uses derivative and non-derivative financial instruments to hedge certain risk exposures.

Financial risk is managed by the Group Treasury department. The Group's Treasury department executes the strategy and policies as decided upon by the Group Treasury Committee ('GTC').The GTC meets regularly to discuss developments in the financial markets and the impact thereof on the (hedging) decisions for the Group.

The financial markets have deteriorated significantly during this year, resulting in volatile market interest rates and widening credit spreads. The Group's financial risk management program properly addresses the potential impact of these developments.

The Group Treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

The Board of Directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3.1.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group uses derivatives and non-derivative financial instruments to manage market risks.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to purchases in US dollars ('US$') related to sales in €, Canadian dollars ('CAD') and Japanese Yen ('¥'). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations in a currency that is not the entity's functional currency.

The Group uses a mix of foreign exchange ('FX') forward contracts and FX options with maturities shorter than one year in order to mitigate the risks associated with adverse movements in foreign currency which might affect certain firm commitments or transactions, including the purchase of inventory, capital expenditures, the collection of foreign royalty payments and certain inter-group transactions that would affect the consolidated profit and loss account of the Group.

The Group manages the foreign exchange risk against the functional currencies within the Group, which are primarily €, CAD, US$, ¥ and GBP. The Group's operating companies are required to hedge a significant part of their foreign exchange risk exposure. The Group's policies do not allow the use of financial instruments for speculative or trading purposes.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The Group consolidates all financial information from its subsidiary companies into the Group's consolidated financial information, which is expressed in €. The non-cash or reporting impacts of such translations are not hedged.

The Group's financial risk management policies evaluate the currency fluctuation impacts on the Group's financial performance. Based on this, certain hedges on the anticipated cash flows (mainly purchases of goods in US$) with a maturity less than one year are put in place. These projected purchases in US$ can be qualified as 'highly probable' forecast transactions for hedge accounting purposes.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is primarily managed through borrowings denominated in the relevant foreign currencies. Furthermore, intercompany financing positions are not hedged with FX forward contracts, financing positions with a long term character with no intention for repayment are revalued directly through equity via the cumulative translation adjustment ("CTA").

Based on historic movements and volatilities in market variables, and management's knowledge and experience of the financial markets, the Group believes the following movements are 'reasonable possible' over a 12 month period. The movements are illustrative only. The Group's exposure to currency risk based on nominal values is indicated below, and provides the post-tax effect that a possible increase or decrease in the value of foreign currencies relative to the € would have, assuming all other circumstances remain unchanged, on the Group's financial income and expenses and shareholders' equity. In this connection, no account was taken of derivatives concluded to hedge the currency risk. The effects on shareholders' equity and income are calculated using the closing rate as per balance sheet date.

At 31 March 2009, if the € had strengthened by 15% against US$ with all other variables held constant, post-tax profit for the year would have been €21,532 (2008: €22,411) lower, mainly as a result of foreign exchange loss on translation of, trade payables, and cash and cash equivalents. Other components of equity would have decreased €18,211 (2008: nil) as result of the exchange rate changes. Conversely, if € had weakened by 15% against US$ with all other variables held constant, post-tax profit for the year would have been €21,532 (2008: €22,411) higher. Other components of equity would have increased €18,211 (2008: nil) as result of the exchange rate changes.

At 31 March 2009, if the € had strengthened by 15% against YEN with all other variables held constant, other components of equity would have decreased €4,418 (2008: nil) as result of the exchange rate changes with limited post-tax profit for the year. Conversely, if the EUR had weakened by 15% against YEN with all other variables held constant, other components of equity would have increased €4,418 (2008: nil) as result of the exchange rate changes with limited post-tax profit for the year.

At 31 March 2009, if the CAD had strengthened by 15% against USD with all other variables held constant, other components of equity would have decreased €3,302 (2008: 2,893) as result of the exchange rate changes with limited post-tax profit for the year. Conversely, if the CAD had weakened by 15% against USD with all other variables held constant, other components of equity would have increased €3,302 (2008: 2,893) as result of the exchange rate changes with limited post-tax profit for the year.

(ii) Cash flow and fair value interest rate risk

The Group attracts the majority of its financial sources at floating rate. It subsequently protects itself for adverse interest rate movements by entering into pay-fixed, receive-floating interest rate swaps. It is currently the Group's policy to hedge a minimum of 75% of its Senior Debt (including the Mezzanine loan) with fixed rate hedging instruments. The group applies hedge accounting. Interest rate derivatives are designated as hedging instruments in the hedge accounting relationship.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

During the year ended 31 March 2009, the Group's borrowings at variable rate were denominated in € and US$. The company has hedged 88% (2008: 91%) of it's exposure to variable interest rate. 31 March 2009, if € market interest rates had been 125 basis points higher and US$ market interest rates had been 125 basis points higher with all other variables held constant, post-tax profit for the year would have been €92.7 lower (2008: €67.5 lower). At 31 March 2009, if € market interest rates had been 125 basis points lower and US$ market interest rates had been 125 basis points lower with all other variables held constant, post-tax profit for the year would have been €92.7 higher (2008: €67.5 higher).

The effect following interest rate changes is predominantly driven by fair value changes of interest rate swaps.

3.1.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financial transactions with financial institutions.

Credit risk is managed by region. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions.

Regional management assesses the credit quality of the customer taking into account its financial position, past experience and other factors. If wholesale customers are independently rated, these ratings are used. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored by local (credit) management.

The Group has two significant wholesale customers, whose accounts receivable position exceeds 5% of the consolidated gross trade receivables. Both customers have a good reputation, track record in credibility and are also insured. Sales to retail customers are settled in cash or using credit cards. The Group believes that the credit risk associated with the below mentioned financial institutions has increased during the year, but is still at acceptable levels.

In Europe, the Group has an agreement with a European credit insurance company from whom it obtains credit insurance on an individual customer basis. The credit insurance company establishes maximum credit limits for each wholesale customer account. If the receivable becomes 75-105 days past due or the customer becomes bankrupt or insolvent the Group hands over the collection of receivables to the credit insurance group.

In North America the Group outsources the collection and insurance of the majority of its receivables through several credit insurance companies, which are subsidiaries of large financial institutions. The credit insurance companies establish maximum credit limits for each wholesale customer account. As long as the Group stays within the credit limits approved by the credit insurance companies, the receivable amount will always be insured for collection. The Group hands over the collection of receivables to the financial institution once the receivables become 90-120 days past due.

In the RoW, the receivables are on department stores and fashion houses which have a good reputation, track record and credibility.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The credit rating of the Group's major financial institutional counterparties, with the amount of exposure for these counterparties, is presented below in carrying amounts at 31 March 2009 (cash and cash equivalents including bank overdrafts; Note 12):

Counterparty	S&P Rating 2009	2009	S&P Rating 2008	2008
Fidelity Treasury Only Portfolio	AAA	45,817	AAA	—
Fortis Bank Nederland	A	34,808	AA-	11,837
HSBC Bank	AA	23,912	AA-	12,328
Bank of Tokyo Mitsubishi	A+	9,121	A+	1,795
Deutsche Bank	A+	5,000	AA	1,640
JP Morgan	AA-	2,424	AA	858
Mitsui Sumitomo	A+	1,615	A+	12,538
Citibank	A+	—	AA	17,761
Others	N/A	17,148	N/A	15,995
		139,845		**74,752**

The Group's year-end cash balances reported in Canada and Europe were held in current accounts. The cash balances held in the US are invested in overnight Money Market Funds, which are freely obtainable the next day. The majority of the current account balances are held with banks with a minimum S&P rating of A.

The Group's derivative financial instruments resulting from the interest rate swap are with Credit Suisse (S&P Rating A+), Rabobank (S&P Rating AAA) and Fortis Bank Nederland B.V. (S&P Rating A) and have at the balance sheet date a fair value of €nil (asset) (2008: €6,388, asset) and of €18,179 (liability) (2008: €7,909, liability).

The Group's foreign exchange rate hedges are with Fortis Bank Nederland B.V. (S&P Rating A), Rabobank (S&P Rating AAA) and HSBC (S&P Rating AA) and have at the balance sheet date a fair value of €5,131 (asset) (2008: €495, asset) and of €4,768 (liability) (2008: €1,526, liability)

3.1.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding through credit lines.

Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flows.

The table below provides maturity analyses of the financial liabilities based on the remaining contractual maturities as of 31 March 2009 including the future contractual interest payables on both the outstanding debt and the Interest rate swap. The Mezzanine includes an amount of €56.4 million of future paid-in-kind interest.

	Borrowings					**Derivatives**				
In € millions	Senior debt and Mezzanine	Mezzanine Including paid in kind interest	Interest senior debt and Mezzanine	Financial Lease liabilities	Revolving credit facility	Derivatives inflow (including interest)	Derivatives outflow (including interest)	Other non-current liabilities	Trade and other payables and Current Income tax liabilities	Total
2009-2010	24.3	—	22.1	5.1	32.5	(14.7)	27.5	—	309.9	406.7
2010-2014	128.9	—	83.9	7.5	—	(3.1)	10.8	41.0	—	269.0
> 2014	321.8	173.4	25.4	4.4	—	—	—	—	—	525.0
Contractual cash flows	475.0	173.4	131.4	17.0	32.5	(17.8)	38.3	41.0	309.9	1,200.7

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The table below analyses the Group's forward foreign exchange contrasts that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

At 31 March 2009	**Less than 1 year**
Forward foreign exchange contracts – cash flow hedges:	
– outflow	27,473
– inflow	30,319
Forward foreign exchange contracts – held for trading:	
– outflow	184,403
– inflow	182,147
At 31 March 2008	
Forward foreign exchange contracts – cash flow hedges:	
– outflow	18,737
– inflow	19,289
Forward foreign exchange contracts – held for trading:	
– outflow	57,396
– inflow	56,265

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 in order 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 proposed dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. These adjustments are subject to approval by the Board of Directors.

Consistent with others in the industry, the Group reports its financial credibility to the Group's Debt Lenders every quarter-end with financial covenant ratios, the most important being:

- Cash Flow Cover
- Interest Cover
- Consolidated Total Net Debt Cover
- Capital Expenditure

These ratios were defined by the Group's Debt Lenders of the Group. The financial covenants are measured quarterly and for the relevant periods the Group has not breached the agreed financial covenants.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

3.3 Fair value estimation

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. The quoted market price used for financial assets held by the Group is the current bid price. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques (see notes 14 and 16). The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

At 31 March 2009, the fair value of the Group’s cash and cash equivalents is equal to their carrying value. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of the Group’s other monetary assets and liabilities approximate carrying value due to the relatively short-term nature of these items. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

4. Critical accounting estimates and judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of intangible assets

The Group evaluates identifiable intangible assets that are subject to amortisation for impairment whenever events or changes in circumstances indicate that its carrying value may not be recoverable. Recoverability is evaluated by a comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the asset.

Identifiable intangible assets not subject to amortisation are assessed for impairment when triggering events occur or at least annually. The impairment test for identifiable intangible assets not subject to amortisation consists of a comparison of the recoverable value of the intangible asset with its carrying amount. An impairment loss is recognised for the amount by which the carrying value exceeds the recoverable value of the asset. In making this assessment, management relies on a number of factors to discount anticipated future cash flows including operating results, business plans and present value techniques. Rates used to discount cash flows are dependent upon interest rates and the cost of capital at a point of time. There are inherent uncertainties related to these factors and management's judgement in applying them to the analysis of intangible asset impairment. It is possible that assumptions underlying the impairment analysis will change in such a manner that impairment in value may occur in the future.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Based on these calculations it is not likely that a reasonably possible change in a key assumption on which management has based its determination of the recoverable amount would cause the carrying amount to exceed its recoverable amount.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises 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 income tax and deferred tax provisions in the period in which such determination is made.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Return and Chargeback provisions

The Group recognises various customer incentive schemes and return policies. The Group has estimated the costs associated with these schemes and policies based on statistics of historical returns and customer specific arrangements.

Impairment store property and equipment

The Group reviews whether events or changes in circumstances indicate an impairment of property and equipment in accordance with the accounting policy in Note 2.8. The recoverable amount of the individual stores has been determined based on value-in-use calculations. Where the value in use is lower then the recoverable amount an impairment charge has been recognised.

Onerous lease contracts

The Group periodically reviews whether individual stores have negative current and/or forecasted future cash flows. Stores with forecasted future cash flows which are below the unavoidable costs of the lease obligations are considered onerous and provided for.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

5. Segment information

Primary reporting format – geographic segments

At 31 March 2009, the Group is organised on a worldwide basis into 3 main geographic segments.

- Europe
- North America
- Rest of the world (RoW)

Rest of the World operations mainly comprise Japan operations (as of February 2008), Karl Lagerfeld operations and Head Office.

The segments United States and Canada are included in the segment North America in 2009. The comparable segment reporting is adjusted to align with current year presentation. The new segment reflects the change in organisational and reporting structure of the company.

Intersegment revenue results from the royalties paid to Tommy Hilfiger Licensing LLC for the usage of the Tommy Hilfiger trademark by other regions. The royalties are accounted for at competitive market prices charged to unaffiliated customers. The intercompany royalties are eliminated during the consolidation.

The segment results for the year ended 31 March 2009 are as follows:

	Europe	North America	RoW	Eliminations	Total
Revenue	795,709	707,307	156,941	(47,653)	1,612,304
Intersegment revenue	(178)	(47,112)	(363)	47,653	—
Net revenue	795,531	660,195	156,578	—	1,612,304
Operating result	82,164	36,325	344	—	118,833
Finance costs, net					(80,096)
Income tax expense					(14,419)
Result for the year					**24,318**

The segment results for the year ended 31 March 2008 are as follows:

	Europe	North America	RoW	Eliminations	Total
Revenue	706,526	655,017	44,158	(36,324)	1,369,377
Intersegment revenue	—	(35,854)	(470)	36,324	—
Net revenue	706,526	619,163	43,688	—	1,369,377
Operating result	135,534	64,248	(30,071)	—	169,711
Finance costs, net					(153,085)
Income tax expense					(26,978)
Result for the year					**(10,352)**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Significant non-cash items included in operating result for the year ended 31 March 2009 are as follows:

	Europe	**North America**	**RoW**	**Total**
Depreciation	(24,576)	(24,535)	(4,911)	(54,022)
Impairment	(15,877)	(11,376)	(6,393)	(33,646)
Amortisation	(8,971)	(7,749)	(1,109)	(17,829)
Total	**(49,424)**	**(43,660)**	**(12,413)**	**(105,497)**

Significant non-cash items included in operating result for the year ended 31 March 2008 are as follows:

	Europe	**North America**	**RoW**	**Total**
Depreciation	(20,016)	(22,868)	(852)	(43,736)
Impairment	—	—	—	—
Amortisation	(10,278)	(4,966)	(962)	(16,205)
Total	**(30,294)**	**(27,834)**	**(1,814)**	**(59,941)**

Segment assets consist primarily of Property and Equipment, Intangible assets, Inventories, Trade and Other receivables. Segment liabilities comprise mainly Trade and Other payables.

Non-allocated assets primarily include deferred and current income tax assets, derivative financial instruments and cash and cash equivalents. Non-allocated liabilities mainly include deferred and current income tax liabilities, borrowings, other current liabilities and the shareholders loan.

Capital expenditure comprises additions to Property and Equipment (Note 6) and Intangible Assets (Note 7).

The segment assets and liabilities at 31 March 2009 and capital expenditure for the year ended are as follows:

	Europe	**North America**	**RoW**	**Un-allocated**	**Total**
Assets	869,407	617,651	185,912	52,453	1,725,423
Liabilities	(177,521)	(243,423)	(79,201)	(1,219,332)	(1,719,476)
Capital expenditure	40,289	51,982	4,561	—	96,832

The segment assets and liabilities at 31 March 2008 and capital expenditure for the year then ended are as follows:

	Europe	**North America**	**RoW**	**Un-allocated**	**Total**
Assets	801,087	467,524	165,506	60,618	1,494,735
Liabilities	(114,972)	(145,223)	(40,577)	(1,211,466)	(1,512,238)
Capital expenditure	29,221	38,288	16,481	—	83,990

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Secondary reporting format – business segments

At 31 March 2009, the Group is organised on a worldwide basis into four main business segments:

- Wholesale
- Retail
- Licensing
- Other

Wholesale segment comprises the distribution and sale of the Group's products to third party retailers, including franchise operators of Tommy Hilfiger stores.

Retail segment comprises the distribution and sale of the Group's products through owned and operated stores and E-commerce.

Licensing segment comprises the licensing of the Group's brands to third parties that either produce goods (such as fragrances, handbags, watches and eyewear) not currently sold by the Group, or that operate in geographic locations where the Group currently has no operations, in each case in exchange for a royalty typically calculated as a percentage of sales.

Other Group activities mainly comprise the Group's Karl Lagerfeld businesses as well as corporate activities such as finance and executive compensation. Neither of these constitutes a separately reportable segment.

The segment results and assets at 31 March 2009 and capital expenditure for the year ended are as follows:

	Wholesale	**Retail**	**Licensing**	**Other**	**Total**
Revenue	806,455	765,642	37,076	3,131	1,612,304
Operating result	112,376	11,401	24,431	(29,375)	118,833
Total assets	551,182	296,696	6,050	871,495	1,725,423
Capital expenditure	40,522	55,642	—	668	96,832

The segment results, assets and liabilities at 31 March 2008 and capital expenditure for the year ended are as follows:

	Wholesale	**Retail**	**Licensing**	**Other**	**Total**
Revenue	727,487	590,765	46,769	4,356	1,369,377
Operating result	110,496	73,643	33,681	(48,109)	169,711
Total assets	403,673	258,254	5,362	827,446	1,494,735
Capital expenditure	19,468	36,670	—	27,852	83,990

Other Total assets mainly include intangibles assets, deferred income tax position and cash and cash equivalents.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

6. Property and Equipment

Property and equipment consists of the following at 31 March 2009:

	Furniture & Fixture	Land and buildings	Leasehold Improvement	Computer Equipment	Machinery & equipment	Total
At cost						
31 March 2008	**79,912**	**20,033**	**121,001**	**17,165**	**7,896**	**246,007**
Additions	40,978	—	45,987	2,995	208	90,168
Acquisitions	—	—	2,561	—	—	2,561
Disposals	(6,501)	—	(5,938)	(346)	(224)	(13,009)
Translation	9,398	(121)	14,813	2,045	2,471	28,606
31 March 2009	**123,787**	**19,912**	**178,424**	**21,859**	**10,351**	**354,333**
Accumulated depreciation						
31 March 2008	**31,338**	**392**	**28,012**	**11,749**	**2,617**	**74,108**
Depreciation for the period	21,616	267	26,786	3,402	1,952	54,023
Impairment	6,456	—	20,704	201	—	27,361
Disposals	(4,904)	—	(5,831)	(277)	(224)	(11,236)
Translation	5,106	(18)	5,561	1,549	2,208	14,406
31 March 2009	**59,612**	**641**	**75,232**	**16,624**	**6,553**	**158,662**
Net book value at 31 March 2009	**64,175**	**19,271**	**103,192**	**5,235**	**3,798**	**195,671**
Net book value at 31 March 2008	**48,574**	**19,641**	**92,989**	**5,416**	**5,279**	**171,899**

Property and equipment consists of the following at 31 March 2008:

	Furniture & Fixture	Land and buildings	Leasehold Improvement	Computer Equipment	Machinery & equipment	Total
At cost						
31 March 2007	**68,409**	**6,902**	**104,890**	**19,374**	**9,605**	**209,180**
Additions	27,452	13,500	29,954	2,127	463	73,496
Acquisitions	1,236	—	7,312	—	—	8,548
Disposals	(3,367)	—	(3,617)	(1,290)	(192)	(8,466)
Translation	(13,818)	(369)	(17,538)	(3,046)	(1,980)	(36,751)
31 March 2008	**79,912**	**20,033**	**121,001**	**17,165**	**7,896**	**246,007**
Accumulated depreciation						
31 March 2007	**23,894**	**138**	**25,290**	**10,683**	**1,706**	**61,711**
Depreciation for the period	20,791	291	16,278	3,923	2,453	43,736
Disposals	(3,093)	—	(3,183)	(493)	(192)	(6,961)
Translation	(10,254)	(37)	(10,373)	(2,364)	(1,350)	(24,378)
31 March 2008	**31,338**	**392**	**28,012**	**11,749**	**2,617**	**74,108**
Net book value at 31 March 2008	**48,574**	**19,641**	**92,989**	**5,416**	**5,279**	**171,899**
Net book value at 31 March 2007	**44,515**	**6,764**	**79,600**	**8,691**	**7,899**	**147,469**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Impairment of Furniture & Fixture and Leasehold Improvement:

The impairment loss for 2009 of €27,362 (2008: nil) represents the write down of Furniture & Fixtures and Leasehold Improvements for a number of owned and operated Retail stores in Europe and US to the recoverable amount. The impairment is caused by the overall economic slowdown and 3-5 year cash flow forecasts for these stores. The impairment loss has been recognised in the income statement in the line item "Depreciation, amortisation and impairment".

Property and equipment includes the following amounts where the Group is a lessee under a finance lease:

	2009	2008
Cost – capitalised finance leases	35,016	19,378
Accumulated depreciation	(19,234)	(4,148)
Net book amount	**15,782**	**15,230**

Finance lease agreements entered into by the Group mainly relate to the acquisition of land and buildings, computer equipment and furniture and fixtures (refer to note 19).

7. Goodwill and Other Intangible Assets

As at 31 March 2009, the Group's intangible assets and related accumulated amortisation comprise the following:

	Goodwill	Indefinite life Trademark	Finite life Trademark	Customer relationships	Software	Other	Total
At cost							
31 March 2008	**200,323**	**438,424**	**8,500**	**118,659**	**15,755**	**8,895**	**790,556**
Additions	—	—	—	—	6,549	115	6,664
Acquisitions	7,566	—	—	5,609	—	—	13,175
Disposals	—	—	—	—	(15)	—	(15)
Translation	24,510	29,052	—	(29)	2,978	780	57,291
31 March 2009	**232,399**	**467,476**	**8,500**	**124,239**	**25,267**	**9,790**	**867,671**
Accumulated depreciation							
31 March 2008	—	—	**1,606**	**13,957**	**4,334**	**4,717**	**24,614**
Amortisation for the period	—	—	850	8,108	5,918	2,952	17,828
Impairment charges	—	—	6,044	—	—	240	6,284
Disposals	—	—	—	—	—	—	—
Translation	—	—	—	(8)	1,200	514	1,706
31 March 2009	**—**	**—**	**8,500**	**22,057**	**11,452**	**8,423**	**50,432**
Net book value at 31 March 2009	**232,399**	**467,476**	**—**	**102,182**	**13,815**	**1,367**	**817,239**
Net book value at 31 March 2008	**200,323**	**438,424**	**6,894**	**104,702**	**11,421**	**4,178**	**765,942**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

As at 31 March 2008, the Group's intangible assets and related accumulated amortisation comprise the following:

	Goodwill	Indefinite life Trademark	Finite life Trademark	Customer relationships	Software	Other	Total
At cost							
31 March 2007	**94,676**	**468,040**	**8,500**	**107,046**	**6,861**	**9,939**	**695,062**
Additions	—	—	—	—	10,494	—	10,494
Acquisitions	107,819	—	—	11,700	285	1,600	121,404
Disposals	—	—	—	—	—	(1,600)	(1,600)
Translation	(2,172)	(29,616)	—	(87)	(1,885)	(1,044)	(34,804)
31 March 2008	**200,323**	**438,424**	**8,500**	**118,659**	**15,755**	**8,895**	**790,556**
Accumulated depreciation							
31 March 2007	**—**	**—**	**756**	**6,344**	**1,715**	**2,319**	11,134
Amortisation for the period	—	—	850	7,629	3,205	4,521	16,205
Disposals	—	—	—	—	—	(1,600)	(1,600)
Translation	—	—	—	(16)	(586)	(523)	(1,125)
31 March 2008	**—**	**—**	**1,606**	**13,957**	**4,334**	**4,717**	**24,614**
Net book value at 31 March 2008	200,323	438,424	6,894	104,702	11,421	4,178	765,942
Net book value at 31 March 2007	94,676	468,040	7,744	100,702	5,146	7,620	683,928

Please refer to Note 33 for details on goodwill movements in 2009.

Finite life trademark was impaired in FY2009 as the cash flow projections for the related businesses did no longer support the carrying value of the trademark.

Trademarks with indefinite useful life relate to the Tommy Hilfiger trademark. This trademark is estimated to have an indefinite useful life due to the fact that it is closely related to the total business, the high degree of brand recognition as well as its foundation a significant time ago.

Impairment tests for goodwill and Tommy Hilfiger ('TH') trademark

Goodwill and the TH trademark (an intangible with indefinite useful life) are allocated to the Group's cash-generating units ("CGUs"), identified according to region of operation and business segment.

Goodwill by CGU:

	Europe	North America	RoW	Total
Balance at 31 March 2008	86,285	17,425	96,613	200,323
Acquisitions	7,566	—	—	7,566
Foreign currency translation	—	2,277	22,233	24,510
Balance at 31 March 2009	93,851	19,702	118,846	232,399

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

TH Trademark by CGU:

	Europe	North America	RoW	Total
Balance at 31 March 2008	260,635	177,789	—	438,424
Foreign currency translation	—	29,052	—	29,052
Balance at 31 March 2009	260,635	206,841	—	467,476

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are projected using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the fashion industries in which the CGU operates.

The key assumptions used in 2009 for value-in-use calculations are as follows:

	2009			2008		
	Europe	North America	RoW	Europe	North America	RoW
Gross margin (average)						
- next five years	61%	55%	71%	54%	55%	60%
- After that	61%	55%	71%	54%	55%	60%
Growth rate (CAGR)						
- next five years	5.6%	6.2%	9.1%	10.5%	5.9%	10.2%
- After that	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Discount rate	18.3%	18.3%	18.3%	16.5%	16.5%	16.5%

The calculation of value-in-use for the cash generating units is most sensitive to the following assumptions:

- gross margins: the Group determined budgeted gross margin based on past performance and its expectations for the market development.
- discount rate: the discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry. The discount rate was applied to all CGUs as the expected future cash flows in local currency had first been converted to € using forward rates. The Group believes that differences in the risk profile of the North America operations compared to Europe and RoW have been reflected in the cash flow forecasts of the CGUs making further adjustments to the discount rate unnecessary. The Group determined that the impairment test outcome would not differ significantly when applying a discount rate for the cash flow specific currency and translating these to present value using a spot exchange rate instead.
- growth rate: future growth rates are displayed in the table above and differ by geography. The growth rate is based on average values achieved in the years preceding the start of the budget period

Management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the cash generating units to materially exceed its recoverable amount.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

8. Derivative financial instruments

At 31 March 2009 and 2008, the Group's derivative financial instruments are comprised of the following:

	2009		2008	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Current: Forward foreign exchange contracts – hedge accounting	2,846	—	495	—
Current: Forward foreign exchange and option contracts – no hedge accounting	2,285	4,768	—	1,526
Non-current: Interest Rate Swaps – hedge accounting	—	16,805	—	—
Non-current: Interest Rate Swaps – no hedge accounting	—	1,374	6,388	7,909
Total	**5,131**	**22,947**	**6,883**	**9,435**

Forward foreign exchange contracts

These contracts are both plain-vanilla and conditional forward contracts.

At 31 March 2009 the notional principal amounts of the outstanding foreign exchange contracts in hedge relation are purchases of US$40,000 versus CAD (2008: US$30,500).

The outstanding foreign exchange contracts not in hedge relation are at 31 March 2009:

- Sale of € nil (2008: €1,876) versus US$
- Purchase of US$ 198,000 (2008: US$86,000) versus €
- Purchase of £ 2,000 (2008 £0) versus US$

Highly probable forecasted purchases of cost of goods sold, denominated in US$ for the Canadian operations are designated as hedged item in the cash flow hedge relationship which are expected to occur at various dates during 3 to 10 months. Gains and losses recognised in the hedging reserve in equity (Note 15) on forward foreign exchange contracts at 31 March 2009 will be recognised in the initial carrying value of the purchased inventory that will be received by the Group in 3 to 10 months. These inventory items will affect the income statement as costs of goods sold in the period 6 to 12 months from the balance sheet date.

Embedded forward foreign exchange contracts

The Group has reviewed its US$ denominated clothing purchase contracts €/US$ or €/CAD for embedded forward contracts. In line with IAS 39, the Group bifurcates and separately fair values these contracts if it is clear that these embedded forward contracts are not closely related to the host contract. At year end there were no significant embedded derivatives.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Interest rate swaps — hedge accounting

The Group has entered into three interest rate swaps to off-set the effects of changing interest rates on its floating rate senior credit facility. Highly probable forecasted variable interest charges on the Senior debt are designated as hedged item in the cash flow hedge relationship. The effective portion of the fair value changes on the interest swaps designated in a hedge accounting relationship are deferred to the hedging reserve in equity (note 15) until the underlying forecasted interest cash flow occurs The critical terms of these interest rate swaps, whereby the Group pays fixed interest and receives floating interest, are as follows as at 31 March 2009 and 2008:

Notional amount	Contract rate	Contract maturity	Fair Value 31-Mar-09	Fair Value 31-Mar-08
US$220,000 (2008: US$ 220,000)	4.97%	May-10	US$10,300 (loss)	US$12,120 (loss)
€383,529 (2008: €383,529)	3.27%	May-10	€ 8,286 (loss)	€ 6,388 (gain)
US$220,000 (2008: US$0)*)	LIBOR	May-10	US$ 335 (loss)	US$ 0
€383,529 (2008: €0)*)	EURIBOR	May-10	€ 358 (loss)	€ 0

*) Basis swap 1 month/3 month

Interest rate swaps — no hedge accounting

The Group has entered into three interest rate swaps to off-set the effects of changing interest rates on its floating rate senior credit facility. Fair value change gains or losses are recognised in the income statement as financial income/expense. The critical terms of these interest rate swaps, whereby the Group pays fixed interest and receives floating interest, are as follows as at 31 March 2009 and 2008:

Notional amount	Contract rate	Contract maturity	Fair Value 31-Mar-09	Fair Value 31-Mar-08
US$40,000 (2008: US$0)	2.77%	May-13	US$ 529 (loss)	US$ 0
US$55,000 (2008: US$0)	2.88%	May-13	US$ 866 (loss)	US$ 0
US$46,000 (2008: US$0)	2.61%	May-13	US$ 418 (loss)	US$ 0

The maximum exposure to credit risk at the reporting date is the fair value of the derivatives assets in the balance sheet.

9. Loans and other receivables

Loans and other receivables are comprised of the following as at 31 March 2009 and 2008.

	2009	2008
Rent deposits	22,150	14,524
Other	9,400	8,687
	31,550	**23,211**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

10. Inventories

Inventory consists of the following as at 31 March 2009 and 2008.

	2009	2008
Finished goods (costs)	62,264	108,309
Finished goods (net realisable value)	152,421	83,080
	214,685	**191,389**

The cost of inventories recognised as expense and included in 'cost of goods sold' (COGS) amounted to €710,637 (2008: €559,869). The aforementioned COGS amount includes inventory write downs of €24,944 (2008: €10,060). All inventories are expected to be sold within 12 months.

11. Trade and other receivables

Trade and other receivables are comprised as follows as at 31 March 2009 and 2008.

	2009	2008
Trade receivables	256,100	193,079
Less: provision for impairment of trade receivables	(8,373)	(3,718)
Trade receivables — net	247,727	189,361
Pre-payments and other receivables	40,411	36,840
	288,138	**226,201**
Less non-current portion	—	—
	288,138	**226,201**

All receivables are due within 1 year from the balance sheet date. The carrying amount of trade and other receivables is a reasonable approximation of their fair values.

The aging of the gross trade receivables as at 31 March 2009 and 2008 was as follows:

	2009			2008		
	Fully performing	Impaired and (partly) provided for	Provision	Fully performing	Impaired and (partly) provided for	Provision
Not due	211,020	6,427	(568)	129,674	—	—
Up to 3 months	27,115	4,703	(3,391)	52,683	6,823	(2,798)
3 to 6 months	2,256	904	(819)	987	—	—
over 6 months	16	3,659	(3,595)	1,992	920	(920)
Total	**240,407**	**15,693**	**(8,373)**	**185,336**	**7,743**	**(3,718)**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Movements on the provision for impairment of trade receivables are as follows:

	Individually impaired	Collectively impaired	Total
As 1 April 2007	**2,208**	**871**	**3,079**
Provision for receivables impairment	786	1,141	1,927
Receivables written off during the year as uncollectible	(703)	(423)	(1,126)
Unused amounts reversed	—	(51)	(51)
Translation	—	(111)	(111)
As 31 March 2008	**2,291**	**1,427**	**3,718**
Provision for receivables impairment	885	4,121	5,005
Receivables written off during the year as uncollectible	(410)	(4)	(414)
Unused amounts reversed	—	(44)	(44)
Translation	—	108	108
As 31 March 2009	**2,766**	**5,608**	**8,373**

The creation and release of provision for impaired receivables have been included in distribution and selling costs in the income statement. Amounts charged to the allowance account are written off when there is no expectation of recovering the asset. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above less any insured amounts. The Group holds certain bank guarantees and letters of credit as collateral. For additional details on the credit risk we refer to Note 3.

12. Cash and Cash Equivalents

At 31 March 2009 Cash and Cash Equivalents comprises of short-term money market funds and overnight accounts at several major international financial institutions earning interest at a weighted average interest rate of 0.5% (2008: 2.6%).

	2009	2008
Cash at banks and on hand	136,616	71,192
Credit card receivables	3,229	3,560
	139,845	**74,752**

13. Ordinary shares and share premium

	Number of shares	Ordinary shares	Share premium	Total
At 31 March 2007	**200,000**	**5,000**	**30,136**	**35,136**
Management participation plans	—	—	13,787	13,787
At 31 March 2008	**200,000**	**5,000**	**43,923**	**48,923**
Management participation plans	—	—	—	—
At 31 March 2009	**200,000**	**5,000**	**43,923**	**48,923**

The share premium recognised during FY2008 of €13,787 is considered an informal capital contribution relating to the management participation plans.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The authorised number of ordinary shares amounts to 800,000 (2008: 800,000) with a par value of €25 per share (2008: €25 per share). All issued shares are fully paid.

14. Management participation plan

Certain employees and service providers ("the Participants") of the Company have been offered the opportunity by Tommy Hilfiger B.V. and its shareholders to invest in a management participation plan (up to 12.5% of the Company's total ordinary shares). The plan is administered by Stichting Administratiekantoor Elmira ("STAK") through Depositary Receipts.

Between May 2006 and November 2006, 20,490 Depositary Receipts were issued against payment of the subscription price of €175.60 per Depositary Receipt. During the year ended 31 March 2008 3,900 additional Depositary Receipts were issued with a grant date of 1 November 2007 and for which the subscription price was set at €183 per Depositary Receipt. During the year ended 31 March 2009 no additional Depositary Receipts have been offered.

If a Participant ceases to be actively involved in the Group due to termination of employment or termination of a service agreement, the STAK may request the resale and retransfer of part or all of the Depositary Receipts acquired to the STAK or any third party designated by the STAK. In the event that there is a change in majority ownership of the Company, the Participants are obliged to cooperate with the transfer or sale of the Depositary Receipts within the terms and conditions of such transaction with third parties, either into cash or in exchange of shares.

The management participation plan is regarded to be an equity settled share based compensation plan. The fair value per Depositary Receipt is equal to the difference between (i) the fair market value per Depositary Receipt and (ii) the subscription price per Depositary Receipt. All related expenses have been recognised in the consolidated income statement for FY2008. The details of the awards are described below. Techniques like the market approach and income approach were used to determine the fair value of the Depositary Receipts. Furthermore, the Company derived fair values from peers, which were used as benchmark.

	Depositary Receipts awarded		
	In FY 2007		In FY 2008
Nature of the arrangement	**Award of Depositary Receipts**	**Award of Depositary Receipts**	**Award of Depositary Receipts**
Date of grant	10-May-06	14-Nov-06	01-Nov-07
Number of instruments awarded	12,000	8,490	3,900
Purchase Price per Depositary Receipt	175.60	175.60	183
Fair market value per Depositary Receipt	175.60	175.60	3,750
Fair Value per Depositary Receipt	—	—	3,567
Value in Equity	—	—	13,787

During FY2008, 300 Depositary Receipts have been retransferred to the STAK by participants that left the Group and subsequently awarded to new participants. During FY2009, 80 Depositary Receipts were acquired by the STAK and assigned to the shareholders of the company, thereby reducing the number of awarded Depository Receipts. As at 31 March 2009 the number of outstanding Depositary Receipts amounts to 24,010 (2008: 24,090) being 12.005% (2008: 12.045%) of the Company's Ordinary Shares.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

15. Other reserves

	Hedging reserve	Cumulative translation adjustments	Management plans	Total
Balance at 31 March 2007	**71**	**266**	**—**	**337**
Cash flow hedges:				
Fair value gains/(losses) in year	8	—	—	8
Tax on fair value gains	(2)	—	—	(2)
Transfers to inventory	334	—	—	334
Tax on transfers to inventory	(81)	—	—	(81)
Management Option plan	—	—	792	792
Currency translation differences	(26)	5,244	—	5,218
Balance at 31 March 2008	**304**	**5,510**	**792**	**6,606**
Cash flow hedges:				
Fair value gains/(losses) in year	(6,537)	—	—	(6,537)
Tax on fair value gains	1,495	—	—	1,495
Management Option plan	—	—	2,147	2,147
Currency translation differences	(153)	2,181	—	2,028
Balance at 31 March 2009	**(4,891)**	**7,691**	**2,939**	**5,739**

The Other reserves are not freely distributable as dividend.

16. Management Option plan

Tommy Hilfiger Holding S.à r.l. agreed to certain employees the opportunity to invest in options over Depositary Receipts (the "Options"), up to 7.5% of the Company's total underlying ordinary shares. The exercise price of the Options is set at the underlying fair market value of the Options at the date of grant. The Options vest and become exercisable following the date of a change in majority ownership of the Company or in the absence of such event, at the end of the contractual life of the Options. Once vested, the Options are exercisable during a pre-set period (of five or forty seven business days following the vesting date).

The Options shall contractually lapse if the option holder ceases to be active as a manager of the Group due to termination of employment. The Depositary Receipts acquired following the exercise of the Options, will substantially be subject to the terms and conditions as contained in the Management participation plan. Therefore, in the event of a change in majority ownership of the Company, the option holders are obliged to cooperate with the transfer or sale of the Depositary Receipts within the terms and conditions of such transaction with third parties, either into cash or in exchange of shares.

The Option arrangement operated by the Company is regarded to be an equity settled share based compensation plan. The fair value per Option is equal to the difference between (i) the fair market value per Option and (ii) any subscription price payable for each Option granted and is recognised as an expense.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The details of the awards and the assumptions applied when determining the fair value of the Options are described below.

Arrangement	*Grant of Options in FY 2007*	*Grant of Options in FY 2008*	*Grant of Options in FY 2009*
Date of grant	*9 November 2006*	*14 November 2007*	*30 September 2008*
Number of instruments granted	*10,980*	*1,000*	*500*
Exercise price (in €)	*2,842*	*2,810*	*2,352*
Share price at the date of grant	*175*	*3,750*	*3,131*
Contractual life (years)	*8 years and 5 business days*	*7 years*	*6 years and 47 days*
Settlement	*Equity settled*	*Equity Settled*	*Equity Settled*
Expected volatility (%)	*40*	*60*	*60*
Risk-free interest rate (%)	*4.02*	*4.11*	*3.822*
Expected dividend (dividend yield)	*Nil*	*Nil*	*Nil*
Expected forfeiture rates (grant date)	*Nil*	*Nil*	*Nil*
Purchase Price Options	*3.23*	*Nil*	*Nil*
Fair Value Option	*0*	*2,694*	*2,052*
Valuation model	*Black & Scholes*	*Black & Scholes*	*Black & Scholes*

Given that the shares of the Company are currently not listed, no historical data was available to determine the expected volatility. Therefore, the expected volatility for the Options is based on historical volatility determined on the basis of an analysis of the daily share price movements of the shares of comparable listed entities.

A reconciliation of the movements in the number of Options can be summarised as follows:

Outstanding at 31 March 2007	***10,980***
Granted during FY2008	*1,000*
Forfeited during FY2008	*Nil*
Exercised during FY2008	*Nil*
Expired during FY2008	*Nil*
Outstanding at 31 March 2008	***11,980***
Exercisable at 31 March 2008	***Nil***
Granted during FY2009	*500*
Forfeited during FY2009	*Nil*
Exercised during FY2009	*Nil*
Expired during FY2009	*Nil*
Outstanding at 31 March 2009	***12,480***
Exercisable at 31 March 2009	***Nil***

The ordinary shares of the Company for which Depositary Receipts have been issued by the STAK represent 6.24% (2008: 5.99%) of the Company's ordinary shares outstanding. An expense of €2,147 has been included for the Options in FY2009 (2008: €792).

Instead of exercising Options, option holders are entitled to resell their Options to the STAK at a purchase price to be determined by reference to a public offering price per share in an initial public offering of the Company.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

17. Dividends

No dividend in respect of the year ended 31 March 2009 is proposed at the Annual General Meeting on 30 June 2009. No dividends were paid in 2008.

18. Trade and other payables

	2009	2008
Trade payables	150,818	85,390
Social security and other taxes	11,405	13,596
Accrued rent	9,172	3,452
Accrued payroll	24,224	25,275
Accrued expenses	64,265	50,100
Deferred income	1,788	3,667
Deferred consideration	19,765	57,211
Other payables	21,477	25,864
	302,914	**264,555**

Deferred consideration

The deferred consideration relates for €11,168 (2008: nil) to the deferred cash payable resulting from the Asset purchase in Turkey (Note 33). Furthermore the deferred consideration relates for €8,597 (2008: €57,122) to a deferred payable to former Tommy Hilfiger Japan Corporation shareholders.

19. Borrowings

Borrowings consist of the following as at 31 March 2009 and 2008:

	2009	2008
Non-current		
Senior debt	450,674	445,899
Mezzanine loan	100,000	100,000
Paid in kind interest on Mezzanine loan	17,041	10,248
Unamortised loan fees	(15,377)	(18,734)
Finance lease liabilities	11,826	11,760
	564,164	**549,173**
Current		
Short term portion of senior debt	24,315	11,736
Short term borrowings	32,454	8,800
Finance lease liabilities	5,098	4,272
Interest payable	3,773	6,168
Unamortised loan fees	(4,040)	(4,033)
	61,600	**26,943**
	625,764	**576,116**

Senior debt facility

On 10 May 2006 the Group entered into a €1,000 million Senior Facility Agreement.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

At 31 March 2009 the Senior Facility loans can be specified as follows:

in millions	€	US$		Total	Tenor	Repayment
	€	US$	€	€		
Term Loan A *	73.8	82.9	62.8	136.6	4 years	Amortising
Term Loan B	112.8	126.8	96.1	208.9	5 years	Bullet
Term Loan C	112.8	—	—	112.8	6 years	Bullet
Restructuring Facility **	—	22.0	16.7	16.7	4 years	Amortising
Revolving Credit Facility	9.7	30.0	22.7	32.4	4 years	Bullet
	309.1	**261.7**	**198.4**	**507.4**		

* Average life of 2.35 years

** Average life of 2.36 years

At 31 March 2008 the Senior Facility loans can be specified as follows:

in millions	€	US$		Total
	€	US$	€	€
Term Loan A	80.6	90.6	57.3	137.9
Term Loan B	112.8	126.8	80.2	193.0
Term Loan C	112.8	—	—	112.8
Restructuring Facility	—	22.0	13.9	13.9
Revolving Credit Facility	—	—	—	—
	306.2	**239.4**	**151.4**	**457.6**

Interest is based on the prevailing Euribor rate for the € denominated loans and the US$ LIBOR rate for the US$ denominated loans plus a margin, which varies between 1.25% and 3.25%. The interest to be paid on the Term A and Term B loan is depending on the actual level of the Consolidated Total Net Debt Cover ratio.

The Senior Facilities benefit from a first ranking security package and certain guarantees. Furthermore, the Senior Facilities are subject to a financial covenant package (refer to note 3.2),

At 31 March 2009 €16,676 or US$ 22,000 (2008 €13,913 or US$ 22,000) is drawn under the Restructuring Facility. The interest to be paid is depending on the actual level of the Consolidated Total Net Debt Cover ratio. Interest varies between Libor plus 1.25% and 2.25%.

At 31 March 2009 €235 million (2008: € 235 million) is available under the Revolving Credit facility. Under the Revolving Credit facility a total amount of €60,650 (2008; € 44,321) is used for several guarantees and letter of Credits. In addition, cash draw downs of €32.5 million (2008: nil) are made under the Revolving Credit Facility. The interest to be paid is depending on the actual level of the Consolidated Total Net Debt Cover ratio. Interest varies between Euribor plus 1.25% and 2.25%.

Mezzanine Facility

The Group has fully drawn a €100 million Mezzanine Facility at 31 March 2009 with a bullet repayment on May 2013. The interest rate on the Mezzanine is based on the prevailing Euribor rate plus a cash margin and a paid in kind margin. The facility is contractually subordinated to the Senior Facility via agreements with financial institutions and benefits from secondary ranking positions in the same security package and guarantees as the Senior Facilities. Furthermore, the Mezzanine Facility is subject to a financial covenant package (refer to note 3.2), Interest is fixed at Euribor plus 10.0%

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Loan fees

Fees incurred for the Senior debt and the Mezzanine facility are amortised straight-line over the average contractual term of the related borrowings (initially 8 years).

Effective interest rate

Due to the fees incurred for the Senior debt and the Mezzanine facility the effective interest rate for these loans is 0.67% (2008: 0.62%) higher than the aforementioned lending rate including the margin.

The contractual maturity of the Group's total borrowings is as follows:

	2009	**2008**
12 months or less	29,413	11,736
1-5 years	270,398	129,585
Over 5 years	325,953	434,795
	625,764	**576,116**

The exposure of the Group's borrowings (excluding the shareholders' loan, finance leases and bank overdrafts) to interest rate changes and the contractual re-pricing dates before and after the effect of the interest rate swap at the balance sheet dates are as follows:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**
Senior debt	474,989	—	—
Mezzanine loan	117,041	—	—
Short term borrowings	32,454	—	—
Interest swap	(550,284)	443,409	106,875
Total	**74,200**	**443,409**	**106,875**

The fair value of current borrowings equal their carrying amount, as the impact of discounting is not significant.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Finance lease

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2009	2008
Gross finance lease liabilities — minimum lease payments:		
No later than 1 year	5,397	4,631
Later than 1 year and no later than 5 years	8,829	8,574
Later than 5 years	5,729	6,531
	19,955	19,736
Future finance charges on finance leases	(3,031)	(3,702)
Present value of finance lease liabilities	**16,924**	**16,034**
The present value of finance lease liabilities is as follows:		
No later than 1 year	5,098	4,272
Later than 1 year and no later than 5 years	7,473	8,038
Later than 5 years	4,353	3,724
	16,924	**16,034**

The Group entered into various financial lease arrangements:

In North America, the Group has entered into a lease arrangement with respect to an office and distribution centre during 2007, with a remaining term of 13 years at 31 March 2009. Lease payments are not contingent and no specific material restrictions are imposed by the lessor. After the original of the arrangement, two renewal options of 5 years (each) exist; no purchase options or escalation clauses exist under the arrangement. Furthermore the Group has entered into lease arrangements with respect to certain IT related hardware, with remaining terms of one year at 31 March 2009. Lease payments are not contingent and no specific material restrictions are imposed by the lessor. The lease arrangements have a monthly extension period, a fair market value purchase option, but no escalation clauses.

In RoW, the Group has entered into lease arrangements with respect to certain IT related hardware and in store furniture and fixtures with remaining terms varying between 3 to 5 years. Lease payments are not contingent and no specific material restrictions are imposed by the lessor. No renewal, purchase options or escalation clauses exist under the arrangement.

20. Other non-current liabilities

Other non-current liabilities consist of the following at 31 March 2009 and 2008:

	2009	2008
Deferred rent	33,209	26,980
Deferred income	34,551	35,031
Deferred consideration	23,646	26,212
Deferred landlord contributions	7,489	3,516
Employee certificates bonus plan	17,348	9,057
Other	1,744	1,573
	117,987	**102,369**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Deferred income

The balance largely relates to deferred income recognised on the sale of the buying offices in FY2007. With the sale the Group received an upfront payment from the buyer. This payment was deferred and is expected to be realised over a remaining period of 9 years. The deferred income expected to be realised in the coming year is included in current liabilities.

Deferred consideration payable

Consideration relates to a deferred payable to former Tommy Hilfiger Japan Corporation shareholders. The current portion is classified accordingly.

Employee certificates bonus plan

The Group has provided part of a cash bonus to be paid to eligible employees at the time of an eventual change in ownership of the Company. The related expense is spread over the period during which the employees become unconditionally entitled to the certificates and is recognised as a liability.

Under this cash settled plan a total of 26,300 instruments were granted in September and November 2007 at a purchase price of nil and a fair value of €1,000 per instrument. In FY2009 this has resulted in an expense of €8,442 (2008: €9,123). The total expected costs are estimated at €19,442.

21. Deferred income tax

The components of deferred tax assets and liabilities have the following maturities at 31 March 2009 and 2008:

	2009	**2008**
Deferred income tax assets:		
– Deferred income tax asset to be recovered after more than 12 months	86,344	107,486
– Deferred income tax asset to be recovered within 12 months	49,655	24,994
	135,999	**132,480**
Deferred tax liabilities:		
– Deferred income tax liability to be recovered after more than 12 months	(188,010)	(189,508)
– Deferred income tax liability to be recovered within 12 months	(1,896)	(289)
	(189,906)	**(189,797)**
Deferred income tax (liabilities)/assets, net	**(53,907)**	**(57,317)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. As such deferrals within fiscal groups in the US, Canada and The Netherlands are offset, leading to the following net deferred tax assets and liabilities which are disclosed on the balance sheet.

	2009	**2008**
Deferred tax assets	31,453	34,458
Deferred tax liabilities	(85,360)	(91,775)
	(53,907)	**(57,317)**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The gross movement on the deferred income tax account is as follows:

	2009	2008
Beginning of reporting period	**(57,317)**	**(31,004)**
Acquisitions of subsidiaries	—	(1,571)
Income statement charge	(3,693)	(16,878)
Charged directly to equity	1,246	(83)
Exchange differences	5,855	(7,781)
End of reporting period	**(53,907)**	**(57,317)**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Total Tax losses	Depreciation	Fair value changes	Provisions and others	Total
At 31 March 2007	**111,815**	**10,288**	**—**	**37,809**	**159,912**
(Charged)/credited to the income statement	(22,469)	(1,994)	7,120	6,482	(10,861)
Acquisition of subsidiaries (Note 32)	—	290	—	(1,168)	(878)
Exchange differences	(9,638)	(2,540)	120	(3,635)	(15,693)
At 31 March 2008	**79,708**	**6,044**	**7,240**	**39,488**	**132,480**
Changes in prior year classification	(18,891)	(3,916)	359	13,109	(9,339)
(Charged)/credited to the income statement	(30,988)	4,238	(9,908)	27,720	(8,938)
Exchange differences	2,538	1,064	1	11,649	15,252
Reclassification to/from DTL	—	—	6,544	—	6,544
At 31 March 2009	**32,367**	**7,430**	**4,236**	**91,966**	**135,999**

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the Group believes that the realisation of the related tax benefit through the future taxable profits is probable. The Group recognised deferred income tax assets of €32,367 (2008: €60,817) in respect of losses amounting to €99,708 (2008: €190,641), that can be carried forward against future taxable income. Losses which were not recognised amounted €70,918 (2008: €49,346). Tax credits, included in provisions and other deferred tax assets, were recognised for an amount of €27,564 (2008: €20,408). Furthermore the group did not recognise deferred income tax assets for deductible temporary difference amounting to €1,226 (2008: €1,396).

The tax losses carry forward can be carried forward against future taxable income and start to expire in 2012. The tax credits can be carried forward against future taxable foreign source income and start to expire in 2010.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Deferred tax liabilities

	Intangibles	Fair value changes and others	Total
At 31 March 2007	**(184,267)**	**(6,649)**	**(190,916)**
Acquisition of subsidiaries	(2,536)	1,843	(693)
Charged/(credited) to the income statement	(619)	(5,398)	(6,017)
Charged directly to equity	—	(83)	(83)
Exchange differences	8,601	(689)	7,912
At 31 March 2008	**(178,821)**	**(10,976)**	**(189,797)**
Changes in prior year classification	162	9,179	9,341
Charged/(credited) to the income statement	718	4,527	5,245
Charged directly to equity	—	1,246	1,246
Exchange differences	(9,656)	259	(9,397)
Reclassification to/ from DTA	—	(6,544)	(6,544)
At 31 March 2009	**(187,597)**	**(2,309)**	**(189,906)**

Deferred income tax liabilities of € 3,091 (2008: €3,206) have not been recognised for the withholding tax and other taxes that would be payable on unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. At 31 March 2009 €61,827 unremitted earnings exists (2008: €64,128).

22. Retirement benefit obligations

Defined contribution plan:

In Europe the Group operates various pension plans:

- certain employees participate in a savings plan, whereby contributions to the plan are discretionary with matching contributions
- a collective pension plan for employees who meet certain criteria. The pension plan is a defined contribution plan and the Group pays 50% of the pension contribution for the employee, which can range between 3% and 5% of the employee's salary depending on the employee's age. Total pension costs amount to €1,052 (2008: €1,072).

In North America the Group maintains employee savings plans for eligible employees. The Group's contributions to the plans are discretionary with matching contributions of up to 50% of employee contributions up to a maximum of 3% to 6% of an employee's compensation. For the year ended 31 March 2009, the Group made plan contributions of €1,081 (2008: €906).

Defined benefit plan:

The Group maintains a supplemental executive retirement plan which provides certain members of senior management with a supplemental pension. The supplemental executive retirement plan is an unfunded plan. The Group uses a 1 April measurement date, beginning of the year, for its supplemental executive retirement plan. The plan is frozen, as a result participants will no longer accrue any additional benefits and future salary increases will no longer be taken into account.

Other post employment benefits relate to a payment to a member of key management in the event of his death or termination following his disability. His employment agreement provides for payment of the full amount otherwise payable to him for the fiscal year which includes his death or termination following disability, and for the following fiscal year.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The benefit obligation and funded status of the supplemental executive retirement plan and the other post employment benefit plan is as follows:

	2009	2008
Balance sheet obligations for:		
– Pension benefits	9,980	8,167
– Other post employment benefits	2,054	1,751
	12,034	**9,918**
Income statement charge for:		
– Pension benefits (included in finance costs, net)	563	555
– Other post employment benefits (included in employee expenses)	202	1,710
	765	**2,265**

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

	2009	2008
Present value of unfunded obligations	10,747	9,619
Unrecognised actuarial gains / (losses)	1,287	299
Liability in the balance sheet	**12,034**	**9,918**

There are no pension plan assets. The movement in the defined benefit obligation over the year is as follows:

	2009	2008
Beginning of period	9,619	9,966
Current service cost	202	1,710
Interest cost	563	555
Actuarial losses/(gains)	(927)	(718)
Benefits paid	(367)	(369)
Exchange differences	1,657	(1,525)
End of period	**10,747**	**9,619**

The amounts recognised in the income statement are as follows:

	2009	2008
Current service cost	202	1,710
Interest cost	563	555
	765	**2,265**

The principal actuarial assumptions used were as follows:

	2009	2008
Discount rate	7.25%	6.50%
Expected return on plan assets	N/A	N/A
Future salary increases	N/A	N/A
Future pension increases	N/A	N/A

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory.

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2009	2008
Male	19.4	19.4
Female	19.4	19.4

The Group currently estimates total payments under the supplemental executive retirement plan will be approximately €396 in each of FY2010 through FY2011, and €1,767 in the aggregate for FY2012 through FY2016.

	2009	2008
As at 31 March		
Present value of defined benefit obligation	10,747	9,619
Fair value of plan assets	—	—
Deficit/(surplus)	10,747	9,619
Experience adjustments on plan liabilities	**(927)**	**(718)**

23. Provisions for other liabilities and charges

The components of the provisions are as follows:

	Returns and Charge backs	Restruc-turing	Asset retirement	Onerous contracts	Others	Total
At 31 March 2007	**37,923**	**2,116**	**1,690**	**6,247**	**1,330**	**49,306**
Provisions assumed in business combinations	—	—	3,058	—	1,150	4,208
Additional provisions	28,232	4,267	134	1,887	1,077	35,597
Used during year	(34,537)	(2,042)	—	(1,002)	(1,234)	(38,815)
Transfer to liabilities	—	—	—	(4,759)	—	(4,759)
Exchange differences	(2,874)	(220)	(277)	(407)	129	(3,649)
At 31 March 2008	**28,744**	**4,121**	**4,605**	**1,966**	**2,452**	**41,888**
Additional provisions	52,271	510	754	9,508	(0)	63,043
Used during year	(29,639)	(1,991)	(109)	(1,218)	(193)	(33,150)
Exchange differences	3,536	13	1,110	802	325	5,786
At 31 March 2009	**54,912**	**2,653**	**6,360**	**11,058**	**2,584**	**77,567**

Analysis of total provisions	2009	2008
Non-current	7,059	7,213
Current	70,508	34,674
	77,567	**41,887**

Returns and Charge backs

The Group has various customer incentive schemes and return policies. A provision is recognised for the present value of these incentives to be incurred in these schemes as well as for the amount of expected returns of sold merchandise. It is expected that the full amount will be used during FY2010.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Restructuring

The Group has acquired the European Footwear licensees. A provision was recognised for the restructuring and integration of this division in FY2008. The provision is partially utilised during 2009 and an amount of €2,078 has been released. During FY2009 a provision was recognised for the integration of Tommy Hilfiger US and Tommy Hilfiger Canada into Tommy Hilfiger North America.

Asset retirement

The Group has the obligation to undo leasehold improvements on several leased office and store locations. A provision is recognised for the expected costs relating to bringing back the leased object in their original state at the termination of the lease contract. The termination of the lease contract is not expected to occur in the near future.

Onerous contracts

During FY2009 the Group decided to early terminate certain store leases for which the expected related unavoidable costs exceeding the economic benefits were provided for.

24. Revenue

Revenue recognised during the period can be broken down into the following significant categories:

	2008/2009	2007/2008
Sales of goods	1,571,924	1,319,335
Royalties	40,380	50,042
	1,612,304	**1,369,377**

25. Depreciation, amortisation and impairment expenses

	2008/2009	2007/2008
Depreciation (Note 6)	54,022	43,736
Amortisation (Note 7)	17,829	16,205
Impairment of property and equipment and trademark (Note 6 and 7)	33,646	—
	105,497	**59,941**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

26. Finance costs, net

	2008/2009	2007/2008
Interest expense		
Bank overdrafts	7,489	219
Senior debt	18,973	31,022
Mezzanine loan	15,875	15,656
Loan from related parties	57,045	50,596
Finance lease liabilities	773	538
Amortisation of loan fees	3,976	6,678
Net foreign exchange loss on financing activities	—	36,674
Bank charges, facility fees and other interest	3,827	3,691
Fair value loss on interest rate swaps, net	5,798	11,758
Financial expense	**113,756**	**156,832**
Finance income — Interest income on short-term bank deposits	1,766	3,747
Net foreign exchange gain on financing activities	31,894	—
Financial income	**33,660**	**3,747**
Finance costs, net	**80,096**	**153,085**

Net foreign exchange gain/losses on financing activities mainly relate to the foreign exchange result on US$ denominated intercompany loans.

Unrealised fair value change on foreign exchange contracts are reclassified in FY2009 from Cost of goods sold to Finance costs. For FY2008 an amount of €1408 is reclassified from Cost of Goods sold to Finance costs to align with current year presentation. The reclassification better reflects the operating result.

Foreign exchange translation results are reclassified in FY2009 from Other income/(expense) to Finance costs in order to better reflect the effect of the finance activities undertaken by the company. For FY2008 an amount of €2,198 is reclassified from Other income/(expense) to Finance costs to align with current year presentation.

27. Expenses by nature

	2008/2009	2007/2008
Employee benefit expense (Note 28)	252,718	209,201
Distribution expenses	17,320	17,944
Advertising and marketing expense	60,556	52,836
Operating lease expense	123,531	65,485
Other expenses	222,936	235,798
	677,061	**581,264**

Operating lease expenses recognised for FY2009 and FY2008 are as follows:

	2008/2009	2007/2008
Minimum lease payment	106,854	60,110
Contingent rent	16,677	5,375
Operating lease expense	**123,531**	**65,485**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Other expenses are mainly made up of utilities and facilities expenses, consulting, legal fees and other general and administrative expenses.

28. Employee benefit expense

	2008/2009	2007/2008
Wages and salaries	219,035	177,274
Restructuring costs	4,442	2,235
Social security costs	26,689	24,532
Pension costs — defined contribution plans	2,328	2,134
Pension costs — defined benefit plans (Note 21)	765	2,265
Other post employee benefit expenses	(541)	761
	252,718	**209,201**

The number of full time equivalents as at 31 March 2009 is 6,662 (2008: 6,458).

29. Income tax (expense)/credit

Multinational groups of the size of Tommy Hilfiger are exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. The Group accounts for its income taxes on the basis of its own internal analyses, supported by external advice. The Group continually monitors the global tax position, and whenever uncertainties arise, the Group assess the potential consequences and either accrue the liability or disclose a contingent liability in its financial statements, depending on the strength of the position and the resulting risk of loss.

	2008/2009	2007/2008
Current tax	(10,726)	(10,100)
Deferred tax (note 21)	(3,693)	(16,878)
Total income tax	**(14,419)**	**(26,978)**

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2008/2009	2007/2008
Profit / (loss) before tax	**38,737**	**16,626**
Expected (expense)/benefit at nominal tax rates	(9,878)	(4,240)
Differences nominal and domestic tax rates	(5,267)	(12,050)
Income not subject to tax	11,871	16,356
Expenses not deductible for tax purposes	(2,496)	(20,047)
Changes in tax losses not recognised	(5,846)	230
Enacted tax rate changes	55	(1,564)
Adjustments in filing positions	(2,794)	(3,314)
State and local taxes	(3,510)	(1,193)
Tax credits	2,877	(1,161)
Others	568	3
Tax charge	**(14,419)**	**(26,978)**

The weighted average applicable tax rate was 39.1% (2008: 29.5%).

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

30. Earnings per share

	2008/2009	2007/2008
Result coming from operations	24,318	(10,352)
Weighted average number of ordinary shares in issue	200,000	200,000
Dilutive potential ordinary shares	—	—
Adjusted weighted average number of ordinary shares	**200,000**	**200,000**
Result for the year		
– Basic	0.12	(0.05)
– Diluted	0.12	(0.05)

Basic

Basic earnings per share is 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 excluding ordinary shares purchased by the company and held as treasury shares.

Diluted

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

31. Cash generated from operations

	2008/2009	2007/2008
Profit before income tax	38,737	16,626
Adjustments for:		
– Depreciation (Note 25)	54,022	43,736
– Amortisation (Note 25)	17,829	16,205
– Impairment charge	33,646	—
– Expenses directly through equity	2,147	13,489
– Change in provisions	31,483	(76)
– Changes in non current liabilities	8,079	40,628
– Increase in retirement benefit obligations	147	174
– Finance costs – net (Note 26)	80,096	153,085
– Change in other long term assets	(5,491)	(1,562)
– Inventories	(3,125)	(30,869)
– Trade and other receivables	(55,476)	2,152
– Trade and other payables	64,857	(26,021)
Cash generated from operations	**266,951**	**227,567**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

32. Commitments and Contingencies

Capital commitments

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

	2008/2009	2007/2008
Property and equipment	8,376	—
Intangible assets	—	2,513
	8,376	**2,513**

Operating Leases

In Europe, the Group leases office, warehouse and showroom space, retail stores and office equipment under operating leases, which expire not later than 2025. The retail related rental agreements are predominantly based on minimum lease payments. These are also leases with agreements on contingent rents (particularly sales-dependent rent). Most of the real estate leases also include renewal clauses which may, or may not, define the base rent during the renewal period.

In North America, the Group leases office, warehouse and showroom space, retail stores and office equipment under operating leases, which expire not later than 2022. These rental agreements are predominantly based on minimum lease payments. These are also leases with agreements on contingent rents (particularly sales-dependent rent). Most of the real estate leases also include renewal clauses which may, or may not, define the base rent during the renewal period.

The rental agreements are predominantly based on minimum lease payments. Several lease agreements include contingent rents (particularly sales-dependent rent). The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2009	2008
No later than 1 year	98,307	73,310
Later than 1 year and no later than 5 years	321,405	224,736
Later than 5 years	275,453	157,827
	695,165	**455,873**

Guarantees

The Group provided guarantees in the amount of €60,650 (2008: €43,522) and deposits of nil (2008: €146). The guarantees mainly relate to deferred payables and store lease obligations.

Letters of credit

The Group was contingently liable at 31 March 2009 for unexpired bank letters of credit of nil (2008: €446) related to commitments for the purchase of inventories and bank guarantees of nil (2008: €17).

Legal matters

On 24 September 2004, Tommy Hilfiger Corporation ('THC') announced that it had received a grand jury subpoena issued by the United States Attorney's Office for the Southern District of New York ("USAO") seeking documents generally related to domestic and/or international buying office commissions paid since 1990. Following THC's September 2004 announcement of the investigation, several purported shareholder class action lawsuits were filed against THC, as well as certain current and former officers and directors of THC. During FY2009 THC (and the other defendants) reached an agreement to settle the class action lawsuit with funds provided by THC's directors and officers insurance. The Company has not incurred any loss associated with this matter, other than the own risk of the insurance which was provided for in previous years.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. Although the outcome of these other claims cannot be predicted with certainty, the Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its financial condition or results of operations.

Tax liability member key management

The Company has entered into an agreement with a member of key management pursuant to which the Company will reimburse the member of key management, an amount not to exceed €30 million for seventy-five (75) percent of (i) the amount of United States taxes payable by the member of key management with respect to the removal or lapse of certain restrictions on the ordinary shares of €25 each underlying the Depositary Receipts acquired by the member of key management on the Management Buyout and (ii) the amount of taxes payable by the member of key management on the receipt of payments under the Incremental Agreement.

33. Acquisitions

During FY2009 the Group entered into the following main acquisition:

Asset purchase Turkey

In March 2009 the Group acquired control over certain assets of the former distributor for Tommy Hilfiger products in Turkey. The cash-settled purchase consideration consists of €16,089 of which €11,168 was deferred to after 31 March 2009. Net assets acquired amounted to €8.524

Regarding the acquisition, the net assets acquired and goodwill are as follows:

Total Purchase consideration	16,090
Fair value of net assets acquired	(8,524)
Goodwill	**7,566**

The goodwill is attributable to the workforce of the acquired business, expected synergies and the ability to earn a higher rate of return on an assembled collection of net assets. No cash acquired upon acquisition.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The assets and liabilities arising from the acquisitions are as follows:

	Fair value	Acquiree's carrying amount
Property and equipment	2,561	2,561
Inventory	261	261
Other assets	93	93
Customer relationships (included in intangibles)	5,609	—
Net assets acquired	8,524	2,915

The excess of the acquisition cost paid over the net of the amounts of the fair values assigned to all assets acquired and liabilities assumed is goodwill. Any acquired asset that does not meet the identification and recognition criteria for an asset is included in the amount recognised as goodwill.

34. Related Party transactions

The Group recognises the following main related parties:

Spanish and Portuguese agent

A related party holds an indirect 15% equity interest in Pepe Jeans SL, which serves as the Group's sales and collection agent as well as franchisee in Spain and Portugal. Goods are purchased by Pepe Jeans SL. from the Group, while commissions and fees are paid by the Group to Pepe Jeans SL pursuant to the Agency agreement. Furthermore, the Group transferred the ownership of three stores in Spain to the Spanish agent effectively 1 April 2008.

Mr. Thomas J. Hilfiger

Under his employment agreement with the Group, Mr. Thomas J. Hilfiger serves as Principal Designer and Chairman of the Strategy and Design Board of the Company, and is entitled to (i) an annual cash payment in each of fiscal 2007, 2008 and 2009, (ii) for the fiscal 2010 and all periods thereafter a cash amount based on worldwide sales and licensing revenues of the Group and its subsidiaries and a number of benefits.

In the event of Mr. Hilfiger's death or termination by the Group following his disability, his employment agreement provides for payment of the full amount otherwise payable to Mr. Hilfiger for the fiscal year which includes his death or termination following disability, and for the following fiscal year.

Ultimate parent

The ultimate parent of the Group is Tommy Hilfiger S.à r.l. (incorporated in Luxembourg). The ultimate controlling party of the Group are funds advised by Apax Partners. Management services are bought from Apax Partners on normal commercial terms and conditions.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Transactions with related parties are based on terms that would be available to third parties. Sales of services are negotiated with related parties on a cost-plus basis. The following transactions were carried out with related parties:

	2009	2008
Sales of goods and services:		
– Spanish and Portuguese Agent	9,624	8,089
Sales of services:		
– Japanese Licensee	—	4,986
	9,624	**13,075**

	2009	2008
Purchases of goods and services:		
– Novel Enterprises Ltd	21,753	21,516
Purchases of services:		
– Spanish and Portuguese agent	10,437	10,001
	32,189	**31,517**

Year-end balances arising from sale/purchases of goods/services

	2009	2008
Receivables from related parties:		
– Spanish and Portuguese agent	2,953	—
Payables to related parties:		
– Spanish and Portuguese agent	—	10
	2,953	**10**

The receivables from related parties arise mainly from sale transactions and are generally due two months after the date of sales. The receivables are unsecured in nature and bear no interest.

The payables to related parties arise mainly from financing transactions, purchase transactions, and other services. The payables to the Spanish and Portuguese agent bear no interest.

Subordinated Shareholder loan

The shareholder provided a €320,452 subordinated loan for a term of 10 years, payable on demand (however, any repayment is conditional to fulfilment of certain clauses in the agreements with financial institutions), bearing interest at 14% per annum. The loan contains an option for the Company to extend the loan under the same conditions after 10 years. This option qualifies as an embedded derivative, which at the balance sheet date has a value of zero (2008: nil).

	2009	2008
Shareholder loan and current account	416,487	360,288
Accrued interest on shareholder loan	51,453	50,596
Total shareholder loan	**467,940**	**410,884**

The shareholder loan bears an interest of 14% (2008: 14%). Tommy Hilfiger S.à r.l. has issued a letter to the Company to financially support the Company for at least 12 months.

Loans to related parties

	2009	2008
Interest income	—	42
Total Loan to related parties	**—**	**42**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Key management compensation

	2009	2008
Salaries and other short-term employee benefits	13,120	14,589
Management participation plan (Note 15)	1,902	792
Post-employment benefits (Note 22)	202	1,557
	15,224	**16,938**

35. Events after the balance sheet date

Change of ownership

On 15 March 2010, Phillips- Van Heusen Corporation (PVH), a USA based apparel and fashion company, announced to acquire Tommy Hilfiger B.V. for approximately $ 3.0 billion (€ 2.2 billion). The transaction is subject to financing and other customary conditions, including receipt of required regulatory approvals and is expected to close before August 2010. Upon closing of the transaction, it is expected that the balances related to the bank and shareholder loans will be replaced by new financing and that the balances related to the management participation plan, management option plan and employee certificates bonus plan will be settled.

China

On 31 March 2010, the Company announced it had entered into an agreement to assume direct control of its wholesale and retail distribution in China from its licensee Dickson Concepts International Limited, beginning 1 March 2011.

Management participation plan, management option plan and employee certificates bonus plan

Subsequent to 31 March 2009, the following amounts were recorded through equity by the Company:

- €1,651 thousand relating to 300 Depositary Receipts granted on 1 September 2009 and 170 Depositary Receipts granted on 1 December 2009;
- €824 thousand relating to 1,000 Options granted on 30 September 2009.

In addition the total expected costs for the employee certificates bonus plan are estimated at €18,607 thousand and are spread out over the period until the expected closing date of the acquisition by PVH mid May 2010.

Contract with Mr. Thomas J. Hilfiger

Under his employment agreement with the Group, Mr. Thomas J. Hilfiger serves as principal designer and Chairman of the Strategy and Design Board of the Company. Mr. Hilfiger's contract states various instances under which Mr. Hilfiger is entitled to a payment upon pre-defined exit events. The exit events contemplated by Mr. Hilfiger's employment contract relate to the sale of control of the Group or substantially all its assets. Mr. Hilfiger has not opted for this payment when PVH announced to acquire the Company and his current employment agreement with the Group remain unchanged.

Filing of statutory financial statements FY2009

The statutory financial statements of Tommy Hilfiger B.V. for FY2009 are authorised by the Board of Directors on 15 June 2009 and are filed at the Dutch Chamber of Commerce.

Auditors's report

PricewaterhouseCoopers Accountants N.V.
Thomas R. Malthusstraat 5
1066 JR Amsterdam
P.O. Box 90357
1006 BJ Amsterdam
The Netherlands
Telephone +31 (0) 20 568 66 66
Facsimile +31 (0) 20 568 68 88
www.pwc.com/nl

To: the Directors of Tommy Hilfiger B.V.

Report of Independent Auditors

We have audited the accompanying consolidated balance sheets of Tommy Hilfiger B.V. and its subsidiaries as of March 31, 2009 and March 31, 2008, and the related consolidated income statements, statements of changes in equity and cash flow statements for the years then ended. These special purpose consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these special purpose consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the special purpose consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tommy Hilfiger B.V. and its subsidiaries at March 31, 2009 and March 31, 2008, and the results of their operations and their cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Amsterdam, 9 April 2010
PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. M. de Ridder RA

Exhibit 99.2

Special Purpose Consolidated

Financial Statements 2007/2008

Tommy Hilfiger B.V. (formerly known as Elmira 1 B.V.)

Amsterdam, The Netherlands

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

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Special Purpose Consolidated Financial Statements

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Consolidated balance sheets

	Note	31 March 2008	31 March 2007
Non-current assets			
Property and equipment	6	171,899	147,469
Intangible assets	7	765,942	683,928
Deferred income tax assets	20	34,458	54,712
Derivative financial instruments	8	6,388	9,786
Loans and other receivables	9	23,211	7,858
		1,001,898	**903,753**
Current assets			
Inventories	10	191,389	162,747
Trade and other receivables	11	226,201	212,529
Current income tax receivable		—	2,906
Derivative financial instruments	8	495	284
Cash and cash equivalents	12	74,752	136,627
		492,837	**515,093**
Total assets		**1,494,735**	**1,418,846**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares and share premium	13	48,923	35,136
Other reserves	14	6,606	337
Accumulated deficit		(73,032)	(62,680)
Total equity		**(17,503)**	**(27,207)**
LIABILITIES			
Non-current liabilities			
Borrowings	18	549,173	570,947
Payable to related parties	18, 34	410,884	360,398
Other non current liabilities	19	93,312	66,343
Deferred income tax liabilities	20	91,775	85,716
Retirement benefit obligations	21	9,918	9,547
Provisions for other liabilities and charges	22	41,888	49,306
Derivative financial instruments	8	7,909	569
		1,204,859	**1,142,826**
Current liabilities			
Trade and other payables	17	273,612	160,542
Short term borrowings	18	26,943	123,320
Current income tax liabilities		5,298	18,744
Derivative financial instruments	8	1,526	621
		307,379	**303,227**
Total liabilities		**1,512,238**	**1,446,053**
Total equity and liabilities		**1,494,735**	**1,418,846**

See Accompanying Notes to Special Purpose Consolidated Financial Statements.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Consolidated profit and loss accounts

	Note	For the year ended 31 March 2008	2007
Continuing operations			
Revenue	23	1,369,377	1,197,247
Cost of goods sold	24	(558,461)	(570,322)
Gross Margin		**810,916**	**626,925**
Distribution and selling costs		(315,552)	(238,955)
Administrative expenses		(236,629)	(188,746)
Other expenses		(29,083)	(78,014)
		(581,263)	(505,715)
Depreciation and amortisation expense	24	(59,941)	(90,214)
Operating result		**169,711**	**30,996**
Financial income	25	3,747	10,623
Financial expense	25	(156,832)	(167,893)
Finance costs, net	25	**(153,085)**	**(157,270)**
Result before tax		**16,627**	**(126,274)**
Income tax	28	(26,978)	57,204
Result for the period from continuing operations		**(10,350)**	**(69,070)**
Discontinued operations			
Result for the period from discontinued operations	33	—	8,943
Result for the year		**(10,350)**	**(60,127)**
Attributable to:			
– Equity holder to the company		(10,350)	(60,127)
– Minority interest		—	—
Earnings per share for result from continuing operations attributable to the equity holders of the Group during the year			
– Basic	29	(0.05)	(0.39)
– Diluted	29	(0.05)	(0.39)
Earnings per share for result from discontinued operations attributable to the equity holders of the Group during the year			
– Basic	29	—	0.05
– Diluted	29	—	0.05
Earnings per share for result for the year attributable to the equity holders of the Group during the year			
– Basic	29	(0.05)	(0.34)
– Diluted	29	(0.05)	(0.34)

See Accompanying Notes to Special Purpose Consolidated Financial Statements.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Consolidated cash flow statements

	Note	For the year ended 31 March 2008	2007
Cash flows from operating activities			
Cash generated from operations	30	227,567	85,900
Income tax paid		(28,360)	(16,683)
Net cash generated from operating activities		199,207	69,217
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	32	(42,930)	(695,309)
Purchases of property and equipment		(56,048)	(67,043)
Purchases of intangible assets		(7,580)	(9,909)
Disposal of business, net of cash		—	192,406
Loans to related parties		3,784	(3,917)
Interest received		2,626	3,052
Net cash used in investing activities		(100,148)	(580,720)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		—	35,100
Proceeds from long term borrowings (net of fees)		—	975,134
Changes in short term borrowings		8,800	—
Proceeds from shareholder loan		—	320,452
Repayments of borrowings		(103,060)	(576,328)
Interest paid		(45,021)	(59,381)
Payments on financial lease obligations		(1,378)	—
Settlement of contingent FX forward derivative		(613)	(52,142)
Net cash used in financing activities		(141,272)	642,835
Net increase in cash, cash equivalents and bank overdrafts		**(42,213)**	**131,332**
Cash, cash equivalents and bank overdrafts at beginning of year		122,687	36
Exchange gains/(losses) on cash and bank overdrafts		(5,722)	(8,681)
Cash, cash equivalents and bank overdrafts at end of period	12	**74,752**	**122,687**

See Accompanying Notes to Special Purpose Consolidated Financial Statements.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Consolidated statements of shareholders' equity

		Attributable to equity holders of the Company			
	Note	**Ordinary shares and share premium**	**Other reserves**	**Accumulated Deficit**	**Total**
Balance at 31 March 2006		**36**	**—**	**(2,553)**	**(2,517)**
Cash flow hedges, net of tax		—	71	—	71
Currency translation differences		—	266	—	266
Net income recognised directly in equity		—	337	—	337
Result for the period		—	—	(60,127)	(60,127)
Total recognised income and expense		—	337	(60,127)	(59,790)
Issue of share capital		35,100	—	—	35,100
Balance at 31 March 2007		**35,136**	**337**	**(62,680)**	**(27,207)**
Cash flow hedges, net of tax	14	—	233	—	233
Currency translation differences	14	—	5,244	—	5,244
Net income recognised directly in equity		—	5,477	—	5,477
Result for the period		—	—	(10,350)	(10,350)
Total recognised income and expense		—	5,477	(10,350)	(4,873)
Management plans	15/16	13,787	792	—	14,579
Balance at 31 March 2008		**48,923**	**6,606**	**(73,030)**	**(17,503)**

See Accompanying Notes to Special Purpose Consolidated Financial Statements.

Notes to the Special Purpose Consolidated Financial Statements
(Amounts in € and thousands except per share/option amounts and/or as otherwise indicated)

1. General information

Tommy Hilfiger B.V. ('the Company') is a limited liability holding company which was incorporated in the Netherlands on 5 July 2005. The address of its registered office is Stadhouderskade 6, Amsterdam. The fiscal year ('FY') of the Company starts at 1 April and ends on 31 March. The Company's and Group's reporting currency is determined to be Euro ('€'), as a significant part of the Group's activities and financing is expressed in €.

Tommy Hilfiger B.V. and its subsidiaries (together 'the Group') design, source and market men's and women's sportswear and activewear, jeanswear and childrenswear under the *Tommy Hilfiger* and *Karl Lagerfeld* trademarks. Through a range of strategic licensing agreements, the Group also offers a broad array of related apparel, accessories, footwear, fragrance and home furnishings products. The Group's products can be found in leading department and specialty stores throughout the United States, Canada, Europe, Mexico, Central and South America, Hong Kong and other countries in the Far East, as well as the Group's own network of specialty and outlet stores in the United States, Canada, Japan and Europe.

The parent company is Tommy Hilfiger Holding S.à r.l. registered in Luxemburg. The ultimate majority shareholders of the Company are funds advised by Apax Partners. The remainder is owned by various other investors and management of the Company.

These Special Purpose Consolidated Financial Statements were approved for issue on 9 April 2010.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

On 15 March 2010, Phillips-Van Heusen Corporation (PVH) announced to acquire the Company. The transaction is subject to financing and other customary conditions, including receipt of required regulatory approvals and is expected to close before August 2010. The Company has prepared these Special Purpose Consolidated Financial Statements to conform to the requirements of PVH's anticipated filing and related securities offerings. The Board of Directors authorised the Company's Statutory Financial Report 2007/2008 for issuance on 25 June 2008. Subsequent event disclosures since 25 June 2008 have been updated up to the date of these Special Purpose Consolidated Financial Statements.

The Special Purpose Consolidated Financial Statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss or equity.

Certain reclassifications in the comparables have been made to concur with current year's classification.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The consolidated balance sheet is presented in accordance with maturities. Therefore, the balance sheet items are classified as either non-current or current assets and liabilities. Assets and liabilities with a remaining term to maturities less than one year are classified as current. Assets and liabilities with a remaining term to maturities of more than one year are classified as non-current.

Due to their long-term nature pension obligations are shown as non-current liabilities.

The preparation of the financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to consolidated financial information are disclosed in Note 4.

The following new interpretations are mandatory for the first time for the financial year beginning 1 April 2007.

- IFRS 7 'Financial Instruments: disclosures' is applied as of 1 April 2007. IFRS 7 supersedes IAS 30 and the disclosure requirements of IAS 32. The objective of IFRS 7 is to require entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments for the entities financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and the reporting date, and how the entity manages those risks. This standard only impacted the Company's disclosure notes and did not have any impact on the Group's results, financial position or cash flow.

- IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the group's financial statements.

- IFRIC 11, 'IFRS 2 — Group and treasury share transactions', was early adopted in 2008. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the group's financial statements.

- IFRIC 12, 'Service concession arrangements', applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The Company assessed that IFRIC 12 is not relevant.

- IFRIC 14, IAS 19 provides guidance on assessing the limit in IAS 19, Employee benefits on the amount of the surplus that can be recognised as an asset. This interpretation does not have any impact on the group's financial statements, as the group has no material defined benefit plans and is not subject to any minimum funding requirements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2007 and have not been early adopted. The new accounting pronouncements which could potentially affect the (presentation of the) Group's future results, financial position and cash flows under IFRS are described below:

- In March 2007, the IASB amended IAS 23 'Borrowing Costs'. Effective for the financial year beginning on or after 1 January 2009. The proposed amendment would eliminate the option in IAS 23 of recognising all borrowing costs as an expense. The revised IAS 23 will not have a material impact on the group's financial statements.

- In September 2007, the IASB amended IAS 1 ‘Presentation of Financial Statements: A revised Presentation’. Effective for the financial year beginning on or after 1 January 2009. The proposed amendment include the requirement to aggregate information in the financial statements based on shared characteristics, the introduction of a statement of comprehensive income and changes in titles of some of the financial statements. The Company opted to present items of income and expense and components of other comprehensive income in two separate statements as of 1 April 2009.

- In January 2008, the IASB amended IAS 27 ‘Consolidated and Separate Financial Statements’. The proposed amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Effective for the financial year beginning on or after 1 July 2009. The Company will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 April 2010.

- In January 2008, the IASB amended IFRS 2 ‘Share-based Payment: Vesting Conditions and cancellations’. Effective for the financial year beginning on or after 1 January 2009. The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment will have an impact on the accounting for share-based payments which include conditions unrelated to service. The Company’s current accounting of the management participation plans is not impacted by these amendments.

- In February 2008, the IASB amended IAS 23 and IAS 1 ‘Puttable Financial Instruments and Obligations Arising on Liquidation’. The amendment requires an obligation of a fixed amount or an amount that fluctuates with changes in a variable other than the market price of the entity’s own equity instruments which can be settled with the issuer’s own equity instruments to be classified as a financial liability. The IAS 1 and IAS 23 Amendment will not have any impact on the group’s financial statements.

- IFRIC 13, Customer loyalty programmes, clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer should be allocated between the components of the arrangement in proportion to their fair values. Effective for the financial year beginning on or after 1 July 2008. As the Group operates no material customer loyalty programs IFRIC 13 will not have any impact on the group’s financial statements.

2.2 Basis of Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern directly or indirectly 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. 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 recognised directly in the income statement (see Note 32).

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered 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.

The main group companies included in the consolidated financial statements are as follows:

- Tommy Hilfiger B.V., The Netherlands
- Tommy Hilfiger Group B.V., The Netherlands
- Tommy Hilfiger Europe B.V., The Netherlands
- Hilfiger Stores GmbH, Germany
- Tommy Hilfiger Corporation, British Virgin Islands
- Tommy Hilfiger USA Inc., United States
- Tommy Hilfiger Wholesale Inc., United States
- Tommy Hilfiger Licensing LLC, United States
- Tommy Hilfiger Retail LLC, United States
- Tommy Hilfiger Canada Inc., Canada
- Tommy Hilfiger Canada Retail Inc., Canada
- Tommy Hilfiger Japan Corporation, Japan

2.3 Segment reporting

A geographical segment is engaged in providing products and services within a particular economic environment that is subject to risks and returns different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

In segment reporting, the activities of the Group are differentiated by geographic region (based on the location of *Tommy Hilfiger*'s markets and customers) — i.e. United States, Europe and Canada — as the primary reporting format and by business activity as the secondary reporting format.

Tommy's geographical segments are based on the internal organization and reporting structure of the Company and thus, consist primarily of the United States, Europe and Canada regions. Secondary segmentation is based on business segments, which include revenue from retail, wholesale and licensing activities. Revenue, Assets and Liabilities are allocated based on the country in which the customer is located.

Segment information is based on the same accounting policies as those applied in the special purpose consolidated financial statements.

2.4 Foreign Currency

Functional and presentation currency

The consolidated financial statements of the Company are prepared in EURO ("€") as this is the currency of the primary economic environment in which the Company operates (functional currency). This consolidated financial information is presented in € (presentation currency).

Transactions and balances

Foreign currency transactions are translated into the functional currency using an average rate that approximates the actual rate at the date of the transaction. Whenever exchange rates fluctuate significantly, the exchange rates prevailing at the dates of the transactions are used. 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 recognised in the income statement, except when deferred in the hedge reserve in equity as qualifying cash flow hedges.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Group companies

Some Group entities have a functional currency that is different from the presentation currency. None of these entities has a 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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity (Cumulative Translation Adjustment or 'CTA').

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement 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.

2.5 Property and Equipment

Property and equipment are stated at historical cost less any accumulated depreciation. The cost includes all the expenditures that are directly attributable to the acquisition of the property and equipment. Finance costs are not capitalised. Depreciation is calculated using the straight-line method. Included as furniture and fixtures are assets related to shop-in-shop displays, as the Company has both the right to control the in-store displays and has not transferred the economic risk and rewards of these in-store displays.

Leasehold improvements are amortised using the straight-line method over the lesser of the terms of the leases or the estimated useful lives of the assets. In situations where the lessor provides funds intended to reimburse the Group for the costs of leasehold improvements (or alternatively the lessor makes expenditures on behalf of the Group), these are accounted for as a deferred lease incentives under other non-current liabilities.

Major additions and improvements are capitalised as part of the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to operations in the period incurred. Upon the disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts. Any gain or loss on the disposal is charged to the income statement. Costs related to real estate that are necessary to operate the store or distribution centre in a later stage and are necessary to bring the asset to its working condition, are capitalised under the condition where management has identified a specific location and it is probable that the Group will acquire the property or enter into a lease agreement for the property. All operating costs during the pre-opening period are expensed when incurred.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Useful lives and depreciation methods for property and equipment are reviewed periodically to ensure that depreciation methods and periods reflect the expected economic benefit of the assets.

2.6 Leases

Finance lease

Leases of property and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Any initial direct costs of the lessee are added to the amount recognised as an asset. Initial direct costs are defined as 'incremental costs directly attributable to negotiating and arranging a lease'. These include commissions, legal fees, broker fees, registration fees or stamp duties. They exclude general overheads such as those incurred by a sales and marketing team. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term borrowing. The interest element of the finance cost is charged to the income statement 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 and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Operating lease

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 income statement on a straight-line basis over the period of the lease. In an operating lease the initial direct costs are capitalised and expensed over the lease term on a straight-line basis.

Key money

The payment of key money in a finance lease is capitalised as part of the amount recognised as an asset under the lease. Key money is considered an initial direct cost incurred to secure the agreement and it is being amortised with the asset over the shorter of the lease term or the useful life of the asset. In case the lease classifies as an operating lease, the key money is deferred as an asset (prepayments) and amortised over the period of the contract. The amortisation is presented as part of rental expenses.

Rent free periods

Rent holidays refer to a period of time during a lease term where the Group is not obligated to pay rent. Any rent holidays are allocated straight-line over the lease period.

Contingent rent

Contingent rent is the portion of the lease payments that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales). Contingent rents are charged as expenses in the periods in which they are incurred.

Rent deposits

Rent deposits are initially recognised at fair value. After initial recognition the receivables are measured at amortised cost using the effective interest method. The difference between the nominal and the fair value is presented as prepaid rent within other receivables and amortised against rent expense over the term of the deposit. Rent deposits are presented within other receivables.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

2.7 Intangible assets

Acquired intangible assets are capitalised if they are controlled by the Group, it is probable that the use of the asset will embody a future economic benefit and the cost of the asset can be reliably measured. The Group's intangible assets consist of goodwill, trademark rights, customer relationships, computer software and other intangible assets (see Note 7).

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable value. The recoverable value is the higher of an asset's fair value less costs to sell and value in use. Impairment losses on goodwill are not reversed. 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. The Group allocates goodwill to each territory in which it operates (Note 5).

Trademarks

Acquired trademarks are shown at historical cost less impairment. Certain trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives. Trademarks with indefinite useful lives are tested for impairment on an annual basis. Other trademarks subject to amortisation are considered for impairment where there is an indication that the assets may be impaired.

Customer relationships

Acquired customer relationships are shown at historical cost less impairment. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives.

Computer software and others

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Related finance costs are not capitalised.

Research and development cost

The cost of developing a website for internal or external use is capitalised when it is probable that the expected future economic benefits that are attributable to the website will flow to the entity, and the cost of the website can be measured reliably. Related finance costs are not capitalised.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

2.8 Impairment for non-financial assets

Assets that have an indefinite useful life, for example goodwill and certain trademarks, are not subject to amortisation and are tested annually for impairment or when a triggering event occurs. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

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

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

Regular purchases and sales of financial assets are recognised on the trade date — the date on which the Group commits to purchase or sells the asset.

Financial assets at fair value through profit or loss

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 in a hedge accounting relation. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income — net, in the period in which they arise. For the treatment of results on derivatives, see Note 2.11.

The fair values are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Loans and receivables

Loans and receivables 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. Loans and receivables are classified as trade and other receivables in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

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 the Group intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Changes in the fair value are recognised in equity except for translation differences on monetary securities which are recognised in profit or loss.

When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

2.10 Impairment for 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 financial assets classified as available for sale, a significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.11 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date when 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 a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 8. Movements on the hedging reserve in shareholders' equity are shown in Note 14. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedge item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within financial income and expense if it concerns foreign currency exchange ('FX') derivatives hedging currency risks on purchase orders. The gain or loss relating to the ineffective portion of interest rate derivatives is recognised within financial income and expense.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs. When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in case of inventory, or in depreciation in case of fixed assets.

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

Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within financial income and expense.

2.12 Inventories

Inventories are carried at historical cost calculated on the basis of weighted average method. The costs of inventories comprise the cost to purchase the product (including buying office commissions) and other costs incurred in bringing the inventories to their present location and condition such as inbound freight charges, purchasing and receiving costs, inspection costs, internal transfer costs, as well as insurance, duty, brokers’ fees and consolidators’ fees. Costs of inventories include also the transfer from equity of any gains/losses on qualifying cash flow hedges for purchases of products. Finance costs are not taken into account.

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Any write down of inventory to net realisable value includes impairment for shrinkage based on historical shrink levels. A write-down to net realisable value taken in a prior period is reversed when the conditions causing the write-down cease to exist.

2.13 Trade receivables

Trade receivables are initially recognised at the fair value and subsequently measured at amortised cost, less a provision for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. The amount of the provision is recognised in the income statement within distribution and selling costs. 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 and selling costs in the income statement.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

2.15 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Management participation plans

The Group operates two equity-settled management participations plans, which are accounted for according to the nature of the respective plans (Note 15).

(a) Under the terms and conditions of the Management Co-Investment Agreement, depositary receipts have been issued by Stichting Administratiekantoor Elmira over Tommy Hilfiger B.V. shares (the 'Depositary Receipts'). The fair value per Depositary Receipt is equal to the difference between (i) the fair market value per Depositary Receipt and (ii) the subscription price per Depositary Receipt, and is recognised as an expense at the date of grant.

(b) Certain key managers (eligible members of the Management Board) have been granted options over Depositary Receipts (the 'Options'). The Options purchased have, in principle, a life of eight years and five business days following the date of grant. The fair value per Option over Depositary Receipt is equal to the difference between (i) the fair market value per Option over a Depositary Receipt and (ii) any subscription price payable per Option over a Depositary Receipt, and is recognised as an expense over the vesting period.

2.17 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The Group believes that the face value for trade payables is approximate to the amortised cost initially recognised and the fair value as maturity is generally within 12 months and trade payables are generally not interest bearing. Therefore trade payables are recognised effectively at face value.

2.18 Borrowings

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

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are expensed in the period in which they incur. 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.

2.19 Deferred Income Taxes

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

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

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

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

2.20 Employee benefits

Pension obligations

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. 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.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define 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.

The liability recognised 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 unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees’ expected average remaining working lives.

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

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Bonus plans

The Group recognises a liability and an expense for bonuses, based on the agreements with the employees. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

2.21 Provisions

Provisions are recognised 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.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

The Group may accept the return of goods from their customers and distributors in the course of normal business. Where this practice is applied, revenue is reduced by the estimated amount of such a return, and a corresponding entry is made to provisions. The estimated rate of return is based on statistics of historical returns.

Where there are a number of similar obligations (e.g. returns or similar obligations) the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognised.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

If the Group has contracts that are onerous, the unavoidable costs of a present obligation under the contract is recognised and measured as a provision.

2.22 Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the financial statements. Contingent liabilities are disclosed in the Notes, unless there is a very low probability that they will result in an outflow of resources embodying economic benefits. Likewise, contingent assets are not recognised. They are disclosed in the Notes, provided that an associated inflow of resource embodying economic benefits is considered likely.

2.23 Events after the balance sheet date

Events after the balance sheet date, which provide additional information on the situation of the Group on the balance sheet date (adjusting event after the balance sheet date), are recognised in the consolidated balance sheet/income statement. Non-adjusting events after the balance sheet date are disclosed in the Notes if they are of a material nature.

2.24 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 discounts and after eliminating sales within the Group.

The Group recognises 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. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Sale of goods — wholesale

The Group sells a range of goods in the wholesale market. Sales of goods are recognised when a Group entity has delivered goods to the wholesaler, the wholesaler has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the goods. Delivery does not occur until the goods have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The goods are often sold with a variety of customer incentives such as volume discounts, mark down compensation and cash settlement discounts. Customers have a right to return faulty goods in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts, mark down compensation, other incentives and returns at the time of sale.

Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with the market practice.

On a seasonal basis, the Group negotiates price adjustments with its wholesale customers as sales incentives or to partially reimburse them for the cost of certain promotions. The Group estimates the cost of such adjustments on an ongoing basis considering historical trends, projected seasonal results and an evaluation of current economic conditions. These costs are recorded as a reduction to net revenue.

Sale of goods — retail

The Group operates a chain of retail stores for selling sportswear, activewear, jeanswear, and childrenswear. Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

It is the Group's policy to sell its products to the retail customer with a right to return within 15-90 days (depending on territory). Accumulated experience is used to estimate and provide for such returns at the time of sale. The Group does not operate any loyalty programs.

License income

License income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

2.25 Costs of Goods Sold

The Group includes in cost of goods sold all costs and expenses related to obtaining merchandise incurred prior to the receipt of finished goods at the Group's distribution facilities.

These costs include, but are not limited to, product cost, inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs and internal transfer costs, as well as insurance, duty, brokers' fees and consolidators' fees.

In addition, certain costs in the Group's retail distribution network, such as the costs of shipping merchandise to Group-owned retail stores, are charged to cost of goods sold.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

2.26 Selling and distribution cost

The Group includes in selling and distribution expenses costs incurred subsequent to the receipt of finished goods in the distribution centres, such as the cost of picking and packing goods for delivery to customers. In addition, selling and distribution expenses include product design costs, selling and store service costs and marketing expenses.

Advertising costs and promotion expenses include the costs of producing advertising media, purchasing media space and in general, the cost of all activities designed to promote the Group's brands and products. Advertising and promotion expenses are recognised as expenses for the period in which they are incurred.

The Group has no long-term commitment for advertising programs. In conjunction with each seasonal selling season, the Group makes arrangements with certain retailers to enter into cooperative advertising programs whereby the retailers are reimbursed for a portion of the qualified advertising costs spent on behalf of the Group. The Group's share of these programs, which typically represents 50% of the total cost incurred by the retailers, is classified as Selling and distribution expenses.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

3. Financial risk management

3.1 Financial risk factors

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

Financial risk is managed by a central treasury department. The Group's central treasury department will be embodied by the Group Treasury Committee ('GTC') consisting of the Group's Chief Financial and Operating Officer and the Group Treasury Manager.

The Group Treasury Manager identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of Directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3.1.1 Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to purchases in US dollars ('US$') related to sales in €, Canadian dollars ('CAD') and Japanese Yen ('¥'). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations in a currency that is not the entity's functional currency.

The Group uses a mix of foreign exchange ('FX') forward contracts and FX options with maturities shorter than one year in order to mitigate the risks associated with adverse movements in foreign currency which might affect certain firm commitments or transactions, including the purchase of inventory, capital expenditures, the collection of foreign royalty payments and certain inter-group transactions that would affect the consolidated profit and loss account of the Group.

The Group manages the foreign exchange risk against the functional currencies within the Group, which are as follows €, CAD, US$, and ¥. The Group's operating companies are required to hedge significant foreign exchange risk exposure with external counterparties. The Group's policies do not allow the use of financial instruments for speculative or trading purposes.

The Group consolidates all financial information from its subsidiary companies into the Group's consolidated financial information, which is expressed in €. The non-cash or reporting impacts of such translations are not hedged, however are taken into consideration by the GTC for other potential hedge requirements. Furthermore, intercompany financing positions are not hedged with FX forward contracts.

The Group's financial risk management policies evaluate the currency fluctuation impacts on the Group's financial performance. Based on this, certain hedges on the anticipated cash flows (mainly purchases of goods in US$) with a maturity less than one year are put in place. These projected purchases in US$ can be qualified as 'highly probable' forecast transactions for hedge accounting purposes.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

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

The Group enters into derivative instruments (interest rate swaps and foreign exchange contracts) as part of its financial risk management activities. Its borrowings are denominated in € and US$ and they are at floating interest rates. Based on historic movements and volatilities in these market variables, and management's knowledge and experience of the financial markets, the Group believes the following movements are 'reasonable possible' over a 12 month period. The movements are illustrative only.

The Group's exposure to currency risk based on nominal values is indicated below, and provides the post-tax effect that a possible increase or decrease in the value of foreign currencies relative to the € would have, assuming all other circumstances remain unchanged, on the Group's financial income and expenses and shareholders' equity. In this connection, no account was taken of derivatives concluded to hedge the currency risk. The effects on shareholders' equity and income are calculated using the closing rate as per balance sheet date.

At 31 March 2008, if the € had strengthened by 10% against US$ with all other variables held constant, post-tax profit for the year would have been €11,118 (2007: €4,553) lower, mainly as a result of foreign exchange loss on translation of US$ denominated borrowings, trade payables, and cash and cash equivalents. Conversely, if € had weakened by 10% against US$ with all other variables held constant, post-tax profit for the year would have been €11,118 (2007: €4,553) higher. Other components of equity would not materially change as result of the exchange rate changes.

At 31 March 2008, if the US$ had strengthened by 10% against CAD with all other variables held constant, post-tax profit for the year would have been €115 lower (2007: €6,552 higher), mainly as a result of foreign exchange loss on translation of US$ denominated borrowings, trade payables, and cash and cash equivalents. Conversely, if US$ had weakened by 10% against CAD with all other variables held constant, post-tax profit for the year would have been €115 higher (2007: €6,552 lower). Other components of equity would not materially change as result of the exchange rate changes.

(ii) Cash flow and fair value interest rate risk

The Group attracts the majority of its financial sources at floating rate. It subsequently protects itself for adverse interest rate movements by limiting the interest expense by entering into pay-fixed, receive-floating interest rate swaps. It is currently the Group's policy to hedge a minimum of 75% of its Senior Debt (including the Mezzanine loan) with fixed rate hedging instruments.

During fiscal 2008, the Group's borrowings at variable rate were denominated in € and US$. At 31 March 2008, if € market interest rates had been 50 basis points higher and US$ market interest rates had been 50 basis points higher with all other variables held constant, post-tax profit for the year would have been €1,841 higher (2007: €3,509 higher), mainly as a result of favourable fair value changes of the interest rate swaps. At 31 March 2008, if € market interest rates had been 50 basis points lower and US$ market interest rates had been 50 basis points lower with all other variables held constant, post-tax profit for the year would have been €1,886 lower (2007: €3,603 lower), mainly as a result of favourable fair value changes of the interest rate swaps.

The effect following interest rate changes is predominantly driven by fair value changes of interest rate swaps.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

3.1.2 Credit risk

Credit risk is managed by region. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions.

Regional management assesses the credit quality of the customer taking into account its financial position, past experience and other factors. If wholesale customers are independently rated, these ratings are used. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored by local (credit) management.

The Group has a significant retailer, whose accounts receivable position exceeds 5% of the consolidated gross trade receivables. This retailer has a good reputation, track record in credibility and is also insured. Sales to retail customers are settled in cash or using credit cards.

In Europe, the Group has an agreement with a European credit insurance group from whom it obtains credit insurance on an individual customer basis. In all cases the Group believes that the credit risk associated with such financial institutions is minimal. The Group outsources the collection of the majority of its U.S. receivables through a credit company, which is a subsidiary of a large financial institution. The credit company establishes maximum credit limits for each wholesale customer account. If the receivable becomes 120 days past due or the customer becomes bankrupt or insolvent, the full amount of the receivable is payable by the credit company. The third party collection and insurance credit company monitors and communicates with the Groups regional credit department regularly.

In Canada, the Group uses a financial institution to insure its trade receivables. As long as the Group stays within the credit limits approved by the credit insurer, the receivable amount will always be insured for collection. The Group hands over the collection of receivables to the financial institution once the receivables become 100 days past due.

The credit rating of the Group's major financial institutional counterparties, with the amount of exposure for these counterparties, is presented below in carrying amounts at 31 March 2008 (cash and cash equivalents including bank overdrafts; Note 12):

Counterparty	S&P Rating 2008	2008	2007
Citibank	AA	17,761	4,790
Mitsui Sumitomo	A-1	12,538	—
HSBC	AA-	12,328	17,760
Fortis Bank	AA-	11,837	73,913
JP Morgan	AA	858	15,580
Others	N/A	19,430	10,644
		74,752	**122,687**

The Group's year-end cash balances reported in Canada and Europe were held in current accounts. The cash balances held in the US are invested in overnight Money Market Funds, which are freely obtainable the next day. The majority of the current account balances are held with banks with a minimum S&P rating of A.

Furthermore, the Group's major derivative financial instruments (the interest rate swaps) are with Credit Suisse (S&P Rating AAA) and have at the balance sheet date a fair value of €6,388 (asset) (2007: €9,786, asset) and of €7,909 (liability) (2007: €799, liability).

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

3.1.3 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are displayed at fair value. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

At 31 March 2008	**Less than 1 year**
Forward foreign exchange contracts – cash flow hedges:	
– outflow	18,737
– inflow	19,289
Forward foreign exchange contracts – held for trading:	
– outflow	57,396
– inflow	56,265
At 31 March 2007	
Forward foreign exchange contracts – cash flow hedges:	
– outflow	22,711
– inflow	22,912
Forward foreign exchange contracts – held for trading:	
– outflow	29,298
– inflow	28,967

Refer to Note 18 for contractual maturity of the Group's total borrowings.

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 in order 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. These adjustments are subject to approval by the Board of Directors.

Consistent with others in the industry, the Group monitors its financial credibility every quarter-end with four financial covenant ratios:

- Cash Flow Cover
- Interest Cover
- Consolidated Total Net Debt Cover
- Capital Expenditure

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

These ratios were defined in close conjunction with the Group's Senior Debt Lenders. For the relevant periods the Group has not breached the above stated ratios. The interest to be paid in the next fiscal year is depending on the actual level of the covenant ratios over the previous quarter.

3.3 Fair value estimation

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. The quoted market price used for financial assets held by the Group is the current bid price. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. Fair values are derived from counterparties and are used as benchmark.

At 31 March 2008, the fair value of the Group's cash and cash equivalents is equal to their carrying value. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of the Group's other monetary assets and liabilities approximate carrying value due to the relatively short-term nature of these items. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

4. Critical accounting estimates and judgements

Estimates and judgements 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.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely 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 outlined below.

Estimated impairment of intangible assets

The Group evaluates identifiable intangible assets that are subject to amortisation for impairment whenever events or changes in circumstances indicate that its carrying value may not be recoverable. Recoverability is evaluated by a comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the asset.

Identifiable intangible assets not subject to amortisation are assessed for impairment when triggering events occur or at least annually. The impairment test for identifiable intangible assets not subject to amortisation consists of a comparison of the recoverable value of the intangible asset with its carrying amount. An impairment loss is recognised for the amount by which the carrying value exceeds the recoverable value of the asset. In making this assessment, management relies on a number of factors to discount anticipated future cash flows including operating results, business plans and present value techniques. Rates used to discount cash flows are dependent upon interest rates and the cost of capital at a point of time. There are inherent uncertainties related to these factors and management’s judgement in applying them to the analysis of intangible asset impairment. It is possible that assumptions underlying the impairment analysis will change in such a manner that impairment in value may occur in the future.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Based on these calculations it is not likely that a reasonably possible change in a key assumption on which management has based its determination of the recoverable amount would cause the carrying amount to exceed its recoverable amount.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises 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 income tax and deferred tax provisions in the period in which such determination is made.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Measurement of directly operated stores

When property and equipment related to own stores are tested for impairment, the following assumptions are made:

- The individual directly operated stores are defined as cash generating units;
- The future discounted cash flows used for impairment tests are determined on the basis of budget planning as well as mid-term forecasting for the individual own stores.

Fair value of assets acquired in a business combination

The fair value of intangibles acquired in a business combination is determined by using valuation techniques. The Group applies judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the acquisition date. For more information on fair value of assets acquired in a business combination and the valuation techniques used, please refer to Note 32 Acquisitions.

4.2 Critical judgments in applying the Group's accounting policies

Share-based compensation

In accordance with IFRS 2, the grant of equity instruments to employees and others providing similar services rendered to the Group represents a supplementary benefit provided by the Group. Under IFRS 2, for equity-settled share based payment arrangements, the Group estimates the fair value of these equity instruments at the grant date and records the value within shareholders' equity, and where applicable this value is spread over the vesting period of the instruments. For cash-settled share based payment arrangements operated by the Company, the Group estimates the fair value of these equity instruments at each reporting date and the associated liability is spread over the vesting period of the instruments. The fair market value applied for the underlying Company's shares is based on the shareholder value which has been derived from the Enterprise Value ('EV') estimated for the Company. For this estimation, EV/EBITDA multiples have been applied that were based on (i) a market approach by using trading multiples of comparable companies as a benchmark and (ii) an income approach as a cross-check in the valuation.

Management participation plans

During the year ended 31 March 2008 eligible key managers and service providers of the Group were offered the opportunity by the Company to purchase depositary receipts over Ordinary Shares of the Company (the 'Depositary Receipts') under the terms and conditions of the Management Co-investment Agreement (the 'Agreement') against payment of a predetermined subscription price. The Agreement is regarded to be an equity-settled share based payment transaction. The fair value per Depositary Receipt recognised is equal to the difference between (i) the fair market value per Depositary Receipt and (ii) the subscription price per Depositary Receipt. A related expense has been recognised in the consolidated income statement for FY2008. Also refer to Note 15 Management participation plans.

Management Option Plan

Options over Depositary Receipts (the 'Options') have been granted to two members of the Management Board by Tommy Hilfiger Holding S.à r.l. For certain Options grants an option price was payable by the members of the Management Board in order to receive such Options. The fair value per Option recognised is equal to the difference between (i) the fair market value per Option and (ii) any subscription price payable for each Option granted and is recognised as an expense. The fair value the Options granted to the Management Board is recognised as an employee expense with a corresponding increase in equity as a contribution from Tommy Hilfiger Holding S.à r.l. The options are regarded to be an equity-settled share based payment transaction and the fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black & Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Employee bonus plan

The Company has granted certificates to eligible employees, which certificates are linked to the underlying price of the Company's shares. The certificates will be converted into a cash bonus payment at the time of an eventual change in ownership of the Company and the actual payout for each certificate is capped at €1,000 (per certificate). This bonus arrangement is regarded to be a cash-settled share based incentive arrangement under IFRS 2. The fair value of the liability is re-measured at each reporting date and for each certificate granted the fair value is currently set at the maximum pay-out level of €1,000 (per certificate). Based on communication of this plan to employees and the expected timing of such change in ownership the expense is spread over the period during which the employees become unconditionally entitled to the certificates and recognised as a liability. As at 31 March 2008, this has resulted in an income statement expense of €9,123. The total expected costs are estimated at €26,300.

Agreement with a key management member

The contract with a member of key management states various instances under which the member of key management is entitled to a payment upon pre-defined exit events. The exit events contemplated by the contract relate to sale of control of the Group or substantially all its assets. The Company concluded that based on the facts and circumstances this right is currently not relevant and therefore has valued this element of the contract at nil. Also refer to Note 36 Related party transactions.

Return and Chargeback provisions

The Group recognises various customer incentive schemes and return policies. The Group has estimated the costs associated with these schemes and policies based on statistics of historical returns and customer specific arrangements.

Revenue recognition on the sale of the sourcing business

During FY2007, the Group sold its Buying Office activities for a total consideration of €192.1 million, of which €155 million related to activities undertaken by Buying Offices owned and operated by the Group and €37.1 million related to a consideration received for additional sourcing agreed in the agreement with Li & Fung. Any net result generated by the buying offices over the period 10 May 2006 to the date of sale was presented as profit from discontinued operations in the income statement (Refer to Note 33).

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

5. Segment information

Primary reporting format — geographic segments

At 31 March 2008, the Group is organised on a worldwide basis into 4 main geographic segments.

- United States
- Europe
- Canada
- Rest of the world/other

Rest of the World operations mainly comprise Japan operations (as of February 2008), Karl Lagerfeld operations, Head Office and licensing in regions other than USA and Europe.

Intersegment transfers: segment revenue, segment expenses and segment result include transfers between business segments and between geographical segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. Those transfers are eliminated in consolidation.

The segment results for the year ended 31 March 2008 are as follows:

	United States	Europe	Canada	Other	Eliminations	Total
Revenue	519,328	706,526	135,689	44,158	(36,324)	1,369,377
Intersegment revenue	(35,854)	—	—	(470)	36,324	—
Net revenue	483,474	706,526	135,689	43,688	—	1,369,377
Operating result	55,802	131,928	8,446	(30,071)	—	166,105
Finance costs, net						(149,479)
Income tax expense						(26,978)
Result for the period from continuing operations						(10,352)
Result for the period from discontinued operations						—
Result for the year						**(10,352)**

The segment results for the year ended 31 March 2007 are as follows:

	United States	Europe	Canada	Other	Eliminations	Total
Revenue	533,913	545,303	126,331	19,108	(27,409)	1,197,246
Intersegment revenue	(27,409)				27,409	—
Net revenue	506,504	545,303	126,331	19,108	—	1,197,246
Operating result	(42,471)	76,764	2,688	(7,922)	—	29,059
Finance costs, net						(155,333)
Income tax expense						57,204
Result for the period from continuing operations						(69,070)
Result for the period from discontinued operations				8,943		8,943
Result for the year						**(60,127)**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Significant non-cash items included in operating result for the year ended 31 March 2008 are as follows:

	United States	Europe	Canada	Rest of the World/Other	Group
Depreciation and impairment	(16,344)	(20,016)	(6,524)	(852)	(43,736)
Amortisation	(3,571)	(10,278)	(1,395)	(961)	(16,205)
Total	**(19,915)**	**(30,294)**	**(7,919)**	**(1,813)**	**(59,941)**

Significant non-cash items included in operating result for the year ended 31 March 2007 are as follows:

	United States	Europe	Canada	Rest of the World/Other	Group
Depreciation and impairment	(39,810)	(16,443)	(5,178)	(70)	(61,501)
Amortisation	(901)	(25,435)	(1,621)	(756)	(28,713)
Onerous contracts	(6,426)	—	—	—	(6,426)
Total	**(47,137)**	**(41,878)**	**(6,799)**	**(826)**	**(96,640)**

Segment assets consist primarily of Property and Equipment, Intangible assets, Inventories, Trade and Other receivables. Segment liabilities comprise mainly Trade and Other payables. Non-allocated assets primarily include deferred and current income tax assets, derivative financial instruments and cash and cash equivalents. Non-allocated liabilities mainly include deferred and current income tax liabilities, borrowings, other current liabilities and the shareholders loan.

Capital expenditure comprises additions to Property and Equipment (Note 6) and Intangible Assets (Note 7).

The segment assets and liabilities at 31 March 2008 and capital expenditure for the year ended are as follows:

	United States	Europe	Canada	Rest of the World/Other	Un-allocated	Total
Assets	350,330	801,087	117,193	165,507	60,618	1,494,735
Liabilities	(118,994)	(114,972)	(26,229)	(40,577)	(1,211,466)	(1,512,238)
Capital expenditure	32,865	29,221	5,423	16,481	—	83,990

The segment assets and liabilities at 31 March 2007 and capital expenditure for the year then ended are as follows:

	United States	Europe	Canada	Rest of the World/Other	Un-allocated	Total
Assets	387,623	722,898	131,832	32,604	143,889	1,418,846
Liabilities	(136,612)	(87,919)	(25,003)	(9,056)	(1,187,463)	(1,446,053)
Capital expenditure	31,175	30,444	15,615	30	—	77,264

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Secondary reporting format — business segments

At 31 March 2008, the Group is organised on a worldwide basis into four main business segments:

- Retail
- Wholesale
- Licensing
- Other

Retail segment comprises the distribution and sale of the Group's products through anchor stores, satellite stores, mall stores, company stores, European outlet stores and E-commerce.

Wholesale segment comprises the distribution and sale of the Group's products to third party retailers, including franchise operators of Tommy Hilfiger stores.

Licensing segment comprises the licensing of the Group's brands to third parties that either produce goods (such as fragrances, handbags, watches and eyewear) not currently sold by the Group, or that operate in geographic locations where the Group currently has no operations, in each case in exchange for a royalty typically calculated as a percentage of sales.

Other Group activities mainly comprise the Group's Karl Lagerfeld businesses as well as corporate activities such as finance, executive compensation and certain marketing costs. Neither of these constitutes a separately reportable segment.

The segment results, assets and liabilities at 31 March 2008 and capital expenditure for the year ended are as follows:

	Wholesale	Retail	Licensing	Other	Total
Revenue	727,487	590,765	46,769	4,356	1,369,377
Operating result	106,890	73,643	33,681	(48,109)	166,105
Total assets	403,673	258,254	5,362	827,446	1,494,735
Capital expenditure	19,468	36,670	—	27,852	83,990

The segment results, assets and liabilities at 31 March 2007 and capital expenditure for the year ended are as follows:

	Wholesale	Retail	Licensing	Other	Total
Revenue	668,633	479,377	45,401	3,836	1,197,247
Operating result	59,316	36,663	31,398	(98,318)	29,059
Total assets	355,466	188,153	14,610	965,817	1,524,046
Capital expenditure	18,959	58,305	—	—	77,264

Unallocated assets mainly relate to intangibles, deferred income tax assets and cash and cash equivalents.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

6. Property and Equipment

Property and equipment consists of the following at 31 March 2008:

	Furniture & Fixture	Land and buildings	Leasehold Improvement	Computer Equipment	Machinery & equipment	Total
At cost						
31 March 2007	**68,409**	**6,902**	**104,890**	**19,374**	**9,605**	**209,180**
Additions	27,452	13,500	29,954	2,127	463	73,496
Acquisitions	1,236	—	7,312	—	—	8,548
Disposals	(3,367)	—	(3,617)	(1,290)	(192)	(8,466)
Translation	(13,818)	(369)	(17,538)	(3,046)	(1,980)	(36,751)
31 March 2008	**79,912**	**20,033**	**121,001**	**17,165**	**7,896**	**246,007**
Accumulated depreciation						
31 March 2007	**23,894**	**138**	**25,290**	**10,683**	**1,706**	**61,711**
Depreciation for the period	20,791	291	16,278	3,923	2,453	43,736
Disposals	(3,093)	—	(3,183)	(493)	(192)	(6,961)
Translation	(10,254)	(37)	(10,373)	(2,364)	(1,350)	(24,378)
31 March 2008	**31,338**	**392**	**28,012**	**11,749**	**2,617**	**74,108**
Net book value at 31 March 2008	**48,574**	**19,641**	**92,989**	**5,416**	**5,279**	**171,899**
Net book value at 31 March 2007	**44,515**	**6,764**	**79,600**	**8,691**	**7,899**	**147,469**

Property and equipment consists of the following at 31 March 2007:

	Furniture & Fixture	Land and buildings	Leasehold Improvement	Computer Equipment	Machinery & equipment	Total
At cost						
31 March 2006	—	—	—	—	—	—
Acquisitions	49,510	—	71,787	8,946	7,762	138,005
Additions	19,830	7,228	36,357	10,697	2,363	76,475
Disposals	(162)	—	(605)	—	(139)	(906)
Translation	(769)	(326)	(2,649)	(269)	(381)	(4,394)
31 March 2007	**68,409**	**6,902**	**104,890**	**19,374**	**9,605**	**209,180**
Accumulated depreciation						
31 March 2006	—	—	—	—	—	—
Depreciation for the period	20,912	145	12,276	5,171	965	39,469
Impairment charges	2,881	—	12,879	5,531	741	22,032
Translation	101	(7)	135	(19)	—	210
31 March 2007	**23,894**	**138**	**25,290**	**10,683**	**1,706**	**61,711**
Net book value at 31 March 2007	**44,515**	**6,764**	**79,600**	**8,691**	**7,899**	**147,469**
Net book value at 31 March 2006	—	—	—	—	—	—

Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

	Years
Buildings	0-25
Machinery and equipment	3-5
Furniture and fixtures, including shop-in-shop displays	3-5

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Property and equipment includes the following amounts where the Group is a lessee under a finance lease:

	2008	2007
Cost – capitalised finance leases	19,378	11,748
Accumulated depreciation	(4,148)	(4,136)
Net book amount	**15,230**	**7,612**

Finance lease agreements entered into by the Group mainly relate to the acquisition of land and buildings, computer equipment and furniture and fixtures.

Depreciation expenses include €22,031 impairment charges for the year ended 31 March 2007. These impairment charges are the result of decisions taken after the acquisition date of Tommy Hilfiger Corporation (10 May 2006) and relate primarily to the write down of Leasehold Improvement, Furniture and Fixtures and Computer Equipment to the value in use, based on anticipated cash flows.

The impairment charges under Leasehold Improvement and Furniture and Fixtures relate to the decision to vacate part of our New York office and to the decision of not renewing certain lease contracts in New Jersey which led to an additional charge of €12,200 in FY2007. Additionally, a charge of €5,200 was recognised in FY2007, since the Group decided to abandon the implementation of the Axapta ERP system during the year. This charge is included in Computer Equipment.

During FY2007 the Group discontinued various customer door locations and certain product divisions, for which additional charges of €4,600 have been recognised in the profit and loss account.

7. Goodwill and Other Intangible Assets

As at 31 March 2008, the Group's intangible assets and related accumulated amortisation comprise the following:

	Goodwill	Indefinite life Trademark	Finite life Trademark	Customer relationships	Software	Other	Total
At cost							
Balance at 31 March 2007	94,676	468,040	8,500	107,046	6,861	9,939	**695,062**
Additions	—	—	—	—	10,494	—	10,494
Acquisitions	107,819	—	—	11,700	285	1,600	121,404
Disposals	—	—	—	—	—	(1,600)	(1,600)
Reclassifications	—	—	—	—	—	—	—
Exchange differences	(2,172)	(29,616)	—	(87)	(1,885)	(1,043)	(34,804)
Balance at 31 March 2008	**200,323**	**438,424**	**8,500**	**118,659**	**15,755**	**8,896**	**790,556**
Accumulated depreciation							
Balance at 31 March 2007	—	—	756	6,344	1,715	2,319	**11,134**
Amortisation for the period	—	—	850	7,629	3,205	4,569	16,253
Disposals	—	—	—	—	—	(1,600)	(1,600)
Reclassifications	—	—	—	—		—	—
Exchange differences	—	—	—	(17)	(586)	(571)	(1,175)
Balance at 31 March 2008	—	—	1,606	13,956	4,334	4,716	24,612
Net book value at 31 March 2008	**200,323**	**438,424**	**6,894**	**104,702**	**11,421**	**4,179**	**765,944**
Net book value at 31 March 2007	**94,675**	**468,040**	**7,744**	**100,702**	**5,150**	**7,619**	**683,928**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

As at 31 March 2007, the Group's intangible assets and related accumulated amortisation comprise the following:

	Goodwill	Indefinite life Trademark	Finite life Trademark	Customer relationships	Software	Other	Total
At cost							
31 March 2006	—	—	—	—	—	—	—
Acquisitions	88,587	478,256	8,500	107,198	6,357	27,019	715,917
Additions	7,471	—	—	—	789	886	9,146
Disposals	—	—	—	—	—	(17,375)	(17,375)
Exchange differences	(1,382)	(10,216)		(152)	(285)	(591)	(12,626)
31 March 2007	**94,676**	**468,040**	**8,500**	**107,046**	**6,861**	**9,939**	**695,062**
Accumulated depreciation							
31 March 2006	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Amortisation for the period	—	—	756	6,349	1,824	19,785	28,714
Disposals	—	—	—	—	—	(17,375)	(17,375)
Exchange differences	—	—	—	(5)	(109)	(91)	(205)
31 March 2007	**—**	**—**	**756**	**6,344**	**1,715**	**2,319**	**11,134**
Net book value at 31 March 2007	**94,676**	**468,040**	**7,744**	**100,702**	**5,146**	**7,620**	**683,928**
Net book value at 31 March 2006	**—**	**—**	**—**	**—**	**—**	**—**	**—**

Please refer to Note 32 for details on goodwill movements during FY2008.

Amortisation is calculated using the straight-line method over the following estimated useful lives of the assets:

	Years
Finite life trademark rights	10
Customer relationships	10-15
Software	3-5
Other	1-5

Other intangible assets included an order backlog recognised on a certain acquisition. As the order backlog is fully amortised during the fiscal year it is consequently removed from the 31 March 2008 and 2007 cost and accumulated amortisation and impairment balances (shown as disposals). The remainder of the balance at 31 March 2008 and 2007 mainly relates to favourable lease contracts recognised during the FY2007 acquisition of THC.

Trademarks with indefinite useful life relate to the Tommy Hilfiger trademark. This trademark is estimated to have an indefinite useful life due to the fact that it is closely related to the total business, the high degree of brand recognition as well as its foundation a significant time ago.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Impairment tests for goodwill and Tommy Hilfiger ('TH') trademark

Goodwill and the TH trademark (an intangible with indefinite useful life) are allocated to the Group's cash-generating units ("CGUs"), identified according to region of operation and business segment.

Goodwill by CGU:

	USA	Canada	Europe	RoW	Total
Balance at 31 March 2006	—	—	—	—	—
Acquisition THC	15,074	6,500	67,013	—	88,587
Other acquisitions	—	—	7,471	—	7,471
Foreign currency translation	(825)	(554)	(3)	—	(1,382)
Balance at 31 March 2007	14,249	5,946	74,481	—	94,676
Acquisitions	—	—	11,804	96,015	107,819
Foreign currency translation	(2,452)	(318)	—	598	(2,172)
Balance at 31 March 2008	11,797	5,628	86,285	96,613	200,323

TH Trademark by CGU:

	USA	Canada	Europe	RoW	Total
Balance at 31 March 2006	—	—	—	—	—
Acquisition Subsidiaries	184,411	33,210	260,635	—	478,256
Foreign currency translation	(7,384)	(2,832)	—	—	(10,216)
Balance at 31 March 2007	177,027	30,378	260,635	—	468,040
Foreign currency translation	(27,989)	(1,627)	—	—	(29,616)
Balance at 31 March 2008	149,038	28,751	260,635	—	438,424

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are projected using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the fashion industries in which the CGU operates.

The key assumptions used in 2008 for value-in-use calculations are as follows:

	USA	Canada	Europe
Gross margin (average)			
– next five years	54%	55%	60%
– after that	54%	55%	60%
Growth rate (average)			
– next five years	10.5%	5.9%	10.2%
– after that	2.0%	2.0%	2.0%
Discount rate	12.3%	12.3%	12.3%

The Group determined budgeted gross margin based on past performance and its expectations for the market development. Future growth rates are displayed in the table above and differ by geography. The discount rates applied are a pre-tax discount rate of 12.3%. This discount rate was applied to all CGUs as the expected future cash flows in local currency had first been converted to € using forward rates. The Group believes that differences in the risk profile of the US operations compared to Europe and Canada have been reflected in the cash flow forecasts of the CGUs making further adjustments to the discount rate unnecessary. The Group determined that the impairment test outcome would not differ significantly when applying a discount rate for the cash flow specific currency and translating these to present value using a spot exchange rate instead.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Given the timing of the acquisition of TH Japan closely before 31 March 2008, the Group is of the opinion that no impairment exists on the goodwill recognised at 31 March 2008. Refer to Note 32.

8. Derivative financial instruments

At 31 March 2008 and 31 March 2007, the Group's derivative financial instruments are comprised of the following:

	2008		2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Current: Forward foreign exchange contracts — hedge accounting	495	—	156	—
Current: Forward foreign exchange and option contracts — no hedge accounting	—	1,526	128	391
Non-current: Interest Rate Swaps — no hedge accounting	6,388	7,909	9,786	569
Current: Interest Rate Swaps — no hedge accounting	—	—	—	230
Total	**6,883**	**9,435**	**10,070**	**1,190**

Forward foreign exchange contracts

These are plain-vanilla forward contracts.

At 31 March 2008 the notional principal amounts of the outstanding foreign exchange contracts in hedge relation are purchases of US$30,500 versus CAD (2007: US$30,500).

The outstanding foreign exchange contracts not in hedge relation are at 31 March 2008:

- Sale of €1,876 (2007: €11,316) versus US$
- Sale of ¥ — (2007: ¥172,371) versus US$
- Purchase of US$86,000 (2007: US$22,000) versus €

The hedged highly probable forecasted purchases of cost of goods sold, denominated in US$ that the Canadian operations designated as hedged item in cash flow hedge relation are expected to occur at various dates during 3 to 10 months. Gains and losses recognised in the hedging reserve in equity (Note 14) on forward foreign exchange contracts at 31 March 2008 will be recognised in the initial carrying value of the purchased inventory that will be received by the Group in 3 to 10 months. These inventory items will affect the income statement as costs of goods sold in the period 6 to 12 months from the balance sheet date.

Embedded forward foreign exchange contracts

The Group has reviewed its US$ denominated clothing purchase contracts €/US$ or €/CAD for embedded forward contracts. In line with IAS 39, the Group bifurcates and separately fair values these contracts if it is clear that these embedded forward contracts are not closely related to the host contract. At year end there were no significant embedded derivatives.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Interest rate swaps — no hedge accounting

The Group has entered into three interest rate swaps to off-set the effects of changing interest rates on its floating rate senior credit facility. The critical terms of these interest rate swaps, whereby the Group pays fixed interest and receives floating interest, are as follows as at 31 March 2008 and 2007:

Notional amount	Contract rate	Contract maturity	Fair Value 31 March 2008	Fair Value 31 March 2007
US$220,000 (2007: US$262,500)	4.9664%	May 2010	US$12,120 (loss)	US$ 758 (loss)
CAD — (2007: CAD 87,840)	N/A	N/A	N/A	CAD 353 (loss)
€383,529 (2007: €383,529)	3.2664%	May 2010	€ 6,388 (gain)	€ 9,786 (gain)

The Group has decided not to apply hedge accounting for these interest rate swaps. The maturity date of the CAD swap was originally May 2010 but following the repayment of Term A3, B3 and C3 of the Senior Credit Facility (refer to Note 18 Borrowings) it has been unwound in April 2007.

The maximum exposure to credit risk at the reporting date is the fair value of the derivatives assets in the balance sheet.

9. Loans and other receivables

Loans and other receivables are comprised of the following as at 31 March 2008 and 2007.

	2008	2007
Rent deposits	14,524	4,511
Other	8,687	3,347
	23,211	**7,858**

10. Inventories

Inventory consists of the following as at 31 March 2008 and 2007.

	2008	2007
Materials (cost)	932	1,566
Finished goods (cost)	108,309	105,539
Finished goods (net realisable value)	82,148	55,642
	191,389	**162,747**

The cost of inventories recognised as expense and included in 'cost of goods sold' amounted to €559,869 (2007: €571,293). The aforementioned amount includes a write down of inventory to net realisable value of €10,060 (2007: €10,375) which amount was recognised as an expense in the period. All inventories are expected to be sold within 12 months.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

11. Trade and other receivables

Trade and other receivables are comprised as follows as at 31 March 2008 and 2007.

	2008	2007
Trade receivables	193,211	176,924
Less: provision for impairment of trade receivables	(3,850)	(3,079)
Trade receivables — net	189,361	173,845
Pre-payments and other receivables	36,840	34,894
Loans to related parties	—	3,790
	226,201	**212,529**
Less non-current portion	—	—
	226,201	**212,529**

All receivables are due within 1 year from the balance sheet date. The carrying amount of trade and other receivables and loans to related parties is a reasonable approximation of their fair values.

At 31 March 2008 trade receivables of €7,874 (2007: €7,576) were impaired and (partly) provided for. The amount of the provision was €3,850 as of 31 March 2008 (2007: €3,079). It was assessed that a portion of the receivables is expected to be recovered. The ageing of these (partly) impaired receivables is as follows:

	2008	2007
0 to 3 months	886	615
3 to 6 months	362	1,620
Over 6 months	2,602	844
	3,850	**3,079**

At 31 March 2008, trade receivables of €185,336 (2007: €60,224) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008	2007
Up to 3 months	182,357	59,118
3 to 6 months	987	1,106
Over 6 months	1,992	—
	185,336	**60,224**

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

	2008	2007
€	174,795	147,329
US$	29,925	52,033
¥	8,714	—
CAD	7,469	9,601
GBP	4,323	2,549
Other currencies	975	1,017
	226,201	**212,529**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Movements on the provision for impairment of trade receivables are as follows:

	2008	**2007**
Opening balance	3,079	—
New consolidations	—	2,137
Provision for receivables impairment	2,059	1,142
Receivables written off during the year as uncollectible	(1,126)	(200)
Unused amounts reversed	(51)	—
Translation	(111)	—
Closing Balance	**3,850**	**3,079**

The creation and release of provision for impaired receivables have been included in selling and marketing costs in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above less any insured amounts. The Group holds certain bank guarantees and letters of credit as collateral. For additional details on the credit risk we refer to Note 3.

12. Cash and Cash Equivalents

At 31 March 2008 Cash and Cash Equivalents comprises of short-term money market funds and overnight accounts at several major international financial institutions earning interest at a weighted average interest rate of 2.6% (2007: 4.8%).

	2008	**2007**
Cash at banks and on hand	71,192	44,983
Credit card receivables	3,560	2,151
Short-term bank deposits	—	89,493
	74,752	**136,627**

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	2008	**2007**
Cash and cash equivalents	74,752	136,627
Bank overdrafts (Note 18)	—	(13,940)
	74,752	**122,687**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

13. Share capital

	Number of shares	Ordinary shares	Share premium	Total
At 31 March 2006	**1,800**	**18**	**18**	**36**
Redenomination of shares	(1,800)	(18)	—	(18)
Redenomination of shares	720	18	—	18
Issuance of shares	199,280	4,982	30,118	35,100
At 31 March 2007	**200,000**	**5,000**	**30,136**	**35,136**
Management participation plans	—	—	13,787	13,787
At 31 March 2008	**200,000**	**5,000**	**43,923**	**48,923**

The share premium recognised during FY2008 is considered an informal capital contribution relating to the management participation plans. Refer to Note 15.

The authorised number of ordinary shares amounts to 800,000 (2007: 800,000) with a par value of €25 per share (2007: €25 per share). All issued shares are fully paid.

14. Other reserves

	Hedging reserve	Cumulative translation adjustments	Management plans	Total
Balance at 31 March 2006	—	—	—	—
Reclassification from retained earnings to hedging reserve upon acquisition	(801)	—	—	(801)
Fair value gains/(losses) in year	867	—	—	867
Tax on fair value gains	(210)	—	—	(210)
Transfers to inventory	244	—	—	244
Tax on transfers to inventory	(59)	—	—	(59)
Currency translation differences	30	266	—	296
Balance at 31 March 2007	**71**	**266**	**—**	**337**
Cash flow hedges:				
Fair value gains/(losses) in year	8	—	—	8
Tax on fair value gains	(2)	—	—	(2)
Transfers to inventory	334	—	—	334
Tax on transfers to inventory	(81)	—	—	(81)
Management option plans	—	—	792	792
Currency translation differences	(26)	5,244	—	5,218
Balance at 31 March 2008	**304**	**5,510**	**792**	**6,606**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

15. Management participation plans

Under the terms and conditions of the Agreement, Depositary Receipts have been issued to management and service providers ("Participants") by Stichting Administratiekantoor Elmira ("STAK"). Under the Agreement members of the Management Board purchased Depositary Receipts on 10 May 2006. At or following the closing of the acquisition on 10 May 2006, an additional group of Participants (not being members of the Management Board) were offered the opportunity by Tommy Hilfiger B.V. and its shareholders to invest in Depositary Receipts under the Agreement against payment of the subscription price of €175.60 per Depositary Receipt. Between the closing of the acquisition and November 2006, additional Participants were informed that they would be entitled to purchase Depositary Receipts at this price. Between November 2006 and May 2007, the agreements governing these purchases were finalized and the subscription price was paid. According to IFRS 2, the grant date for these awards should be set at 14 November 2006, being the date when the Group and the Participants had a shared understanding of the terms and conditions of the arrangement. During the year ended 31 March 2008 additional Depositary Receipts were awarded for which the grant date was set at 1 November 2007 and for which the subscription price was set at €183 per Depositary Receipt.

If a Participant ceases to be actively involved in the Group due to termination of employment or termination of a service agreement, the STAK may request the resale and retransfer of part or all of the Depositary Receipts acquired to the STAK or any third party designated by the STAK. In the event of an initial public offering ("IPO") or a Sale Exit the Participants are obliged to cooperate with the transfer or sale of the Depositary Receipts, or in case of an IPO it could be possible that the Depositary Receipts are exchanged in shares.

The fair value per Depositary Receipt is equal to the difference between (i) the fair market value per Depositary Receipt and (ii) the subscription price per Depositary Receipt. A related expense has been recognised in the consolidated income statement for FY2008. The details of the awards are described below. Techniques like the market approach and income approach were used to determine the fair value of the Depository Receipts. Furthermore, the Company derived fair values from counterparties, which were used as benchmark.

	Depositary Receipts awarded in FY 2007	
Nature of the arrangement	**Award of Depositary Receipts**	**Award of Depositary Receipts**
Date of grant	10-May-06	14-Nov-06
Number of instruments awarded	12,000	8,490
Purchase Price per Depositary Receipt	175.60	175.60
Fair market value per Depositary Receipt	175.60	175.60
Fair Value per Depositary Receipt	—	—

	Depositary Receipts awarded in FY 2008
Nature of the arrangement	**Award of Depositary Receipts**
Date of grant	1-Nov-07
Number of instruments awarded	3,900
Purchase Price per Depositary Receipt	183
Fair market value per Depositary Receipt	3,750
Fair Value per Depositary Receipt	3,567

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

During FY2008, 300 Depositary Receipts issued in FY2007 have upon request of the STAK been retransferred to the STAK by Participants who left the Group. As at 31 March 2008 the number of outstanding Depositary Receipts amounts to 24,090 being 12.045% of the Company's Ordinary Shares. It is the intention of the STAK to issue to key employees of the Group Depositary Receipts representing 12.5% of the Company's Ordinary Shares.

Management Option plan

In addition to the management participation plan as described above, two members of the Management Board have on 9 November 2006 been granted by Tommy Hilfiger Holding S.à r.l. the opportunity to invest in options over Depositary Receipts (the "Options") against payment of an option price of €3.23 per Option. On 14 November 2007, additional Options have been granted to a member of the Management Board. All Options granted have a life of eight years and five business days following the date of grant and the exercise price of the Options is set at the underlying fair market value of the Options at the date of grant. The Options vest and become exercisable following the date of IPO or Sale Exit or in the absence of such IPO or Sale Exit of the eight anniversary of the date of grant of the Options. Once vested, the Options are exercisable during a period of five business days following the vesting date.

The Options shall lapse if the option holder ceases to be active as a manager of the Group due to termination of employment (i.e. both good and bad leavers) in accordance with the provisions as contained in the Agreement. The Depositary Receipts acquired following the exercise of the Options, will substantially be subject to the terms and conditions as contained in the Agreement. Therefore, in the event of an IPO or a Sale Exit the option holders are obliged to cooperate with the transfer or sale of the Depositary Receipts, or in case of an IPO it could be possible that the Depositary Receipts are exchanged in shares.

The Option arrangement operated by the Company is regarded to be equity settled share based compensation plan. The fair value per Option is equal to the difference between (i) the fair market value per Option and (ii) any subscription price payable for each Option granted and is recognised as an expense.

The details of the awards and the assumptions applied when determining the fair value of the Options to be recognised are described below.

Arrangement	***Grant of Options in FY 2007***	***Grant of Options in FY 2008***
Date of grant	*9 November 2006*	*14 November 2007*
Number of instruments granted	*10,980*	*1,000*
Exercise price (in €)	*2,842*	*2,810*
Share price at the date of grant	*175*	*3,750*
Contractual life (years)	*8 years and 5 business days*	*8 years and 5 business days*
Settlement	*Equity settled*	*Equity Settled*
Expected volatility (%)	*40*	*60*
Risk-free interest rate (%)	*4.02*	*4.11*
Expected dividend (dividend yield)	*Nil*	*Nil*
Expected forfeiture rates (grant date)	*Nil*	*Nil*
Purchase Price Options	*3.23*	*Nil*
Fair Value Option	*0*	*2,694*
Valuation model	*Black & Scholes*	*Black & Scholes*

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Given that the Shares of the Company are currently not listed, no historical data was available to determine the expected volatility. Therefore, the expected volatility for the Options is based on historical volatility determined on the basis of an analysis of the daily share price movements of the shares of comparable listed entities.

A reconciliation of the movements in the number of Options can be summarised as follows:

Outstanding at 31 March 2007	*10,980*
Granted during FY2008	*1,000*
Forfeited during FY2008	*Nil*
Exercised during FY2008	*Nil*
Expired during FY2008	*Nil*
Outstanding at 31 March 2008	*11,980*
Exercisable at 31 March 2008	*Nil*

The ordinary shares of the Company underlying these Depository Receipts represent 5.99% of the Company's ordinary shares outstanding. No expense has been recognised for the above mentioned participation plan in the consolidated financial statements in FY2007, given the fact that the fair value at the date of grant is nil and an expense of €792 has been included for the Options in FY2008.

Instead of exercising Options, members of the Management Board are entitled to resell their Options to the STAK at a purchase price to be determined by reference to a public offering price per share in an initial public offering of the Company. It is the intention of Stichting Administratiekantoor Elmira to issue Options to key employees of the Group Options representing 7.5% of the Company's Ordinary Shares.

Employee Bonus plan

The Group has provided part of a cash bonus to be paid to eligible employees at the time of an eventual change in ownership of the Company based on communication of this plan to employees and the expected timing of such change in ownership. Under this cash settled plan a total of 26,300 instruments were granted in September and November 2007 at a purchase price of nil and a fair value of €1,000 per instrument. In FY2008 this has resulted in an expense of €9,123. The total expected costs are estimated at €26,300.

16. Dividends

No dividend in respect of the year ended 31 March 2008 is proposed at the Annual General Meeting on 25 June 2008. No dividends were paid in 2007.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

17. Trade and other payables

	2008	2007
Trade payables	62,176	30,131
Letters of credit payable	—	6,780
Social security and other taxes	13,596	7,021
Accrued rent	3,452	7,319
Accrued payroll	34,332	25,075
Accrued accounts payable	23,214	31,758
Accrued expenses	50,100	38,805
Deferred income	3,667	3,863
Deferred consideration (Note 32)	57,211	—
Other payables	25,864	9,790
	273,612	**160,542**

Deferred consideration payable

Consideration relates to purchase price payable to former Tommy Hilfiger Japan Corporation shareholders. The non-current portion is classified accordingly (see Note 19).

18. Borrowings

Borrowings consist of the following as at 31 March 2008 and 2007:

	2008	2007
Non-current		
Senior debt	445,899	486,069
Mezzanine loan	100,000	100,000
Paid in kind interest on Mezzanine loan	10,248	4,315
Unamortised loan fees	(18,734)	(26,056)
Finance lease liabilities	11,760	6,619
	549,173	**570,947**
Loan from related party (Note 33)	410,884	360,398
	960,057	**931,345**
Current		
Short term portion of senior debt	11,736	104,749
Short term borrowings	8,800	—
Bank overdrafts (Note 12)	—	13,940
Finance lease liabilities	4,272	1,135
Interest payable	6,168	7,838
Unamortised loan fees	(4,033)	(4,342)
	26,943	**123,320**
Total borrowings	**987,000**	**1,054,665**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Senior debt facility

At closing of the THC acquisition on 10 May 2006 the Group entered into a €1,000 million Senior Facility Agreement via three lead arrangers, which can be summarised below:

Facility	Amount (in € millions)	Tenor	Repayment
	In € millions		
Term Loan A *	190	7 years	Amortising
Term Loan B	250	8 years	Bullet
Term Loan C	250	9 years	Bullet
Revolving Credit Facility	235	7 years	Bullet
Restructuring Facility	75	7 years	Amortising
	1,000		

* Average life of 4.75 years

Interest is based on the prevailing Euribor rate for the € denominated loans and the US$ LIBOR rate for the US$ denominated loans plus a margin, which may vary between 1.25 and 2.75.

Following completion of post-closing debt pushdown, the Senior Facilities were split into three currencies.

At 31 March 2008 the senior facility term loans can be specified as follows:

In millions	€	US$		Total
	€	US$	€	€
Term Loan A	80.6	90.6	57.3	137.9
Term Loan B	112.8	126.8	80.2	193.0
Term Loan C	112.8	—	—	112.8
	306.2	**217.4**	**137.5**	**443.7**

At 31 March 2007 the senior facility term loans can be specified as follows:

In millions	€	US$		Total
	€	US$	€	€
Term Loan A	85.7	96.4	72.4	158.1
Term Loan B	112.8	126.8	95.3	208.1
Term Loan C	112.8	126.8	95.3	208.1
	311.3	**350.0**	**263.0**	**574.3**

The Term Loans were drawn at 10 May 2006, with proceeds used to finance the acquisition of Tommy Hilfiger Corporation, repay existing debt and pay related fees and expenses.

The Senior Facilities benefit from a first ranking security package and certain guarantees. Furthermore, the Facilities are subject to a financial covenant package, comprising of a minimum cash coverage, minimum interest coverage, maximum leverage and maximum annual capital expenditure.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

During the FY2007, the Group repaid the Canadian Term Loan A, B and C, while in FY2008 the Group repaid the US$ denominated Term Loan C.

At 31 March 2008 €13,913 or US$22,000 (2007: €16,526 or US$22,000) was drawn under the restructuring facility and no draw downs are made under the Revolving Credit Facility.

Mezzanine Facility

The Group has access to a €100 million Mezzanine Facility, which is fully drawn at 31 March 2008. The interest rate on the Mezzanine comprises Euribor + 4.5% cash and 5.5% roll-up interest. The facility is contractually subordinated to the Senior Facility via an intercreditor agreement and benefits from secondary ranking positions in the same security package and guarantees as the Senior Facilities.

Loan fees

Fees incurred for the Senior debt and the Mezzanine facility are amortised straight-line over the average contractual term of the related borrowings (initially 8 years).

Effective interest rate

Due to the fees incurred for the Senior debt and the Mezzanine facility the effective interest rate for these loans is 0.62% (2007: 0.43%) higher than the aforementioned lending rate including the margin.

Related party loan

The shareholder provided a €320,452 subordinated loan for a term of 10 years, however payable on demand, bearing interest at 14% per annum. The loan contains an option for the Company to extend the loan under the same conditions after 10 years. This option qualifies as an embedded derivative, which at the balance sheet date has a value of zero (2007: nil).

The contractual maturity of the Group's total borrowings is as follows:

	2008	**2007**
6 months or less	5,868	119,612
6-12 months	5,868	3,707
1-5 years	540,469	456,751
Over 5 years	434,795	474,595
	987,000	**1,054,665**

The exposure of the Group's borrowings (excluding the shareholders' loan, finance leases and bank overdrafts) to interest rate changes and the contractual re-pricing dates before and after the effect of the interest rate swap at the balance sheet dates are as follows:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**
Senior debt	457,635	—	—
Mezzanine loan	110,248	—	—
Short term borrowings	8,800	—	—
Interest swap	(522,664)	—	522,664
Total	**54,019**	**—**	**522,664**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The fair value of current borrowings equal their carrying amount, as the impact of discounting is not significant.

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

	2008	2007
€	821,960	772,968
US$	149,303	274,795
¥	9,381	—
CAD	6,356	6,902
	987,000	**1,054,665**

Finance lease

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2008	2007
Gross finance lease liabilities – minimum lease payments:		
No later than 1 year	4,631	1,158
Later than 1 year and no later than 5 years	8,574	2,720
Later than 5 years	6,531	7,752
	19,736	11,630
Future finance charges on finance leases	(3,702)	(3,876)
Present value of finance lease liabilities	**16,034**	**7,754**

The present value of finance lease liabilities is as follows:		
No later than 1 year	4,272	1,135
Later than 1 year and no later than 5 years	8,038	2,314
Later than 5 years	3,724	4,305
	16,034	**7,754**

The Group entered into various financial lease arrangements:

In the United States, the Group has entered into lease arrangements with respect to certain IT related hardware, with remaining terms of two-three years at 31 March 2008. Lease payments are not contingent and no specific material restrictions are imposed by the lessor. The lease arrangements have a monthly extension period, a fair market value purchase option, but no escalation clauses.

In Canada, the Group has entered into a lease arrangement with respect to a new office and distribution centre during 2007, with a remaining term of 14 years at 31 March 2008. Lease payments are not contingent and no specific material restrictions are imposed by the lessor. After the original 15 years' term of the arrangement, two renewal options of 5 years (each) exist; no purchase options or escalation clauses exist under the arrangement.

In Europe, the Group has entered into lease arrangements with respect to certain IT related hardware with remaining term of less than one year. Lease payments are not contingent and no specific material restrictions are imposed by the lessor. No renewal, purchase options or escalation clauses exist under the arrangement.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

In Japan, the Group has entered into lease arrangements with respect to certain IT related hardware and in store furniture and fixtures with remaining terms varying between 3 to 5 years. Lease payments are not contingent and no specific material restrictions are imposed by the lessor. No renewal, purchase options or escalation clauses exist under the arrangement.

19. Other non current liabilities

Other non current liabilities consist of the following at 31 March 2008 and 2007:

	2008	**2007**
Deferred rent	26,980	26,808
Deferred revenue	35,031	34,564
Deferred consideration	26,212	—
Deferred landlord contributions	3,516	3,957
Other	1,573	1,014
	93,312	**66,343**

Deferred revenue

The balance largely relates to deferred income recognised on the sale of the buying offices in FY2007. With the sale the Group received an upfront payment from the buyer. This payment was deferred and is expected to be realised over 10 years. The deferred income expected to be realised in the coming year is included in current liabilities (see Note 17).

Deferred consideration payable

Consideration relates to purchase price payable to former Tommy Hilfiger Japan Corporation shareholders. The current portion is classified accordingly (see Note 17).

20. Deferred income tax

The components of deferred tax assets and liabilities have the following maturities at 31 March 2008 and 2007:

	2008	**2007**
Deferred income tax assets:		
– Deferred income tax asset to be recovered after more than 12 months	107,486	128,126
– Deferred income tax asset to be recovered within 12 months	24,994	31,786
	132,480	**159,912**
Deferred tax liabilities:		
– Deferred income tax liability to be recovered after more than 12 months	189,508	188,874
– Deferred income tax liability to be recovered within 12 months	289	2,042
	189,797	**190,916**
Deferred income tax (liabilities)/assets, net	**(57,317)**	**(31,004)**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. As such deferrals within fiscal groups in the US, Canada and The Netherlands are offset, leading to the following net deferred tax assets and liabilities which are disclosed on the balance sheet.

	2008	2007
Deferred tax assets	34,458	54,712
Deferred tax liabilities	(91,775)	(85,716)
	(57,317)	**(31,004)**

The gross movement on the deferred income tax account is as follows:

	2008	2007
Beginning of the reporting period	**(31,004)**	**1,071**
Acquisition of subsidiaries	(1,571)	(93,528)
Income statement charge (Note 28)	(16,878)	62,161
Charged directly to equity	(83)	—
Exchange differences	(7,781)	(708)
End of the reporting period	**(57,317)**	**(31,004)**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Total Tax losses	Depreciation	Fair value changes	Provisions and others	Total
At 31 March 2006	—	—	**3,161**	—	**3,161**
Acquisition of subsidiaries	47,463	20,439	—	43,166	111,068
(Charged)/credited to the income statement	67,459	(9,646)	(3,161)	(3,723)	50,929
Exchange differences	(3,107)	(505)	—	(1,634)	(5,246)
At 31 March 2008	**111,815**	**10,288**	**—**	**37,809**	**159,912**
Acquisition of subsidiaries (Note 32)	—	290	—	(1,168)	(878)
(Charged)/credited to the income statement	(22,469)	(1,994)	7,120	6,482	(10,861)
Exchange differences	(9,638)	(2,540)	120	(3,635)	(15,693)
At 31 March 2009	**79,708**	**6,044**	**7,240**	**39,488**	**132,480**

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the Group believes that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of €19,367 (2007: €24,929) in respect of losses and tax credits amounting to €79,708 (2007: €78,568), that can be carried forward against future taxable income. Furthermore the group did not recognise deferred income tax assets for deductible temporary difference amounting to €450 (2007: €541).

The tax losses carry forward can be carried forward against future taxable income and start to expire in 2012. The tax credits can be carried forward against future taxable foreign source income and start to expire in 2012.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Deferred tax liabilities

	Intangibles	Fair value changes and others	Total
At 31 March 2006	**—**	**2,090**	**2,090**
Acquisition of subsidiaries (Note 32)	197,079	7,517	204,596
Charged/(credited) to the income statement	(8,612)	(2,620)	(11,232)
Exchange differences	(4,200)	(338)	(4,538)
At 31 March 2007	**184,267**	**6,649**	**190,916**
Acquisition of subsidiaries	2,536	(1,843)	693
Charged/(credited) to the income statement	619	5,398	6,017
Charged directly to equity	—	83	83
Exchange differences	(8,601)	689	(7,912)
At 31 March 2008	**178,821**	**10,976**	**189,797**

Deferred income tax liabilities of €3,206 (2007: €3,310) have not been recognised for the withholding tax and other taxes that would be payable on unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. At 31 March 2008 €64,128 unremitted earnings exist (2007: €66,195).

21. Employee retirement benefit

Defined contribution plan:

The Group maintains employee savings plans for eligible U.S. employees. The Group's contributions to the plans are discretionary with matching contributions of up to 50% of employee contributions up to a maximum of 6% of an employee's compensation. For the year ended 31 March 2008, the Group made plan contributions of €773 (2007: €1,030).

In Europe the Group operates various pension plans:

- certain employees participate in a savings plan, whereby contributions to the plan are discretionary with matching contributions
- a collective pension plan for employees who have been employed for at least one year, provided they met certain criteria. The pension plan is a defined contribution plan and the Group pays 50% of the pension contribution for the employee, which can range between 3% and 5% of the employee's salary depending on the employee's age. Total pension costs amount to €1,072 (2007: €1,046).

The Company maintains employee savings plans for eligible Canadian employees. The Company's contributions to the plans are discretionary with matching contributions of up to 50% of employee contributions up to a maximum of 3% of an employee's compensation. For the period ended 31 March 2008, the Group made plan contributions of €133 (2007: €124).

Defined benefit plan:

The Group maintains a supplemental executive retirement plan which provides certain members of senior management with a supplemental pension. The supplemental executive retirement plan is an unfunded plan. The Group uses a 1 April measurement date, beginning of the year, for its supplemental executive retirement plan. The plan is frozen, as a result participants will no longer accrue any additional benefits and future salary increases will no longer be taken into account.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Other post employment benefits relate to a payment to a member of key management in the event of his death or termination following his disability. His employment agreement provides for payment of the full amount otherwise payable to him for the fiscal year which includes his death or termination following disability, and for the following fiscal year.

The benefit obligation and funded status of the supplemental executive retirement plan is as follows:

	2008	**2007**
Balance sheet obligations for:		
– Pension benefits	8,167	9,547
– Other post employment benefits	1,751	—
	9,918	**9,547**
Income statement charge for:		
– Pension benefits (included in finance costs, net)	555	592
– Other post employment benefits (included in employee expenses)	1,710	—
	2,265	**592**

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

	2008	**2007**
Present value of unfunded obligations	9,619	9,966
Unrecognised actuarial gains / (losses)	299	(419)
Liability in the balance sheet	**9,918**	**9,547**

There are no pension plan assets. The movement in the defined benefit obligation over the year is as follows:

	2008	**2007**
Beginning of period	9,966	—
Liabilities acquired in a business combination	—	9,757
Current service cost	1,710	—
Interest cost	555	592
Actuarial losses/(gains)	(718)	419
Benefits paid	(369)	(406)
Exchange differences	(1,525)	(396)
End of period	**9,619**	**9,966**

The amounts recognised in the income statement are as follows:

	2008	**2007**
Current service cost	1,710	—
Interest cost	555	592
Net actuarial losses recognised during the year	—	—
	2,265	**592**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The principal actuarial assumptions used were as follows:

	2008	2007
Discount rate	6.50%	6.09%
Expected return on plan assets	N/A	N/A
Future salary increases	N/A	N/A
Future pension increases	N/A	N/A

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory.

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2008	2007
Male	19.4	19.4
Female	19.4	19.4

The Group currently estimates total payments under the supplemental executive retirement plan will be approximately €334 in each of FY2008 through FY2011, and €1,581 in the aggregate for FY2012 through FY2016.

	2008	2007
As at 31 March		
Present value of defined benefit obligation	9,619	9,966
Fair value of plan assets	—	—
Deficit/(surplus)	9,619	9,966
Experience adjustments on plan liabilities	**(646)**	**419**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

22. Provisions

The components of the provisions are as follows:

	Returns and Charge backs	Restructuring	Asset retirement	Onerous contracts	Others	Total
At 31 March 2006	**—**	**—**	**—**	**—**	**—**	—
Provisions assumed in business combinations	58,813	2,848	2,152	—	173	63,986
Additional provisions	34,808	43,020	—	6,426	1,362	85,616
Used during year	(54,621)	(43,659)	(388)	—	(166)	(98,834)
Exchange differences	(1,077)	(93)	(74)	(179)	(39)	(1,462)
At 31 March 2007	**37,923**	**2,116**	**1,690**	**6,247**	**1,330**	**49,306**
Provisions assumed in business combinations	—	—	3,058	—	1,150	4,208
Additional provisions	28,232	4,267	134	1,887	1,077	35,597
Used during year	(34,537)	(2,042)	—	(1,002)	(1,234)	(38,815)
Transfer to liabilities	—	—	—	(4,759)	—	(4,759)
Exchange differences	(2,874)	(220)	(277)	(408)	130	(3,649)
At 31 March 2008	**28,744**	**4,121**	**4,605**	**1,965**	**2,453**	**41,888**

Analysis of total provisions	**2008**	**2007**
Non-current	7,213	4,125
Current	34,675	45,181
	41,888	**49,306**

Returns and Charge backs

The Group has various customer incentive schemes and return policies. A provision is recognised for the present value of costs to be incurred in these schemes as well as for the amount of expected returns of sold merchandise. It is expected that the full amount will be used during FY2009.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

23. Revenue

The amount of each significant category of revenue recognised during the period, including revenue arising from:

	2007/2008	2006/2007
Sales of goods	1,319,335	1,148,819
Royalties	50,042	48,428
	1,369,377	**1,197,247**

24. Depreciation and Amortisation

	2007/2008	2006/2007
Depreciation (Note 6)	43,736	39,469
Amortisation (Note 7)	16,205	28,713
Impairment of property and equipment (Note 6)	—	22,032
	59,941	**90,214**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

25. Finance costs, net

	2007/2008	2006/2007
Interest expense		
Bank overdrafts	219	2,226
Senior debt	31,022	44,673
Mezzanine loan	15,656	12,231
Loan from related parties	50,596	39,946
Finance lease liabilities	538	38
Former THC Bonds and notes (redeemed in December 2007)	—	3,661
Amortisation of loan fees – former THC	—	3,687
Amortisation of loan fees – new debt	6,678	6,547
Net foreign exchange loss on financing activities	35,266	—
Premium and loss on contingent forward FX contracts	1,408	53,113
Bank charges, facility fees and other interest	3,691	1,771
Fair value loss on interest rate swaps, net	11,758	—
Financial expense	**156,832**	**167,893**
Finance income – Interest income on short-term bank deposits	3,747	3,052
Fair value gains on interest rate swaps, net	—	2,627
Net foreign exchange gain on financing activities	—	4,944
Financial income	**3,747**	**10,623**
Finance costs, net	**153,085**	**157,270**

26. Expenses by nature

	2007/2008	2006/2007
Employee benefit expense (Note 27)	209,201	214,756
Distribution expenses	17,944	13,063
Advertising and marketing expense	52,836	43,383
Operating lease expense	65,485	56,256
Other expenses	235,798	178,257
	581,264	**505,715**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Operating lease expenses recognised for FY2008 and FY2007 are as follows:

	2007/2008	2006/2007
Minimum lease payment	60,110	52,878
Contingent rent	5,375	3,378
Operating lease expense	**65,485**	**56,256**

Other expenses are mainly made up of utilities and facilities expenses, consulting, legal fees and other general and administrative expenses.

Research and development expenditure recognised as an expense during the period is €3,283 (2007: €3,425).

27. Employee benefit expense

	2007/2008	2006/2007
Wages and salaries	177,274	142,706
Restructuring costs	2,235	41,837
Social security costs	24,532	26,644
Pension costs — defined contribution plans	2,134	2,101
Pension costs — defined benefit plans (Note 21)	2,265	592
Other post employee benefit expenses	761	876
	209,201	**214,756**

The number of full time equivalents as at 31 March 2008 is 6,458 (2007: 4,725).

28. Income tax (expense)/credit

Multinational groups of the size of Tommy Hilfiger are exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. The Group accounts for its income taxes on the basis of its own internal analyses, supported by external advice. The Group continually monitors the global tax position, and whenever uncertainties arise, they assess the potential consequences and either accrue the liability or disclose a contingent liability in its financial statements, depending on the strength of the position and the resulting risk of loss.

	2007/2008	2006/2007
Current tax	(10,100)	(4,957)
Deferred tax (Note 20)	(16,878)	62,161
	(26,978)	**57,204**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2007/2008	2006/2007
Profit / (loss) before tax	16,625	(126,274)
Tax calculated at domestic tax rates applicable to profits in the respective countries	(16,290)	45,960
Income not subject to tax	16,356	4,759
Expenses not deductible for tax purposes	(20,047)	(894)
Changes in tax rates	(1,564)	(3,799)
Tax losses for which no deferred income tax asset is recognised	230	(4,836)
Adjustments in filing positions	(3,314)	—
Utilisation of tax credits	(1,191)	—
Tax benefit deemed dividend	—	14,009
Others	(1,158)	2,005
Tax charge	**(26,978)**	**57,204**

The tax calculated at domestic tax rates can be divided into two following items:

Tax calculated at Dutch group tax rate of 25.5%	(4,239)
International rate differences	(12,031)

The weighted average applicable tax rate was 29.5% (2007: 36.4%). During FY2008, acquisitions were made in jurisdictions with applicable tax rates varying between 30.2% to 40.7%.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

29. Earnings per share

	2008/2007	2007/2006
Result coming from continuing operations	(10,352)	(69,070)
Result coming from discontinued operations	—	8,943
Result for the period	(10,352)	(60,127)
Weighted average number of ordinary shares in issue	200,000	178,822
Dilutive potential ordinary shares	—	—
Adjusted weighted average number of ordinary shares	**200,000**	**178,822**
Result from continuing operations		
– Basic	(0.05)	(0.39)
– Diluted	(0.05)	(0.39)
Result from discontinued operations		
– Basic	—	0.05
– Diluted	—	0.05
Result for the year		
– Basic	(0.05)	(0.34)
– Diluted	(0.05)	(0.34)

Basic

Basic earnings per share is 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 excluding ordinary shares purchased by the company and held as treasury shares.

Diluted

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

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

30. Cash generated from operations

	2007/2008	**2006/2007**
Gain/(loss) before income tax from continuing operations	16,627	(126,274)
Profit before income tax from discontinued operations	—	11,259
Adjustments for:		
– Depreciation (Note 24)	43,736	39,469
– Amortisation (Note 24)	16,205	28,713
– Impairment charge	—	22,031
– Expenses directly through equity	13,489	—
– Change in provisions	(76)	(13,218)
– Changes in non current liabilities	40,628	34,321
– (Profit)/loss on disposal of property and equipment (see below)	—	1,792
– Increase in retirement benefit obligations	174	186
– Finance costs — net (Note 25)	153,085	157,270
– Change in other long term assets	(1,562)	12,699
– Change in operational financial derivative	997	—
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	(30,869)	6,690
– Trade and other receivables	2,152	(46,315)
– Trade and other payables	(27,018)	(42,723)
Cash generated from operations	**227,567**	**85,900**

In the cash flow statement, proceeds from sale of property and equipment comprise:

	2007/2008	**2006/2007**
Net book amount	—	1,792
Profit/(loss) on disposal of property and equipment	—	(1,792)
Proceeds from disposal of property and equipment	—	—

Non-cash transactions

The principal non-cash transaction in FY2008 is the purchase of property & equipment for an amount of €13,500 which has been paid in April 2008 and the deferred consideration regarding the acquisition of TH Japan amounting to €78,552.

The principal non-cash transaction for FY2007 were finance lease arrangements entered into for an amount of €6,902.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

31. Commitments and Contingencies

Capital commitments

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

	2008	2007
Property and equipment	—	6,173
Intangible assets	2,513	11,261
	2,513	**17,434**

Inventory purchase commitment

Under the buying agent agreement the Group is committed to certain minimal goods purchases.

Operating Leases

In the United States, the Group leases office, warehouse and showroom space, retail stores and office equipment under operating leases, which expire not later than 2020. These rental agreements are predominantly based on minimum lease payments. These are also leases with agreements on contingent rents (particularly sales-dependent rent). Most of the real estate leases also include renewal clauses which may, or may not, define the base rent during the renewal period.

In Canada, the Group leases office, warehouse and showroom space, retail stores, automobiles and office equipment under operating leases, which expire not later than 2022. Most of the leases of the retail stores have a percentage rent clause, which stipulates that if the stated percentage of the store's annual sales exceeds the base rent paid for the year, then the lessee must pay the difference as percentage rent. Most of the real estate leases also include renewal clauses which may, or may not, define the base rent during the renewal period.

In Europe, the Group leases office, warehouse and showroom space, retail stores and office equipment under operating leases, which expire not later than 2023. The retail related rental agreements are predominantly based on minimum lease payments. These are also leases with agreements on contingent rents (particularly sales-dependent rent). Most of the real estate leases also include renewal clauses which may, or may not, define the base rent during the renewal period.

The above rental agreements are predominantly based on minimum lease payments; however there are also a significant number of lease agreements on contingent rents (particularly sales-dependent rent). The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2008	2007
No later than 1 year	73,310	56,502
Later than 1 year and no later than 5 years	224,736	203,438
Later than 5 years	157,827	164,815
	455,873	**424,755**

Guarantees

The Group provided guarantees in the amount of €43,522 (2007: €5,621) and deposits of €146 (2007: €135).

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Letters of credit

The Group was contingently liable at 31 March 2008 for unexpired bank letters of credit of €446 (2007: €14,410) related to commitments for the purchase of inventories and bank guarantees of €17 (2007: €9,310). The decrease in letters of credits is caused by the fact that the European operations have stopped using this method of payment in November 2007.

Legal matters

On 24 September 2004, Tommy Hilfiger Corporation ('THC') announced that it had received a grand jury subpoena issued by the United States Attorney's Office for the Southern District of New York ("USAO") seeking documents generally related to domestic and/or international buying office commissions paid since 1990.

Following THC's September 2004 announcement of the investigation, approximately eleven purported shareholder class action lawsuits were filed in the United States District Court for the Southern District of New York (the "District Court") against THC, as well as certain current and former officers and directors of THC. The District Court consolidated the purported shareholder class action lawsuits, and appointed lead counsel and lead plaintiffs. The lead plaintiffs filed a consolidated, amended complaint on 13 May 2005. On 1 August 2005, THC filed a motion to dismiss the complaint. On 30 September 2005, THC and lead plaintiffs agreed to a new schedule, which was subsequently ordered by the District Court, pursuant to which lead plaintiffs filed a Second Consolidated Amended Complaint on 31 October 2005, and THC filed a new motion to dismiss on 5 December 2005. In July 2007, the District Court denied the motion to dismiss the complaint. On 28 September 2007 THC filed an answer to the operative complaint. On 1 May 2008 THC (and the other defendants) reached an agreement in principle to settle the class action lawsuit with funds provided by THC's directors and officers insurance. THC expects that the defendants will enter into a formal stipulation of settlement with lead plaintiffs in the near future. This settlement, which will be subject to approval by the Court, will be in full satisfaction of all claims asserted, or which could have been asserted, by the shareholder class.

The Company has not recorded any provision for potential loss associated with this matter, other than the own risk of the insurance.

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. Although the outcome of these other claims cannot be predicted with certainty, the Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its financial condition or results of operations.

Change of shareholder

The Company will incur the following liabilities in case a majority of its shares are transferred to a new shareholder or group of shareholders:

• fees towards external advisors — there will be fees payable of at least €5,000, which are partly dependent upon the form of the transaction and the price of the shares;

• bonus plan towards employees — The Company has provided part of a cash bonus to be paid to eligible employees at the time of an eventual change in ownership of the Company based on communication of this plan to employees and the expected timing of such change in ownership. In FY2008 this has resulted in an expense of €9,123. The total expected costs are estimated at €26,300.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Tax liability member key management

The Company has entered into an agreement with a member of key management (the ‘Agreement’) pursuant to which the Company will reimburse the member of key management, an amount not to exceed €30 million for seventy-five (75) percent of (i) the amount of United States taxes payable by the member of key management with respect to the removal or lapse of certain restrictions on the ordinary shares of €25 each underlying the Depositary Receipts acquired by the member of key management on the Management Buyout and (ii) the amount of taxes payable by the member of key management on the receipt of payments under the Incremental Agreement. In addition, the member of key management has agreed to extend from May 2008 to May 2010 the expiration date of certain forfeiture restrictions applicable to the ordinary shares of €25 each underlying the Depositary Receipts the member of key management acquired upon the Management Buyout.

32. Acquisitions

During FY2008 the Group entered into the following main acquisitions:

Acquisition of Lexington Clothing Handels GmbH in Austria and Madison AG in Switzerland

On 15 May 2007 the Group acquired 100% of the shares in Lexington Clothing Handels GmbH in Austria and Madison AG in Switzerland, the Group’s sales agents in those countries, for a cash purchase price of €4,551. Net assets acquired amounted to €185 and the difference of €4,366 has been allocated to goodwill. By bringing these activities in-house the Group expects to better service these markets, thereby increasing sales. The Group is no longer required to pay commissions to these agents.

Acquisition of Tommy Hilfiger Footwear GmbH

On 18 September 2007, the Group acquired 100% of the share capital of Tommy Hilfiger Footwear GmbH, a wholesale business in shoes and related goods, for a purchase consideration of €27,500. Net assets acquired amounted to €20,300 and the difference of €7,200 has been allocated to goodwill. The acquired entity, licensee for Tommy Hilfiger Footwear of the Group in Europe, contributed revenue of €36,930 and net gain of €940 for the period ended 31 March 2008. If the acquisition would have occurred on 1 April 2007, contribution to Group revenue would have been approximately €70.6 million and to Group net result would have been approximately €3.2 million for the period 1 April 2007 to 31 March 2008. Total revenue and net result have been calculated using the Group’s accounting policies.

Acquisition of Tommy Hilfiger Japan Corporation

On 25 January 2008, the Company effectively acquired control over Tommy Hilfiger Japan Corporation (“THJC”). The purchase consideration consists of €31.9 million paid before 31 March 2008 and a deferred consideration of €83.8 million. Net assets acquired amounted €19.7 million, resulting in goodwill of €96.0 million. These deferred payments are partly by means of preferred dividends payable by THJC and partly cash. One of the selling shareholders will remain as a non-voting preference shareholder of THJC and will receive preferred dividends through 2013, at which time the shares are callable by the Company. Based on the specific characteristics of the preferred shares, no minority shareholding rights are applicable and as a result no minority share is retained in shareholders’ equity.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Regarding the acquisitions entered into during FY2008, the net assets acquired and goodwill are as follows:

Purchase consideration:	
– Consideration paid / payable	146,122
– Direct costs relating to the acquisition	1,941
Total purchase consideration	148,063
Fair value of net assets acquired	40,244
Goodwill	**107,819**

The goodwill is attributable to the workforce of the acquired business, expected synergies and other benefits from combining the acquirees' net assets with those of the Group, ability to earn a higher rate of return on an assembled collection of net assets, and deferred taxes arising from fair value adjustments after the Group's acquisitions.

The assets and liabilities arising from the acquisitions are as follows:

	Fair value	**Acquiree's carrying amount**
Cash and cash equivalents	21,313	21,313
Property and equipment	8,699	8,699
Customer relationships (included in intangibles)	11,700	—
Other intangibles (order backlog, favourable leases, software)	1,849	249
Net non-operating assets	6,096	10,283
Net working capital	44	(1,069)
Borrowings	(7,886)	(7,886)
Deferred tax liabilities	(1,571)	—
Net assets acquired	**40,244**	**31,589**

Purchase consideration (to be) settled in cash	148,063
Cash and cash equivalents in subsidiary acquired	(21,313)
Total cash outflow on acquisition	**126,750**
– Cash outflow on acquisition during FY2008, net	42,930
– Deferred consideration and direct costs payable	83,820

The following valuation methods for the acquired assets have been applied:

Inventory: the comparative sales valuation is applied for estimating the fair value of acquired inventories. From the sales value of the inventories, the cost to complete for selling, advertising and general administration and a reasonable profit allowance were deducted.

Intangible assets: the excess earnings method is applied for trademarks. The respective future cash flows are identified and adjusted in order to eliminate all elements not associated with these assets.

The excess of the acquisition cost paid over the net of the amounts of the fair values assigned to all assets acquired and liabilities assumed, taking into consideration the respective deferred taxes, is referred to goodwill. Any acquired asset that does not meet the identification and recognition criteria for an asset is included in the amount recognised as goodwill.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

During FY2007 the Group entered into the following acquisitions:

Acquisition Tommy Hilfiger Corporation

On 10 May 2006, the Group acquired 100% of the share capital of THC, a group of companies that designs, sources and markets men's and women's sportswear and activewear, jeanswear and childrenswear under the Tommy Hilfiger and Karl Lagerfeld trademarks. Related products can be found in leading department and specialty stores throughout the United States, Canada, Europe, Mexico, Central and South America, Japan, Hong Kong and other countries in the Far East. The acquired business contributed revenues of €1,184 million and a net gain of €70.5 million to the Group for the period from 10 May 2006 to 31 March 2007. If the acquisition had occurred on 1 April 2006, Group revenue would have been approximately €1.3 billion; the net result for the period 1 April 2006 to 31 March 2007 under the accounting policies of the Group has not been determined. Total revenue has been calculated using the Group's accounting policies.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
– Cash paid	1,248,036
– Direct costs relating to the acquisition	31,813
Total purchase consideration	1,279,849
Fair value of net assets acquired	1,191,262
Goodwill	**88,587**

The goodwill is attributable to the workforce of the acquired business and deferred taxes arising from fair value adjustments after the Group's acquisition of THC.

The assets and liabilities as of 10 May 2006 arising from the acquisition are as follows:

	Fair value	**Acquiree's carrying amount**
Cash and cash equivalents	584,540	584,540
Property and equipment	110,986	110,986
Trademarks (included in intangibles)	486,756	494,726
Customer relationships (included in intangibles)	107,198	27,448
Other intangibles (order backlog, favourable leases, software)	33,376	6,357
Deferred tax assets	111,068	101,456
Other long term assets	35,033	34,372
Subsidiary acquired with a view for resale	196,792	36,703
Inventories	173,226	145,878
Trade and other receivables	172,243	174,073
Trade and other payables	(265,850)	(260,027)
Defined benefit pension obligations	(9,757)	(8,306)
Contingent liabilities	(3,024)	—
Provisions	(63,986)	(63,986)
Borrowings	(272,743)	(267,596)
Deferred tax liabilities	(204,596)	(197,462)
Net assets acquired	**1,191,262**	**919,162**
Purchase consideration settled in cash		1,279,849
Cash and cash equivalents in subsidiary acquired		(584,540)
Cash outflow on acquisition		**695,309**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The following valuation methods for the acquired assets have been applied:

Inventory: the comparative sales valuation is applied for estimating the fair value of acquired inventories. From the sales value of the inventories, the cost to complete for selling, advertising and general administration and a reasonable profit allowance were deducted.

Trademarks and other intangible assets: the excess earnings method is applied for trademarks. The respective future cash flows are identified and adjusted in order to eliminate all elements not associated with these assets.

Future cash flows are measured on the basis of the expected sales deducted by variable and sales-related imputed costs for the use of contributory assets. Subsequently, the outcome is discounted using an appropriate discount rate and adding a tax amortisation benefit.

Leases: (un)favourable leases have been valued using the income approach, where the value is estimated as the difference between the contractual rent and the market rent over the remaining contract life.

The excess of the acquisition cost paid over the net of the amounts of the fair values assigned to all assets acquired and liabilities assumed, taking into consideration the respective deferred taxes, is referred to goodwill. Any acquired asset that does not meet the identification and recognition criteria for an asset is included in the amount recognised as goodwill.

Acquisition full price stores Belgium

On 15 July 2006, the Group acquired 10 full price stores in Belgium from a third party for an aggregate purchase price of €7,500, including tangible fixed assets of €572. The excess purchase price of €6,928 has been allocated to intangible fixed assets (favourable lease component) for an amount of €886, while the balance of €6,042 has been allocated to goodwill.

The stores contributed €10,058 in revenue and €918 in net profit for the period 15 July 2006 to 31 March 2007. Would the stores been acquired on 1 April 2006, then contributions to revenue and net profit amounted to €13,874 and €1,266 respectively.

Other acquisitions of individual stores

Next to the Belgium stores the Group acquired several smaller shops in various individual acquisitions from third parties. The excess purchase price for these acquisitions amounted to €1,429, and is fully allocated to goodwill.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

33. Disposals and discontinued operations

On 9 March 2007, the Group disposed of 100% of the sourcing business in the Far East (the buying offices) at the consideration of €155 million (US$ 200 million) which was fully paid in cash. As of that date the results and operations of the buying offices are no longer included in the consolidation.

Upon the date of sale a difference between the sales proceeds and the carrying value is recognised in the income statement. However, the buying offices as a whole were already measured at the lower of its carrying amount and fair value less costs to sell as part of the purchase price allocation (Note 32). The fair value less cost to sell per 10 May 2006 approximated the sales proceeds obtained as per March 2007. Therefore there is no gain or loss recognised in the income statement.

In connection with the sale of the buying offices, the Group entered into a buying agency agreement with the buyer for a period of 11 years. If the Group terminates the agreement within this period a termination fee has to be paid depending on the amount of the base commission and the remaining term. As part of the buying agency agreement the Group received an upfront payment of €37.1 million (US$47.8 million) which amount is deferred and presented on the balance sheet within deferred income. This amount will be amortised over the term of the agreement.

The net profit over the period 10 May 2006 to 9 March 2007 of €8,943 is presented as result from discontinued operations as the buying offices qualified as subsidiaries acquired with a view to resale. As the costs/expenses will continue subsequent to the disposal, the commission costs are still presented within continuing operations. As a result there is no elimination of inter company commissions on the face of the income statement (gross presentation).

As previously disclosed by THC, discussions were initiated prior to 10 May 2006 with the Hong Kong Internal Revenue Department (“IRD”) with respect to a potential Hong Kong profit tax liability of Tommy Hilfiger Eastern Hemisphere Ltd. The Group reached a settlement agreement with the IRD to resolve this issue in April 2007. The Group paid €12.3 million (US$16.4 million) in total, including €1.1 million (US$1.5 million) of interest, during 2007 and in May and July 2007 (FY2008). The settlement amount was taken into consideration in the purchase price allocation as per 10 May 2006.

34. Related Party transactions

The Group recognises the following main related parties:

Japanese licensee

Up to 25 January 2008, the Group was party to a geographic license agreement for Japan with Tommy Hilfiger Japan Corporation (“THJC”), which was partly held by a related party. On 25 January 2008, the Group effectively obtained control of THJC, whereby the royalties received by the Group’s licensing subsidiary and the royalties paid by THJC, and any related balance sheet positions are eliminated as far as relating to the period from 25 January 2008 to 31 March 2008 and as at 31 March 2008. Also refer to Note 32.

Spanish agent

A related party holds an indirect 15% equity interest in Pepe Jeans SL, which serves as the Group’s European sales and collection agent as well as franchisee in Spain and Portugal. Goods are purchased by Pepe Jeans SL. from the Group, while commissions and fees are paid by the Group to Pepe Jeans SL pursuant to the Agency agreement. Furthermore, the Group transferred the ownership of three stores in Spain to the Spanish agent effectively 1 April 2008.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Portuguese distributor

A related party controls Malhas Nocitor, a Portuguese distributor. During the year ended 31 March 2007, the Group terminated its distribution agreement with Malhas Nocitor and paid a €1,900 termination fee. Following this termination, Pepe Jeans S.L. became the Group's agent for Portugal.

Mr. Thomas J. Hilfiger

Under his employment agreement with the Group, Mr. Thomas J. Hilfiger serves as Principal Designer and Chairman of the Strategy and Design Board of the Company, and is entitled to (i) an annual cash payment in each of fiscal 2007, 2008 and 2009, (ii) for the fiscal 2010 a cash amount based on worldwide sales and licensing revenues of the Group, and (iii) for all periods thereafter, a cash amount based on worldwide sales and licensing revenues of the Group and its subsidiaries and a number of benefits.

In the event of Mr. Hilfiger's death or termination by the Group following his disability, his employment agreement provides for payment of the full amount otherwise payable to Mr. Hilfiger for the fiscal year which includes his death or termination following disability, and for the following fiscal year.

Other companies

A related party holds an indirect equity interest in Novel Enterprises Limited. During FY2007 Novell provided goods as well as office space to the Group.

Ultimate parent

The ultimate parent of the Group is Tommy Hilfiger S.à r.l. (incorporated in Luxembourg). The ultimate controlling party of the Group are funds advised by Apax Partners.

The following transactions were carried out with related parties:

	2008	2007
Sales of goods:		
– Spanish Agent	8,089	7,413
– Portuguese distributor	—	1,966
Sales of services:		
– Japanese Licensee	4,986	5,025
– Spanish Agent	—	149
	13,075	**14,553**

Goods are sold based on the price lists in force and terms that would be available to third parties. Sales of services are negotiated with related parties on a cost-plus basis.

	2008	2007
Purchases of goods:		
– Novel	21,516	20,460
– Portuguese distributor	—	174
Purchases of services:		
– From an entity controlled by Apax partners	—	60
– Apax partners (related to Management Buyout)	—	16,013
– Spanish agent	10,001	8,146
– Portuguese distributor	—	1,900
– Novel	—	325
	31,517	**47,078**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Goods and services are bought from the Portuguese distributor on normal commercial terms and conditions. The Portuguese distributor is an entity belonging to a B-director of the Tommy Hilfiger S.à r.l.

The entity controlled by Tommy Hilfiger S.à r.l. is another investment of Apax Partners that provided management services to the Group in connection with the acquisition by the Company of Tommy Hilfiger Corporation. Management services are bought from Apax partner on normal commercial terms and conditions.

Year-end balances arising from sale/purchases of goods/services

	2008	2007
Receivables from related parties:		
– Spanish agent	—	2,585
– Portuguese distributor	—	175
Payables to related parties:	**—**	**2,760**
– Spanish Agent	10	28
– Portuguese distributor	—	2,074
	10	**2,102**

The receivables from related parties arise mainly from sale transactions and are generally due two months after the date of sales. The receivables are unsecured in nature and bear no interest.

The payables to related parties arise mainly from financing transactions, purchase transactions, and other services. The payables to the Spanish agent, the Portuguese distributor bear no interest.

Loans from related parties

	2008	2007
Shareholder loan	360,398	320,452
Accrued interest on shareholder loan	50,596	39,946
Current account	(110)	—
Total shareholder loan	**410,884**	**360,398**

The shareholder loan bears an interest of 14% (2007: 14%). Tommy Hilfiger S.à r.l. has issued a letter to the Company to financially support the Company for at least 12 months.

Loans to related parties

	2008	2007
Loans to key management of the Group (and their families)	—	3,756
Interest income	42	34
Total Loan to related parties	**42**	**3,790**

Key management compensation

	2008	2007
Salaries and other short-term employee benefits	14,589	13,379
Management participation plan (Note 15)	792	—
Post-employment benefits (Note 21)	1,557	133
	16,938	**13,512**

35. Events after the balance sheet date

Change of ownership

On 15 March 2010, Phillips-Van Heusen Corporation (PVH), a USA based apparel and fashion company, announced to acquire Tommy Hilfiger B.V. for approximately $ 3.0 billion (€ 2.2 billion). The transaction is subject to financing and other customary conditions, including receipt of required regulatory approvals and is expected to close before August 2010. Upon closing of the transaction, it is expected that the balances related to the bank and shareholder loans will be replaced by new financing and that the balances related to the management participation plan, management option plan and employee certificates bonus plan will be settled.

China

On 31 March 2010, the Company announced it had entered into an agreement to assume direct control of its wholesale and retail distribution in China from its licensee Dickson Concepts International Limited, beginning 1 March 2011.

Management participation plan, management option plan and employee certificates bonus plan

Subsequent to 31 March 2008, the following amounts were recorded through equity by the Company:

- €1,651 thousand relating to 300 Depositary Receipts granted on 1 September 2009 and 170 Depositary Receipts granted on 1 December 2009;
- €2,971 thousand relating to 500 Options granted on 30 September 2008 and 1,000 Options granted on 30 September 2009.

In addition the total expected costs for the employee certificates bonus plan are estimated at €18,607 thousand and are spread out over the period until the expected closing date of the acquisition by PVH mid May 2010.

Contract with Mr. Thomas J. Hilfiger

Under his employment agreement with the Group, Mr. Thomas J. Hilfiger serves as principal designer and Chairman of the Strategy and Design Board of the Company. Mr. Hilfiger’s contract states various instances under which Mr. Hilfiger is entitled to a payment upon pre-defined exit events. The exit events contemplated by Mr. Hilfiger’s employment contract relate to the sale of control of the Group or substantially all its assets. Mr. Hilfiger has not opted for this payment when PVH announced to acquire the Company and his current employment agreement with the Group will remain unchanged.

Filing of statutory financial statements FY2009

The statutory financial statements of Tommy Hilfiger B.V. for FY2008 and FY2009 are authorised by the Board of Directors on 25 June 2008 and on 15 June 2009 respectively and are filed at the Dutch Chamber of Commerce.

Auditors' report

To: the Directors of Tommy Hilfiger B.V. (formerly known as Elmira 1 B.V.)

PricewaterhouseCoopers Accountants N.V.
Thomas R. Malthusstraat 5
1066 JR Amsterdam
P.O. Box 90357
1006 BJ Amsterdam
The Netherlands
Telephone +31 (0) 20 568 66 66
Facsimile +31 (0) 20 568 68 88
www.pwc.com/nl

Report of Independent Auditors

We have audited the accompanying consolidated balance sheets of Tommy Hilfiger B.V. (formerly known as Elmira 1 B.V.) and its subsidiaries as at March 31, 2008 and March 31, 2007 and the related consolidated profit and loss accounts, statements of shareholders' equity and cash flow statements for the years then ended. These special purpose consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these special purpose consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the special purpose consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tommy Hilfiger B.V. (formerly known as Elmira 1 B.V.) and its subsidiaries at March 31, 2008 and March 31, 2007, and the results of their operations and their cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Amsterdam, 9 April 2010
PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. M. de Ridder RA

Exhibit 99.3

Tommy Hilfiger B.V.

Special Purpose Consolidated Interim Financial Information (unaudited)

Nine months ended 31 December 2009

Amsterdam, The Netherlands

Tommy Hilfiger B.V.
Special Purpose Consolidated Interim Financial Information
Nine months ended 31 December 2009

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

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(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Consolidated statement of financial position

	Note	31 December 2009 (unaudited)	31 March 2009
Non-current assets			
Property and equipment	5	161,325	195,671
Goodwill and other intangible assets	6	791,322	817,239
Deferred income tax assets		21,863	31,453
Derivative financial instruments	7	117	—
Loans and other receivables		32,626	31,550
		1,007,253	**1,075,913**
Current assets			
Inventories		198,789	214,685
Trade and other receivables		154,070	288,138
Current income tax receivable		251	1,711
Derivative financial instruments	7	2,600	5,131
Cash and cash equivalents	8	236,559	139,845
		592,269	**649,510**
Total assets		**1,599,522**	**1,725,423**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares and share premium		50,574	48,923
Other reserves		2,107	5,739
Accumulated deficit		(40,860)	(48,714)
Total equity		**11,821**	**5,948**
LIABILITIES			
Subordinated Shareholder loan	18	516,890	467,940
Non-current liabilities			
Borrowings	11	514,241	564,164
Other non-current liabilities		97,239	117,987
Deferred income tax liabilities		75,594	85,360
Retirement benefit obligations		11,574	12,034
Provisions for other liabilities and charges	12	14,833	7,059
Derivative financial instruments	7	9,763	18,179
		723,244	**804,783**
Current liabilities			
Trade and other payables	13	257,547	302,914
Short term borrowings	11	35,610	61,600
Current income tax liabilities		1,232	6,962
Current portion provisions for other liabilities and charges	12	49,359	70,508
Derivative financial instruments	7	3,819	4,768
		347,567	**446,752**
Total liabilities		**1,587,701**	**1,719,475**
Total equity and liabilities		**1,599,522**	**1,725,423**

See Accompanying Notes to Special Purpose Consolidated Interim Financial Information

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Consolidated interim income statement

	Note	For the nine months ended 31 December 2009 (unaudited)	For the nine months ended 31 December 2008 (unaudited)
Revenue		1,178,937	1,149,838
Cost of goods sold		(521,225)	(490,775)
Gross Margin		**657,712**	**659,063**
Distribution and selling costs	14	(333,207)	(326,474)
Administrative expenses	14	(145,248)	(137,110)
Other expenses	14	(12,311)	(23,291)
		(490,766)	(486,875)
Depreciation, amortisation and impairment expenses	5/6	(75,928)	(50,186)
Operating result		**91,018**	**122,002**
Financial income	15	6,777	32,083
Financial expense	15	(85,693)	(88,893)
Finance costs, net		**(78,916)**	**(56,810)**
Result before tax		**12,102**	**65,192**
Income tax	16	(4,249)	(24,264)
Result for the period		**7,853**	**40,928**
Attributable to:			
- Equity holders of the Group		7,853	40,928
Earnings per share for result for the period attributable to the Equity holders of the Group during the period			
- Basic	17	0.04	0.20
- Diluted	17	0.04	0.20

See Accompanying Notes to Special Purpose Consolidated Interim Financial Information

Tommy Hilfiger B.V.
Special Purpose Consolidated Interim Financial Information
Nine months ended 31 December 2009

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Consolidated interim statement of comprehensive income

	For the nine months ended 31 December	
	2009	**2008**
	(unaudited)	**(unaudited)**
Result for the period	**7,853**	**40,928**
Other comprehensive income		
Cash flow hedges, net of taxes	(146)	(1,230)
Currency translation effect	(4,309)	(15,236)
Total Comprehensive income	**3,398**	**24,462**
Attributable to:		
- Equity holders of the Group	3,398	24,462

See Accompanying Notes to Special Purpose Consolidated Interim Financial Information

Tommy Hilfiger B.V.
Special Purpose Consolidated Interim Financial Information
Nine months ended 31 December 2009

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Consolidated interim position and statement of Cash flow

	Note	For the nine months ended 31 December	
		2009	**2008**
		(unaudited)	**(unaudited)**
Cash flows from operating activities			
Cash generated from operations		266,509	238,043
Income tax paid		(11,926)	(11,372)
Net cash generated from operating activities		254,583	226,671
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(14,913)	(51,404)
Purchases of property and equipment		(38,523)	(69,224)
Purchases of intangible assets		(3,770)	(7,070)
Interest received		630	857
Net cash used in investing activities		(56,576)	(126,841)
Cash flows from financing activities			
Changes in short term borrowings		(31,012)	23,494
Repayments of borrowings		(33,119)	(12,370)
Interest paid		(28,844)	(31,513)
Payments on financial lease obligations		(4,070)	(3,561)
Net cash used in financing activities		(97,045)	(23,950)
Net increase in cash, cash equivalents and bank overdrafts		**100,962**	**75,880**
Cash, cash equivalents and bank overdrafts at beginning of year		139,845	74,752
Exchange gains/(losses) on cash and bank overdrafts		(4,248)	(6,112)
Cash, cash equivalents and bank overdrafts at end of period	8	**236,559**	**144,520**

See Accompanying Notes to Special Purpose Consolidated Interim Financial Information

Tommy Hilfiger B.V.
Special Purpose Consolidated Interim Financial Information
Nine months ended 31 December 2009

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Consolidated interim Shareholders' Equity Statement

		Attributable to equity holders of the Group			
	Note	**Ordinary shares and share premium**	**Other reserves**	**Accumulated Deficit**	**Total**
Balance at 31 March 2008		**48,923**	**6,606**	**(73,032)**	**(17,503)**
Profit for the period		—	—	40,928	40,928
Other comprehensive income					
Cash flow hedges, net of taxes		—	(1,230)	—	(1,230)
Currency translation effect		—	(15,236)	—	(15,236)
Total comprehensive income for the period ended 31 December 2008		—	(16,466)	40,928	24,462
Management Participation and Option plan		—	1,548	—	1,548
Balance at 31 December 2008 (unaudited)		**48,923**	**(8,312)**	**(32,104)**	**8,507**
Balance at 31 March 2009		**48,923**	**5,739**	**(48,714)**	**5,948**
Profit for the period		—	—	7,853	7,853
Other comprehensive income					
Cash flow hedges, net of taxes		—	(146)	—	(146)
Currency translation effect		—	(4,309)	—	(4,309)
Total comprehensive income for the period ended 31 December 2009		—	(4,455)	7,853	3,398
Management Participation and Option plan	9/10	1,651	824	—	2,475
Balance at 31 December 2009 (unaudited)		**50,574**	**2,108**	**(40,861)**	**11,821**

See Accompanying Notes to Special Purpose Consolidated Interim Financial Information

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Notes to the consolidated interim financial information

1. General information

Tommy Hilfiger B.V. ('the Company') is a limited liability holding company which was incorporated in the Netherlands on 5 July 2005. The address of its registered office is Stadhouderskade 6, Amsterdam The Netherlands. The fiscal year ('FY') of the Company starts at 1 April and ends on 31 March.

Tommy Hilfiger B.V. and its subsidiaries (together 'the Group') design, source and market men's and women's sportswear and activewear, jeanswear, childrenswear and footwear under the *Tommy Hilfiger* and *Karl Lagerfeld* trademarks. Through a range of strategic licensing agreements, the Group also offers a broad array of related apparel, accessories, fragrance and home furnishings products. The Group's products can be found in leading department and specialty stores throughout the United States, Canada, Europe, Mexico, Central and South America, Hong Kong and other countries in the Far East, as well as the Group's own network of specialty and company stores in the United States, Canada, Japan and Europe.

The parent company is Tommy Hilfiger Holding S.à r.l. registered in Luxemburg. The ultimate majority shareholders of the Company are funds advised by Apax Partners. The remainder is owned by various other investors and management of the Company.

This Special Purpose Consolidated Interim Financial Information was approved for issue on 9 April 2010.

2. Basis of preparation

On 15 March 2010, Phillips-Van Heusen Corporation (PVH) announced to acquire the Company. The transaction is subject to financing and other customary conditions, including receipt of required regulatory approvals and is expected to close before August 2010. The Company has prepared this Special Purpose Consolidated Interim Financial Information to conform to the requirements of PVH's anticipated filing and related securities offerings. The Special Purpose Consolidated Interim Financial Information for the nine months ended 31 December 2009 has been prepared in accordance with IAS 34, 'Interim financial reporting' and should be read in conjunction with the Special Purpose Consolidated Financial Statements for the year ended 31 March 2009, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB').

The interim financial data as of 31 December 2009 and for the nine months ended 31 December 2009 and 31 December 2008 is unaudited; in the opinion of management, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary to a fair statement of the results for the interim periods.

2.1 **Summary of significant accounting policies**

The same accounting policies applied to the Special Purpose Consolidated Financial Statements for the fiscal year ended 31 March 2009 were applied to the Special Purpose Consolidated Interim Financial Information as of 31 December 2009, which were prepared in accordance with IAS 34, "Interim Financial Reporting". For a more detailed description of these accounting policies, please refer to the Special Purpose Consolidated Financial Statements for the year ended 31 March 2009 as included in the filing as described in the above paragraph, except for the adoption of the following new standards, amendments to standards and interpretations, which have been adopted as relevant to the Company for the first time.

Revised IAS 1 'Presentation of Financial Statements'

The amendments to IAS 1 mainly concern the presentation of changes in equity, in which changes as a result of the transaction with shareholders should be presented separately. The Company opted to present items of income and expense and components of other comprehensive income in two separate statements as from April 1, 2009.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

IFRS 2 (amendment), 'Share-based payment'

IFRS 2 (amendment), 'Share-based payment' deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. The amendment does not have impact on the Group's financial statements.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial years beginning on or after 1 January 2009, but are not currently relevant for the Group.

- IAS 23 (amendment), 'Borrowing costs'.
- IAS 32 (amendment), 'Financial instruments: Presentation'.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'Agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial years beginning on or after 1 January 2009 and have not been early adopted:

- IFRS 3 (Revised), 'Business combinations' (effective for fiscal years starting 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 value 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.

3. Seasonality

The Company's business is impacted by the general seasonal trends characteristic of the apparel and retail industries. The Company's Wholesale revenue, particularly from its European operations, is generally highest during the second and fourth fiscal quarters, while the Company's Retail sales channel generally contributes its highest levels of revenue during the third fiscal quarter. As the timing of Wholesale product shipments and other events affecting the retail business may vary, results for any interim reporting period may not be indicative of results for the full year.

4. Geographical and divisional split

In the geographical and divisional split, revenue and operating result are shown by geographical and by divisional area in which Tommy Hilfiger operates. The geographical areas in which Tommy Hilfiger operates are Europe, North America, Rest of World (RoW) and Other. Other activities mainly comprise the Group's Karl Lagerfeld businesses as well as corporate activities such as finance and executive compensation.

The Company identifies the following divisions: retail, wholesale, licensing activities and Other. Revenues are allocated to these divisions based on the location of the customers.

Royalties paid to Tommy Hilfiger Licensing LLC for the usage of the Tommy Hilfiger trademark by other regions is shown separately. The royalties are accounted for at arm's length prices charged to unaffiliated customers. The intercompany royalties are eliminated during the consolidation.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The results per geographical area for the period ended 31 December 2009 are as follows:

	Europe	North America	RoW	Other	Elimina-tions	Total
Revenue	501,246	575,680	129,077	4,835	(31,901)	1,178,937
Royalties	(68)	(31,699)	—	(134)	31,901	—
Net revenue	501,178	543,981	129,077	4,701	—	1,178,937
Operating result	75,027	9,728	28,445	(22,182)	—	91,018
Finance costs, net						(78,916)
Income tax expense						(4,249)
Result for the year						**7,853**

The results per geographical area for the period ended 31 December 2008 are as follows:

	Europe	North America	RoW	Other	Elimina-tions	Total
Revenue	514,172	535,728	124,108	7,591	(31,761)	1,149,838
Royalties	—	(31,470)	—	(291)	31,761	—
Net revenue	514,172	504,258	124,108	7,300	—	1,149,838
Operating result	76,591	34,050	30,629	(19,267)	—	122,002
Finance costs, net						(56,810)
Income tax expense						(24,264)
Result for the year						**40,928**

The results per division for the period ended 31 December 2009 are as follows:

	Wholesale	Retail	Licensing	Other	Elimina-tions	Total
Net revenue	487,527	664,564	22,145	4,701	—	1,178,937
Operating result	49,801	47,023	16,376	(22,182)	—	91,018
Finance costs, net						(78,916)
Income tax expense						(4,249)
Result for the year						**7,853**

The results per division for the period ended 31 December 2008 are as follows:

	Wholesale	Retail	Licensing	Other	Elimina-tions	Total
Net revenue	507,972	606,426	28,140	7,300	—	1,149,838
Operating result	48,900	72,461	19,909	(19,267)	—	122,002
Finance costs, net						(56,810)
Income tax expense						(24,264)
Result for the year						**40,928**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

5. Property and Equipment

Property and equipment consists of the following at 31 December 2009 and 31 March 2009:

At cost	**Total**
At 31 March 2009	
Acquisition cost	354,333
Accumulated impairments and depreciation	(158,662)
Net book amount	195,671
Acquisition of subsidiary	810
Additions	32,173
Disposals	(169)
Depreciation charge	(36,316)
Impairment charge	(25,977)
Exchange differences	(4,867)
Closing net book amount 31 December 2009	161,325
At 31 December 2009	
Cost	368,433
Accumulated impairments and depreciations	(207,108)
Net book amount	161,325

The main additions relate to investments in furniture and fixtures and leasehold improvements as a result of opening new and refurbishing existing stores, which were largely offset by depreciation charges for the period.

Impairment

The impairment loss for the first nine months ended 31 December 2009 of €25,977 (first nine months ended 31 December 2008: nil) represents the write down of Furniture & Fixtures and Leasehold Improvements for a number of owned and operated Retail stores in Europe and North America to the recoverable amount. The impairment is caused by the overall economic slowdown and 3-5 year cash flow forecasts for these stores. The impairment loss has been recognised in the income statement in the line item “Depreciation, amortisation and impairment”.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

6. Goodwill and Other Intangible Assets

As at 31 December 2009 and 31 March 2009, the Group's intangible assets and related accumulated amortisation comprise the following:

At cost	**Total**
At 1 April 2009	
Acquisition cost	867,671
Accumulated impairments and depreciation	(50,432)
Net book amount	817,239
Acquisition of subsidiary	1,474
Additions	2,938
Depreciation charge	(13,635)
Exchange differences	(16,694)
Closing net book amount 31 December 2009	791,322
At 31 December 2009	
Cost	853,894
Accumulated impairments and depreciations	(62,572)
Net book amount	791,322

Management has reviewed goodwill and indefinite life intangible assets for indications of impairment since the end of the most recent financial period and no indications that may trigger an impairment of those assets have been identified.

7. Derivative financial instruments

As at 31 December 2009 and 31 March 2009, the Group's derivative financial instruments are comprised of the following:

	31 December 2009		**31 March 2009**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Current: Forward foreign exchange contracts – hedge accounting	2,285	511	2,846	—
Current: Forward foreign exchange and option contracts – no hedge accounting	315	3,308	2,285	4,768
Non-current: Interest Rate Swaps – hedge accounting	117	9,763	—	16,805
Non-current: Interest Rate Swaps – no hedge accounting	—	—	—	1,374
Total	**2,717**	**13,582**	**5,131**	**22,947**

Forward foreign exchange contracts

These contracts are both plain-vanilla and conditional forward contracts.

Highly probable forecasted purchases of cost of goods sold, denominated in US$ for the European and Canadian operations are designated as hedged item in the cash flow hedge relationship which are expected to occur at various dates during 3 to 10 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts at 31 December 2009 will be recognised in the initial carrying value of the purchased inventory that will be received by the Group in 3 to 10 months. These inventory items will affect the income statement as costs of goods sold in the period 6 to 12 months from the balance sheet date.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Interest rate swaps – hedge accounting

The Group has entered into interest rate swaps to off-set the effects of changing interest rates on its floating rate senior credit facility. Highly probable forecasted variable interest charges on the Senior debt are designated as hedged item in the cash flow hedge relationship. The effective portion of the fair value changes on the interest swaps designated in a hedge accounting relationship are deferred to the hedging reserve in equity until the underlying forecasted interest cash flow occurs.

8. Cash and Cash Equivalents

	31 December 2009	31 March 2009
Cash at banks and on hand	230,835	136,616
Credit card receivables	5,724	3,229
	236,559	**139,845**

9. Management participation plan

Certain employees and service providers ("the Participants") of the Company have been offered to invest in a management participation plan (up to 12.5% of the Company's total ordinary shares). The plan is administered by Stichting Administratiekantoor Elmira ("STAK"). The STAK holds the shares and has issued Depositary Receipts to participants.

During the nine months ended 31 December 2009 470 additional Depositary Receipts were issued. On 1 September 2009 300 Depositary Receipts were granted with a subscription price of €176 per Depositary Receipt. The fair market value of these Depositary Receipts was €3,111 and the fair value per Depositary Receipt was €2,935. On 1 December 2009 170 Depositary Receipts were granted with a subscription price of €176 per Depositary Receipt. The fair market value of these Depositary Receipts was €4,707 and the fair value per Depositary Receipt was €4,531. The management participation plan is regarded to be an equity settled share based compensation plan for which the expenses of €1,651 thousand have been recognised in the consolidated income statement for the nine months ended 31 December 2009. The remainder of the total Depositary Receipts is expected to be issued before the closing of the acquisition by PVH.

10. Management option plan

Certain employees have been offered the opportunity to invest in options over Depositary Receipts (the "Options"), up to 7.5% of the Company's total underlying ordinary shares.

On 30 September 2009 1,000 Options were granted with a contractual life of 5 years and 45 days. The fair value of the Options of €1,967 is calculated using the Black & Scholes valuation model and recognised as an expense. Main assumption applied:

- Exercise price €2,047
- Share price at date grant €3,111
- Expected volatility 60%
- Risk-free interest rate 2.4%

For the nine months ended 31 December 2009, an expense of €450 thousand has been recognised for this Option plan. An amount of €374 was recognised for Option plans granted in previous years. The remainder of the total Options is expected to be issued before the closing of the acquisition by PVH.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

11. Borrowings

Borrowings consist of the following as at 31 December 2009 and 31 March 2009:

	31 December 2009	31 March 2009
Non-current		
Senior debt	407,164	450,674
Mezzanine loan	89,837	100,000
Paid in kind interest on Mezzanine loan	19,808	17,041
Unamortised loan fees	(13,090)	(15,377)
Finance lease liabilities	10,521	11,826
Total non-current	**514,241**	**564,164**
Current		
Short term portion of senior debt	29,768	24,315
Short term borrowings	—	32,454
Finance lease liabilities	5,591	5,098
Interest payable	3,352	3,773
Unamortised loan fees	(3,101)	(4,040)
Total current	**35,610**	**61,600**
Total borrowings	**549,851**	**625,764**

During the period the main variation of senior debt, Mezzanine loan and short term borrowings was due to repayments and foreign exchange results of €14.7 million.

At 31 December 2009 the total Revolving Credit facility amounts to €235 million (31 March 2009: € 235 million). Under the Revolving Credit facility a total amount of €47,257 (31 March 2009: € 60,650) is used for several guarantees and letter of Credits.

12. Provisions for other liabilities and charges

The components of the provisions are as follows:

	Returns and Charge backs	Restruc-turing	Asset retirement	Onerous contracts	Others	Total
At 31 March 2008	**28,744**	**4,121**	**4,605**	**1,966**	**2,452**	**41,888**
Additional provisions	52,271	510	754	9,508	(0)	63,043
Used during year	(29,639)	(1,991)	(109)	(1,218)	(193)	(33,150)
Exchange differences	3,536	13	1,110	802	325	5,786
At 31 March 2009	**54,912**	**2,653**	**6,360**	**11,058**	**2,584**	**77,567**
Additional provisions	45,147	618	645	1,135	480	48,025
Used during year	(51,124)	(3,190)	(23)	(3,529)	—	(57,866)
Exchange differences	(2,315)	94	(292)	(860)	(161)	(3,534)
At 31 December 2009	**46,620**	**175**	**6,690**	**7,804**	**2,903**	**64,192**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

	31 December 2009	31 March 2009
Non-current	14,833	7,059
Current	49,359	70,508
	64,192	**77,567**

13. Trade and Other payables

Employee certificates bonus plan

The Group has provided part of a cash bonus to be paid to eligible employees at the time of an eventual change in ownership of the Company. The related expense is spread over the period during which the employees become unconditionally entitled to the certificates and is recognised as a liability.

The total expected costs are estimated at €18,607 of which €18,342 is provided for at 31 December 2009.

14. Total expenses

The main variation in expenses can be explained by additional costs relating to new store openings partly offset by cost saving initiatives.

15. Finance costs, net

The nine month period ended 31 December 2009 was impacted by exchange loss on intercompany borrowings of €1.4 million (€31.9 million gain for the nine months period ended 31 December 2008). In addition in the nine month period ended 31 December 2009 the positive result on derivative financial instruments amounted to €4.6 million (nine month period ended 31 December 2008 a loss of 9.7 million).

16. Income tax (expense)/credit

Income tax expenses are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the nine months ended 31 December 2009 is 35.1%

17. Earnings per share

	Nine month ended 31 December	
	2009	**2008**
Attributable to the equity holders of the Group	7,853	40,928
Weighted average number of ordinary shares in issue	200,000	200,000
Dilutive potential ordinary shares	—	—
Adjusted weighted average number of ordinary shares	**200,000**	**200,000**
Result for the period		
- Basic	0.04	0.20
- Diluted	0.04	0.20

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

18. Related Party transactions

Spanish and Portuguese agent

A related party holds an indirect 15% equity interest in Pepe Jeans SL, which serves as the Group's sales and collection agent as well as franchisee in Spain and Portugal. Goods are purchased by Pepe Jeans SL. from the Group, while commissions and fees are paid by the Group to Pepe Jeans SL pursuant to the Agency agreement. Furthermore, the Group transferred the ownership of three stores in Spain to the Spanish agent effectively 1 April 2008.

Mr. Thomas J. Hilfiger

Under his employment agreement with the Group, Mr. Thomas J. Hilfiger serves as Principal Designer and Chairman of the Strategy and Design Board of the Company, and is entitled to an annual cash payment for the fiscal year 2010 and all periods thereafter a cash amount based on worldwide sales and licensing revenues of the Group and its subsidiaries and a number of benefits.

In the event of Mr. Hilfiger's death or termination by the Group following his disability, his employment agreement provides for payment of the full amount otherwise payable to Mr. Hilfiger for the fiscal year which includes his death or termination following disability, and for the following fiscal year.

Parent company

The parent company of the Group is Tommy Hilfiger S.à r.l. (incorporated in Luxembourg). The ultimate controlling parties of the Group are funds advised by Apax Partners. Management services are bought from Apax Partners on normal commercial terms and conditions.

Novel Enterprises Limited

A related party holds an indirect equity interest in Novel Enterprises Limited which provides goods to the Group.

Transactions with related parties are based on terms that would be available to third parties. Sales of services are negotiated with related parties on a cost-plus basis. The following transactions were carried out with related parties:

	Nine month period ended December	
	2009	**2008**
Sales of goods and services:		
– Spanish and Portuguese Agent	5,041	9,077
	5,041	**9,077**

	Nine month period ended December	
	2009	**2008**
Purchases of goods and services:		
– Novel Enterprises Ltd	14,708	20,344
Purchases of services:		
– Spanish and Portuguese Agent	4,529	7,136
– From an entity controlled by Apax partners	126	—
	19,363	**27,480**

Year-end balances arising from sale/purchases of goods/services

	31 December 2009	**31 March 2009**
Receivables from related parties:		
– Spanish and Portuguese agent	4,048	2,953
Payables to related parties:		
– Spanish and Portuguese agent	(91)	—
	3,957	**2,953**

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

The receivables from related parties arise mainly from sale transactions and are generally due two months after the date of sales. The receivables are unsecured in nature and bear no interest.

The payables to related parties arise mainly from financing transactions, purchase transactions, and other services. The payables to the Spanish and Portuguese agent bear no interest.

Subordinated Shareholder loan

The shareholder provided a €320,452 subordinated loan for a term of 10 years, payable on demand (however, any repayment is conditional to fulfillment of certain clauses in the agreements with financial institutions), bearing interest at 14% per annum. The loan contains an option for the Company to extend the loan under the same conditions after 10 years. This option qualifies as an embedded derivative, which at the balance sheet date has a value of zero (31 March 2008: nil).

The shareholder loan bears an interest of 14% (2009: 14%). Tommy Hilfiger S.à r.l. has issued a letter to the Company to financially support the Company for at least 12 months.

	31 December 2009	**31 March 2009**
Shareholder loan and current account	474,813	416,487
Accrued interest on shareholder loan	42,077	51,453
Total shareholder loan	**516,890**	**467,940**

Key management compensation

	Nine month period ended December	
	2009	**2008**
Salaries and other short-term employee benefits	13,380	9,567
Management participation plan	—	1,427
Post-employment benefits	246	287
	13,626	**11,281**

19. Commitments and Contingencies

Legal matters

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. Although the outcome of these other claims cannot be predicted with certainty, management does not believe that the ultimate resolution of these matters will have a material adverse effect on its financial condition or results of operations.

(amounts in € thousands, except per share/option amounts and/or as otherwise indicated)

Capital commitments

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

	31 December 2009	31 March 2009
Property and equipment	2,094	8,376
Intangible assets	120	—
	2,214	**8,376**

Operating Leases

The Group leases offices, warehouses and showroom spaces, retail stores and office equipment under operating leases, which expire not later than 2025.

The rental agreements are predominantly based on minimum lease payments. Several lease agreements include contingent rents (particularly sales-dependent rent). The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2009	31 March 2009
No later than 1 year	102,956	98,307
Later than 1 year and no later than 5 years	327,830	321,405
Later than 5 years	226,827	275,453
	657,613	**695,165**

Guarantees

The Group provided guarantees in the amount of €17,753 (2009: €17,413). The guarantees mainly relate to store lease, customs and insurance obligations.

20. Events after the balance sheet date

Change of ownership

On 15 March 2010, Phillips-Van Heusen Corporation (PVH), a USA based apparel and fashion company, announced to acquire Tommy Hilfiger B.V. for approximately $ 3.0 billion (€ 2.2 billion). The transaction is subject to financing and other customary conditions, including receipt of required regulatory approvals and is expected to close before August 2010. Upon closing of the transaction, it is expected that the balances related to the bank and shareholder loans will be replaced by new financing and that the balances related to the management participation plan, management option plan and employee certificates bonus plan will be settled.

China

On 31 March 2010, the Company announced it had entered into an agreement to assume direct control of its wholesale and retail distribution in China from its licensee Dickson Concepts International Limited, beginning 1 March 2011.

Contract with Mr. Thomas J. Hilfiger

Under his employment agreement with the Group, Mr. Thomas J. Hilfiger serves as principal designer and Chairman of the Strategy and Design Board of the Company. Mr. Hilfiger's contract states various instances under which Mr. Hilfiger is entitled to a payment upon pre-defined exit events. The exit events contemplated by Mr. Hilfiger's employment contract relate to the sale of control of the Group or substantially all its assets. Mr. Hilfiger has not opted for this payment when PVH announced to acquire the Company and his current employment agreement with the Group will remain unchanged.