REMY COINTREAU GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

CONSOLIDATED BALANCE SHEET

For the years ended 31 March 2006 and 31 March 2005. All data below is stated in accordance with IFRS principles and expressed in millions of euros.

ASSETS	notes	March 2006	March 2005
Brands and other intangible assets	**3**	629.6	922.7
Property, plant and equipment	**4**	180.5	195.6
Investments in associates	**5**	123.6	113.6
Other investments	**6**	70.7	7.6
Deferred taxes	**20**	12.3	13.0
Non-current assets		**1,016.7**	**1,252.5**
Inventories	**7**	852.4	845.9
Trade and other receivables	**8**	243.1	239.7
Income tax receivable		11.0	6.9
Derivative financial instruments	**9**	6.9	8.9
Cash and cash equivalents	**10**	31.6	53.6
Assets held for sale	**2**	204.0	
Current assets		**1,349.0**	**1,155.0**
Total assets		**2,365.7**	**2,407.5**

LIABILITIES AND EQUITY			
Share capital		72.8	72.1
Share premium		639.5	630.7
Treasury shares		(0.7)	(0.6)
Consolidated reserves		127.3	119.9
Translation reserve		2.0	(3.0)
Net profit - Group share		77.8	49.8
Equity - Group share		**918.7**	**868.9**
Minority interests		(3.2)	19.4
Total equity	**11**	**915.5**	**888.3**
Long-term financial debt	**12**	376.2	746.4
Provisions for retirement	**23**	24.5	27.1
Long-term provisions for risks and charges	**13**	26.3	24.1
Deferred taxes	**20**	170.8	282.4
Non-current liabilities		**597.8**	**1 080.0**
Short-term financial debt and accrued interest	**12**	426.9	170.0
Trade and other payables	**14**	300.4	244.1
Income tax payable		23.6	3.0
Short-term provisions for risks and charges	**13**	34.1	19.4
Derivative financial instruments	**9**	1.9	2.7
Liabilities held for sale	**2**	65.5	
Current liabilities		**852.4**	**439.2**
Total liabilities and equity		**2,365.7**	**2,407.5**

CONSOLIDATED INCOME STATEMENT

For the years ended 31 March 2006 and 31 March 2005. All data below is stated in accordance with IFRS principles and expressed in millions of euros.

	notes	March 2006	March 2005
Net sales	**15**	**798.3**	**748.3**
Cost of sales		(390.3)	(346.8)
Gross profit		**408.0**	**401.5**
Distribution costs	**16**	(197.5)	(199.2)
Administrative expenses	**16**	(80.2)	(84.9)
Other income (expenses) from operations	**16**	11.5	10.0
Current operating profit	**15**	**141.8**	**127.4**
Provisions for impairment			(3.1)
Other operating income (expenses)	**18**	(18.2)	12.3
Operating profit		**123.6**	**136.6**
Finance costs		(63.9)	(54.9)
Other financial income and expenses		0.8	(0.4)
Net financial expenses	**19**	**(63.1)**	**(55.3)**
Profit before tax		**60.5**	**81.3**
Income tax expense	**20**	(13.7)	(23.8)
Share of profit of associates	**5**	8.5	7.4
Net profit from continuing operations		**55.3**	**64.9**
Net profit (loss) from discontinued operations	**21**	18.6	(9.6)
Net profit		**73.9**	**55.3**
Attributable to minority interests		3.9	(5.5)
Net profit - Group share		**77.8**	**49.8**
<u>Basic earnings per share</u>			
Net profit - Group share (euros)		1.72	1.13
Net profit from continuing operations (euros)		1.22	1.47
Number of shares	**11.2**	**45,320,286**	**44,247,047**
<u>Diluted earnings per share</u>			
Net profit per share - Group share (euros)		1.70	1.13
Net profit from continuing operations (euros)		1.20	1.46
Number of shares	**11.2**	**45,893,565**	**51,496,870**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 March 2006 and 31 March 2005. All data below is stated in accordance with IFRS principles and expressed in mllions of euros.

	Number of shares	Share capital	Share premium	Treasury shares	Consolidated reserves and profit for the year	Translation reserve	Group share	Minority interests	Total equity
At 1 April 2004	**44,269,864**	**71.6**	**626.4**	**(10.5)**	**170.1**	**0.0**	**857.6**	**13.5**	**871.1**
Net profit for the year					49.8		**49.8**	5.5	**55.3**
Actuarial losses on retirement obligations					(7.3)		**(7.3)**		**(7.3)**
Related tax effect					2.0		**2.0**		**2.0**
Earnings taken directly to equity					(5.3)		**(5.3)**		**(5.3)**
Translation reserve						(3.0)	**(3.0)**	0.4	**(2.6)**
Total earnings impact on equity					**44.5**	**(3.0)**	**41.5**	**5.9**	**47.4**
Share-based payments					(0.8)		**(0.8)**		**(0.8)**
Capital increase	272,812	0.5	4.3				**4.8**		**4.8**
Transactions on treasury shares	479,985			9.9			**9.9**		**9.9**
Dividends					(44.1)		**(44.1)**		**(44.1)**
At 31 March 2005	**45,022,661**	**72.1**	**630.7**	**(0.6)**	**169.7**	**(3.0)**	**868.9**	**19.4**	**888.3**
Adoption of IAS32/39					5.2		**5.2**	(8.0)	**(2.8)**
At 1 April 2005	**45,022,661**	**72.1**	**630.7**	**(0.6)**	**174.9**	**(3.0)**	**874.1**	**11.4**	**885.5**
Net profit for the year					77.8		**77.8**	(3.9)	**73.9**
Change in value of hedging instruments					(3.2)		**(3.2)**		**(3.2)**
Actuarial gain on retirement obligations					0.6		**0.6**		**0.6**
Related tax effect					0.9		**0.9**		**0.9**
Earnings taken directly to equity					(1.7)		**(1.7)**		**(1.7)**
Translation reserve						5.0	**5.0**		**5.0**
Total earnings impact on equity					**76.1**	**5.0**	**81.1**	**(3.9)**	**77.2**
Share-based payments					1.7		**1.7**		**1.7**
Capital increase	702,116	1.1	15.3				**16.4**		**16.4**
Cancellation of shares	(280,927)	(0.4)	(7.2)				**(7.6)**		**(7.6)**
Conversion of bonds	32,294	0.0	0.7				**0.7**		**0.7**
Transactions on treasury shares	5,300			(0.1)			**(0.1)**		**(0.1)**
Dividends					(45.0)		**(45.0)**		**(45.0)**
Other [1]					(2.6)		**(2.6)**		**(2.6)**
Changes in consolidation scope							**0.0**	(10.7)	**(10.7)**
At 31 March 2006	**45,481,444**	**72.8**	**639.5**	**(0.7)**	**205.1**	**2.0**	**918.7**	**(3.2)**	**915.5**

[1] Restatement of first consolidation of contracts with distillers (bouilleurs de cru).

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 March 2006 and 31 March 2005. All data below is stated in accordance with IFRS principles and expressed in millions of euros.

	notes	March 2006	March 2005
Current operating profit		141.8	127.4
Adjustment for depreciation and impairment charges		14.6	16.1
Adjustment for share-based payments		1.7	0.8
Dividends received from associates	**5**	7.3	7.8
EBITDA		165.4	152.1
Change in working capital	**22**	(2.1)	24.6
Cash generated from operations		**163.3**	**176.7**
Other operating cash flows			
- other operating income and expenses		(2.6)	(4.5)
- net financial expenses		(45.7)	(41.4)
- net income taxes paid		(30.5)	(28.8)
Net effect of discontinued operations (pre-tax)		11.7	22.4
Net cash flow from operating activities		**96.2**	**124.4**
Capital expenditure	**3/4**	(21.0)	(24.2)
Purchase of investments	**5**	(8.9)	
Proceeds on sale of fixed assets		11.1	18.6
Net cash flow from other investments	**6**	(1.8)	(0.5)
Net effect of discontinued operations		60.0	(10.6)
Net cash from (used in) investing activities		**39.4**	**(16.7)**
Capital increase	**11**	9.5	4.8
Treasury shares	**11**	(0.1)	8.8
Bond issue			200.0
Repayment of financial debt		(112.5)	(286.6)
Dividend paid to shareholders of the parent company		(45.0)	(44.1)
Other cash flows from financing activities		0.6	
Net effect of discontinued operations		(9.3)	(5.2)
Translation adjustment on cash position		(0.8)	0.1
Net cash flow from financing activities		**(157.6)**	**(122.2)**
Change in cash position		**(22.0)**	**(14.5)**
Cash and cash equivalents brought forward	**10**	**53.6**	**68.1**
Cash and cash equivalents carried forward	**10**	**31.6**	**53.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Rémy Cointreau is a *société anonyme* (joint stock company) with a board of directors subject to French legislation and in particular to the French Commercial Code. Rémy Cointreau shares are listed on Euronext Paris.

The consolidated financial statements stated below were approved by the board of directors on 6 June 2006 pursuant to a recommendation from the audit committee following their meeting dated 1 June 2006. They will be submitted for shareholder approval at the shareholders' general meeting of 27 July 2006.

1 ACCOUNTING POLICIES

Rémy Cointreau has a 31 March year-end.

In accordance with Regulation (EC) No 1606/2002 of the European Parliament and the Council of 19 July 2002 on the application of international accounting standards, the consolidated financial statements of Rémy Cointreau are prepared in accordance with international accounting policies applicable within the European Union as at 31 March 2006.

These international accounting standards were applied with retroactive effect to the transition balance sheet as at 1 April 2004, the transition date, except for certain optional or mandatory exemptions required under IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The transition balance sheet gave rise to a note in the Reference Document for the year ended 31 March 2005 and to a separate disclosure prior to the publication of the financial statements for the 6 months ended 30 September 2005. This disclosure, which also covered adjustments to the year ended 31 March 2005 that are presented as comparative figures in this report, is restated under note **29** hereto. However, in accordance with IFRS 5, applied as from 1 April 2004, account reclassifications were subsequently undertaken to these financial statements in respect of discontinuing operations.

IAS 32 and IAS 39 were only implemented with effect from 1 April 2005, without adjustment to the figures for year ended 31 March 2005, pursuant to the option available under IFRS 1. The effect of this change in accounting policy was recorded within equity at 1 April 2005 and is described under note **28**. The information for the year ended 31 March 2006 is not comparable with the year ended 31 March 2005 given that the latter has not been adjusted.

The group adopted early the amendment to IAS 39 regarding cash flow hedges and fair value of intragroup transactions as of 1 April 2005. The group decided not to apply the amendement to IAS 1 – *Capital Disclosures*, IFRS 7 – *Financial Instruments: Disclosures* and IFRIC 4 – *Determining whether an arrangement contains a lease* until the latest adoption date as from 1 January 2007.

To ensure the accounts' visibility, the summary financial statements only cover accounts prepared under IFRS for years ended 31 March 2006 and 31 March 2005.

1.1 Use of estimates

The preparation of the financial statements in accordance with the framework defined by International Financial Reporting Standards required placing reliance on estimates and formulating hypotheses that have a bearing on the amounts reported in the financial statements and whose subsequent revision could affect future results.

This is particularly the case as regards the valuation of:

- Brands;
- Retirement obligations;
- Stock option plans;
- Derivative financial instruments,
- Provisions for risks and charges,
- Valuation of non-consolidated equity investments.

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all material entities when Rémy Cointreau controls directly or indirectly more than 50% of voting rights or over which it exercises effective control, even in the case of certain special purpose entities in which it does not own any of the capital

Entities over which Rémy Cointreau exercises significant influence are accounted for by the equity method. This is presumed to be the case when Rémy Cointreau controls between 20% and 50% of voting rights.

Consolidated companies prepare their financial statements in accordance with generally accepted accounting principles in their country. When necessary, adjustments are made to these financial statements to bring their accounting policies into line with those used by the Group.

All significant transactions between consolidated companies as well as intra-group gains and losses are eliminated on consolidation.

1.3 Translation of the financial statements of foreign subsidiaries

The consolidated financial statements of Rémy Cointreau Group are stated in euros, the operational currency of Rémy Cointreau S.A.. The balance sheets of foreign subsidiaries, whose working currency is not euros, are translated at the closing exchange rate, while the income statements are translated at the average exchange rate during the period ended. Differences arising from the use of different exchange rates are recognised directly in equity under "Translation reserve" until the sale or liquidation of the subsidiary concerned.

In accordance with the option provided under IFRS 1, accumulated translation reserves at 31 March 2004 were reclassified as a component of consolidated reserves.

1.4 Foreign currency transactions

In accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, transactions denominated in foreign currencies are recorded initially at the rate of exchange on the date of the transaction at the level of each consolidated entity. At the end of the reporting period, foreign currency assets and liability balances are translated at the closing rate of exchange. Resulting differences are recognised in the income statement as an operating item or as a financial item depending on the nature of the underlying transactions.

This treatment is also applied to intra-group transactions with the exception of those classified as long-term financing for which the effects of changes in foreign exchange rates are recognised directly in equity under translation reserve.

The Rémy Cointreau Group generates around 70% of its revenue outside the Eurozone, whereas production and other costs are incurred mainly within this zone. For this reason, the consolidated operating profit has significant exposure to changes in foreign exchange rates. The Group frequently uses derivative instruments, particularly options, to hedge this currency risk.
When such instruments qualify as hedging as defined by IAS 39, they are recognised on the balance sheet at their fair value at the balance sheet date. Changes in the value of these instruments are recognised as a component of:

- Gross profit for the effective portion of the hedging of trade receivables and payables at the period end;
- Recyclable equity for the effective portion of the hedging of future cash flows, the gain or loss being recycled in gross profit (for trading cash flows) or within net financial income or charges (other cash flows) as the hedged transactions are completed;
- Financial results for the ineffective part of the hedging of future cash flows, including changes in the time value of the options.

Realised currency gains and losses during the year are recorded in the same accounts as their underlying transactions (i.e. within gross profit for trading transactions).

More details about derivative instruments are provided in note **1.10.d**.

1.5 Goodwill

Goodwill represents the difference between the cost of acquisition of the shares and the fair value of identifiable assets and liabilities at the date of acquisition.

In accordance with IFRS 3, *Business Combinations*, goodwill is not amortised but is the object of impairment testing at least annually and as soon as there is any indication of a diminution in value. For the purpose of these tests, goodwill is allocated to Cash-Generating Units (CGU).

1.6 Intangible assets

Intangible assets comprise mainly the value of the brands identified when acquisitions are made by the Group.

Spending to create new brands or to develop existing brands and all expenses incurred to file the brands and protect them legally are systematically recognised in the income statement in the period when incurred.

Brands in the balance sheet of Rémy Cointreau are not amortised when they enjoy legal protection, since they generate higher results than do similar unbranded products, and have an indefinite useful life.

Brands are the object of impairment testing at least annually and as soon as there is any indication of a diminution in value. These tests are described in note **1.8**.

Distribution rights associated to the brands were also recognised in connection with acquisitions made by the Group. When these rights have an indefinite life, they are not amortised but are tested for impairment in conjunction with the brands concerned.

All research and development costs are charged to expense.

Other intangible assets are amortised over the following periods:

- Leasehold rights over the term of the lease;
- Software licences and direct costs of installation and/or upgrades over 3 to 7 years

1.7 Property, plant and equipment

a) Cost

In accordance with IAS 16, *Property, Plant and Equipment*, items of property, plant and equipment are recognised at acquisition or production cost. The Group having opted for the Cost Model, these assets are not revalued subsequently.

Cost does not include any finance costs.

Capital grants are deducted from the cost of the property, plant or equipment to which they relate.

Maintenance and repair costs are recognised in the income statement when incurred except when incurred to increase productivity and/or to extend the useful life of the asset.

Plant, property and equipment acquired through finance leases as defined by IAS 17, *Leases*, are reported as an asset on the balance sheet at the lower of the fair value of the asset or the present value of the minimum lease payments. The corresponding debt is reported as a liability on the balance sheet. The assets concerned are depreciated using the same method and over the same useful life as are similar assets owned outright.

b) Depreciation

Depreciation is calculated using the straight-line method applied to the cost of the acquisition less any estimated residual value.

The Group owns assets that are used mainly in production, this until the end of their estimated useful life, and which do not therefore have a significant residual value.

Depreciation is allocated over the estimated useful life of the different categories of property, plant and equipment, which corresponds to the period during which it is estimated economic benefits will accruing to the business.

Property according to the nature of the individual items	10 to 75 years
Stills, barrels and vats	35 to 50 years
Technical installations, equipment and tooling	3 to 15 years
Computer equipment	3 to 5 years
Other assets	5 to 10 years

1.8 Impairment of non-current assets

In accordance with IAS 36, *Impairment of Assets*, the value in use of tangible and intangible assets is tested as soon as there is any indication of a diminution in value, and at least annually in the case of assets with an indefinite useful life (i.e. brands and certain distribution rights – see note **1.6**).

When impairment tests indicate that the value in use is less than the carrying amount, this loss is recognised in the income statement under provisions for impairment on the condition such loss is considered to be permanent.

For these tests, the assets are allocated to cash-generating units (CGU). In the Group's case, the structure of these units is based on the portfolio of brands. Each brand or group of brands constitutes a unit when the brand or brands generate cash flows that are largely independent in relation to the other brands or groups of brands.

These tests consist in comparing the carrying amount of the brands and related assets to their present value, being the highest of their value in use and their market value less any costs involved in selling the assets.

With respect to operational entities, which Group management have decided to sell, the assets concerned are stated at the lower of book value and estimated market value after selling costs. If negotiations are outstanding, the value is established based on the best estimation as of the balance sheet date.

The principal method used to estimate value in use is based on the present value of future cash flows (excluding finance costs) generated by the use of the brand. These cash flows are estimated by reference to medium-term business plans of 5 to 10 years approved by the board of directors. The exit value is determined by applying a constant growth rate to infinity. The discount rates used are set for each brand in turn and include a specific risk premium for each activity.

At 31 March 2006, the following assumptions were used:
- Pre-tax discount rates ranging from 8.7% to 10.8%;
- Growth rate to infinity of 2%.

When recent transactions involving similar assets have taken place, multiples for these transactions are used to determine fair value.

1.9 Inventories

Inventories are valued in accordance with IAS 2, *Inventories*.

Inventories are recognised when the risks and rewards of their ownership have passed to the Group. The application of this principle, which is part of the IFRS conceptual framework, results in the recognition of inventories that are held physically and legally by third parties. The other side of the entry is generally a recognition of the corresponding liability under trade payables.

A substantial part of the inventories held by the Group consists of eaux-de-vie (spirits for cognac, brandy, rum and armagnac) and wines (champagne) that are undergoing ageing. These inventories may be held for periods ranging from 3 to more than 70 years. They remain within current assets based on common industry practice in the business. Production costs are determined in line with industry practices to the extent that this approach complies with the requirements of IAS 2.

Inventories originating from vineyards owned or operated directly by the Group are not material.

The cost of inventories does not include finance costs incurred during the ageing period. These finance costs are recognised in the income statement in the period when incurred.

The value of inventories undergoing ageing varies each year since it is adjusted to include production costs attributable directly to the ageing process as well to reflect evaporation. The approach used to determine net realisable value takes into account the price at which finished products made from these inventories will be sold.

Finish goods are stated at the lower of cost or net realisable value. Cost is calculated using the weighted average method or the net realisable value.

1.10 Financial assets and liabilities

Financial assets and liabilities are valued in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, as approved by the European Union on 19 November 2004.

a) Trade receivables and payables

Trade receivables and payables, which are generally collected or settled within three months, are stated at their nominal value.

Appropriate allowances are recognised when the amount at which trade receivables are carried, which is based on the probability of collection, is less than their book value.

b) Non-consolidated equity investments

These shares consist of available-for-sale investments as defined by IAS 39 and are therefore stated at realisable value at the balance sheet date. As a rule, changes in value are recognised directly to equity until such gains or losses are actually realised, except when the loss is considered to be permanent, in which case a provision for impairment is recognised in the financial statements as a financial expense.

In the case of the Rémy Cointreau Group, these shares represent non-core investments that have been retained for historical reasons and which are not listed on an organised market.

c) Shares measured in accordance with fair value option

When shares in Bols Sp.z.o.o. were sold in August 2005, the Group received shares in CEDC, a company listed on the Nasdaq, that are valued at fair value, with changes in fair value recognised in profit or loss. Such changes in fair value are dealt with as financial item in the income statement.

This investment is valued by the Group at its market value to ensure its liquidity is managed to the maximum efficiency. Market value is monitored daily and reported to the Group Finance Director.

d) Derivative financial instruments

The Group makes extensive use of derivative financial instruments as part of its policy for hedging exposure to currency and interest rate risks. The Group implements the procedures and maintains the documentation needed to justify the application of hedge accounting as defined by IAS 39.

Derivative instruments are reported on balance sheet at their market value on the balance sheet date. Changes in the value of these instruments due to exchange rate fluctuations are recognised in the manner described in note **1.4.** When used to hedge an interest rate risk, changes in the value of derivative instruments (principally caps) are posted to recyclable equity in respect of the change in value of the instrinsic value of the hedging instruments, to net financial income and expenses in respect of the change in time value of the hedging instruments and the change in fair value of the non-hedging instruments.
Other derivative instruments held by the Group result from one-off transactions linked to divestments, (see note **21**), or concern contracts involving Rémy Cointreau shares. The latter include an equity swap and purchase options for Rémy Cointreau shares. As required by IAS 32 and IAS 39, changes in the value of these instruments are recognised directly in equity.

e) Financial debt

The financial debt of the Group comprises mainly:
- Subordinated perpetual notes (TSDI) nearing redemption;
- Bonds with the option to convert into and/or exchange for new and/or existing shares (OCEANE);
- Two non-convertible bond issues;
- Amounts drawn down from credit lines negotiated with a banking syndicate.

The perpetual subordinated notes were assigned to a debt securitisation fund (*Fonds Commun de Créance* - FCC) in May 1996, but pursuant to the requirements of IAS 27, IAS 32 and IAS 39, this fund is consolidated as a special purpose vehicle. Therefore, in the consolidated balance sheet of Rémy Cointreau, the subordinated perpetual notes were eliminated and replaced by the financial debt of the debt securitisation fund.

As required by IAS 32 and 39, the OCEANE is recognised in two parts:
- The liability component, which corresponds to the present value of the debt at the market rate on the date of issue;
- The equity component, which is the difference between the nominal value of the instruments and the value of the liability component, and corresponds to the value of the embedded conversion option at the date of issue.

Issue costs are apportioned between the debt and equity components of the OCEANE based on their relative carrying amounts at the date of issue.

The equity component has not been re-measured since the date of issue, regardless of changes in the value of the Rémy Cointreau share. The liability component is recognised in accordance with the effective interest rate method taking into account the premium that could potentially be paid on redemption of the instruments.

Financial resources other than the OCEANE, and including the financial debt of the debt securitisation fund, are recognised at their nominal value net of costs incurred when arranging this financing, which are recognised in the income statement as finance costs using the effective interest method, except for costs relating to the banking syndication that are recognised using the straight-line method over the term of the syndication.

f) Commitment to buy out minority interests

IAS 39 requires commitments to buy out minority shareholders to be reported on the balance sheet. The Rémy Cointreau Group was concerned by this requirement on account of the 50% shareholding held in the Polish company Bols Sp.z.o.o. This commitment was valued at €50.9 million when IAS 32 and IAS 39 were applied for the first time on 1 April 2005. However, Bols Sp.z.o.o having since been sold, this commitment is no longer appears in financial statements prepared since that date.

1.11 Cash and cash equivalents

Cash and cash equivalents comprises cash and short-term invesments considered highly liquid, which can be converted into a known amount of cash and involve immaterial risk of loss in value in relation to the criteria specified under IAS 7.

Bank overdrafts are excluded from cash and cash equivalents and are included among short-term financial debt.

1.12 Deferred tax

In accordance with IAS 12, deferred tax is recognised on all timing differences between the carrying amounts of the assets and liabilities in the consolidated financial statements and the corresponding tax bases in the accounts of the consolidated entities.

Deferred tax is calculated at the tax rates that are expected to be in effect when the timing difference reverses, generally at the tax rate for the current reporting period or subsequent reporting period if known. The effects of changes in tax rates are included in the income tax expense of the period in which they become known.

The main item of deferred tax for the Rémy Cointreau Group arises from the difference in the value of the brands in the consolidated financial statements, very often resulting from goodwill on acquisitions, and their value for taxation purpose, which is often nil.

As required by IAS 12, a deferred dividend tax liability is recognised on the difference between the carrying amount and the tax value of shares held in associates. In the case of fully consolidated entities, the deferred tax liability is recognised only in respect of dividends that are certain at the balance sheet date.

Tax savings from relieving tax losses carried forward are recognised as deferred tax assets and amortised by reference to the probability that these losses will be relieved.

In the interim consolidated financial statements, the income tax expense is estimated by applying the estimated effective tax rate for the year as whole to the pre-tax profit. This calculation is performed for each entity in turn.

1.13 Provisions for risks and charges

In accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, a provision is recognised when the Group has an obligation towards a third party and it is certain or probable that it will result in a payment in cash or kind being made to the third party without the receipt of an at least equivalent consideration. Provisions for restructuring are recognised when the restructuring has been announced and detailed measures drawn up.

When an obligation is expected to be settled in more than twelve months, the amount of the provision is discounted to its present value, with the effects of this discounting being recognised in profit or loss as a financial item.

1.14 Pension and other long-term employee liabilities

In accordance with laws and practices in each country, Rémy Cointreau participate in employee benefit plans providing pensions and other post-retirement benefits through defined contribution or defined benefit plans. The assets of pre-financed pension plans are managed as separate funds by independent asset managers or insurance companies.

Commitments are determined and recognised in accordance with the requirements of IAS 19. Accordingly:

- Charges relating to defined contribution plans are recognised to profit or loss as paid;
- Commitments in respect of defined benefit plans are determined by actuaries using the Projected Unit Credit Method. These calculations are based on assumptions regarding mortality, staff turnover and future increases in salary. They also take into account the economic situation in each country. Discount rates used are yields on government bonds with the maturity nearest to the pension obligations.

Commitments under defined benefit plans concern:

- Commitments relating to the pension fund of Bols in the Netherlands until 31March 2006;
- Commitments under the Group's pension plan in Germany and Barbados;
- Retirement indemnities and long-service medals arising from collective bargaining agreements in France;
- Commitments in respect of various post-retirement healthcare benefits;
- Other commitments in respect of supplementary defined benefit pension plans sponsored by the Group.

Certain Group companies have early retirement plants that are accounted for in the same way as the termination of employment contracts.

As at 31 March 2006, the Group transferred its pension liabilities in resect of Bols in the Netherlands to an insurance company. The value of the transfer amounted to €10.5 million. Corresponding provisions set up in prior years were reversed.

As permitted by IFRS 1, the Group has elected to recognize all actuarial gains and losses that had not been recognised as at 1 April 2004 by a direct entry to equity.
Actuarial gains and losses for defined benefit plans arising since 1 April 2004 have also been recognised directly to equity and reported in the statement of recognised income and expense. These actuarial gains and losses correspond to experience adjustments, namely the effects of differences between the previous actuarial assumptions and actual experiences, and the effects of changes in actuarial assumptions.

1.15 Net sales

Revenue comprises wholesale sales of finished products of the brands of wines and spirits marketed by the Group to:

- The various distribution companies of the Maxxium network, which is 25% owned by Rémy Cointreau;
- Other distribution companies;
- Agents,
- Wholesalers, mainly in North America.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which as a rule occurs on shipment.

These sales are stated excluding alcohol duties and sales taxes and are determined by reference to the prices charged to the customers. Sales to wholesalers are recognised net of any provisions for discounts, rebates and other forms of assistance when they result in the customer ultimately paying a lower price for the goods.

Certain net sales that are ancillary to the sale of the wine and spirit brands - notably net sales from subcontracting and the distribution of alcohol-free products – are recorded under other income and expenses for their net amount to the extent they are peripheral to the Group's core activity.

1.16 Definition of certain indicators

a) Current operating profit, operating profit, Net profit (loss) from discontinued operations

Current operating profit comprises all elements relating to the Group's activities with the exception of:

- The operating profit from operations that were discontinued during the period or are to be discontinued, when plans to this effect have been approved by the Board of Directors. The corresponding operating profit is reclassified on the line "Net profit (loss) from discontinued operations" together with other items of revenue and expense relating to these activities.

- Items that, given their nature, frequency and materiality, cannot be considered as part of the Group's ordinary activities and affect inter-period comparisons. They include notably impairment losses in respect of brands and other non-current assets recognised as a result of impairment tests (see note **1.8**), provisions for restructuring, profits and losses on the sale of significant assets other than those of operations that were or are to be discontinued.

b) Earnings before interest, tax, depreciation and amortisation (EBITDA)

This aggregate is used notably in the calculation of certain ratios. It corresponds to the current operating profit adjusted by adding back depreciation and amortisation charges in respect of tangible and intangible fixed assets and charges in respect of share-based payments, to which are added dividends from associates received during the period.

c) Net debt

This aggregate is used notably in the calculation of certain ratios. It corresponds to long-term financial debt plus short-term financial debt and accrued interest less cash and cash equivalents.

1.17 Segment reporting

As required by IAS 1 and IAS 14, the Group provides an analysis by business and geographical segment of certain items in its financial statements.

a) Business segments

The primary segment reported is the business segment. Each segment combines brands presenting similar profiles in terms of industrial process, profitability and risk. These segments are: Cognac, Spirits and Liqueurs, Champagne and Partner Brands.
The last segment includes those brands for which the Group is not involved in any production process but which are distributed by the Group's own networks.
Items that cannot be allocated directly to a brand or to portfolio of brands are allocated on a pro rata basis considering notably the proportion of the sales generated each year by the brand or portfolio of brands.
Accordingly, if income or expense is posted to "*Net profit (loss) from discontinued operations*", certain shared costs previously allocated to the operations concerned are reallocated to continuing operations.

b) Geographical segments

The secondary segment reported is the geographical segment. The breakdown of revenue by geographical segment is based on the country of destination of the goods sold. The breakdown of balance sheet items is based on the country where the consolidated entities are located.

Geographical segments are: Europe, the Americas, Asia and rest of world. “Asia and rest of world” includes Asia, Australia, New Zealand and Africa.

1.18 Treasury shares

Rémy Cointreau shares held by the Group are deducted from equity for the amount at which acquired.

As from 15 November 2005, and for a period of one year renewable by tacit agreement, Rémy Cointreau signed a liquidity contract with Rothschild & Cie Banque that complies with the Ethics Charter of the *Association Française des Entreprises d’Investissement* and approved by the *Autorité des Marchés Financiers* (AMF) by a decision dated 22

March 2005 and published in the *Bulletin des Annonces Légales Obligatoires* (BALO) on 1 April 2005. To implement the contract, €1,572,000 and 30,000 shares were transferred to the liquidity account.

At each period end, Rémy Cointreau shares held in the liquidity account and the net gains or losses on share transactions conducted by Rothschild & Cie Banque in the prior period are posted to equity. The value of cash in the liquidity account is stated within "Other investments".

1.19 Stock option plans and bonus shares

In accordance with the transitional provisions of IFRS 2, *Share-based Payments*, the stock option plans since 7 November 2002, i.e. Plans 12, 13 and 2005 give rise to the recognition of a charge representing the estimated value of the advantage granted to the plans' beneficiaries. This advantage is measured on the date each plan is granted using a binomial model and is expensed on a straight-line basis over the vesting period, i.e. four years as from the grant date in respect of Plans 12 and 13 and two years in respect of Plan 2005. Amounts are expensed as administrative expenses, the other side of the entry being a credit to reserves.

1.20 Earnings per share

Basic earnings per share are calculated based on the weighted average number of shares in issue during the reporting period, less treasury shares deducted from equity and plus the number of shares corresponding to the certain conversion of convertible bonds, which conversion is not optional.

Diluted earnings per share are calculated based on the weighted average number of shares in issue during the reporting period, less treasury shares deducted from equity and increased to reflect:

- The weighted average number of shares that would be issued during the reporting period were all existing subscription options granted in respect of the various plans to be exercised, on the condition that such options had not expired at the balance sheet date;
- The total number of shares that would be issued if OCEANE holders exercised their conversion rights.

As required by IAS 33, it was assumed that proceeds from exercise of the options would be used to acquire ordinary shares at the average market price during the period.

Diluted earnings per share are calculated after adjusting earnings for a reduction in interest expense that would arise on conversion of OCEANE bonds.

The diluted earnings per share cannot be higher than the basic earnings per share.

1.21 Discontinued operations

When a company or a significant activity is sold during the reporting period:

- For comparative periods, each line of the income statement for this company or activity is reclassified on the line "*Net profit (loss) from discontinued operations*". A similar reclassification is performed in the cash flow statement on the line "*Net effect of discontinued operations*" within cash flows from operating activities.
- For the period during which the company or activity was sold, each line of the income statement through the date of disposal is reclassified to *"Net profit (loss) from discontinued operations"*. A similar reclassification is performed in the cash flow statement on the lines *"Net effect of discontinued operations"* within cash flows from operating activities.
- The post-tax gain or loss on sale of the activity concerned after transaction costs is also posted to *"Net profit (loss) from discontinued operations"*. In the cash flow statement, a distinction is made between the proceeds received from the sale net of transaction, which are posted to cash flow from investing activities, and any impact from non-consolidation of cash held by the sold entity, which is posted to cash flow from financing activities.

If a company or a significant activity is in the process of being sold as at balance sheet date according to the criteria stated by IFRS 5:

- All income statement lines of this company or activity for comparative periods are reclassified under *"Net profit (loss) from discontinued operations"*. A similar reclassification is performed in the cash flow statement on the line *"Net effect of discontinued operations"* within cash flows from operating activities.

- All income statement lines of this company or activity for the current period are reclassified under "*Net profit (loss) from discontinued operations*". A similar reclassification is performed in the cash flow statement on the line "*Net effect of discontinued operations*" within cash flows from operating activities.
- Costs directly attributable to the outstanding sale transaction, for which there is an irrevocable commitment as at the balance sheet date, are posted to "*Net profit (loss) from discontinued operations*". A similar reclassification is performed in the cash flow statement on the line "*Net effect of discontinued operations*" within cash flows from investing activities.
- Assets and liabilities directly attributable to the company or activity sold, which will be transferred on sale, are reclassified under "assets held for resale" or "liabilities held for resale" only in respect of the current period.

1.22 Consolidation of cooperatives

Since 1 April 2003, Rémy Cointreau has consolidated the two "eaux-de-vie" ageing cooperatives, Prochacoop and Champaco, as special purpose entities. On 28 February 2005, these cooperatives merged to become Alliance Fine Champagne (AFC). This entity is consolidated under the full method.

In April 2005, CLS Rémy Cointreau transferred to Alliance Fine Champagne its "eaux-de-vie" purchase commitments and the direct management of three-year supply agreements between itself and the distillers. Based on an analysis of the modus operandi for the management of these contracts and the price formula applied on delivery, it was considered that risks and rewards stemming from the ownership of the spirits inventories held by the distillers were transferred to Alliance Fine Champagne (therefore CLS Rémy Cointreau) upon the spirits passing the qualitative tests performed by Rémy Cointreau and the distiller subscribing to shares in the cooperatives in respect of its delivery commitments.

Accordingly, purchase commitments transferred to Alliance Fine Champagne have been recorded as inventories and the corresponding liability under trade payables with effect from 1 April 2005. This was done after restatement to comply with Group accounting policies.

1.23 Consolidation of JV Maxxium

Rémy Cointreau Group holds a 25% stake in the Maxxium BV distribution venture, to which it is bound by a strategic distribution agreement signed with three other partners: The Edrington Group, Beam Global Brands, and Vin & Sprit.

The agreement signed with Maxxium contains specific rules regarding the appropriation of the profits of Maxxium BV between the partners, with as consequence that the profits and dividends are not appropriated by reference to the partners' interest in the capital (25% each).

At every period end, the theoretical net profit or loss is allocated to each partner based on a contractual formula. The net profit or loss is compared to Maxxium’s actual net profit or loss on each partner’s product range. The positive or negative post-tax difference arising, which is termed "excess (short) contribution", is added or deducted from each partner's basic share of earning (25% each). The resulting amount also corresponds to the dividend which will be distributed.

Due to the geographical spread of the sales of its brand portfolio in the joint venture, as from year ended 31 March 2006, Rémy Cointreau earns an "excess contribution". An economic and financial analysis of this "excess contribution" results in redistributing a portion to the brands. On equity consolidation of the joint venture, Rémy Cointreau includes this portion under current operating profit and tax. The remaining balance remains within “*Share of profit of associates*”.

2 CHANGES IN CONSOLIDATION SCOPE

2.1 Businesses sold during the year

On 17 August 2005, Rémy Cointreau finalised the sale of its 50% equity interest in Bols Sp.z.o.o, the Polish production and distribution joint venture. Details of this transaction are provided in note **21**.

The activities included in the sale were consolidated for the period from 1 April 2005 to 17 August 2005 under "Net profit (loss) from discontinued operations". The net profit from these activities for the year ended 31 March 2005 has been reclassified under "Net profit (loss) from discontinued operations" in the comparative figures of the consolidated income statement.

The income statement and balance sheet of Bols Sp.z.o.o. are as follows:

(€ millions)	2006 (1)	2005
Net sales	**18.0**	**72.1**
Gross profit	9.0	42.2
Distribution costs	(7.9)	(25.9)
Current operating profit	**1.1**	**16.3**
Net financial expenses	(0.5)	(2.2)
Profit before tax	**0.6**	**14.1**
Income tax expense	(0.1)	(3.3)
Net profit	**0.5**	**10.8**

(1) for the period ended 17 August 2005

(€ millions)

ASSETS	**2005**
Intangible assets	0.8
Property, plant and equipment	11.3
Deferred tax	2.2
Non-current assets	**14.3**
Inventories	5.9
Trade and other receivables	32.0
Cash and cash equivalents	9.2
Current assets	**47.1**
Total assets	**61.4**

LIABILITIES AND EQUITY	
Equity - Group share	**11.8**
Minority interests	11.7
Total equity	**23.5**
Long-term financial debt	0.7
Deferred tax	0.5
Non-current liabilities	**1.2**
Short-term financial debt and accrued interest	0.5
Trade and other payables	35.5
Income tax payable	0.7
Current liabilities	**36.7**
Total liabilities and equity	**61.4**

The income statement data above does not include sales of around €3 million per year earned by other Rémy Cointreau Group companies with Bols Sp.z.o.o.

The transaction also resulted in a reduction of €104.4 million in the line “brands”.

The impact of the sale of these activities on segment data for the year ended 31 March 2005 is as follows:

(€ millions)	Net sales	Current operating profit
Cognac	(0.2)	
Liqueurs and spirits	(58.5)	(16.9)
Partner brands	(8.7)	
Total	**(67.4)**	**(16.9)**
Of which Europe	**(67.4)**	**N/A**

2.2 Activities in the process of being sold

2.2.1. Sale of a range of liqueurs and spirits brands

In March 2006, Rémy Cointreau Group signed an agreement subject to outstanding conditions with an investment fund for the sale of a range of brands mainly comprising the Italian liqueurs Galliano and Vaccari, Bols liqueurs, the gin brands Bols, Bokma, Hartevelt and other Dutch liqueurs. This agreement led to a sales contract signed on 11 April 2006 (see note **21.2**).

All lines of the income statement of the activities sold were reclassified under "Net profit (loss) from discontinued operations" for the years ended 31 March 2006 and 31 March 2005. The amounts reclassified were as follows:

(€ millions)	2006	2005
Net sales	**67.4**	**70.0**
Gross profit	35.0	35.9
Distribution costs	(14.0)	(20.0)
Administrative expenses	(3.8)	(2.3)
Current operating profit	**17.2**	**13.6**
Provision for impairment		(25.7)
Other income from operations	(8.2)	(10.6)
Operating profit	**9.0**	**(22.7)**
Net financial expenses	(1.8)	(0.5)
Profit before tax	**7.2**	**(23.2)**
Income tax expense	(0.6)	13.6
Net profit	**6.6**	**(9.6)**

Balance sheet assets and liabilities and equity of the activities in the process of being sold (principally brands acquired on company acquisitions and the related deferred tax and inventories) have been reclassified under assets and liabilities held for resale in the balance sheet as at 31 March 2006.

(€ millions)

ASSETS	**2006**	**2005**
Intangible assets	188.2	188.2
Investments in associates	3.6	3.6
Deferred tax	3.8	3.4
Inventories	4.6	1.7
Total assets	**200.2**	**196.9**
LIABILITIES		
Deferred tax	52.7	55.8
Long-term provisions for risks and charges	12.8	10.9
Total liabilities	**65.5**	**66.7**

The impact of the reclassification on segment reporting was as follows:

(€ millions)	**Net sales**		**Current operating profit**	
	2006	**2005**	**2006**	**2005**
Cognac			(2.6)	(0.9)
Liqueurs and spirits	(67.4)	(70.0)	(14.0)	(12.7)
Champagne			(0.3)	(0.1)
Partner brands			(0.3)	0.1
Total	**(67.4)**	**(70.0)**	**(17.2)**	**(13.6)**

(€ millions)	**Net sales**	
	2006	**2005**
Europe	(49.6)	(53.0)
Americas	(6.8)	(6.6)
Asia and rest of world	(11.1)	(10.4)
Total	**(67.5)**	**(70.0)**

2.2.2. Sale of the brand Cognac de Luze

At the balance sheet date, Rémy Cointreau Group was negotiating the sale of the brand Cognac de Luze to a regional operator.

The income statement for Cognac de Luze was reclassified under "Net profit (loss) from discontinued operations" for the years ended 31 March 2006 and 31 March 2005. The reclassified amounts are as follows:

(€ millions)	**2006**	**2005**
Net sales	**5.0**	**5.4**
Gross profit	0.7	1.4
Distribution costs	(1.1)	(0.4)
Current operating profit	**(0.4)**	**1.0**
Income tax expense	0.1	(0.3)
Net profit	**(0.3)**	**0.7**

Balance sheet assets in the process of being sold (mainly inventories) have been reclassified under assets held for resale in the balance sheet as at 31 March 2006.

(€ millions)

ASSETS	**2006**	**2005**
Inventories	3.8	3.0

The impact of the reclassification on segment reporting was as follows:

(€ millions)	**Net sales**		**Current operating profit**	
	2006	**2005**	**2006**	**2005**
Cognac	(5.0)	(5.4)	0.4	(1.0)
Total	**(5.0)**	**(5.4)**	**0.4**	**(1.0)**

(€ millions)	Net sales	
	2006	**2005**
Europe	(4.6)	(5.0)
Americas	(0.1)	(0.1)
Asia and rest of world	(0.3)	(0.3)
Total	**(5.0)**	**(5.4)**

3 BRANDS AND OTHER INTANGIBLE ASSETS

(€ millions)	**Brands**	**Distribution rights**	**Other**	**Total**
Cost at 31 March 2005	**960.1**	**14.8**	**23.1**	**998.0**
Additions		0.8	0.6	1.4
Disposals			(0.7)	(0.7)
Reclassified under assets held for	(208.5)	(5.4)		(213.9)
Changes in consolidation scope	(128.2)		(1.8)	(130.0)
Other			0.3	0.3
Translation adjustment	0.6	0.4		1.0
Cost at 31 March 2006	**624.0**	**10.6**	**21.5**	**656.1**
Accumulated depreciation and impairment at 31 March 2005	**52.5**	**7.5**	**15.3**	**75.3**
Charge for the year	0.1	0.1	1.9	2.1
Disposals			(0.6)	(0.6)
Reclassified under assets held for resale	(25.7)			(25.7)
Changes in consolidation scope	(23.5)		(1.3)	(24.8)
Translation adjustment		0.2		0.2
Accumulated depreciation and impairment at 31 March 2006	**3.4**	**7.8**	**15.3**	**26.5**
Net book value at 31 March 2005	**907.6**	**7.3**	**7.8**	**922.7**
Net book value at 31 March 2006	**620.6**	**2.8**	**6.2**	**629.6**

"Other" largely consists of software licenses and leasing rights.
Amounts disclosed under "Reclassified under assets held for resale" are explained in note **2.2**. "Changes in consolidation scope" relate to the sale of Bols Sp. z.o.o. (note **2.1**).

4 PROPERTY, PLANT AND EQUIPMENT

(€ millions)	Land	Buildings	Other	In progress	Total
Cost at 31 March 2005	**42.3**	**120.1**	**187.3**	**5.2**	**354.9**
Additions	0.1	0.4	7.5	11.6	19.6
Disposals	(0.8)	(9.7)	(30.4)		(40.9)
Changes in consolidation scope	(0.2)	(4.4)	(12.4)	(0.6)	(17.6)
Other		0.8	6.8	(7.7)	(0.1)
Translation adjustment	0.1	0.3	0.5	0.2	1.1
Cost at 31 March 2006	**41.5**	**107.5**	**159.3**	**8.7**	**317.0**
Accumulated depreciation and impairment at 31 March 2005	**1.1**	**44.3**	**113.9**	**0.0**	**159.3**
Charge for the year	0.5	3.1	8.9		12.5
Disposals		(3.2)	(27.1)		(30.3)
Changes in consolidation scope		(0.8)	(5.4)		(6.2)
Other		(0.4)	1.1		0.7
Translation adjustment			0.5		0.5
Accumulated depreciation and impairment at 31 March 2006	**1.6**	**43.0**	**91.9**	**0.0**	**136.5**
Net book value at 31 March 2005	**41.2**	**75.8**	**73.4**	**5.2**	**195.6**
Net book value at 31 March 2006	**39.9**	**64.5**	**67.4**	**8.7**	**180.5**

The net book value of disposed fixed assets amounts to €10.6 million comprising €8.5 million for the book value of the logistics platform at Angers that was sold to a third party during the last quarter of the year. The sale resulted in a capital gain of €2.2 million that was posted to “Other income from operations”.

The additions of €19.6 million mainly comprise industrial capital expenditure at the Group’s various production facilities in Cognac, Angers, Barbados and Reims. This amount includes subsidies received of €0.7 million.

"Changes in consolidation scope" with a net book value of €11.4 million relate to the sale of Bols Sp. z.o.o. (note **2.1**).

These fixed assets are free of any charges.

5 INVESTMENTS IN ASSOCIATES

Investments in associates represent equity interests in companies meeting the principle described in note **1.2**.

(€ millions)	Maxxium	Dynasty	Avandis	Total
At 31 March 2004	**78.4**	**18.7**	**3.6**	**100.7**
Dividends paid (1)	(3.2)	(4.6)		**(7.8)**
Profit for the year	2.3	5.1		**7.4**
Gain on dilution		13.7		**13.7**
Translation adjustment	0.4	(0.8)		**(0.4)**
At 31 March 2005	**77.9**	**32.1**	**3.6**	**113.6**

(€ millions)	Maxxium	Dynasty	Avandis	Total
At 31 March 2005	**77.9**	**32.1**	**3.6**	**113.6**
Dividends paid [1]	(3.4)	(3.9)		**(7.3)**
Profit for the year	4.4	4.1		**8.5**
Reclassified under assets held for sale			(3.6)	**(3.6)**
Acquisition		8.8		**8.8**
Other		0.2		**0.2**
Translation adjustment	0.3	3.1		**3.4**
At 31 March 2006	**79.2**	**44.4**	**0.0**	**123.6**

(1) for Maxxium, dividend deducted from Maxxium's share premium

5.1 Maxxium

Maxxium B.V., a distribution joint venture, was founded on 1 August 1999 based on a strategic distribution agreement Rémy Cointreau S.A. signed with two other partners: The Edrington Group and Beam Global Brands. Swedish-based Vin & Sprit, which owns the Vodka Absolut brand, joined the venture in May 2001. Since then, Rémy Cointreau holds a 25% equity stake in Maxxium B.V.

The joint venture consists of some 40 distribution companies and has its head office in Holland. It distributes the portfolio of Rémy Cointreau brands worldwide with the main exception of the United States, the Carabean, Poland and Hungary.

In July 2005, Fortune Brands, holding company of Beam Global Brands, purchased a range of brands from Pernod Ricard that it had held since buying them from Allied Domecq. An amendment was made to the strategic distribution agreement in order to include the distribution of some of these brands within the joint venture, which is expected to lead to a 20% increase in Maxxium's total annual net sales.

Maxxium B.V.'s partners are both suppliers and shareholders to Maxxium B.V. net sales earned by Rémy Cointreau with Maxxium's distribution companies or with customers managed by them account for 42.1% of total net sales for the year ended 31 March 2006 (2005: 42.7%).

On 1 July 2005 Maxxium changed its financial year end from 30 June to 31 March, leading to an interim period of 9 months. The summary figures below relate to Rémy Cointreau's normal financial year ended 31 March.

Summary income statement:

(€ millions)	2006	2005
Managed net sales [1]	1,675.2	1,462.6
Of which invoiced	1,493.6	1,287.5
Of which commissions	181.6	175.1
Current operating profit	**28.6**	**18.4**
Net profit	**22.5**	**10.9**

(1) of which Rémy Cointreau products €568.3 million (2005: €520.3 million)

Breakdown of net sales by geographical region:

(€ millions)	2006	2005
Europe	866.3	809.4
Americas	212.4	171.8
Asia and rest of world	596.5	481.4
Total	**1,675.2**	**1,462.6**

Summary balance sheet:

(€ millions)	**2006**	**2005**
Fixed assets	298.2	284.8
Working capital	145.3	184.9
Net assets	**443.5**	**469.7**
Financed by:		
Net financial debt	126.9	169.8
Equity	316.6	299.9
Total	**443.5**	**469.7**

Maxxium B.V. employed 1 979 people as at March 31 2003 (2005 : 1 602).

Rules for allocating Maxxium B.V.'s and its partners' profits are described under note **1.23**.
The financial impact of ongoing transactions between Maxxium B.V. and Rémy Cointreau are covered under note **25** regarding related parties.

5.2 Dynasty

Dynasty group produces and sells various ranges of wines on the Chinese market where it enjoys a leading position. Its relationship with Rémy Cointreau dates from the founding of the joint venture with the municipality of Tianjin (Republic of China) in 1980.

During the year ended 31 March 2005, Rémy Cointreau's 33% stake in the Sino-French Joint venture Dynasty Winery Ltd was transformed into a 23.86% equity interest in Dynasty Fine Wines Limited, which was floated on the Hong Kong stock exchange. This transformation gave rise to a dilution gain of €13.7 million. At 31 March 2005, Rémy Cointreau held 297,000 shares.

In December 2005, Rémy Cointreau purchased 30,000 additional shares from a third party for €8.8 million representing a further equity interest of 2.41%. This transaction generated goodwill on acquisition of €5.5 million, which was posted to "Investments in associates".

At 31 March 2006, Rémy Cointreau held 327,000 Dynasty shares representing a 26.27% equity stake. The share price on the Hong Kong stock exchange on that date stood at HKD 3.25 (2005: HKD 3.25).

There are no commercial transactions between Rémy Cointreau Group and Dynasty. The relationship is therefore primarily financial.

Dynasty's financial year end is 31 December. The key figures below have been taken from Dynasty Group's financial statements after conversion into euros. The figures have been adjusted for Rémy Cointreau's financial year ended 31 March for purposes of the equity consolidation.

Summary income statement:

(€ millions)	**2005**	**2004**
Net sales	103.6	76.0
Current operating profit	25.1	21.2
Net profit	**19.6**	**15.7**

Summary balance sheet:

(€ millions)	**2005**	**2004**
Fixed assets	35.2	19.6
Working capital	27.5	7.2
Net assets	**62.7**	**26.8**
Financed by:		
Financial debt net of cash and equivalents	(83.4)	(20.2)
Equity	146.2	47.0
Total	**62.7**	**26.8**

5.3 Avandis CV

Avandis CV is a joint venture operating in the Netherlands in association with 2 local partners that produce Dutch liqueurs and spirits (principally the brands Bols, Bokma and other gins and the Pisang Ambon liqueurs). This 33.33% equity interest is included in the planned asset sale described in notes **2.2.1 and 21**. Consequently, it has been reclassified under assets held for resale.

6 OTHER INVESTMENTS

(€ millions)	2006	2005
Non-consolidated equity investments	5.3	5.3
CEDC shares	53.7	
Value of security on CEDC shares	7.2	
Advance payments for pension and retirement schemes	0.6	0.3
Loans to non-consolidated equity investments	1.2	1.1
Liquidity account excluding Rémy Cointreau shares	1.9	
Other	0.8	0.9
Total	**70.7**	**7.6**

The principale variation concerns the 1,691,419 CEDC shares received on sale of its Polish business to CEDC. CEDC is listed on NASDAQ. In accordance with note **1.10 c**, the shares are valued at each balance sheet date at market price, which was $38.45 as of 31 March 2006, and the change in value since the acquisition date is posted to "Other financial income and expenses".

Under the transaction agreement, Rémy Cointreau obtained guarantees regarding the share price in the event of a sale. These guarantees, which are akin to put options, were valued as at the date of issuing the guarantee and are valued at each balance sheet date. Changes in value are also posted to "Other financial income and expenses ".

During the year ended 31 March 2006, Rémy Cointreau took out a liquidity account with a financial intermediary (see note **1.18**). This type of contract does not qualify as "Cash and cash equivalents". Furthermore, the balance of the account corresponding to the value of the Rémy Cointreau shares held in conjunction with the contract is deducted from consolidated equity as treasury shares.

Non-consolidated equity investments are broken down as follows:

(€ millions)	% interest	2006	2005
Dettling & Marmot (Switzerland)	25.0%	1.0	1.0
Ducs de Gascogne S.A. (France)	30.1%	1.1	1.1
Tianjin Dvpt Holding Ltd (PRC)	0.2%	0.6	0.3
Caves Allianca S.A. (Portugal)	5.4%	1.1	1.3
Destilerias de Vilafranca S.A. (in liquidation)	100.0%	1.5	1.6
Total		**5.3**	**5.3**

7 INVENTORIES

7.1 Breakdown by inventory category

(€ millions)	2006	2005
Goods for resale and finished products	95.4	96.5
Raw materials	69.3	84.5
Ageing wines and eaux-de-vie	679.3	655.9
Other	13.0	13.3
At cost	**857.0**	**850.2**
Provision for impairment	(4.6)	(4.3)
Net book value	**852.4**	**845.9**

7.2 Analysis of the change

(€ millions)	Total
31 March 2005	**845.9**
Change in inventory at cost	(34.7)
Impairment charge for the year	(0.6)
Changes in consolidation scope	(6.3)
Reclassified under assets held for resale	(8.4)
Adjustment for inventories of distillers at 1 April 2005 (1)	52.8
Translation adjustment	3.7
31 March 2006	**852.4**

(1) Inventories held by distillers transferred to AFC and posted to inventory and trade payables with effect from 1 April 2005 (see note **1.22**).

8 TRADE AND OTHER RECEIVABLES

(€ millions)	2006	2005
Trade receivables	183.6	181.7
Tax receivables (excluding income tax)	16.2	20.4
Sundry prepaid expenses	8.1	10.3
Other receivables	35.2	27.3
Total	**243.1**	**239.7**

The provision for doubtful receivables is a specific provision and is valued based on the bad debt risk. At 31 March 2006, this provision amounted to €3.2 million (2005: €6.8 million).

9 DERIVATIVE FINANCIAL INSTRUMENTS

The Group makes use of derivative financial instruments as part of hedging exposure to currency and interest rate risks. The policy for managing market risks complies with prudent rules approved by the board of directors. Specifically, the sale of options is limited to tunnel strategies or to resale of previously purchased instruments that are subject to approval on an individual basis.

All hedging transactions are contracted with top-quality international banks.

With regard to currency risks, the forward hedging horizons are limited to a rolling 12 to 18 month horizon and the hedging strategies, which are based on net commercial exposure according to the budget, are approved by the board of directors.

The group does not hedge for currency risks arising from the translation into euros of financial statements of companies outside the euro zone.

The hedging policy covers short-term currency risks. It does not protect the group against the economic effects of long-term money market trends on the Group's margins.

9.1 Breadkdown of financial instruments (interest rates and exchange rates)

The table below summarises the various "derivative financial instruments" accounts at 31 March 2005, 1 April 2005 and 31 March 2006 after adjusting for IAS 32/39.

(€ millions)	March 2006	1 April 2005	March 2005
Assets			
Derivatives on interest rates	2.9	0.2	
Derivatives on exchange rates	4.0	10.1	8.9
Total	**6.9**	**10.3**	**8.9**
Liabilities			
Derivatives on interest rates	0.6	5.3	
Derivatives on exchange rates	1.3	2.4	2.7
Total	**1.9**	**7.7**	**2.7**

The 31 March 2005 data above represent premiums paid or received. The other years' data represent the market value of the instruments.

9.2 Derivatives on interest rates

The instruments held in the portfolio at 31 March 2006 and 1 April 2005 concern interest rate hedges on the Subordinated perpetual notes (TSDI) and the syndicated loan.

Instruments relating to the TSDI contracted in May 1996 are as follows:

	Currency	Nominal value (€ millions)	Rate received	Rate paid	Value at 31 March 2006	Value at 1 April 2005
Rémy Cointreau	EUR	131.11	Euribor 6M	Fixed	(0.7)	(6.3)
Rémy Cointreau	EUR	21.34	Euribor 6M	Fixed	(0.7)	(5.9)
Rémy Cointreau	EUR	108.73 to 118.53	Euribor 6M	Fixed	(1.0)	(9.1)
Rémy Cointreau	EUR	26.2 to 22.3	Fixed	Euribor 6M	0.1	1.0
FCC	EUR	131.11	Fixed	Euribor 6M	0.7	6.3
FCC	EUR	21.34	Fixed	Euribor 6M	1.0	9.1
Total					**(0.6)**	**(4.9)**

The interest rate swaps described above no longer qualify as hedges for the first-time application of IAS 39. Their value at 1 April 2005 was deducted from equity and their subsequent change in value of €4.3 million for the year ended 31 March 2006 is included within net financial expenses for the year.

Other derivative financial instruments on interest rates held in the portfolio at the balance sheet date were as follows:

	31 March 2006				1 April 2005			
(€ millions)	**Nominal value**	**Qualified as hedge**	**Initial value**	**Market value**	**Nominal value**	**Qualified as hedge**	**Initial value**	**Market value**
Portfolio of Caps								
Maturing December 2005					180.0	yes	0.3	
Maturing March 2006					150.0	yes	0.4	
Maturing December 2006	120.0	No	0.3		120.0	yes	0.3	
Maturing March 2007	325.0	no	0.7	0.7	275.0	yes	0.5	0.2
Maturing March 2008	200.0	yes	0.9	2.2				
Total	**645.0**		**1.9**	**2.9**	**725.0**		**1.5**	**0.2**
FRA 3 mois								
Maturing September 2005					120.0	yes		(0.1)
Maturing December 2005					80.0	yes		-
Maturing March 2006					50.0	yes		-
Maturing June 2006	30.0	no		-				
Sales of floors								
Maturing December 2005						yes	(0.1)	(0.3)
Total							**(0.1)**	**(0.4)**

9.3 Derivatives on exchange rates

The Group uses options to hedge commercial transactions. Commercial transactions for the year for which payment has not occured as of the balance sheet date are hedged by brokers' swaps.
Furthermore, Rémy Cointreau S.A., which manages treasury on behalf of the Group and its subsidiary Financière Rémy Cointreau, make intra-group loans or borrowings in the currency of the counterparty. The Group matches currency swaps to these foreign currency loans or borrowings exactly. All such transactions fall due in less than one year.

The following table summarises all currency hedging instruments in the portfolio at the balance sheet date. All these instruments mature in less than 12 months.

	March 2006				1 April 2005			
(€ millions)	**Nominal value (1)**	**Qualified as hedge**	**Initial value**	**Market value**	**Nominal value (1)**	**Qualified as hedge**	**Initial value**	**Market value**
Put options and option tunnels								
USD/EUR	240.0	yes	4.2	1.3	230.0	yes	2.7	7.0
AUD/EUR	10.0	yes	0.1	0.3	12.0	yes	0.1	0.1
CAD/EUR	16.0	yes	0.2	0.1	14.0	yes	0.2	0.0
CAD/EUR	4.0	no	0.1	0.1				
GBP/EUR	12.0	yes	0.4	0.5	10.0	yes	0.3	0.2
JPY/EUR	1,600.0	yes	0.2	0.4	1,200.0	yes	0.2	0.4
Total			**5.2**	**2.7**			**3.5**	**7.7**

(1) *expressed in millions of currency units*

(€ millions)	March 2006 Nominal value (1)	Qualified as hedge	Nominal value at guranteed price	1 April 2005 Nominal value (1)	Qualified as hedge	Nominal value at guranteed price
Broker (sale) or purchase swaps on commercial transactions						
USD/EUR	(48.4)	no	(40.1)	(45.8)	no	(35.4)
AUD/EUR	(1.2)	no	(0.7)	(3.3)	no	(2.0)
CAD/EUR	0.8	no	0.6	(0.9)	no	(0.6)
JPY/EUR	(855.0)	no	(6.1)	(546.3)	no	(3.9)
GBP/EUR	(0.3)	no	(0.4)	(1.2)	no	(1.7)
CHF/EUR				0.1		0.1
NZD/EUR	(2.4)	no	(2.0)	(1.2)	no	(0.7)
HKD/USD	(2.0)	no	(0.2)	(0.5)	no	(0.1)
Total			**(48.9)**			**(44.3)**
Currency swaps - purchase (sale) on financing activities						
HKD/EUR	32.5	no	3.5	106.5	no	10.2
AUD/EUR	2.4	no	1.5	2.4	no	1.4
CHF/EUR	0.9	no	0.6	1.0	no	0.6
GBP/EUR	0.7	no	1.0	0.3	no	0.4
USD/EUR	(40.0)	no	(33.2)	(35.3)	no	(27.4)
Total			**(26.6)**			**(14.8)**

(1) *expressed in millions of currency units*

9.4 Equity swap

On 31 October 2001, Rémy Cointreau S.A. entered into an equity swap contract with a financial institution covering 2,100,000 Rémy Cointreau shares. At 31 March 2006, there remained 210,000 shares under the contract (2005: 210,000 shares). Rémy Cointreau pays interest at variable rates in addition to any capital losses based on the reference share price of €20.52 and receives dividends on the shares (and other financial rights attached to the shares) as well as any capital gains based on the reference share price. The financial institution receives the full amount of any capital gain on the maturity date of the contract set at 8 November 2006.

A net interest charge of €0.1 million was recorded for the year under net financial expenses (2005: €0.1 million).

9.5 Other derivatives

Other derivatives in the portfolio at 31 March 2006 comprise the following:

- Two hedging derivatives received in conjunction with the sale of the Polish business to CEDC (note **21**) which are included under "Other investments" (note **6**) ;
- Call options on Rémy Cointreau shares covering 224,497 shares that have not been included in the balance sheet in accordance with IAS 39.

10 CASH AND CASH EQUIVALENTS

(€ millions)	2006	2005
Marketable securities	10.8	26.4
Current accounts with associates	3.6	6.2
Cash at bank	17.2	21.0
Total	**31.6**	**53.6**

11 EQUITY

11.1 Share capital, share premium and treasury shares

	Number of shares	Treasury shares	Total number of shares	Share capital	Share premium	Treasury shares
At 1 April 2004	**44,779,849**	**(509,985)**	**44,269,864**	**71.6**	**626.4**	**(10.5)**
Exercise of stock options	272,812		272,812	0.5	4.3	
Sale with repurchase option		479,985	479,985			9.9
At 31 March 2005	**45,052,661**	**(30,000)**	**45,022,661**	**72.1**	**630.7**	**(0.6)**
Exercise of stock options	702,116		702,116	1.1	15.3	
Conversion of bonds	30,032		30,032		0.6	
Conversion of OCEANE bonds	2,262		2,262		0.1	
Sale with repurchase option and cancellation of shares purchased	(280,927)		(280,927)	(0.4)	(7.2)	
Change in liquidity account		5,300	5,300			(0.4)
Net capital gain on liquidity account transactions						0.3
At 31 March 2006	**45,506,144**	**(24,700)**	**45,481,444**	**72.8**	**639.5**	**(0.7)**

11.1.1. Share capital and share premium

At 31 March 2006, the share capital consisted of 45,506,144 shares with a by value of €1.60 per share.

Between 1 April 2005 and 31 March 2006, 702,116 shares were issued in connection with the stock options granted to certain employees.

280,927 shares held under plan 10 were included in a sale with repurchase option in March 2005. Rémy Cointreau exercised the repurchase option in February 2006 and the corresponding shares were cancelled.

A convertible bond with a by value of €0.6 million matured during the year leading to the issue of 30,032 new shares with dividend entitlement as from 1 April 2005.

In March 2006, 2,262 OCEANE bonds (see note **12.3**) were converted into 2,262 shares.

11.1.2. Treasury shares

As part of its share buyback programme, Rémy Cointreau held 30,000 of its own shares at 31 March 2005. These shares were deducted from consolidated equity for €0.6 million.

In November 2005, these 30,000 shares were allocated to a liquidity contract managed by Rothschild & Cie Banque (see note **1.19**). At 31 March 2006, 24,700 shares are held in the liquidity account for a value of €1.0 million. These shares are deducted from equity. Post-tax gains earned on the shares by the manager of the liquidity account of €0.3 million were also posted to equity.

11.2 Number of shares used for the calculation of earnings per share

The principles for calculating earnings per share are specified under note **1.20**.

The following table shows the number of shares used to calculate basic and diluted earnings per share. The first column indicates the number of shares in issue at the end of the year.

	31 March 2005		
Shares outstanding	**Balance**	**Average**	**Diluted**
Brought forward:			
Shares in issue	44,779,849	44,779,849	44,779,849
Treasury shares	(632,430)	(632,430)	(632,430)
Convertible bonds		30,032	30,032
Issued during the period:			
Exercise of stock options	272,812	58,043	58,043
Sale of treasury shares	602,430	11,553	11,553
Subtotal	**45,022,661**	**44,247,047**	**44,247,047**
Shares that could be issued in the future			
Exercise of stock options			416,132,
Conversion of OCEANE bonds			6,833,691
Subtotal	**0**	**0**	**7,249,823**
Total	**45,022,661**	**44,247,047**	**51,496,870**

The Rémy Cointreau share price used as reference for calculating shares that could be issued in the future in connection with the exercise of options was €28.42.

	31 March 2006		
Shares outstanding	**Balance**	**Average**	**Diluted**
Brought forward:			
Shares in issue	45,052,661	45,052,661	45,052,661
Treasury shares	(30,000)	(30,000)	(30,000)
Issued during the period:			
Exercise of stock options	702,116	296,878,	296,878
Convertible bonds	30,032	30,032	30,032
Repurchase/cancellation	(280,927)	(34,635)	(34,635)
Change in treasury shares	5,300	5,300	5,300
Conversion of OCEANE bonds	2,262	50	50
Subtotal	**45,481,444**	**45,320,286**	**45,320,286**
Shares that could be issued in the future			
Exercise of stock options (1)			573,279
Conversion of OCEANE bonds (2)			
Subtotal	**0**	**0**	**573,279**
Total	**45,481,444**	**45,320,286**	**45,893,565**

(1) The Rémy Cointreau share price used as reference for calculating shares that could be issued in the future in connection with the exercise of options was €37.44
(2) The OCEANE bonds matured on 1 April 2006 and the deadline for conversion was 23 March 2006. Only 2,262 shares were converted.

11.3 Stock option plans and similar schemes

11.3.1. Stock option plans or share buy-backs

These plans were granted in conjunction with authorisations granted by the extraordinary general meetings held on 26 August 1998 (plans 6,7,8,9), 24 August 2000 (plans 10,11), 21 September 2001 (plan 11,12) and 7 September 2004 (plan 13).

Start date of plan	Plan no.	Term	Type	Number of options granted	Exercise price in euros	Lapsed options	Exercised options at 31 March 2005	Options exercised in the year	Outstanding options at 31 March 2006
28 October 1998	6	7 years	Subscription	224,044	13.55	2,152	175,019	46,873	
28 April 1999	7	10 years	Subscription	289,300	12.20	4,700	183,164	48,320	53,116
7 December 1999	8	10 years	Subscription	499,100	16.36	3,400	264,577	72,973	158,150
30 May 2000	9	10 years	Subscription	131,280	18.85		34,065	27,500	69,715
1 March 2003	10	8 years	Subscription	1,016,600	27.10	32,000	65,000	401,450	518,150
8 March 2006	11	6 years	Subscription	659,500	25.00		8,500	105,000	546,000
16 September 2007	12	6 years	Purchase	287,000	27.67	23,000			264,000
24 December 2008	13	6 years	Purchase	262,000	28.07	30,000			232,000
Total				**3,368,824**		**95,252**	**730,325**	**702,116**	**1,841,131**

For all plans, one option corresponds to one share granted.

11.3.2. Bonus share issues

A bonus share scheme ("Plan 2005") covering 96,500 shares was decided by the board of directors on 11 October 2005 in accordance with the approval voted at the extraordinary shareholders' general meeting of 28 July 2005. The term of allocation of the rights is two years and the issue is subject to Group performance criteria as of 31 March 2007.

11.3.3. Calculation of the charge for the year

In accordance with IFRS 2, valuation of Plans 12 and 13 and Plan 2005 are based on assumptions and values as follows:

	Plan 12	Plan 13	Plan 2005 (2)
Volatility (1)	33%	28%	-
Dividend payout	3.6%	3.6%	-
Risk-free rate	4.2%	3.6%	-
Turnover rate	2.4%	3.4%	5.0%
Value per option (€)	9.11	8.00	33.00

(1) Assumptions based on historic data

(2) Plan 2005 is a bonus share scheme whereby the valuation is based on the share price on the date of granting the option and on the estimated dividends paid during the term of acquisition of the rights, weighted according to the probability of meeting the criteria for the bonus issue to proceed.

The charge calculated is the value per stock option of the plans multiplied by the estimated number of options that will be exercised, amortised on a straight-line basis over the period of acquisition of the rights (4 years for Plans 12 and 13, 2 years for Plan 2005).

The charge amounted to €1.7 million (2005: €0.8 million) for year ended 31 March 2006.

11.4 Dividends

In October 2005, Rémy Cointreau S.A. paid a dividend of €1.0 per share in respect of year ended 31 March 2005 amounting to a total of €45.0 million.

The dividend that will be recommended to the shareholders' general meeting on 27 July 2006 in respect of year ended 31 March 2006 is €1.10 per share amounting to a total of €50.1 million before the adjustment for treasury shares.

11.5 Minority interests

(€ millions)	2006	2005
Minority interests of Mount Gay Distilleries	0.7	0.5
Interest of Takirra Investment Corp. NV in Botapol Holding BV & Bols Sp.z.o.o		18.3
Other interests of Takirra Investment Corp. NV in subsidiaries	(3.9)	0.5
Other		0.1
Total	**(3.2)**	**19.4**

The minority interests in the Polish entities held by Takirra Investment Corp. NV were reversed following their sale to CEDC (see notes **2.1** and **21**). Under the transaction, provisions for outstanding litigation were set aside in the retained entities held as joint ventures with Takirra Investment Corp. NV.

12 FINANCIAL DEBT

12.1 Breakdown

The following table breaks down the financial debt as of 31 March 2005, 1 April 2005 after adjusting for IAS 32/39 and at 31 March 2006.

	31 March 2006			**1 April 2005**			**31 March 2005**		
	Long term	**Short term**	**Total**	**Long term**	**Short term**	**Total**	**Long term**	**Short term**	**Total**
TSDI or FCC units		11.9	11.9	34.0		34.0	28.3		28.3
OCEANE and other convertible bonds		331.6	331.6	316.8		316.8	325.6		325.6
Bonds	375.5	2.0	377.5	377.3	0.7	378.0	384.6	2.1	386.7
Confirmed and unconfirmed credit lines		1.3	1.3		0.7	0.7		0.7	0.7
Actuarial adjustments	(1.1)	(0.4)	(1.5)		(2.8)	(2.8)			
Accrued interest		18.1	18.1		18.2	18.2		26.6	26.6
Total Rémy Cointreau S.A.	374.4	364.5	738.9	728.1	16.8	744.9	738.5	29.4	767.9
Finance leases		0.1	0.1		0.2	0.2		0.2	0.2
Other borrowings and overdrafts	1.8	13.3	15.1	7.9	11.4	19.3	7.9	11.4	19.3
Borrowings of ad-hoc entities		49.0	49.0		129.0	129.0		129.0	129.0
Total subsidiaries	1.8	62.4	64.2	7.9	140.6	148.5	7.9	140.6	148.5
Financial debt	**376.2**	**426.9**	**803.1**	**736.0**	**157.4**	**893.4**	**746.4**	**170.0**	**916.4**

	March 2006			**1 April 2005**			**March 2005**		
	Long term	**Short term**	**Total**	**Long term**	**Short term**	**Total**	**Long term**	**Short term**	**Total**
Financial debt	376.2	426.9	803.1	736.0	157.4	893.4	746.4	170.0	916.4
Cash and cash equivalents		(31.6)	(31.6)		(53.6)	(53.6)		(53.6)	(53.6)
Net financial debt	**376.2**	**395.3**	**771.5**	**736.0**	**103.8**	**839.8**	**746.4**	**116.4**	**862.8**

12.2 TSDI

Rémy Cointreau issued €304.9 million in subordinated perpetual securities ("TSDI") on 16 May 1991. The annual interest rate applicable until 16 May 2006 is 6-month Euribor plus 1% The securities were repackaged at the time of their issue as part of an agreement with a third party. Under this agreement, the third party, through a separate agreement entered into with the subscribers to the securities, undertook to redeem the securities after 15 years and to waive the right to interest from the sixteenth year in exchange for an initial payment by the company of €82.9 million. Due to these clauses, the securities were recorded at the time of their issue as a liability in the balance sheet at their net amount of €222.0 million. In each year's financial statements, the €82.9 million are written down on an actuarial basis as a reduction to the debt together with a corresponding reduction in financial expenses.

In May 1996, these securities were restructured and sold at their current value to a *Fond Commun de Créance* (debt securitisation fund – "FCC") which will receive the interest income until 15 May 2006. In conjunction with the restructuring, interest rate swaps were entered for both Rémy Cointreau and the FCC (see note **9**).

With effect from 1 April 2005, following the introduction of IAS32/39, the FCC is consolidated as an ad-hoc entity such that the FCC's debt is posted as an item eliminating the corresponding balance of the securities.

(€ millions)	**31 March 2006**	**1 April 2005**	**31 March 2005**
Principal borrowed	304.9	304.9	304.9
Accumulated write-downs	(301.7)	(276.6)	(276.6)
Net balance	3.2	28.3	28.3
Reclassification of issue costs		(0.5)	
Reciprocal elimination of FCC	(3.2)	(28.3)	
FCC units	11.9	34.5	
Total principal	**11.9**	**34.0**	**28.3**
Accrued interest (including swaps)	10.9	10.3	10.3
Reciprocal elimination of FCC (including swaps)	(9.1)	(8.7)	
Accrued interest FCC	0.1	0.4	
Total accrued interest	**1.9**	**2.0**	**10.3**

12.3 OCEANE

Following the authorisation granted by the Combined General Meeting of shareholders on 24 August 2000, the meeting of the Board of Directors of 13 December 2000 approved the issue of 6,896,551 bonds amounting to €300.0 million with the option to convert into and/or exchange for new and/or existing shares known as OCEANEs. Each bond has a par value of €43.50.

The bonds were issued at par and have a term of 5 years and 61 days with effect from 30 January 2001 attracting interest at 3.50% per year payable on 1 April each year. Redemption is scheduled to be made on 1 April 2006 at €48.53 per bond including a redemption premium of 11.56% of the par value, amounting to a total of €34.6 million.

Since the issue date, Rémy Cointreau has redeemed 62,837 OCEANEs and converted/exchanged 2,285 OCEANEs of which 2,262 OCEANEs during the period ended 31 March 2006.

For the first-time application of IAS32/39, the OCEANEs were accounted for in two parts:
- €29.7 million was posted to equity representing €29.1 million net of issue costs;
- €316.2 million was posted to debt after discounting from the issue date until 1 April 2005.

(€ millions)	March 2006	1 April 2005	March 2005
Principal borrowed	297.2	297.3	297.3
Redemption premium	34.4	27.7	27.7
Net amount	**331.6**	**325.0**	**325.0**
Reclassification of equity portion	(29.1)	(29.1)	
Reclassification of issue costs	0.0	(1.0)	
Adjustment for discounting	29.1	21.3	
Total principal (IFRS)	**331.6**	**316.2**	**325.0**
Accrued interest	10.4	10.4	10.4
Total accrued interest	**10.4**	**10.4**	**10.4**

12.4 Other convertible bonds

At 31 March 2005, 1,877 convertible bonds from a 1991 issue were outstanding amounting to debt of €0.6 million. These bonds matured on 21 March 2006 giving rise to the issue of 30,032 new shares (see note **11.1**).

12.5 Non-convertible bonds

12.5.1. €175 million bond issued on 24 June 2003

This 7-year bond is redeemable at par at maturity and attracts interest at 6.5% payable every six months.

The bond is not secured.

The bond carries a number of clauses for early redemption at the issuer's option as follows:

- Before 1 July 2006, in the event of a capital increase, whether for the general public or privately placed, at 106.5% on a proportional basis of up to 35% of the total nominal value of the bonds issued,

- At any time before 1 July 2007, redemption at par plus a premium equal to the higher of the following two amounts:
  (i) 1% of the principal amount redeemed
  (ii) an amount equal to the difference between: the present value on the redemption date at 103.25% plus interest calculated over the period from the redemption date to 1 July 2007. The discount rate used is the Bund interest rate on the redemption date plus 50 basis points,

- From 1 July 2007, under any circumstances, redemption of all or part of the bonds at 103.25% during 2007/2008, at 101.625% during 2008/2009, and at par during 2009/2010.

- The issue contract also provides every bondholder with the right to request redemption of the bonds held at 101% in the event of
  (i) a "fundamental change" covering the possible sale or transfer of a substantial part of the assets of Rémy Cointreau
  (ii) approval by the shareholders of a liquidation or voluntary winding-up plan of the issuer or
  (iii) Orpar and Récopart SA together holding less than one third of the voting rights in the issuer or being unable to appoint the majority of the Board of Directors for two consecutive years,

- At any time at par, but in full, in the event of a material change in the tax regime applicable to the issuer subsequent to the issue date.

12.5.2. €200 million bond issued on 15 January 2005

This 7-year bond is redeemable at par on maturity and attracts interest at 5.2% payable every six months.

This bond is not secured.

The funds raised will be used to refinance the OCEANE bonds maturing on 1 April 2006.

The issue carries a number of clauses for early redemption at the issuer's option as follows:

- Before 15 January 2008, in the event of a capital increase, whether for the general public or privately placed, redemption at 105.2% on a proportional basis of up to 35% of the total par value of the bonds issued,

- At any time before 15 January 2009, redemption at par plus a premium equal to the higher of the following two amounts:

(i) 1% of the principal amount redeemed

(ii) an amount equal to the difference between: the present value on the redemption date at 102.6% plus interest calculated over the period from the redemption date to 15 January 2009 and the principal amount of the bond. The discount rate used is the Bund interest rate on the redemption date plus 50 basis points,

- From 15 January 2009, under any circumstances, redemption of all or part of the bonds at 102.6% until 15 January 2010 excluded, at 101. 3% from 15 January 2010 to 15 January 2011 excluded and at par from 15 January 2011 onwards.
- The issue contract also provides every bondholder with the right to request redemption of the bonds held at 101% in the event of
  - (i) a "fundamental change" covering the possible sale or transfer of a substantial part of the assets of Rémy Cointreau, or
  - (ii) approval by the shareholders of a liquidation or voluntary winding-up plan of the issuer, or
  - (iii) Orpar and Récopart SA together holding less than one-third of the voting rights in the issuer or being unable to appoint the majority of the Board of Directors for two consecutive years,
- At any time at par, but in full, in the event of a material change in the tax regime applicable to the issuer subsequent to the issue date.

12.5.3. Other non-convertible bonds

In conjunction with the CLS Rémy Cointreau employee savings plan, Rémy Cointreau issued non-listed bonds with a 6% coupon on 1 July 2003. Total outstanding bonds known as "PEE Centaure" amounted to €9.6 million at 31 March 2006 of which €3.4 million short term (2005: €11.7 million of which €2.1 million short term).

12.6 Banking syndicate

At 31 March 2005, Rémy Cointreau held a €500 million syndicated loan signed on 10 June 2003 for a 5-year term. This contract was cancelled in May 2005 and replaced by a new loan on 11 May 2005. The new contract provides for a revolving facility of €500 million with a 5-year term. Amounts drawn attract interest at EURIBOR plus a margin fixed at the outset at 0.675% per year which may vary based on the following table according to the ratio "Average debt/EBITDA" (Ratio A).

Ratio A	Applicable margin
A > 4.25	0.875%
3.75 < A < 4.25	0.675%
3.25 < A < 3.75	0.525%
2.75 < A < 3.25	0.425%
A < 2.75	0.325%

The facility commission on the undrawn portion of the borrowing is 37.5% of the margin applicable if A > 3.75 and 35% if A < 3.75.

This facility is not subject to any security.

Under this contract, Rémy Cointreau undertakes to comply with the following financial ratios calculated at 30 September and 31 March every year:

Period	Ratio A
Date of signature to 30/09/2006	Ratio A < 4.50
from 01/10/2006 to 30/09/2007	Ratio A < 4.00
from 01/10/2007 to 30/09/2008	Ratio A < 3.75
from 01/10/2008 to maturity	Ratio A < 3.50

The definition of the indicators included in the calculation of Ratio A is given under note **1.16**. The amounts retained for the calculation each year are adjusted based on the contract terms.

At 31 March 2006, Ratio A amounted to 3.91.

12.7 Gross borrowings by interest rate type and currency

(€ millions)	**2006**	**2005**
Fixed rate	709.1	712.3
Variable rate	75.9	177.5
Accrued interest	18.1	26.6
Total	**803.1**	**916.4**

At 31 March 2005 and at 31 March 2006, the variable rate debt mainly comprises the subordinated perpetual securities ("TSDI"), borrowings of the ad-hoc entities (cooperatives) and bank overdrafts in the various Group companies. The instruments used to hedge interest rate fluctuations in the portfolio at the balance sheet date are described under **note 9**.

(€ millions)	**2006**	**2005**
Euro	796.9	908.1
US Dollar	6.2	6.7
Polish Zloty		1.4
Other		0.2
Total	**803.1**	**916.4**

12.8 Maturity analysis

(€ millions)

Year	
Prior to 31 March 2007	426.9
Prior to 31 March 2008	4.0
Prior to 31 March 2009	0.5
Prior to 31 March 2010	(1.8)
Prior to 31 March 2011	173.9
Thereafter	199.6
Total	**803.1**

The portion of borrowings due prior to 31 March 2007 includes OCEANE bonds of €331.6 million which mature on 1 April 2006. This repayment will be refinanced by confirmed lines of the syndicated loan described under note **12.6.** The total of these lines amounts to €500 million and they mature initially on 7 June 2010. No drawdowns were made on these lines as of 31 March 2006.

12.9 Confirmed credit lines not drawn

At 31 March 2006, the available amount of confirmed credit lines was €500 million (2005: €418.8 million).

12.10 Interest rate hedges and sensitivity

In view of the existing heging instruments at 31 March 2006, a 1% increase in interest rates would incur a €0.4 million additional interest costs. A 1% fall in interest rates would reduce interest costs by €2.2 million.

13 PROVISIONS FOR RISKS AND CHARGES

13.1 Change in provisions for risks and charges

(€ millions)	**Restructuring**	**Early retirement plan**	**Other**	**Total**
At 1 April 2005	**22.2**	**3.2**	**18.1**	**43.5**
Charge for the year	21.2	2.3	22.9	46.4
Paid during the year	(6.2)	(2.3)	(9.5)	(18.0)
Written back to income	(0.5)			(0.5)
Reclassified under "liabilities held for resale"	(12.8)			(12.8)
Translation adjustment	1.8			1.8
At 31 March 2006	**25.7**	**3.2**	**31.5**	**60.4**

13.2 Maturity

The provisions consist of probable expenditure which will fall due as follows:

(€ millions)	**2006**	**2005**
More than 12 months (or maturity unknown)	26.3	24.1
Less than 12 months	34.1	19.4
Total	**60.4**	**43.5**

14 TRADE AND OTHER PAYABLES

(€ millions)	**2006**	**2005**
Trade payables – eaux-de-vie suppliers	69.3	12.5
Other trade payables	109.4	98.9
Customer advances	0.2	0.8
Tax payables (excluding income tax)	35.7	41.9
Excise tax	1.1	16.3
Payables for advertising and promotion charges	29.8	31.5
Miscellaneous deferred income	4.9	3.4
Other liabilities	50.1	38.9
Total	**300.4**	**244.1**

15 SEGMENT REPORTING

Segment information is stated based on the principles specified under note **1.17**.

15.1 Activities

Brands are boken down into 4 activities comprising the principal products and brands as follows:

Cognac	Rémy Martin
Liqueurs and spirits	Cointreau, Passoa, Metaxa, Saint Rémy, Mount Gay
Champagne	Piper-Heidsieck, Charles Heidsieck
Partner brands	Non-Group brands and those not fully produced by the Group, which are marketed by the Group's own distribution network principally consist of Highland Distillers scotch, Antinori wines and US-based Piper Sonoma

15.1.1. Breakdown of net sales and current operating profit:

(€ millions)	Net sales		Current operating profit	
	2006	**2005**	**2006**	**2005**
Cognac	322.6	312.3	76.3	68.0
Liqueurs and spirits	219.9	210.0	51.9	46.9
Champagne	122.2	116.4	9.7	8.3
Partner brands	133.6	109.6	3.9	4.2
Total	**798.3**	**748.3**	**141.8**	**127.4**

There are no intra-segment sales.

15.1.2. Breakdown of capital employed:

At 31 March 2006

(€ millions)	Net intangible assets	Net tangible assets	Other net operating assets
Cognac	239.4	56.8	421.4
Liqueurs and spirits	250.1	45.9	(10.8)
Champagne	140.0	77.0	155.2
Partner brands	0.1	0.8	58.2
Total	**629.6**	**180.5**	**624.0**

Breakdown of "Other net operating assets":

(€ millions)	**2006**
Deferred tax assets	12.3
Inventories	852.4
Trade and other receivables	243.1
Income tax receivables	11.0
Deferred tax liabilities (1)	(170.8)
Trade and other payables	(300.4)
Income tax payable	(23.6)
Total	**624.0**

(1) Including deferred tax on intangible assets of the business activities (Cognac €81.4 million, Liqueurs and spirits €39.7 million, Champagne €46.5 million).

At 31 March 2005

(€ millions)	Net intangible assets	Net tangible assets	Other net operating assets
Cognac	239.9	56.7	431.5
Liqueurs and spirits	249.2	46.3	5.7
Champagne	140.1	79.7	166.7
Partner brands	0.1	1.6	37.5
Total	**629.3**	**184.3**	**641.4**
Impact of discontinued operations	293.4	11.3	(65.4)
Total	**922.7**	**195.6**	**576.0**

Breakdown of "Other net operating assets":

(€ millions)	**2005**
Deferred tax assets	13.0
Inventories	845.9
Trade and other receivables	239.7
Income tax receivables	6.9
Deferred tax liabilities (1)	(282.4)
Trade and other payables	(244.1)
Income tax payable	(3.0)
Total	**576.0**

(1) Including deferred tax on intangible assets of the business activities (Cognac €82.5 million, Liqueurs and spirits €39.0 million, Champagne €47.2 million).

15.1.3. Return on capital employed:

Return on capital employed is calculated based on the following:
- Current operating profit per activity (see note **15.1.1**):
- Capital employed excluding intangible assets (see note **15.1.2**):

Current operating profit and capital employed are determined per business segment based on management accounts. Profits and capital employed for the distribution business and holding company are allocated on a pro-rata basis according to net sales and inventories.

At 31 March 2006

(€ millions)	Capital employed (excl. intangibles and related deferred taxes)	Current operating profit	%
Cognac	559.6	76.3	13.6%
Liqueurs and spirits	74.8	51.9	69.4%
Champagne	278.7	9.7	3.5%
Partner brands	59.0	3.9	6.6%
Total	**972.1**	**141.8**	**14.6%**

At 31 March 2006, after taking account of the book value of the brands, other intangible assets and related deferred tax liabilities (see notes **3** and **15.1.2**), the return on capital employed amounts to 10.6% for Cognac, 18.2% for Liqueurs and Spirits, 2.6% for Champagne and 6.6% for Partner brands.

At 31 March 2005

(€ millions)	Capital employed (excl. intangibles and related deferred taxes)	Current operating profit	%
Cognac	570.7	68.0	11.9%
Liqueurs and spirits	91.0	46.9	51.5%
Champagne	293.6	8.3	2.8%
Partner brands	39.1	4.2	10.7%
Total	**994.4**	**127.4**	**12.8%**

At 31 March 2005, after taking account of the book value of the brands, other intangible assets and related deferred tax liabilities (see notes **3** and **15.1.2**), the return on capital employed amounts to 9.3% for Cognac, 15.6% for Liqueurs and Spirits, 2.1% for Champagne and 10.7% for Partner brands.

15.1.4. Capital expenditure and depreciation charges:

	Capex for property, plant and equipment and intangibles		Depreciation on property, plant and equipment and intangibles	
(€ millions)	**2006**	**2005**	**2006**	**2005**
Cognac	11.1	8.2	5.2	6.5
Liqueurs and spirits	6.6	11.4	5.0	5.7
Champagne	2.5	3.5	4.1	3.5
Partner brands	0.8	1.1	0.3	0.4
Total	**21.0**	**24.2**	**14.6**	**16.1**

15.2 Geographical regions

15.2.1. Breakdown of net sales:

	Net sales	
(€ millions)	**2006**	**2005**
Europe	299.1	299.5
Americas	374.3	325.9
Asia and rest of world	124.9	122.9
Total	**798.3**	**748.3**

Net sales are broken down according to region of destination of the goods sold.

15.2.2. Breakdown of capital employed:

At 31 March 2006

(€ millions)	Net intangible assets	Net tangible assets	Other net operating assets
Europe	616.7	168.1	506.5
Americas	12.9	12.4	118.1
Asia and rest of world			(0.6)
Total	**629.6**	**180.5**	**624.0**

At 31 March 2005

(€ millions)	Net intangible assets	Net tangible assets	Other net operating assets
Europe	618.2	175.4	546.5
Americas	11.1	8.9	95.3
Asia and rest of world			(0.4)
Total business activities	**629.3**	**184.3**	**641.4**
Impact of discontinued operations (1)	293.4	11.3	(65.4)
Total book value	**922.7**	**195.6**	**576.0**

(1) concerns the Europe region

16 ANALYSIS OF OPERATING EXPENSES BY NATURE

(€ millions)	**2006**	**2005**
Personnel costs	(107.4)	(109.3)
Advertising and promotion expenses	(131.6)	(131.2)
Depreciation and impairment on fixed assets	(14.6)	(16.1)
Other costs	(81.2)	(82.6)
Costs allocated to inventories and production cost	57.1	55.1
Total	**(277.7)**	**(284.1)**
Of which:		
Distribution costs	(197.5)	(199.2)
Administrative expenses	(80.2)	(84.9)
Total	**(277.7)**	**(284.1)**

Distribution costs comprise marketing and advertising expenses, commissions payable and receivable, brand royalties, ordinary allowances in respect of inventories and trade receivables and the overheads of the distribution companiesAdministrative expenses comprise the overheads of the holding companies and production companies.

Other income corresponds to the profit generated by activities peripheral to the sale of Cognac, Liqueurs and Spirits, Champagne and Partner brands.

Personnel costs consist of the following:

(€ millions)	**2006**	**2005**
Wages, salaries and social security	(101.9)	(106.3)
Pensions and other retirement benefits	(1.5)	(1.5)
Employee profit sharing	(2.3)	(0.7)
Share-based payments	(1.7)	(0.8)
Total	**(107.4)**	**(109.3)**

17 NUMBER OF EMPLOYEES

Employees are stated in terms of full time equivalents at the balance sheet date and cover all fully consolidated companies.

(Full time equivalents)	2006	2005
France	928	980
Europe (excl. France)	102	531
Americas	312	329
Asia and rest of world	4	4
Total	**1,346**	**1,844**

18 OTHER OPERATING INCOME (EXPENSES)

(€ millions)	2006	2005
Capital gain on sale of assets		1.5
Restructuring, cost of closure or transfer of facilities	(18.2)	(2.3)
Gain on dilution of Dynasty, net of costs (see note **5.2**)		13.1
Total	**(18.2)**	**12.3**

The net 2006 charge mainly relates to a reorganisation plan for the Group's principal subsidiary, CLS Rémy Cointreau, which as submitted to staff representatives on 22 March 2006, for which the final terms and conditions were under negotiation as of the balance sheet date. This plan includes 126 job cuts while favouring voluntary redundancy via an early retirement scheme financed by the company.

19 NET FINANCIAL EXPENSES

19.1 Finance costs

In comparing finance costs, it should be reminded that IAS 32/39 were first applied on 1 April 2005.

(€ millions)	2006	2005
Cost of borrowings, excl. TSDI, at nominal value	(41.4)	(38.7)
Deferred amortisation of issuing costs	(6.0)	(3.4)
Redemption premium on OCEANE bonds	(6.6)	(6.7)
Interest rate hedges, excl. TSDI	(1.3)	(1.6)
Total cost of TSDI	(3.5)	(4.5)
Total before IAS32/39	(58.8)	(54.9)
Impact of applying the actual interest rate method	(7.8)	
Impact of consolidating the FCC holding the TSDI	2.5	
Impact of IAS32/39 on interest rate hedges	0.2	
Total impact of IAS32/39	(5.1)	
Finance costs	**(63.9)**	**(54.9)**

The deferred amortisation of issuing costs charge for the year ended 31 March 2006 includes €2.8 million for the early termination of the banking syndicate in May 2005, which was contracted in June 2003 for a term of 5 years. A new banking syndicate was negotiated as specified under note **12.6**.

Financial debt are described under note **12**.

The impact of the adoption of IAS32/39 at 1 April 2005 is described under note **28**.

In view of the average net borrowings of €798.6 million for the year ended 31 March 2006, the average interest rate amounts to 8.0%. This rate takes account of the impact of IAS32/39 on borrowings and finance costs (in particular OCEANE bonds).

19.2 Other financial income and expenses

(€ millions)	**2006**	**2005**
Change in fair value of equity investments	0.2	
Currency (losses) and gains	(0.8)	(1.1)
Other financial income and expenses	1.4	0.7
Other financial income and expenses	**0.8**	**(0.4)**

The change in fair value of equity investments consists of the change in value of the CEDC shares received on sale of Bols Sp.z.o.o and the change in value of the put options contracted in relation to this transaction (see note **2**).

Currency losses and gains from operations are posted within gross profit based on procedures described in note **1.4**.

20 INCOME TAX

20.1 Income tax expense

(€ millions)	**2006**	**2005**
Current tax income (expense)	(43.0)	(22.3)
Deferred tax income (expense)	29.3	(1.5)
Income tax expense	**(13.7)**	**(23.8)**
Effective tax rate	-22.7%	-29.3%

For year ended 31 March 2006, current tax includes provision charges in respect of the tax audits in progress. Deferred tax includes a release of part of the tax provision set aside on the TSDI.

20.2 Tax regime

Rémy Cointreau has opted for the group tax regime for certain subsidiaries, in which it holds an equity interest of at least 95%. This regime entitles the Group to offset tax charges of companies with taxable income against losses incurred by other subsidiaries within certain limits. The resulting tax saving is recognised in the year when it arises.

20.3 Analysis and source of deferred tax

(€ millions)	**2006**	**2005**
Breakdown by nature		
Retirement provisions	6.9	8.1
Regulated provisions	(22.1)	(33.4)
Other provisions	13.8	6.0
Brands	(167.6)	(254.6)
Fixed assets	(17.0)	(22.2)
Margins on intra-group inventories	8.7	7.0
OCEANE redemption premium	11.8	9.7
Other timing differences	7.0	10.0
Net deferred assets (liabilities)	**(158.5)**	**(269.4)**
Breakdown by tax group		
Tax group France	(134.4)	(167.0)
Tax group USA	0.0	(0.6)
Tax group Netherlands	(33.9)	(111.8)
Other	9.8	10.0
Net deferred assets (liabilities)	**(158.5)**	**(269.4)**
Deferred tax assets	12.3	13.0
Deferred tax liabilities	(170.8)	(282.4)
Net deferred assets (liabilities)	**(158.5)**	**(269.4)**

20.4 Unrelieved tax losses and capital losses carried forward

At 31 March 2006, the potential tax saving from the use of unrelieved tax losses carried forward amounts to €1.5 million (2005: €1.5 million). No deferred tax assets were recognised in respect of this amount.

20.5 Tax reconciliation

The 2006 income tax charge amounted to €13.7 million. The difference between the actual charge and the theoretical tax charge based on the French statutory rate of 34.4 % is analysed as follows:

(€ millions)	**2006**	**2005**
Theoretical tax charge	(20.8)	(28.4)
Actual tax charge	(13.7)	(23.8)
Difference	**7.1**	**4.6**
Permanent differences between consolidated profit and taxable income	(1.4)	3.9
Impact lié aux TSDI [1]	22.1	0.0
Use of tax losses or timing differences previously not recognised	0.8	0.5
Unrecognised tax losses for the year	(0.2)	(0.1)
Difference in tax rates for foreign subsidiaries	0.1	5.4
Adjustment to the tax charge of prior years	(14.3)	(5.1)
Total	**7.1**	**4.6**

[1] Pursuant to recommendations of the French tax authorities, Rémy Cointreau set aside a regulated provision on which the charge for the year amounted to €17.3 million corresponding to the potentially taxable capitalised future interest differential on TSDI.

In accordance with Article 23 of the French Finance Act 2006, codified into Article 238 bis-01 bis of the French general tax code, which stipulates that only the last three years preceding the maturity date of the TSDI are taxable, the company released the previous provision of €64.1 million. This provision asjustment lead to a material one-time reduction in the Group’s effective tax rate.

21 NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

Businesses sold during the year or in the process of being sold at 31 March 2006 are as follows:

Transaction	Triggering event
Polish activities	Sale completed on 17 August 2005
Italian liqueurs, Dutch liqueurs and spirits	Sale contract with outstanding conditions signed on 10 March 2006
Cognac de Luze	Heads of agreement dated 18 November 2005

In accordance with the principle explained under note **1.21**, earnings for the year and the gain or loss on sale of the transactions are disclosed under "Net profit (loss) from discontinued operations".

(€ millions)	2006		2005	
Polish activities				
Bols Sp. z.o.o. net profit for the year	0.5		10.8	
Net loss for the year (other entities)			(11.5)	(1)
Gain on sale	16.8			
Italian liqueurs, Dutch liqueurs and spirits				
Net profit/ (loss) for the year	6.5	(2)	(9.3)	(3)
Expense on sale	(5.0)			
Cognac de Luze				
Net profit/ (loss) for the year	(0.2)		0.4	
Total	**18.6**		**(9.6)**	

(1) of which post-tax impairment charge to brands of €12.3 million

(2) of which post-tax expense of outsourcing the pension fund of €5.4 million

(3) of which post-tax impairment charge to brands of €11.2 million

21.1 Polish activities

On 17 August 2005, Rémy Cointreau finalised the sale of its shareholding in the bols Sp.z.o.o. production and distribution joint venture to Central European Distribution Corporation (CEDC).

This transaction was accomplished by Botapol Management BV selling its shareholding in Botapol Holding, the holding company of Bols Sp.z.o.o and Hillcroft Sp.z.o.o. In the consolidated financial statements, this transaction resulted in the derecognition of part of the value ascribed to the Bols brand and the reversal of the related deferred tax.

The sales consideration was settled in cash for $78.7 million and the balance in CEDC shares. On 17 August 2005, Botapol Management BV received 1,691,419 shares in CEDC representing 8.3% of the latter's capital. These shares were recognised initially on the balance sheet of Rémy Cointreau at a price of $38.19 per share. These shares are reported on the line "Other investments" and are revalued at the end of each reporting period under the fair value option through profit or loss. These shares are the object of a lockup clause until 17 August 2006.

In connection with this transaction, Rémy Cointreau enjoys two guarantees concerning the performance of the CEDC shares.
Under the first guarantee, compensation in cash is to be paid if the CEDC share price is less than $32.60 during the four weeks preceding the first anniversary of the transaction, i.e. from 17 July to 17 August 2006.
The second guarantee concerns the performance of the CEDC share through 7 January 2007. Subject to certain conditions, compensation in cash will be paid if the CEDC share fails to achieve a minimum performance.
Corresponding financial instruments have been accounted for at fair value through profit or loss and are recorded on the line "Other investments".

Net of taxes, the capital gain on sale totalled €16.8 million (€20.7 million for the Group's share after allocating charges attributable to minority interests).

At 31 March 2006, the market price of CEDC shares was $38.45.

21.2 Sale of a range of brands of Italian liqueurs, Dutch liqueurs and spirits

21.2.1. Situation at the balance sheet date

In March 2006, Rémy Cointreau signed an agreement subject to outstanding conditions with an investment fund to sell a range of brands consisting mainly of the Italian Galliano and Vaccari liqueurs, Bols liqueurs, the Bols, Bokma and Hartevelt gins and other Dutch liqueurs.

Since this agreement is subject to approval by the anti-trust authorities of four countries, the sale will be completed during the year ended 31 March 2007, after the outstanding conditions have been met.

However, Rémy Cointreau recorded a net charge of €5.0 million in respect of irrevocable expenses incurred under this transaction in the accounts for the year ended 31 March 2006,.

21.2.2. Developments since the balance sheet date

Since the outstanding conditions were met, the sale transaction was completed on 11 April 2006.

The sales price comprised €158.5 million in cash and a loan to the buyer for a principal amount of €50.0 million. This loan attracts interest and includes a clause entitling the buyer to repay the loan early, which would impact the amount to be repaid.

The total capital gain on sale is estimated at €25.0 million after deducting the €5.0 million expense recorded in the accounts for the year ended 31 March 2006.

21.3 Cognac de Luze

A heads of agreement was signed in November 2005. It is planned to complete the sale prior to summer 2006.

22 CHANGE IN WORKING CAPITAL

(€ millions)	2006	2005
(Increase) decrease in inventories	27.7	32.1
(Increase) decrease in trade receivables	(25.5)	3.2
Increase (reduction) in trade payables	1.0	(20.7)
Net change in other operating receivables and payables	(5.3)	10.0
Change in working capital	**(2.1)**	**24.6**

23 PROVISIONS FOR RETIREMENT

23.1 Defined benefit pension commitments

(€ millions)	2006	2005
Actuarial liability brought forward	**(134.6)**	**(123.6)**
Normal expense	(1.9)	(2.1)
Interest on current liability	(5.9)	(6.0)
Changes to pension benefits	0.7	0.0
Reductions in pension benefits	0.0	1.3
Pensions paid	6.5	6.4
Actuarial gains and (losses)	(5.4)	(11.4)
Cost of prior year services	1.5	
Closure of pension scheme (1)	110.2	
Other (including transfers)	0.6	1.1
Actuarial liability carried forward	**(28.3)**	**(134.4)**
Value of dedicated assets brought forward	**106.4**	**99.6**
Yield	6.3	5.9
Contributions received	3.3	3.5
Changes to pension benefits	0.0	(0.5)
Reductions in pension benefits	0.0	0.0
Pensions paid	(5.9)	(5.9)
Actuarial gains and (losses)	5.9	3.7
Closure of pension scheme (1)	(111.2)	
Value of dedicated assets carried forward	**4.8**	**106.3**
Dedicated assets for the liability	**(23.5)**	**(28.1)**
Cost of past services not incurred (income) / expense	(0.3)	1.3
Other	0.0	0.0
Retirement obligations	**(23.8)**	**(26.8)**
Liabilities	**(24.5)**	**(27.1)**
Assets	**0.6**	**0.3**

(1) At the end of March 2006, the Group transferred the pension commitments of Bols in the Netherlands to an insurance company. The balance on the transfer amounted to €10.5 million. The previous provisions were written back.

23.2 Cost for the year

(€ millions)	**2006**	**2005**
Normal expense	2.1	2.3
Interest on current liability	5.7	5.9
Forecast yield on investments	(6.3)	(5.9)
Depreciation of other items not arising	0.3	0.6
Impact of reductions in benefits	(1.3)	(1.1)
Expense for the year	**0.5**	**1.7**
Pensions paid	(0.7)	(0.2)
Net expense for the year	**(0.1)**	**1.5**

Actuarial assumptions		
Average discount rate	3.9%	4.5%
Average salary increase	2.8%	2.9%
Average period of working service	8 to 13 years	6 to 10 years
Forecast yield on investments	4.5%	5.7%
Inflation of medical costs	5.2%	5.2%

23.3 Actuarial gains and losses

(€ millions)	**2006**	**2005**
Movements for the year	0.6	(7.3)
Of which differences between actual vs. forecast	0.7	0.0

23.4 Breakdown of present value of benefits by type of scheme

(€ millions)	**2006**	**2005**
End of career bonus	(6.8)	(7.6)
Additional pension	(15.2)	(120.7)
Long-service medals	(0.7)	(0.6)
Pensioners' medical costs	(5.6)	(5.4)
Total	**(28.3)**	**(134.4)**

23.5 Analysis of dedicated investments

At 31 March 2006, the assets underlying the liability are held by the insurance companies which invest them together with their global investments.

24 OFF-BALANCE SHEET AND CONTINGENT LIABILITIES

Commitments in respect of retirement benefits and certain purchase commitments of eaux-de-vie are no longer treated as off-balance sheet commitments but are accrued in the financial statements following the introduction of IFRS accounting policies.

24.1 Purchase and lease commitments

(€ millions)	2006	2005
Purchase commitments on fixed assets	5.0	0.5
Office leasing commitment	19.9	8.4
Equipment leasing commitments	1.5	2.3
Purchase commitments on brandies	17.5	57.3
Purchase commitments on wines (champagne)	14.6	13.1

Office leasing commitments include a 6 year contract signed 1st December 2004 for the Groupe headquarters in Paris and a 10 year contract signed 1st April 2005 for the main office of the US branch of Remy Cointreau in New York city.

The eaux-de-vie purchase commitments relate to three year contracts with distillers. These commitments are valued based on prices known at the balance sheet date.

The wine purchase commitments in the champagne business concern fixed purchases from champagne growers.

Breakdown by maturity for commitments outstandings as at 31 March 2006:

(€ millions)	Total	2007	Thereafter
Purchase commitments on fixed assets	5.0	4.2	0.8
Office leasing commitment	19.9	3.0	16.9
Equipment leasing commitments	1.5	0.8	0.7
Purchase commitments on brandies	17.5	17.5	
Purchase commitments on wines (champagne)	14.6		14.6

24.2 Deposits and other similar guarantees

(€ millions)	2006	2005
Tax guarantees	10.3	10.5
Agricultural warrants (AFC)	42.5	97.8
Maxxium financing guarantees (25%)	27.0	34.7
Avandis financing guarantees (33,33%)	4.4	7.6
Miscellaneous guarantees on credit lines	2.5	1.0

Tax guarantees are bank guarantees made to the tax authorities to underwrite disputed tax assessments following requests for deferral of payment.

Rémy Cointreau S.A. has guaranteed 25% of the bank debt of Maxxium BV as have the three other partners. The maximum amount of the guarantee is €62.5 million.

Erven Lucas Bols NV has guaranteed 33.33% of the bank debt of Avandis as have the two other partners.

Breakdown by maturity for commitments outstandings as at 31 March 2006:

(€ millions)	Total	2007	Thereafter
Tax guarantees	10.3	10.3	
Agricultural warrants (AFC)	42.5	42.5	
Maxxium financing guarantees (25%)	27.0		27.0
Avandis financing guarantees (33,33%)	4.4	4.4	
Miscellaneous guarantees on credit lines	2.5	2.5	

24.3 Commitments relating to asset sales

In conjunction with the sales of businesses, guarantees in respect of future liabilities are generally granted to the buyers for defined periods and amounts in the contracts. Liabilities for customs dues or social security that could arise following audits covering periods prior to the sale are generally included until such liabilities lapse under the statute of limitations.

The guarantees granted that have not lapsed at 31 March 2006 are as follows:

(€ millions)

Sale transaction	Transaction date	Nature of unlapsed guarantee	maturity	Maximum amount
Botapol Holding BV (mother company of Bols Sp.z.o.o)	17-08-05	Tax liabilities	17-10-10	
		Other liabilities	17-02-07	
		Total of all guarantees		26.9
Blue Pyrenees Estate Ltd (Australie)	1-10-03	Tax liabilities	31-10-06	
		Total of all guarantees		10.0
Wine business (ORB) (Netherlands)	17-04-03	Product tax, tax and social security liabilities	17-10-08	
		Total of all guarantees		1.5
RMSJ/SMCS (France)	11-07-03	Tax liabilities, customs or social security liabilities	31-10-08	none

In conjunction with the sale of its Polish activities, Rémy Cointreau Group obtained guarantees relating to the value of CEDC shares on certain dates, these guarantees are described under note **21**.

25 RELATED PARTIES

25.1 Relations with related companies

The principal companies related to Rémy Cointreau Group are Dynasty Fine Wines Group Ltd, the Maxxium BV joint venture and Avandis CV.

The group does not conduct any commercial business with Dynasty.

Business with the Maxxium BV joint venture is conducted in conjunction with the agreement described under notes **1.23** and **5.1**. This mainly covers product sales to the various distribution companies held by Maxxium BV worldwide. The key figures for the year ended 31 March 2006 are as follows:

(€ millions)	**2006**
Sales to Maxxium	336.3
Customer account balance	52.2

Rémy Cointreau also guarantees 25% of Maxxium BV’s borrowings (see note **24.1**).

Business with Avandis CV is described in note **5.3** and the figures involved are as follows:

(€ millions)	2006
Product purchases from Avandis CV	28.0
Supplier account balance	1.0

Rémy Cointreau also guarantees 33% of Avandis CV's borrowings (see note **24.1**).

25.2 Relations with Orpar

Orpar, Rémy Cointreau's main shareholder, provides assistance to Rémy Cointreau in terms of company management and grants current account advances.

The amounts involved for the year ended 31 March 2006 are as follows:

(€ millions)	2006
Services invoiced by Orpar	2.7
Current account balance	1.0
Supplier account balance	0.2

25.3 Relations with the companies with a common shareholder or director

Orpar is also the largest shareholders of Oeneo group, which is listed on Euronext Paris and is a market leader in the cooperage and corking business, where various subsidiaries of Oeneo group are suppliers for Rémy Cointreau.

The amounts involved for the year ended 31 March 2006 are as follows:

(€ millions)	2006
Purchases	3.0
Supplier account balance	0.4
Purchase commitment (2006/2007)	4.5

Antarès, a company controlled by a Rémy Cointreau S.A. director, performed a consulting and support assignment for Rémy Cointreau relating to the sale of a portfolio of liqueurs and spirits brands described in notes **2.2.1** and **21**.

25.4 Management bodies

The company's management bodies comprise:

- Since 7 September 2004, members of the board of directors and the executive committee (6 members at 31 March 2006),
- Prior to this date, the members of the supervisory board and the management board.

(€ millions)	2006	2005
Short-term benefits	3.2	2.9
Post-retirement benefits	0.5	0.1
Stock options and similar expenses	1.0	0.4
Severance indemnities		2.3
Total	**4.7**	**5.7**

Short-term benefits include fixed and variable remuneration and directors' fees.

26 POST BALANCE SHEET DATE EVENTS

The final agreement for the sale of a range of brands of liqueurs and spirits was signed on 11 April 2006 (see note **21.2**).

In May 2006 Rémy Cointreau extended the maturity on €466 million of its syndicated loan by a year. The final repayment date is now fixed for 7 June 2011 in respect of €466 million and the balance at 7 June 2010 in respect of €34 million. This extension was granted with no commission.

At the balance sheet date Rémy Cointreau is negotiating with a company interested in purchasing Rémy Cointreau's business in Hungary. This business generated net sales of some €20 million in the 2006 financial year.

27 LIST OF CONSOLIDATED COMPANIES

At 31 March 2006, the consolidation covered 56 companies (62 at 31 March 2005). 53 companies were fully consolidated and 3 under the equity method. These companies close their accounts on 31 March with the exception of Dynasty Fine Wines Group Ltd which closes its accounts on 31 December.

Companies	Activity	% interest March 2006	March 2005
EUROPE			
France			
Rémy Cointreau S.A. (1)	Holding / Finance	100.00	100.00
Gie Rémy Cointreau Sces	Holding / Finance	95.00	95.00
Rémy Cointreau Sces (1)	Holding / Finance	100.00	100.00
Financière Rémy Cointreau (1)	Holding / Finance	100.00	100.00
RC One (1)	Logistics	100.00	100.00
CLS Rémy Cointreau S.A. (1)	Production	100.00	100.00
SNE des Domaines Rémy Martin (1)	Other	100.00	100.00
E. Rémy Martin & Cie (1)	Production	100.00	100.00
Cognacs de Luze	Production	100.00	100.00
Storeco (1) (7)	Production	-	100.00
Seguin & Cie (1)	Production	100.00	100.00
Cointreau (1)	Production	100.00	100.00
Izarra (1)	Production	100.00	100.00
SAP (1)	Production	100.00	100.00
Champ.P&C Heidsieck SA (1)	Production	99.98	99.98
Champ. F.Bonnet P&F (1)	Production	100.00	99.98
Piper Heidsieck C.C. (1)	Production	100.00	100.00
G.V. de l'Aube (1)	Production	100.00	100.00
G.V. de la Marne SA (1)	Production	99.95	99.95
Fournier & Cie - Safec (1)	Production	100.00	100.00
Alliance Fine Champagne (2)	Cooperative	100.00	100.00
Netherlands			
Maxxium International BV (3)	Distribution	25.00	25.00
Erven Lucas Bols NV	Holding / Finance	100.00	100.00
Distilleerderijen Erven Lucas Bols BV	Holding / Finance	100.00	100.00
Gedistilleerd en Wijn Groep Nederland BV	Other	100.00	100.00
Bols Distilleries BV	Distribution	100.00	100.00
Metaxa BV	Holding / Finance	100.00	100.00
Lodka Sport BV	Other	50.00	50.00
Meekma Distileerderijen BV (8)	Other	-	100.00
Beleggingsmaatschappij Honthorst BV (8)	Holding / Finance	-	100.00
Lelie BV	Holding / Finance	100.00	100.00
Rozengracht BV (8)	Holding / Finance	-	100.00
't Lootsje II BV	Holding / Finance	100.00	100.00
Wijnhandel Ferwerda & Tieman BV	Holding / Finance	100.00	100.00
Duncan. Gilby & Matheson BV	Other	100.00	100.00
Unipol BV	Other	50.00	50.00
Botapol Management BV	Holding / Finance	100.00	100.00
Other countries			
Hermann Joerss Gmbh	Distribution	100.00	100.00
Cointreau Holding	Holding / Finance	100.00	100.00
Rémy Switzerland SA	Distribution	100.00	100.00
Bols Hungary Kft	Distribution	100.00	100.00
Bols Sports & Travel Sp.z.o.o	Other	100.00	100.00
S&EA Metaxa ABE	Production	100.00	100.00

Companies	Activity	% interest March 2006	March 2005
AMERICAS			
USA			
Rémy Cointreau USA Inc [(5)]	Distribution	100.00	100.00
Remy Cointreau Amérique Inc	Holding / Finance	100.00	100.00
Caribean			
Mount Gay Distilleries Ltd	Production	94.98	94.98
Bols Latin America NV	Holding / Finance	100.00	100.00
Blousana Corporation AVV [(9)]	Distribution	-	100.00
Other countries			
Cointreau Do Brasil Ltda	Production	100.00	100.00
Destileria de Jalisco	Production	100.00	100.00
Rémy de Colombia	Distribution	98.00	98.00
ASIA/PACIFIC			
China			
Dynasty Fine Wines Group Ltd [(3)] [(6)]	Production	26.27	23.86
Hong Kong			
Rémy Concord	Production	100.00	100.00
Rémy Pacifique Ltd	Distribution	100.00	100.00
Australia			
BPE Pty Ltd	Other	100.00	100.00
DISCONTINUED OPERATIONS			
Rémy Finance BV	Holding / Finance	100.00	100.00
Avandis CV [(3)]	Production	33.33	33.33
Botapol Holding BV [(4)]	Holding / Finance	-	50.00
Bols Sp.z.o.o [(4)]	Production	-	50.00
Pisang Ambon BV [(10)]	Holding / Finance	100.00	-
Bokma Distillateurs BV	Holding / Finance	100.00	100.00
Beleggingsmaatschappij Honthorst II BV	Holding / Finance	100.00	100.00
Erven Lucas Bols Pty. Ltd	Distribution	50.00	50.00

(1) Company is part of the French tax group.
(2) Special purpose entities.
(3) Accounted for by the equity method.
(4) Sold during the period ended.
(5) Formerly Rémy Amérique Inc before it changed its name to Rémy Cointreau USA Inc.
(6) Rémy Cointreau Group acquired a 2.41% additional stake during the year.
(7) Company absorbed by E. Rémy Martin & Cie.
(8) Company liquidated.
(9) Company absorbed by Bols Latin America NV.
(10) Founded during the year.

28 IMPACT OF IAS 32/39

28.1 First time application

IAS 32 and IAS 39 were applied for the first time to the opening balance sheet as at 1 April 2005.
The impact of opening entries to apply these two standards is detailed in the table below.

€ millions	31 March 2005	Minority Put	OCEANE	TSDI	Bonds and other	Currency hedges	Int. rate hedges	1 April 2005
ASSETS								
Goodwill		42.9						42.9
Brands and other intangible assets	922.7							922.7
Property, plant and equipment	195.6							195.6
Investments in associates	113.6							113.6
Other investments	7.7							7.7
Deferred tax	3.9			1.0				4.9
Non-current assets	**1,243.5**	**42.9**	**0.0**	**1.0**	**0.0**	**0.0**	**0.0**	**1,287.4**
Inventories	845.9							845.9
Trade and other receivables	239.7		(1.0)	(0.5)	(11.2)		(1.5)	225.5
Income tax receivable	6.8							6.8
Derivative financial instruments	8.9					1.3	0.2	10.4
Cash and cash equivalents	53.6							53.6
Current assets	**1,154.9**	**0.0**	**(1.0)**	**(0.5)**	**(11.2)**	**1.3**	**(1.3)**	**1,142.2**
Total assets	**2,398.4**	**42.9**	**(1.0)**	**0.5**	**(11.2)**	**1.3**	**(1.3)**	**2,429.6**
LIABILITIES AND EQUITY								
Share capital and share premium	702.8							702.8
Treasury shares	(0.6)							(0.6)
Consolidated reserves	119.9		5.1	(1.7)	0.2	2.7	(1.1)	125.1
Translation reserve	(3.0)							(3.0)
Net profit - Group share	49.8							49.8
Equity - Group share	**868.9**	**0.0**	**5.1**	**(1.7)**	**0.2**	**2.7**	**(1.1)**	**874.1**
Minority interests	19.4	(8.0)						11.4
Total equity	**888.3**	**(8.0)**	**5.1**	**(1.7)**	**0.2**	**2.7**	**(1.1)**	**885.5**
Long-term financial debt	746.5		(30.2)	5.6	(11.2)			710.7
Other non-current liabilities	51.2	50.9						102.1
Deferred tax	273.4		2.7		0.1	1.5	(0.6)	277.1
Non-current liabilities	**1,071.1**	**50.9**	**(27.5)**	**5.6**	**(11.1)**	**1.5**	**(0.6)**	**1,089.9**
Short-term financial debt and accrued interest	170.0		21.4	(8.3)	(0.3)			182.8
Trade and other payables	244.0					(2.6)		241.4
Income tax payable	2.9							2.9
Short-term provisions for risks and charges	19.4							19.4
Derivative financial instruments	2.7			4.9		(0.3)	0.4	7.7
Current liabilities	**439.0**	**0.0**	**21.4**	**(3.4)**	**(0.3)**	**(2.9)**	**0.4**	**454.2**
Total liabilities and equity	**2,398.4**	**42.9**	**(1.0)**	**0.5**	**(11.2)**	**1.3**	**(1.3)**	**2,429.6**

Minority put: at 1 April 2005, Takirra Investment Corp. NV, the partner of Rémy Cointreau in the Bols Sp. z.o.o. joint venture, has a put exercisable in April 2006 under which it has the possibility to sell its minority shareholding to Rémy Cointreau at a price determined by reference to the operating profit of the joint venture. The value of this put was estimated at €50.9 million at 1 April 2005 and is recorded on the line "Other non-current liabilities." The difference compared with the corresponding minority interests, which amounted to €8 million, was recorded was as goodwill.
Following the sale of the investment in the Bols Sp. z.o.o. joint venture on 17 August 2005, this balance was reversed as at 30 September 2005.

OCEANE: in January 2001, Rémy Cointreau issued €300 million in bonds with the option to convert into and/or exchange for new and/or existing shares (OCEANE), the characteristics of which are provided in Note 11.2 of the 2004-05 Annual Report. The equity component of these instruments, net of issue costs, was valued at €29.1 million. The retroactive application of the effective interest rate method to the debt component led to the recognition of a pre-tax charge of €24.1 million, which includes the actuarial amortization of issue costs allocated to the debt component and of the redemption premium. Issue costs, which had previously been recognised as an asset, were reclassified as a reduction in the nominal value of the instruments.

Perpetual subordinated notes (TSDI): in May 1991, Rémy Cointreau issued perpetual subordinated notes, the characteristics of which are provided in Note 10 of the 2004-05 Annual Report. As these notes are held by a debt securitisation fund (*Fonds Commun de Créance* - FCC) since May 1996, the latter has been consolidated as a special purpose vehicle. Therefore, in the consolidated balance sheet of Rémy Cointreau, the subordinated perpetual notes, which amounted to €28.3 million, were eliminated and replaced by the financial debt of the debt securitisation fund, which amounted to €34.5 million. Interest rate swaps entered into when the securities were repackaged in May 1996 were valued as at 1 April 2005 and no longer qualify as a hedging instrument as had been the case under French generally accepted accounting principles. An amount of €4.9 million was recorded under derivative financial instruments on the liability side of the balance sheet by debiting reserves. Issue costs, which had been reported as an asset on the balance sheet, are now deducted from the nominal value of the instruments.

Bonds and other financial debt: these restatements concern two bond issues (details of which are provided in Note 12.2 of the 2004-05 Annual Report) and a syndicated loan (details of which are provided in Note 12.4 of the 2004-05 Annual Report). Issue costs, which had been reported as an asset on the balance sheet, are now deducted from the nominal value of the corresponding debt. The total impact amounts to €11.2 million.
Interest on the two bond issues was recalculated using the effective interest method, which resulted in the recognition of pre-tax income of €0.3 million.

Hedging of currency and interest rate risks: all financial instruments used to hedge currency and interest rate risks were accounted for in accordance with the recommendations contained in IAS 32 and IAS 39. All the instruments in existence at 1 April 2005 were marked to market. Changes in the value of the effective portion compared with the date on which the instrument was subscribed are recognised as a component of reserves or recyclable equity depending on whether the instrument is used to hedge balance sheet items or future cash flows.

28.2 Impact on year ended 31 March 2006

The introduction of IAS32/39 lead to the following accounting adjustments for the year ended 31 March 2006:

(€ millions)	Net financial expenses	Other financial income and expenses	Financial debt	Liability financial derivatives	Equity recyclables	Asset financial derivatives	Other operating receivables and payables
OCEANE	(7.9)		7.9				
TSDI	2.5		1.9	(4.4)			
Bonds	0.1		(0.1)				
Financial instruments:							
on interest rates	0.2			(0.3)	2.5	2.7	(0.3)
on exchange rates		(1.0)		0.3	(5.7)	(3.8)	(2.6)
Total	**(5.1)**	**(1.0)**	**9.7**	**(4.4)**	**(3.2)**	**(1.1)**	**(2.9)**

29 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

29.1 Preamble

In general, the information contained in this document has been prepared on the basis of the standards and interpretations in force at the time it was prepared; in the event of any modification of those standards and interpretations on the basis of present or future exposure drafts, financial information included in the Group accounts as at March 31, 2006 may differ from the information included in this document.
In accordance with Regulation (EC) No 1606/2002 of the European Parliament and the Council of 19 July 2002 on the application of international accounting standards, the consolidated financial statements of Rémy Cointreau for the periods beginning on or after 1 April 2005 will be prepared in accordance with the standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC). These statements will be prepared from an opening balance sheet at 1 April 2004 to permit inter-period comparisons.

The purpose of this document is to provide additional information to that contained in Chapter 5.1.2 of the 2004-05 Reference Document (pages 39 to 41) pursuant to the recommendation issued by the stock market authorities (CESR and AMF) regarding the transition from French generally accepted accounting principles (French GAAP) to the new International Financial Reporting Standards (IFRS).

Information concerning the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, has been reproduced in the last chapter of this document, together with the description of the impact on the Group's accounting policies of adopting these new standards.

This document contains several tables providing reconciliations between French GAAP and IFRS:

- Total equity at 1 April 2004 and 31 March 2005;
- Balance sheet at 1 April 2004 and 31 March 2005;
- Income statement to 31 March 2005;
- Detailed comments regarding reconciling items.

It will be recalled that IAS 32 and IAS 39 were applied by the Group for the first time on 1 April 2005, as permitted by IFRS 1. The impact of these standards on the financial statements for the periods covered by this document is therefore not provided.

Key figures contained in the abridged transition balance sheet at 1 April 2004, presented on a preliminary basis in the Reference Document, have been modified subsequently as a result of the additional work performed in certain areas and the review conducted by the independent auditors. These modifications are commented in this document.

29.2 Total equity at 31 March 2005 and 1 April 2004

	31 March 2005			1 April 2004		
(€ millions)	**Group**	**Minority interests**	**Total**	**Group**	**Minority interests**	**Total**
Equity – French GAAP	**1,101.8**	**15.9**	**1,117.7**	**1,111.1**	**12.5**	**1,123.6**
Application of IAS 16 and IAS 38	35.0		35.0	34.1		34.1
Gain on contribution and goodwill of Maxxium (IFRS 3)	24.1		24.1	22.3		22.3
Recognition of deferred actuarial differences (IAS 19)	(17.7)		(17.7)	(12.7)		(12.7)
Post-retirement healthcare plans (IAS 19)	(3.4)		(3.4)	(3.4)		(3.4)
Restatement on provisions for liabilities at their net present value (IAS 37)	1.0		1.0	4.9		4.9
Deferred tax on difference between the amount at which brands are carried in the consolidated accounts and their tax value (IAS 12)	(254.6)		(254.6)	(283.4)		(283.4)
Deferred tax on difference in valuation of the inventories of special purpose entities (IAS 12)	9.0		9.0	8.3		8.3
Reclassification linked to consolidation of special purpose entities (IAS 27)	(25.9)	3.2	(22.7)	(23.5)	0.7	(22.8)
Miscellaneous	(0.4)	0.3	(0.1)	(0.1)	0.3	0.2
Equity - IFRS	**868.9**	**19.4**	**888.3**	**857.6**	**13.5**	**871.1**

29.3 Balance sheets at 31 March 2005 and 1 April 2004

29.3.1. Balance sheets compared

	31 March 2005			1 April 2004		
(€ millions)	French GAAP	IFRS	Difference	French GAAP	IFRS	Difference
ASSETS	(a)	(b)	(b) - (a)			(b) - (a)
Intangible assets	923.4	922.7	(0.7)	969.1	968.2	(0.9)
Property, plant and equipment	133.3	195.6	62.3	142.8	204.8	62.0
Investments in associates	89.4	113.6	24.2	78.3	100.7	22.4
Other investments	23.8	7.7	(16.1)	21.9	7.4	(14.5)
Deferred tax	4.8	3.9	(0.9)	6.7	4.0	(2.7)
Total non-current assets	**1,174.7**	**1,243.5**	**68.8**	**1,218.8**	**1,285.1**	**66.3**
Inventories	831.7	845.9	14.2	874.0	880.8	6.8
Trade and other receivables	258.1	239.7	(18.4)	255.3	244.7	(10.6)
Income tax receivable	6.8	6.8		7.4	7.4	
Derivative financial instruments	8.9	8.9		9.8	9.8	
Cash and cash equivalents	53.6	53.6		68.1	68.1	
Total current assets	**1,159.1**	**1,154.9**	**(4.2)**	**1,214.6**	**1,210.8**	**(3.8)**
Total assets	**2,333.8**	**2,398.4**	**64.6**	**2,433.4**	**2,495.9**	**62.5**
EQUITY AND LIABILITIES						
Share capital and share premium	702.8	702.8		698.0	698.0	
Treasury shares	(0.6)	(0.6)		(10.5)	(10.5)	
Consolidated reserves	408.3	119.9	(288.4)	453.5	170.1	(283.4)
Translation reserve	(32.9)	(3.0)	29.9	(29.9)		29.9
Net profit – Group share	24.2	49.8	25.6			
Equity – Group share	**1,101.8**	**868.9**	**(232.9)**	**1,111.1**	**857.6**	**(253.5)**
Minority interests	15.9	19.4	3.5	12.5	13.5	1.0
Total equity	**1,117.7**	**888.3**	**(229.4)**	**1,123.6**	**871.1**	**(252.5)**
Long-term financial debt	746.5	746.5		769.6	769.6	
Other non-current liabilities	42.6	51.2	8.6	56.2	54.6	(1.6)
Deferred tax liabilities	11.5	273.4	261.9	6.5	300.3	293.8
Total non-current liabilities	**800.6**	**1,071.1**	**270.5**	**832.3**	**1,124.5**	**292.2**
Short-term financial debt and accrued interest	146.8	170.0	23.2	198.9	221.7	22.8
Trade and other payables	242.7	244.0	1.3	250.3	250.8	0.5
Income tax payable	2.9	2.9		5.7	5.7	
Short-term provisions for liabilities and charges	20.4	19.4	(1.0)	20.9	20.4	(0.5)
Derivative financial instruments	2.7	2.7		1.7	1.7	
Total current liabilities	**415.5**	**439.0**	**23.5**	**477.5**	**500.3**	**22.8**
Total equity and liabilities	**2,333.8**	**2,398.4**	**64.6**	**2,433.4**	**2,495.9**	**62.5**

29.3.2. Analysis of "Difference" column by type of restatement or reclassification

The columns in the tables below provide an analysis of differences for each balance sheet heading showing the various restatements and reclassifications necessitated by the application of International Accounting Standards and International Financial Reporting Standards.

Each column is the object of a detailed comment.

	1 April 2004							
(€ millions)	**(a)**	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**	**Total difference**
ASSETS								
Brand and intangible assets	(0.9)							(0.9)
Property, plant and equipment	62.0							62.0
Investments in associates		22.4						22.4
Other investments	(0.2)		(13.0)				(1.3)	(14.5)
Deferred tax	0.8		1.8	(2.5)	8.3		(11.1)	(2.7)
Non-current assets	**61.7**	**22.4**	**(11.2)**	**(2.5)**	**8.3**	**0.0**	**(12.4)**	**66.3**
Inventories						6.8		6.8
Trade and other receivables	(5.3)					(6.8)	1.5	(10.6)
Current assets	**(5.3)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.5**	**(3.8)**
Total assets	**56.4**	**22.4**	**(11.2)**	**(2.5)**	**8.3**	**0.0**	**(10.)**	**62.5**
EQUITY AND LIABILITIES								
Consolidated reserves	34.1	22.4	(16.0)	4.9	(275.1)	(23.5)	(30.2)	(283.4)
Translation reserve							29.9	29.9
Equity – Group share	**34.1**	**22.4**	**(16.0)**	**4.9**	**(275.1)**	**(23.5)**	**(0.3)**	**(253.5)**
Minority interests						0.7	0.3	1.0
Total equity	**34.1**	**22.4**	**(16.0)**	**4.9**	**(275.1)**	**(22.8)**	**(0.0)**	**(252.5)**
Other non-current liabilities			5.6	(7.4)			0.2	(1.6)
Deferred tax	22.3		(0.8)		283.4		(11.1)	293.8
Non-current liabilities	**22.3**	**0.0**	**4.8**	**(7.4)**	**283.4**	**0.0**	**(10.9)**	**292.2**
Short-term financial debt and accrued interest						22.8		22.8
Trade and other payables							0.5	0.5
Short-term provisions for liabilities and charges							(0.5)	(0.5)
Current liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**22.8**	**0.0**	**22.8**
Total equity and liabilities	**56.4**	**22.4**	**(11.2)**	**(2.5)**	**8.3**	**0.0**	**(10.9)**	**62.5**

(a) Change in the estimated useful life of intangible assets and property, plant and equipement, and restatement of prepayments and deferred charges. The impact of these restatements on reserves is €34.1 million in the final version of the transition balance sheet, compared with €36 million in the preliminary version.

(b) Gain of contribution incurred at the creation of Maxxium is credited to equity for its carrying amount at 31 March 2004. The impact of this restatement on reserves is €22.4 million in the final version of the transition balance sheet, compared with €22 million in the preliminary version.

(c) Deferred actuarial gains and losses on pension commitments recognised directly to equity and provision set aside in respect of post-retirement healthcare plans from which benefit certain past employees in France. The impact on the reserves of these two restatements totalled €16.0 million in the final version of the transition balance sheet, i.e. the same as in the preliminary version.

(d) Provisions for liabilities expected to crystallise in more than two years are now restated at their present value. The impact on reserves totalled €4.8 million in the final version of the transition balance sheet, compared with €1 million the preliminary version. The reason for this difference was that the provision in question, which had represented a fixed euro amount previously, was considered as likely to give rise to payment in US dollar. Accordingly the amount of this provision was re-measured as well as restated at its net present value.

(e) Deferred taxes on differences between the amount at which assets are carried in the consolidated balance sheet and their tax value:

- Previously no provision for deferred tax was recorded in respect of brands that could not be sold separately from the entity acquired by the Group. The impact on reserves amounted to €275.1 million in the final version of the transition balance sheet, compared with €276 million the preliminary version. The difference results from modifications made to the tax value of certain brands.
- A deferred tax asset of €8.3 million was recorded on the application of the buyer's effective tax rate rather than the seller's tax rate to entries recorded to eliminate unrealised margins on intra-group inventories. This adjustment was not recorded in the preliminary transition balance sheet.
- A tax charge amounting to €3 million in respect of investments in associates that was recorded in the preliminary transition balance sheet was not maintained in the final version, as any distributions by these companies would not give rise to the payment of any distribution taxes.

(f) None of these reclassifications were anticipated in the preliminary transition balance sheet. Most result from a more in-depth analysis of the substance of certain transactions as opposed to their legal form.

An amount of €6.8 million was reclassified from trade receivables to inventories, being advances to certain wine suppliers in the Champagne region.

An amount of €22.8 million was reclassified from minority interests to financial debt, being the re-qualification as debt of the equity of the special purpose entity Champaco (a cognac ageing cooperative that has since merged with another cooperative to form Alliance Fine Champagne) as the capital is used to finance inventories and the remuneration of this capital is treated as a finance cost at the level of the Group.

A negative amount of €23.5 million was reclassified from minority interests to the Group equity following a change in the method of accounting for special purpose entities (IAS 27). Previously consolidated under the full consolidation method with minority interests of 100%, these entities continue to be consolidated under the full method but without the recognition of any minority interests.

(g) This column presents the impact of the various reclassifications without incidence on equity, including the reclassification of net translation adjustment as reserves in the opening balance sheet as permitted by IFRS 1.

(€ millions)	31 March 2005								
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	Total difference
ASSETS									
Brand and intangible assets	(0.7)								(0.7)
Property, plant and equipment	62.3								62.3
Investments in associates		24.2							24.2
Other investments	(0.2)		(15.9)						(16.1)
Deferred tax	0.8		4.1	(0.8)	9.3		(14.3)		(0.9)
Non-current assets	**62.2**	**24.2**	**(11.8)**	**(0.8)**	**9.3**	**0.0**	**(14.3)**	**0.0**	**68.8**
Inventories						14.2			14.2
Trade and other receivables	(4.2)					(14.2)			(18.4)
Current assets	**(4.2)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(4.2)**
Total assets	**58.0**	**24.2**	**(11.8)**	**(0.8)**	**9.3**	**0.0**	**(14.3)**	**0.0**	**64.6**
EQUITY AND LIABILITIES									
Consolidated reserves	34.1	22.4	(21.1)	4.9	(275.5)	(23.5)	(30.2)	0.5	(288.4)
Translation reserve							29.9		29.9
Net profit – Group share	0.2	1.8		(3.9)	30.4	(2.4)		(0.5)	25.6
Equity - Group share	**34.3**	**24.2**	**(21.1)**	**1.0**	**(245.1)**	**(25.9)**	**(0.3)**	**0.0**	**(232.9)**
Minority interests						3.1	0.4		3.5
Total equity	**34.3**	**24.2**	**(21.1)**	**1.0**	**(245.2)**	**(22.8)**	**0.1**	**0.0**	**(229.4)**
Other non-current liabilities			10.0	(1.8)			0.4		8.6
Deferred tax	22.5		(0.7)		254.4		(14.3)		261.9
Non-current liabilities	**22.5**	**0.0**	**9.3**	**(1.8)**	**254.4**	**0.0**	**(13.9)**	**0.0**	**270.5**
Short-term financial debt and accrued interest	0.2					22.8	0.2		23.2
Trade and other payables	1.0						0.3		1.3
Short-term provisions for liabilities and charges							(1.0)		(1.0)
Current liabilities	**1.2**	**0.0**	**0.0**	**0.0**	**0.0**	**22.8**	**(0.5)**	**0.0**	**23.5**
Total equity and liabilities	**58.0**	**24.2**	**(11.8)**	**(0.8)**	**9.3**	**0.0**	**(14.3)**	**0.0**	**64.6**

The above restatements and reclassifications include those made to the opening balance sheet at 1 April 2004 as well as movements during the period 1 April 2004 to 31 March 2005 in respect of restatements identified on the transition dates and new restatements in respect of transactions during the year ended 31 March 2005.

(a) At 31 March 2005, this also included the restatement of a finance lease and a lease for office property (advantages granted by lessor spread over the term of the lease).

(b) Since 1 July 2004, goodwill recognised by Maxxium on the creation of the joint-venture is no longer amortised.

(c) Actuarial gains and losses for the period 1 April 2004 to 31 March 2005 recognised directly to equity.

(d) Restatement of provisions at their net present value.

(e) Effect of changes in tax rates on the deferred tax liability recognised in respect of brands.

(f) An amount of €14.2 million was reclassified from trade receivables to inventories, being advances to certain wine suppliers in the Champagne region. Other reclassifications are the same as at 1 April, but reflect movements that have occurred during the period.

(g) Same types of reclassifications as at 1 April 2004, but amounts reflect movements that have occurred during the period.

(h) Recognition of a charge in respect of share-based payments in application of IFRS 2 with a corresponding credit to reserves.

29.4 Income statement for the year ended 31 March 2005

29.4.1. Income statements compared

Income statement after restatement for IFRS shown below is different from the income statement used as comparative in the consolidated financial statements for the year ended 31 March 2006 in the present document due to the fact the activities in the process of being sold were subsequently reclassified in the line "Net profit (loss) from discontinued operations" pursuant to IFRS 5. Such discontinued activities, described in note **2.2** and **21.2** were not know as such at transition date.

	March 2005		
(€ millions)	**French GAAP** (a)	**IFRS** (b)	**Difference** (b)-(a)
Net sales	**905.3**	**823.8**	**(81.5)**
Gross profit	494.7	438.8	(55.9)
Distribution costs	(243.6)	(221.0)	22.6
Administrative expenses	(83.4)	(87.9)	(4.5)
Other income from operations		12.1	12.1
Current operating profit	**167.7**	**142.0**	**(25.7)**
Provisions for impairment		(28.8)	(28.8)
Other operating income (expenses)		1.7	1.7
Operating profit	**167.7**	**114.9**	**(52.8)**
Finance costs	(53.1)	(55.8)	(2.7)
Profit before tax	**114.6**	**59.1**	**(55.5)**
Income tax expense	(38.3)	(10.5)	27.8
Share of profit of associates	5.6	7.4	1.8
Profit from continuing operations	**81.9**	**56.0**	**(25.9)**
Net profit (loss) from discontinuing operations		(0.7)	(0.7)
Profit attributable to minority interests	(3.1)	(5.5)	(2.4)
Non-recurring items after tax	(54.6)		54.6
Net profit – Group share	**24.2**	**49.8**	**25.6**

29.4.2. Analysis of "Difference" column

(€ millions)	To 31 March 2005										
	(a)	**(b)**	**(d)**	**(e)**	**(f)**	**(g)**	**(h)**	**(i)**	**(j)**	**Activities sold in 2005-06**	**Total Difference**
Net sales								**(6.5)**		**(75.0)**	**(81.5)**
Gross profit								(6.5)		(49.4)	(55.9)
Distribution costs	(0.2)					(0.2)		(5.6)	(3.9)	32.5	22.6
Administrative expenses	0.6						(0.8)		(4.3)		(4.5)
Other income from operations								12.1			12.1
Current operating profit	**0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**(0.2)**	**(0.8)**	**0.0**	**(8.2)**	**(16.9)**	**(25.7)**
Provisions for impairment									(52.3)	23.5	(28.8)
Other operating income (expenses)									1.7		1.7
Operating profit	**0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**(0.2)**	**(0.8)**	**0.0**	**(58.8)**	**6.6**	**(52.8)**
Finance costs			(5.6)						0.7	2.2	(2.7)
Profit before tax	**0.4**	**0.0**	**(5.6)**			**(0.2)**	**(0.8)**	**0.0**	**(58.1)**	**8.8**	**(55.5)**
Income tax expense	(0.1)		1.7	30.4		0.1	0.3		3.5	(8.1)	27.8
Share of profit of associates		1.8									1.8
Net profit from continuing operations	**0.3**	**1.8**	**(3.9)**	**30.4**	**0.0**	**(0.1)**	**(0.5)**	**0.0**	**(54.6)**	**0.7**	**(25.9)**
Net profit (loss) from discontinuing operations										(0.7)	(0.7)
Profit attributable to minority interests					(2.4)						(2.4)
Non-recurring items after tax									54.6		54.6
Net profit – Group share	**0.3**	**1.8**	**(3.9)**	**30.4**	**(2.4)**	**(0.1)**	**(0.5)**	**0.0**	**0.0**	**0.0**	**25.6**

(a) Reflects mainly a reduction in amortisation charges.

(b) Reversal of amortisation of Maxxium gain on contribution (€1.5 million decrease in profit) and of amortisation of Maxxium goodwill from 1 July 2004 (€3.3 million increase in profit).

(d) Restatement of certain provisions for liabilities at their net present value and re-measurement at the closing exchange rate of liabilities denominated in foreign currencies.

(e) Effect of changes in tax rates on tax entries recorded in connection with the application of IFRS, mainly deferred tax on the difference between the carrying value of the brands and their tax value.

(f) €2.4 million increase in minority interest resulting from a change in the method of accounting for special purpose vehicles (IAS 27). Previously consolidated under the full method with minority interests of 100%, these entities continue to be fully consolidated but with no recognition of any minority interests.

(g) Change in the calculation of allowances for doubtful debts at certain subsidiaries.

(h) Charge recognised in respect of share-based payments in application of IFRS 2.

(i) Reclassification of €6.5 million in distribution costs as a reduction in revenue as required by IAS 18, being mainly certain selling expenses in the US.
Reclassification as other income from operations of €12.1 million of revenues previously treated as a reduction in distribution costs.

(j) Reclassification of charges previously reported as non-recurring items.

Finally, and as recommended by International Financial Reporting Standards for the purpose of facilitating inter-period comparisons, all revenue and expenditure items relating to the Polish activities sold in August 2005 were reclassified on the line "Profit (loss) from discontinuing operations."

29.5 Accounting principles retained for the transition

International accounting standards have been applied retrospectively in the transition balance sheet at the date of transition (1 April 2004), with the exception of certain optional and obligatory exemptions offered by IFRS 1 ("First time adoption of IFRS") and which are commented below, standard by standard.

29.5.1. Adoption of IFRS 1 "First time adoption of IFRS"

The IFRS 1 standard defines the methods of establishing the first balance sheet under IFRS. The general principle is the retrospective application of all the standards in force at 31 March 2006, incidences of changes in accounting principles being recorded against retained earnings at the date of transition, 1 April 2004.

IFRS offers optional treatments; the choices selected by the Group in this domain are as follows :

- Business combinations : the exemption from retrospective application of IFRS has been retained;
- Valuation of intangibles assets and property, plant and equipment : the option of fair value at transition date has not been retained;
- Company benefits : actuarial differences, deferred under French GAAP, are recorded against equity at transition date;
- Translation of financial statements of foreign entities : cumulative translation adjustments as at 1 April 2004 have been reclassified in retained earnings at 1 April 2004;
- Share-based payments : IFRS 2 relating to share-based payments has not been applied by the Group to share purchase or subscription option plans open prior to 7 November 2002, the date before which the application is optional.

29.5.2. Consolidation scope

In applying the standards relating to the scope of consolidation (IAS 27, 28 and 31), the Group has reviewed its entire consolidation scope as well as the methods of consolidation of Group companies. The only change relates to the minority interests of special purpose entities which have been reclassified as Group equity and financial debt.

It should be noted that in respect of IFRS, the Group had decided, at the time of the 2004 accounting period, to apply in advance in its consolidated financial statements, the CRC 2003-04 ruling of 4 May 2004 relating to the consolidation of special purpose entities. Certains activities of two cognac ageing co-operatives (Prochacoop and Champaco, which were subsequently merged into Alliance Fine Champagne) had thus been consolidated.

29.5.3. Intangible assets

The majority of the Group's intangible assets comprise brands which are not amortised and are subject to annual impairment reviews under IFRS. Such reviews were already undertaken by the Group under French GAAP.

Under French GAAP, certain marketing and advertising expenses, recorded under "other receivables" were spread over several accounting periods. Under IFRS, these expenses do not satisfy the recognition criteria for an asset and must be recognised in profit immediately.

At 1 April 2004, the total of such expenses is charged to retained earnings.

29.5.4. Property, plant and equipment

The Group has opted to apply the amortised historic cost method ("cost model").

The Group has retrospectively applied the dispositions of IAS 16 to all its property, plant and equipment which led to a revision of the depreciation policy of these assets with respect to their useful lives.

The useful lives retained for certain type of assets (notably buildings, stills, casks and barrels) have grown significantly. Manufacturing assets being used until the end of their useful lives, no residual value has been established.

29.5.5. Investment in associated companies

Under French GAAP, the Maxxium distribution joint venture is consolidated using the equity method. At the time of its creation and subsequent operations, goodwill on acquisition has been recorded in Maxxium's accounts and is amortised on a straight line basis over 20 years.

Under IFRS, goodwill on acquisition is no longer amortised but is the subject of an annual impairment review.

At the same time, the capital gain on transferred assets recorded by the Group, under Frech GAAP, on the creation of Maxxium, carried as deduction from the value of the joint venture, which is also amortised on a straight line basis over 20 years will , under IFRS, be taken to equity at its net value as at 1 April 2004 in accordance with IFRS 3.

29.5.6. Employee benefits

In accordance with the option offered by IFRS 1, non-amortised actuarial differences relating to defined benefit retirement plans as at 1 April 2004 are recorded in full in equity by counterpart of "Other financial assets" or "Provision for retirement".

Post-employment benefit relating to healthcare from which certain retired employees benefit in France have been the subject of a valuation, recorded under "Provision for retirement" with a counterpart reduction in equity.

All other significant benefits within the scope of IAS 19 were already accounted for at 1 April 2004.

29.5.7. Translation adjustment

In accordance with the option offered by IFRS 1, translation differences accumulated in equity prior to 1 April 2004 are reclassified in consolidated reserves.

29.5.8. Provisions for liabilities and charges

In accordance with IAS 37, provisions for liabilities and charges for significant amounts for which the payment date can be anticipated are subject to discounting.

29.5.9. Deferred Taxation

Under French GAAP, the Group does not recognise deferred taxation on initial consolidation differences allocated to brands, in application of the exception of the CRC 99-02 ruling; in effect, these intangible assets have consistently being considered as non-transferable independently of the acquired entities.

IAS 12 does not provide this exception. Consequently, a deferred taxation liability is recorded on the difference between the value of the brands in the consolidated accounts and their fiscal value, more often than not zero, in the individual financial statements of the acquired company, owner of the brand.

The tax rate applied is that which would theoretically be applied to the capital gain in the instance of a separate transfer from the company owner of the brand.

This deferred taxation liability is constituted with reference to the value of the brands at 1 April 2004 with a counterpart diminution in consolidated equity.

Besides the impact of the first time application, this accounting treatment will also cause certain fiscal benefits, previously considered as permanent differences, not to be taken into consideration any longer.

Another consequence of applying IAS 12 is the recognition of a deferred tax asset on the elimination of inter-company margins in inventory at the tax rate of the buyer, instead of the seller's.

29.5.10. Share-based payments

Share subscription and purchase option plans granted since 7 November 2002 are subject to a valuation according to the dispositions of IFRS 2.

29.5.11. Revenue and related income

In applying IAS 18, certain commercial costs that are billed by distributors, presented in distribution costs under French GAAP, must be presented a deduction against revenue.

Certain side revenues, previously shown as a deduction of distribution costs, are now disclosed under a separate line "Other income from operations".

29.5.12. Operating profit and exceptional profit

Under French GAAP, the Group makes use of the notion of exceptional profit to isolate certain exceptional revenues and expenses whose occurrence is not related to the current course of business, in particular, transfers of significant assets, restructuring costs and impairment of brands are recorded in exceptional profit.

This notion not being recognised under IFRS, the Group will present it Operating profit split between "Operating profit from ordinary activities" and a line "Other operating income (expense)" grouping most of the items previously recorded under exceptional profit.

29.5.13. Segment reporting

Within the framework of the review of its internal method of organisation and following an in-depth analysis of the essential characteristics of the different segments identified up to this point, the Group has decided to merge the "Liqueurs" and "Spirits" segments from its first publication of financial statements under IFRS.

In addition, the operating profit from ordinary activities will now be disclosed after full allocation of network and central costs.