REMY COINTREAU GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

CONSOLIDATED INCOME STATEMENT

For the years ended 31 March 2007, 31 March 2006 and 31 March 2005. All data below is stated in accordance with IFRS principles and is expressed in millions of euros.

	notes	2007	2006	2005
Revenues	15	**785.9**	**780.6**	**733.7**
Cost of sales		(368.6)	(381.7)	(341.6)
Gross profit		**417.3**	**398.9**	**392.1**
Distribution costs	16	(192.5)	(190.7)	(193.5)
Administrative expenses	16	(81.1)	(80.2)	(84.9)
Other income (expenses) from operations	16	10.1	11.5	10.0
Operating profit on ordinary activities	15	**153.8**	**139.5**	**123.7**
Provisions for impairment		-	-	(3.1)
Other operating income (expenses)	18	(243.4)	(18.2)	12.3
Operating profit (loss)		**(89.6)**	**121.3**	**132.9**
Finance costs		(37.2)	(64.1)	(54.9)
Other financial income and expenses		(0.1)	0.9	(0.4)
Net financial expenses	19	**(37.3)**	**(63.2)**	**(55.3)**
Profit (loss) before tax		**(126.9)**	**58.1**	**77.6**
Income tax (expense) income	20	50.1	(13.3)	(23.1)
Share of profit of associates	5	10.2	8.5	7.4
Profit (loss) from continuing operations		**(66.6)**	**53.3**	**61.9**
Profit (loss) from discontinued operations	21	45.2	20.6	(6.6)
Net profit (loss) for the year		**(21.4)**	**73.9**	**55.3**
of which: attributable to minority interest		1.6	(3.9)	5.5
net profit – Group share		**(23.0)**	**77.8**	**49.8**
Earnings per share – Group share (euros)				
basic		(0.50)	1.72	1.13
diluted		(0.50)	1.70	1.13
Earnings per share from continuing operations (euros)				
basic		(1.46)	1.18	1.40
diluted		(1.46)	1.16	1.40
Number of shares used for the calculation				
basic	11.2	45,657,049	45,320,286	44,247,047
diluted	11.2	45,657,049	45,893,565	51,496,870

CONSOLIDATED BALANCE SHEET

For the years ended 31March 2007, 31 March 2006 and 31March 2005. All data below is stated in accordance with IFRS principles and is expressed in millions of euros.

	notes	2007	2006	2005
Brands and other intangible assets	3	628.1	629.6	922.7
Property, plant and equipment	4	171.9	180.5	195.6
Investments in associates	5	127.2	123.6	113.6
Other investments	6	97.5	70.7	7.6
Deferred tax assets	20	13.0	12.3	13.0
Non-current assets		**1,037.7**	**1,016.7**	**1,252.5**
Inventories	7	841.7	852.4	845.9
Trade and other receivables	8	245.6	243.1	239.7
Income tax receivables		30.8	11.0	6.9
Derivative financial instruments	9	11.1	6.9	8.9
Cash and cash equivalents	10	20.6	31.6	53.6
Assets held for sale	2	17.4	204.0	
Current assets		**1,167.2**	**1,349.0**	**1,155.0**
Total assets		**2,204.9**	**2,365.7**	**2,407.5**

	notes	2007	2006	2005
Share capital		73.6	72.8	72.1
Share premium		650.2	639.5	630.7
Treasury shares		(0.9)	(0.7)	(0.6)
Consolidated reserves		162.3	127.3	119.9
Translation reserve		(8.1)	2.0	(3.0)
Net profit - Group share		(23.0)	77.8	49.8
Equity - Group share		**854.1**	**918.7**	**868.9**
Minority interests		(1.6)	(3.2)	19.4
Total equity	11	**852.5**	**915.5**	**888.3**
Long-term borrowings	12	403.5	376.2	746.4
Provisions for staff benefits	23	22.2	24.5	27.1
Long-term provisions for risks and charges	13	256.2	26.3	24.1
Deferred tax liabilities	20	135.8	170.8	282.4
Total non-current liabilities		**817.7**	**597.8**	**1,080.0**
Short-term borrowings and accrued interest	12	179.2	426.9	170.0
Trade and other payables	14	310.4	300.4	244.1
Income tax payables		11.7	23.6	3.0
Short-term provisions for risks and charges	13	33.3	34.1	19.4
Derivative financial instruments	9	0.1	1.9	2.7
Liabilities directly related to assets held for sale	2	-	65.5	-
Current liabilities		**534.7**	**852.4**	**439.2**
Total liabilities and equity		**2,204.9**	**2,365.7**	**2,407.5**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31March 2007, 31 March 2006 and 31March 2005. All data below is stated in accordance with IFRS principles and is expressed in millions of euros.

	Share capital	Share premium	Treasury shares	Consolidated reserves and profit for the year	Translation reserve	Group share	Minority interests	Total equity
Balance at 1 April 2004	**71.6**	**626.4**	**(10.5)**	**170.1**	**-**	**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)**
Associated tax effect	-	-	-	2.0	-	**2.0**	-	**2.0**
Earnings taken directly to equity	-	-	-	(5.3)	-	**(5.3)**	-	**(5.3)**
Translation differences	-	-	-	-	(3.0)	**(3.0)**	0.4	**(2.6)**
Total expenses and income recognised directly in equity	**-**	**-**	**-**	**44.5**	**(3.0)**	**41.5**	**5.9**	**47.4**
Share-based payments	-	-	-	(0.8)	-	**(0.8)**	-	**(0.8)**
Capital increase	0.5	4.3	-	-	-	**4.8**	-	**4.8**
Transactions on treasury shares	-	-	9.9	-	-	**9.9**	-	**9.9**
Dividends	-	-	-	(44.1)	-	**(44.1)**	-	**(44.1)**
Balance at 31 March 2005	**72.1**	**630.7**	**(0.6)**	**169.7**	**(3.0)**	**868.9**	**19.4**	**888.3**
Impact of first-time application of IAS 32 and IAS 39	-	-	-	5.2	-	**5.2**	(8.0)	**(2.8)**
Balance at 1 April 2005	**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**
Associated tax effect	-	-	-	0.9	-	**0.9**	-	**0.9**
Earnings taken directly to equity	-	-	-	(1.7)	-	**(1.7)**	-	**(1.7)**
Translation differences	-	-	-	-	5.0	**5.0**	-	**5.0**
Total expenses and income recognised directly in equity	**-**	**-**	**-**	**76.1**	**5.0**	**81.1**	**(3.9)**	**77.2**
Share-based payments	-	-	-	1.7	-	**1.7**	-	**1.7**
Capital increase	1.1	15.3	-	-	-	**16.4**	-	**16.4**
Cancellation of shares	(0.4)	(7.2)	-	-	-	**(7.6)**	-	**(7.6)**
Conversion of bonds	-	0.7	-	-	-	**0.7**	-	**0.7**
Transactions on treasury shares	-	-	(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	-	-	-	-	-	**-**	(10.7)	**(10.7)**
Balance at 31 March 2006	**72.8**	**639.5**	**(0.7)**	**205.1**	**2.0**	**918.7**	**(3.2)**	**915.5**
Net profit (loss) for the year	-	-	-	(23.0)	-	**(23.0)**	1.6	**(21.4)**
Change in value of hedging instruments	-	-	-	4.9	-	**4.9**	-	**4.9**
Actuarial gain on retirement obligations	-	-	-	1.2	-	**1.2**	-	**1.2**
Associated tax effect	-	-	-	(2.2)	-	**(2.2)**	-	**(2.2)**
Earnings taken directly to equity	-	-	-	3.9	-	**3.9**	-	**3.9**
Translation differences	-	-	-		(10.1)	**(10.1)**	-	**(10.1)**
Total expenses and income recognised directly in equity	**-**	**-**	**-**	**(19.1)**	**(10.1)**	**(29.2)**	**1.6**	**(27.6)**
Share-based payments	-	-	-	3.3	-	**3.3**	-	**3.3**
Capital increase	0.8	10.7	-	-	-	**11.5**	-	**11.5**
Transactions on treasury shares	-	-	(0.2)	-	-	**(0.2)**	-	**(0.2)**
Dividends	-	-	-	(50.0)	-	**(50.0)**	-	**(50.0)**
Balance at 31 March 2007	**73.6**	**650.2**	**(0.9)**	**139.3**	**(8.1)**	**854.1**	**(1.6)**	**852.5**

(1) impact of the harmonisation of accounting policies on agreements with distillers

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31March 2007, 31 March 2006 and 31March 2005. All data below is stated in accordance with IFRS principles and is expressed in millions of euros.

	notes	2007	2006	2005
Operating profit on ordinary activities		153.8	139.5	123.7
Adjustment for depreciation and impairment charges		13.2	14.3	15.9
Adjustment for share-based payments		3.3	1.7	0.8
Dividends received from associates	5	5.9	7.3	7.8
EBITDA		176.2	162.8	148.2
Change in inventories		(0.8)	31.4	32.7
Change in trade receivables		(4.9)	(23.9)	4.3
Change in trade payables		9.0	5.9	(20.0)
Change in other receivables and payables		10.6	(13.0)	8.6
Change in working capital requirement		13.9	0.4	25.6
Cash generated from operations		**190.1**	**163.2**	**173.8**
Other operating income and expenses		(6.9)	(2.5)	(4.5)
Net financial expenses		(43.6)	(43.6)	(41.4)
Net income taxes paid		(43.2)	(24.6)	(28.5)
Other operating cash flows		(93.7)	(70.7)	(74.4)
Net cash flow from operating activities – continuing operations		**96.4**	**92.5**	**99.4**
Impact of discontinued operations		2.1	9.8	25.0
Net cash flow from operating activities		**98.5**	**102.3**	**124.4**
Purchases of non-current assets	3/4	(25.8)	(20.7)	(23.8)
Purchases of investment securities	5/6	(3.5)	(8.9)	-
Proceeds from sale of non-current assets		1.2	11.1	18.6
Proceeds from sale of investment securities	6	4.3	-	-
Net cash flow from other investments	6	(0.2)	(1.8)	(0.5)
Net cash flow from (used in) investing activities – continuing operations		**(24.0)**	**(20.3)**	**(5.7)**
Impact of discontinued operations		156.4	44.3	(11.0)
Net cash flow from (used in) investing activities		**132.4**	**24.0**	**(16.7)**
Capital increase	11	11.5	9.5	4.8
Treasury shares	11	(0.2)	(0.1)	8.8
Increase in borrowings		141.5	-	200.0
Repayment of borrowings		(346.9)	(112.5)	(286.6)
Dividends paid to shareholders of the parent company		(50.0)	(45.0)	(44.1)
Other cash flows from financing activities		-	0.3	-
Net cash flow from financing activities – continuing operations		**(244.1)**	**(147.8)**	**(117.1)**
Impact of discontinued operations		-	-	(5.2)
Net cash flow from financing activities		**(244.1)**	**(147.8)**	**(122.3)**
Translation differences on cash and cash equivalents		2.2	(0.5)	0.1
Change in cash and cash equivalents		**(11.0)**	**(22.0)**	**(14.5)**
Cash and cash equivalents brought forward	10	**31.6**	**53.6**	**68.1**
Cash and cash equivalents carried forward	10	**20.6**	**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 5 June 2007 pursuant to a recommendation from the audit committee following their meeting on 4 June 2007. They will be submitted for shareholder approval at the shareholders' general meeting of 31 July 2007.

1 ACCOUNTING POLICIES

Rémy Cointreau has a 31 March year end. The consolidated financial statements have been prepared in millions of euros.

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 2007.

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, a separate disclosure prior to the publication of the financial statements for the 6 months ended 30 September 2005 and a note in the Reference Document for the year ended 31 March 2006.

IFRS 1 offers options with regard to the accounting treatment of various items. In this regard, Rémy Cointreau Group made the following elections:

- Business combinations: exemption from retroactive application of IFRS 3 was applied;
- Valuation of property, plant and equipment and intangible assets: the option to state these assets at fair value on the transition date was not applied;
- Employee benefits: deferred actuarial differences under French GAAP on the transition date were recognised;
- Translation of the financial statements of foreign subsidiaries: translation reserves relating to the consolidation of subsidiaries in foreign currencies were cancelled on 1 April 2004 with a corresponding entry to retained earnings brought forward;
- Share-based payments: Rémy Cointreau Group does not apply IFRS 2 relating to share-based payments to stock option plans opened before 7 November 2002, the date prior to which application is optional.

IAS 32 and IAS 39 were first implemented with effect from 1 April 2005 without adjustment to the figures for the 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. The information for the years ended 31 March 2006 and 31 March 2007 is not comparable with the year ended 31 March 2005 given that the latter has not been adjusted.

The group decided not to apply the amendment to IAS 1 – *Disclosures on the capital*, and IFRS 7 – *Financial instruments: disclosures*, prior to the mandatory application for financial years starting on or after 1 January 2007. Likewise for the interpretations IFRIC 8 – *Scope of application of IFRS 2*, applicable for financial years starting on or after 1 May 2006, and IFRIC 9 – *Reassessment of embedded derivatives*, applicable for financial years starting on or after 1 June 2006. However, the Group does not perform any transactions that fall within the scope of these last two interpretations.

The Group adopted the amendment to IAS 19 – *Employee benefits*, which resulted in changes being made to the corresponding notes to the financial statements. The Group also adopted IFRIC 4 – *Determining whether an arrangement contains a lease*. This application has no impact on the consolidated financial statements.

None of the standards and interpretations published by the IASB and IFRIC since 31 March 2006 has a material impact on the financial statements of Rémy Cointreau Group.

Pursuant to the application of IFRS 5, the financial statements for the years ended 31 March 2006 and 31 March 2005 (income statement and cash flow statement) used as comparatives in this document were subject to subsequent reclassifications in respect of discontinued activities.

1.1 Use of estimates

Preparation of the financial statements in accordance with International Financial Reporting Standards required placing reliance on estimates and assumptions 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 valuations described below.

Brands
At least once a year, the Group tests the carrying amount of brands and related assets. The main valuation method is based on the discounting of future cash flows, which are estimated based on medium-term plans approved by the Board of Directors. A number of external factors may impact the actual achievement of these plans.

Pension obligations and other post-employee benefits
The valuation of these obligations is determined by the use of actuarial methods involving assumptions for the discount rate, expected return on plan assets, rate of salary increases, life expectancy, etc. Given the long-term nature of these obligations, any changes to these assumptions may have a material impact on the valuation.

Stock option plans
The calculation of the corresponding charge (IFRS 2) calls for assumptions to be made with regard to the volatility of the share price, dividend payout, staff turnover rate and achievement of performance criteria.

Derivative financial instruments
Derivative financial instruments held by the Group in connection with its ordinary activities, mainly in the form of options, are valued using the methods prevailing in the financial markets. Note that the valuations are based on market data as at the balance sheet date. These values may fluctuate rapidly due to constant changes in the financial markets.

Provisions for risks
The recognition of provisions for risks, generally intended to cover the payment of compensation in the event of disputes with third parties, requires the Group's management to estimate the degree of probability associated with this risk and also the outcome of negotiations, transactions or legal proceedings that are or may be conducted with the third parties concerned.

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 (see also note **1.22**).

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 functional currency of Rémy Cointreau S.A. The balance sheets of foreign subsidiaries, whose functional currency is not the euro, are translated at the closing exchange rate, while the income statements are translated at the average exchange rate for the period concerned. Differences arising from the use of different exchange rates are recognised directly in equity under "Translation reserves" until the sale or liquidation of the subsidiary concerned.

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 by each consolidated entity at the prevailing rate of exchange on the transaction date. At the end of the reporting period, foreign currency assets and liabilities are netted off and 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 reserves”.

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 instruments as defined by IAS 39, they are recognised on the balance sheet at their closing market value. Changes in the value of these instruments are recognised within:

- 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 expenses (other cash flows) as the cash flows covered by the hedging transactions occur;
- net financial income or expenses 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 subject to impairment testing at least annually and as soon as there is any indication of a diminution in value. For the purpose of this testing, goodwill is allocated to Cash-Generating Units (CGUs).

1.6 Intangible assets

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

Expenditure incurred to create new brands or to develop existing brands and all expenses relating to the registration and legal protection of brands are systematically recognised in the income statement in the period in which they are incurred.

The brands recorded on Rémy Cointreau Group’s balance sheet are not amortised as they enjoy legal protection, generate higher earnings than those of similar unbranded products and have an indefinite useful life.

Brands are tested for impairment 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 with the brands were also recognised when the acquisitions were made by the Group. When these rights have an indefinite life, they are not amortised but are tested for impairment together with the brands to which they relate.

The Group does not capitalise any research and development costs.

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	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 intended to increase productivity 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 method and useful lives described above.

b) Depreciation

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

The Group's non-current assets are predominantly used in production. Given that they are used until the end of their estimated useful lives, they have no material residual value.

Depreciation is based on the estimated useful lives of the different categories of property, plant and equipment, being the periods during which it is estimated that the Group will derive economic benefits from these assets.

Property, according to the nature of the individual components	10 to 75 years
Stills, barrels and vats	35 to 50 years
Plant, equipment and tooling	3 to 15 years
Computer equipment	3 to 5 years
Other non-current 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 property, plant and equipment and intangible assets is tested as soon as there is any indication of a diminution in value, and automatically at each year end 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 present value is less than the carrying amount and that this loss is deemed to be permanent, impairment is recognised in the income statement under "Provisions for impairment".

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

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

With respect to operational entities that Group management has decided to sell, the assets concerned are stated at the lower of their carrying amount and estimated market value after selling costs. If negotiations are in progress, the value is established based on the best estimate of their outcome 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 (five to ten years) approved by the Board of Directors. The terminal 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 2007, 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 contra entry for these inventories is generally recorded in trade payables.

A substantial part of the inventories held by the Group consists of spirits (cognac, brandy and rum) and wines (champagne) that are undergoing ageing. These inventories may be held for periods ranging from three to more than 70 years. They remain classified within current assets based on common industry practice. 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 being aged does not include finance costs incurred during this 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 as to reflect evaporation. The approach used to determine 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 (calculated using the weighted average cost method) and 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 and its subsequent amendments.

a) Trade receivables and payables

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

An impairment provision is recognised when the fair value of trade receivables based on the probability of collection is less than their carrying amount.

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 as at the balance sheet date. As a rule, changes in value are recognised directly in equity until such gains or losses are actually realised, except when the loss is considered to be permanent, in which case an impairment provision 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 a regulated market.

c) Shares measured in accordance with the 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 and the Warsaw stock exchange, that are valued at fair value through profit or loss. Changes in fair value are recorded in net financial income or expenses, as are gains and losses on disposal.

This investment is valued by the Group at market value to ensure that its liquidity is managed with 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 has implemented the procedures and maintains the documentation needed to justify the application of hedge accounting as defined by IAS 39.

Derivative instruments are stated at market value as at the balance sheet date. Changes in the value of currency instruments are recognised in the manner described in note **1.4**. When used to hedge interest rate risk, changes in the value of derivative instruments (principally caps) are recorded in recyclable equity in respect of the change in the intrinsic value of the hedging instruments and in 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.

From time to time, the Group may also hold derivative instruments linked to divestments (note **6.2**) or concerning contracts involving Rémy Cointreau shares (notes **9.4** and **9.5**).

e) Loans and borrowings

For the financial years covered by this document, the Group's loans and borrowings mainly comprise:

- subordinated perpetual notes (TSDI), that matured in May 2006;
- bonds with the option to convert into and/or exchange for new and/or existing shares (OCEANE), which expired in April 2006;
- two non-convertible bond issues;
- amounts drawn down on credit lines negotiated with a banking syndicate;
- amounts drawn down on unconfirmed credit lines.

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 Rémy Cointreau's consolidated balance sheet, the subordinated perpetual notes were eliminated and replaced by the borrowings of the debt securitisation fund.

As required by IAS 32 and IAS 39, the OCEANE is recognised in two parts:

- a debt component stated at the present value of the debt at the market rate on the issue date;
- an equity component, being the difference between the nominal value of the instruments and the value assigned to the debt component, and corresponds to the value of the embedded conversion option on the issue date.

Issue costs relating to the OCEANE are apportioned between the two components on a pro rata basis.

The equity component has not been re-measured since the date of issue, regardless of changes in the value of the Rémy Cointreau shares. The debt component is recognised in accordance with the effective interest rate method, which takes into account the potential redemption premium on the OCEANE.

Financial resources other than the OCEANE, including the borrowings of the debt securitisation fund, are stated at nominal value net of costs incurred when arranging this financing, which are recognised in the income statement as finance costs using an actuarial calculation (the effective interest rate method), except for costs relating to the banking syndication, which are recognised using the straight line method over the term of the contract.

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 had such a commitment in respect of its 50% stake 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 no longer appears in the financial statements prepared since that date.

1.11 Cash and cash equivalents

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

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

1.12 Deferred tax

In accordance with IAS 12, deferred tax is recognised on all temporary 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 statutory tax rates that are expected to be in effect when timing differences reverse, which is generally the tax rate for the current reporting period or that of the 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 source 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 acquisition, and their value for taxation purposes, which is generally nil.

As required by IAS 12, a 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 tax losses carried forward are recognised as deferred tax assets and amortised by reference to the probability that these losses will be utilised.

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

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 highly probable that it will result in a payment in cash or kind being made to the third party without receipt of an at least equivalent consideration from the third party. Provisions for restructuring are recognised only 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 the laws and practices in each country, Rémy Cointreau participates 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 as expenses when 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 life expectancy, staff turnover and future salary increases. They also take into account the economic situation in each country. The discount rates used are yields on government bonds with a maturity close to that of the pension obligations.

Commitments under defined benefit plans concern:

- commitments relating to the pension fund of Bols in the Netherlands up to 31 March 2006;
- commitments under the Group's pension plan in Germany and Barbados;
- retirement indemnities and long-service awards under 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 plans that are accounted for in the same way as the termination of employment contracts.

Actuarial gains and losses for defined benefit plans arising since 1 April 2004 have also been recognised directly in equity ("Total expenses and income recognised directly in equity"). These actuarial gains and losses correspond to adjustments to reflect differences between the previous actuarial assumptions and actual experience, and the effects of changes in actuarial assumptions.

1.15 Revenues

Revenues comprise 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;
- distributors;
- 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 net of 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 trade agreements when they result in the customer ultimately paying a lower price for the goods.

Certain revenues that are ancillary to the sale of the wine and spirit brands (notably from subcontracting and the distribution of alcohol-free products) are recorded at their net amount under "Other income and expenses" to the extent that they are peripheral to the Group's core activity.

1.16 Definition of certain indicators

a) Operating profit on ordinary activities, Operating profit, Profit (loss) from discontinued operations

Operating profit on ordinary activities 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 in the line "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 which 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, and significant profits and losses on the sale of assets other than those relating to operations that already have been, or are to be, discontinued.

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

This earnings measure is used notably in the calculation of certain ratios. It corresponds to the operating profit on ordinary activities adjusted by adding back depreciation and amortisation charges for the period in respect of property, plant and equipment and intangible assets, and charges in respect of share-based payments, to which are added dividends received from associates during the period.

c) Net debt

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

d) Capital employed

Capital employed is used for the calculation of return on capital employed by activity and in total for the Group as a whole. The return on capital employed (ROCE) is calculated by comparing the operating profit on ordinary activities for the year with the value of capital employed as at the balance sheet date. This ratio is one of the main indicators used to measure the performance of each activity.

Capital employed comprises:

- intangible non-current assets (excluding brands and distribution rights);
- property, plant and equipment;
- inventories;
- trade and other receivables (excluding items relating to VAT and excise duties);
- net of trade and other payables (excluding items relating to VAT and excise duties);
- net of provisions for risks and charges (excluding those relating to tax disputes, operations that have been or are to be discontinued, and the Maxxium indemnity).

In addition, comparative data is systematically adjusted for items relating to activities sold during subsequent periods.

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 Group has chosen to use the business sector as its primary reporting segment. Each segment combines brands presenting similar profiles in terms of industrial process, profitability and risk. These segments are: Cognac, Liqueurs and Spirits, Champagne and Partner brands. This last segment covers 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 a portfolio of brands are allocated on a pro rata basis, based in particular on the proportion of revenues generated each year by the brand or portfolio of brands.
Accordingly, in the event of reclassification in “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 revenues by geographical segment is based on the country of destination of the goods sold, while the breakdown of balance sheet items is based on the country in which the consolidated entities are located.

The geographical segments used are: Europe, Americas and Asia and rest of world. The last segment comprises Asia, Australia, New Zealand and Africa.

1.18 Treasury shares

Group investments in Rémy Cointreau shares are deducted from equity.

On 15 November 2005, and for a period of one year renewable by tacit agreement, Rémy Cointreau signed a liquidity agreement with Rothschild & Cie Banque that complies with the Ethics Charter of the *Association Française des Entreprises d'Investissement* and was 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.

At each period end, Rémy Cointreau shares held via the liquidity account and the net gains or losses during the year on share transactions conducted by Rothschild & Cie Banque are deducted from equity. The value of cash held in the liquidity account is recorded in "Other investments".

1.19 Stock option plans and bonus shares

In accordance with IFRS 2, *Share-based payments*, the plans since 7 November 2002 give rise to the recognition of a charge representing the estimated value of the benefit granted to the plans' beneficiaries. Amounts are expensed as "Administrative expenses" and they are credited to reserves.
The benefits are measured as follows:

- for option plans: the benefit is measured on the date that each plan is granted using a binomial model and is expensed on a straight-line basis over the vesting period (four years);
- for bonus shares: the valuation is based on the share price on the allocation date and on the estimated dividends paid during the vesting period, weighted by the anticipated achievement of the final allocation criteria. The benefit is expensed on a straight-line basis over the vesting period (two years).

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 bonds that are certain to be converted.

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 if all existing subscription options granted in respect of the various plans, and which have not lapsed at the balance sheet date, were to be exercised.
  As required by IAS 33, it is assumed that proceeds from the theoretical exercise of the options are used to acquire ordinary shares at the average market price during the period.

- the total number of shares that would be issued if OCEANE holders exercised their conversion rights.
  Diluted earnings per share are calculated after adjusting for the post-tax reduction in interest expense that would arise on conversion of the OCEANE.

In the event that the diluted earnings per share are higher than the basic earnings per share, the diluted earnings per share are adjusted to the level of the basic earnings per share.

1.21 Discontinued operations

When a company or activity qualifies as discontinued operations at the balance sheet date based on the criteria stipulated in IFRS 5, assets and liabilities directly attributable to the outstanding disposal transaction and which will be transferred on the actual sale are reclassified in "Assets held for sale" or "Liabilities held for sale" in respect of the current period only.

When a company or activity that represents a major and distinct business line or geographic region have been sold during the period or are classified as assets held for sale:

- all income statement lines of this company or activity for comparative periods are reclassified in "Profit (loss) from discontinued operations". A similar reclassification is performed in the cash flow statement in the line "Impact of discontinued operations" within "Net cash flow from operating activities".
- all income statement lines of this company or activity up to the sale date are reclassified in "Profit (loss) from discontinued operations" for the period in which the sale takes place. A similar reclassification is performed in

the cash flow statement in the line “Impact of discontinued operations” within “Net cash flow from operating activities”.

- the post-tax gain or loss on the disposal after transaction costs is also recorded in “Profit (loss) from discontinued operations”. In the cash flow statement, a distinction is made between the proceeds received from the sale net of transaction costs, which are recorded as cash flow from investing activities, and any impact of the deconsolidation of cash held by the entity sold, which is recorded as cash flow from financing activities.

Costs directly attributable to the outstanding disposal transaction, for which there is an irrevocable commitment as at the balance sheet date, are recorded in “Profit (loss) from discontinued operations”. A similar reclassification is performed in the cash flow statement in the line “Impact of discontinued operations” within cash flow from investing activities.

1.22 Consolidation of cooperatives

Since 1 April 2003, Rémy Cointreau has consolidated the two brandy ageing cooperatives, Prochacoop and Champaco, as special purpose entities. On 28 February 2005, these cooperatives merged to become Alliance Fine Champagne (AFC), which is consolidated using the full method for the scope of operations relating to Rémy Cointreau.

In April 2005, CLS Rémy Cointreau transferred to Alliance Fine Champagne its brandy purchase commitments and the direct management of three-year supply agreements between itself and the distillers. Based on an analysis of the procedures defined 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 the Maxxium joint venture

Rémy Cointreau Group holds a 25% stake in the Maxxium BV distribution joint 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 such that the profits and dividends are not appropriated by reference to the partners' respective interests in the capital (25% each).

At each period end, the theoretical net profit or loss allocated to each partner is calculated based on a contractual formula. This is compared with Maxxium’s actual net profit or loss on each partner’s product range. The positive or negative post-tax difference arising, which is known as the "excess or short contribution", is added or deducted from each partner’s equal share of earnings that corresponds to the dividend to be distributed to each partner.

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

On 23 November 2006, Rémy Cointreau notified its decision to terminate the Global Distribution Agreement with Maxxium on 30 March 2009 (see note **5.1.2**).

2 CHANGES IN CONSOLIDATION SCOPE

2.1 Business sold during the year

2.1.1 Sale of a series of liqueurs and spirits brands (Lucas Bols)

On 11 April 2006, Rémy Cointreau signed a sale contract with an investment fund for the disposal of a series of brands essentially comprising the Italian liqueurs (Galliano and Vaccari), the Bols liqueurs, the Bols gins, Bokma, Hartevelt and other Dutch liqueurs. Together, these brands assumed the name of Lucas Bols BV. For accounting purposes, this sale was backdated to 1 April 2006.

The sale transaction resulted in the disposal of certain brands, securities and inventories. The sale consideration of €158.5 million was settled in cash and was accompanied by a loan to the buyer for a principal amount of €50.0 million. This buyer's loan bears interest and includes an early repayment clause at the borrower's option that determines the repayment amount. The impact of the sale is shown in note **21**.

Income statement items relating to the operations sold were previously reclassified line-by-line in "Profit (loss) from discontinued operations" for the years ended 31 March 2006 and 31 March 2005. The corresponding balance sheet items (mainly brands recognised on acquisitions and related deferred tax and inventories) were reclassified in assets and liabilities held for sale in the balance sheet for the year ended 31 March 2006.

2.1.2 Sale of Cognac de Luze

On 25 July 2006, Rémy Cointreau finalised the sale of the Cognac de Luze brand to a local company in the Cognac sector. This transaction, which included the sale of Cognac de Luze inventories, was settled in cash, the total consideration being €8.3 million. For accounting purposes, this sale was backdated to 30 June 2006. The impact of the sale is shown in note **21**.

Income statement items relating to the operations sold were previously reclassified line-by-line in "Profit (loss) from discontinued operations" for the years ended 31 March 2006 and 31 March 2005. The corresponding balance sheet items (mainly inventories) were reclassified in assets held for sale in the balance sheet for the year ended 31 March 2006.

2.1.3 Sale of Bols Hungary

On 12 July 2006, Rémy Cointreau completed the sale of the distribution company Bols Hungary Kft to Central European Distribution Corporation (CEDC) for a cash settlement of €15.4 million. The impact of the sale is shown in note **21**.

Income statement items relating to the operations covered by the sale were reclassified line-by-line in "Profit (loss) from discontinued operations" for the years ended 31 March 2006 and 31 March 2005.

The following items were reclassified:

Income statement:

(€ millions)	2006	2005
Revenues	**17.7**	**14.6**
Gross profit	9.1	9.4
Distribution costs	(6.8)	(5.7)
Operating profit on ordinary activities	**2.3**	**3.7**
Net financial income	0.1	-
Income tax expense	(0.4)	(0.7)
Net profit	**2.0**	**3.0**

Segment data by business segment:

(€ millions)	Revenues		Operating profit on ordinary activities	
	2006	2005	2006	2005
Cognac	(0.1)	(0.1)	(0.4)	-
Liqueurs and spirits	(7.5)	(6.6)	(2.0)	(2.3)
Champagne	-	-	(0.1)	-
Partner brands	(10.1)	(7.9)	0.2	(1.4)
Total	**(17.7)**	**(14.6)**	**(2.3)**	**(3.7)**

Segment data by geographical segment:

(€ millions)	Revenues	
	2006	2005
Europe	(17.7)	(14.6)
Total	**(17.7)**	**(14.6)**

2.2 Assets and liabilities held for sale

In accordance with IFRS 5, material assets whose sale is highly probable at the balance sheet date are reclassified in "Assets held for sale". Liabilities directly associated with these items are also reclassified in "Liabilities directly related to assets held for sale". The assets cease to be depreciated or amortised as from the date of reclassification. Reclassified assets are reduced to their estimated realisable value if this is less than the carrying amount.

At 31 March 2007, such items concerned:

- Two property complexes with a total carrying amount of €12.6 million put up for sale following the decision to combine the Group's champagne operations at a single site in Reims (France). These two properties are covered by commitments to sell signed in June 2006 and December 2006;
- An industrial site currently used in the production of St Rémy brandy in Machecoul (France) put up for sale as part of the restructuring measures initiated during the previous financial year. A commitment to sell covering part of the land was signed in March 2007. The site has a carrying amount of €1.3 million;
- Armagnac inventories pertaining to the activity involving the Clés de Ducs brand that was in the process of being sold at the balance sheet date. Given the intended sale, an inventory impairment of €1.9 million was recorded in "Profit (loss) from discontinued operations".

All the items presented in these lines at 31 March 2006 were actually sold during the year ended 31 March 2007 (see note **2.1**)

(€ millions)	2007	2006
Items relating to the sale of Lucas Bols:	-	-
- Brands and distribution rights	-	188.2
- Share of an associate	-	3.6
- Deferred tax assets	-	3.8
- Inventories	-	4.6
Inventories relating to the Cognac de Luze brand	-	3.8
Inventories relating to the Clés des Ducs brand	3.5	-
Reims property assets	12.6	-
Machecoul industrial site	1.3	-
Total assets	**17.4**	**204.0**
Items relating to the sale of Lucas Bols:		
- Deferred tax liabilities (on brands)	-	52.7
- Provisions for risks and charges	-	12.8
Total liabilities	**-**	**65.5**

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 and items scrapped	-	-	(0.7)	(0.7)
Reclassified as assets held for sale	(208.5)	(5.4)	-	(213.9)
Changes in consolidation scope	(128.2)	-	(1.8)	(130.0)
Other movements	-	-	0.3	0.3
Translation differences	0.6	0.4	-	1.0
Cost at 31 March 2006	**624.0**	**10.6**	**21.5**	**656.1**
Additions	-	-	1.3	1.3
Changes in consolidation scope	-	-	(0.1)	(0.1)
Other movements	-	-	0.4	0.4
Translation differences	(0.8)	(0.6)	(0.1)	(1.5)
Cost at 31 March 2007	**623.2**	**10.0**	**23.0**	**656.2**
Accumulated amortisation 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 and items scrapped	-	-	(0.6)	(0.6)
Reclassified as assets held for sale	(25.7)	-	-	(25.7)
Changes in consolidation scope	(23.5)	-	(1.3)	(24.8)
Translation differences	-	0.2	-	0.2
Accumulated amortisation and impairment at 31 March 2006	**3.4**	**7.8**	**15.3**	**26.5**
Charges for the year	0.0	0.1	2.0	2.1
Changes in consolidation scope	-	-	(0.1)	(0.1)
Translation differences	-	(0.3)	(0.1)	(0.4)
Accumulated amortisation and impairment at 31 March 2007	**3.4**	**7.6**	**17.1**	**28.1**
Carrying amount at 31 March 2005	**907.6**	**7.3**	**7.8**	**922.7**
Carrying amount at 31 March 2006	**620.6**	**2.8**	**6.2**	**629.6**
Carrying amount at 31 March 2007	**619.8**	**2.4**	**5.9**	**628.1**

"Other" largely consists of software licenses and leasehold rights.

Amounts disclosed under "Reclassified as assets held for sale" are explained in note **2.2**. "Changes in consolidation scope" relate to the sale of Bols Sp.z.o.o. in 2006 and Bols Hungary KFT in 2007 (note **2.1.3**).

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 and items scrapped	(0.8)	(9.7)	(30.4)	-	(40.9)
Changes in consolidation scope	(0.2)	(4.4)	(12.4)	(0.6)	(17.6)
Other movements	-	0.8	6.8	(7.7)	(0.1)
Translation differences	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**
Additions	0.1	1.0	11.5	11.9	24.5
Disposals and items scrapped	(1.1)	-	(5.7)	(0.1)	(6.9)
Reclassified as assets held for sale	(3.6)	(22.3)	(7.1)	-	(33.0)
Changes in consolidation scope	-	(0.1)	(1.3)	-	(1.4)
Other movements	0.2	5.6	6.3	(13.8)	(1.7)
Translation differences	(0.1)	(0.6)	(0.9)	(0.2)	(1.8)
Cost at 31 March 2007	**37.0**	**91.1**	**162.1**	**6.5**	**296.7**
Accumulated depreciation and impairment at 31 March 2005	**1.1**	**44.3**	**113.9**		**159.3**
Charge for the year	0.5	3.1	8.9	-	12.5
Disposals and items scrapped	-	(3.2)	(27.1)	-	(30.3)
Changes in consolidation scope	-	(0.8)	(5.4)	-	(6.2)
Other movements	-	(0.4)	1.1	-	0.7
Translation differences	-	-	0.5	-	0.5
Accumulated depreciation and impairment at 31 March 2006	**1.6**	**43.0**	**91.9**	**0.0**	**136.5**
Charge for the year	0.1	2.6	8.5	-	11.2
Disposals and items scrapped	(0.1)	-	(4.1)	-	(4.2)
Reclassified as assets held for sale	(0.2)	(12.1)	(5.0)	-	(17.3)
Changes in consolidation scope	-	0.0	(0.6)	-	(0.6)
Other movements	-	-	-	-	0.0
Translation differences	-	(0.1)	(0.7)	-	(0.8)
Accumulated depreciation and impairment at 31 March 2007	**1.4**	**33.4**	**90.0**	**0.0**	**124.8**
Carrying amount at 31 March 2005	**41.2**	**75.8**	**73.4**	**5.2**	**195.6**
Carrying amount at 31 March 2006	**39.9**	**64.5**	**67.4**	**8.7**	**180.5**
Carrying amount at 31 March 2007	**35.6**	**57.7**	**72.1**	**6.5**	**171.9**

For the year ended 31 March 2007:

- The additions of €24.5 million mainly comprise industrial capital expenditure on the Group's various production facilities in Cognac, Angers and Reims. This amount includes subsidies received of €0.5 million;
- The amounts reclassified as assets held for sale are explained in note **2.2**;
- "Changes in consolidation scope" relate to the sale of Bols Hungary KFT as described in note **2.1.3** (for 2006, this line concerned the sale of Bols Sp.z.o.o.).

These fixed assets are unencumbered.

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 2005	**77.9**	**32.1**	**3.6**	**113.6**
Dividends paid [1]	(3.4)	(3.9)	-	**(7.3)**
Net profit for the year	4.4	4.1	-	**8.5**
Reclassified as assets held for sale	-	-	(3.6)	**(3.6)**
Additions	-	8.8	-	**8.8**
Other	-	0.2	-	**0.2**
Translation differences	0.3	3.1	-	**3.4**
At 31 March 2006	**79.2**	**44.4**	**-**	**123.6**
Dividends paid [1]	(4.2)	(1.7)	-	**(5.9)**
Net profit for the year	6.9	3.3	-	**10.2**
Additions	-	3.1	-	**3.1**
Translation differences	(1.0)	(2.8)	-	**(3.8)**
At 31 March 2007	**80.9**	**46.3**	**-**	**127.2**

[1] For Maxxium, dividend deducted from the asset contribution premium

5.1 Maxxium

5.1.1 General description

Maxxium B.V., a distribution joint venture, was founded on 1 August 1999 based on a strategic distribution agreement between Rémy Cointreau S.A., 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 has held 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 Caribbean and some Eastern Europe countries.

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 distribution agreement in order to include the distribution of some of these brands within the joint venture.

During fall 2006, the Swedish government announced its intention to privatise Vin & Sprit. At this stage, it is not possible to assess the impact that this sale might have on Maxxium's valuation.

On 23 November 2006, Rémy Cointreau notified its decision to terminate the Global Distribution Agreement with Maxxium on 30 March 2009. The consequences of this decision are explained in note **5.1.2**.

Maxxium B.V.'s partners are both suppliers and shareholders of Maxxium B.V. Revenues earned by Rémy Cointreau from Maxxium's distribution companies or customers managed by them accounted for 46.1% of total revenues for the year ended 31 March 2007 (2006: 43.1%; 2005: 42.5%).

The summary figures below relate to Rémy Cointreau's financial year, i.e. the year ended 31 March.

Summary income statement

(€ millions)	2007	2006	2005
Revenues	**1,882.0**	**1,493.6**	**1,287.5**
of which, Rémy Cointreau products [1]	499.6	440.7	401.9
Operating profit on ordinary activities	**60.0**	**28.6**	**18.4**
Net profit	**32.2**	**22.5**	**10.9**

[1] data for the years ended 31 March 2006 and 2005 have been restated to reflect the brands sold (see note **2.1**).

Breakdown of revenues by geographical region

(€ millions)	2007	2006	2005
Europe	1,142.6	833.3	764.9
Americas	98.1	80.8	56.2
Asia and rest of world	641.3	579.5	466.4
Total	**1,882.0**	**1,493.6**	**1,287.5**

Summary balance sheet

(€ millions)	2007	2006	2005
Non-current assets	300.7	298.2	284.8
Working capital	213.4	145.3	184.9
Net assets	**514.1**	**443.5**	**469.7**
Financed by:			
Borrowings	189.7	126.9	169.8
Equity	324.4	316.6	299.9
Total	**514.1**	**443.5**	**469.7**

Period-end headcount

	2007	2006	2005
Maxxium	2,029	1,979	1,602

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

5.1.2 Withdrawal from Maxxium

On 23 November 2006, in the name of and on behalf of the various companies of the Rémy Cointreau Group that were party to the Umbrella Agreement (Global Distribution Agreement) signed with Maxxium Worldwide BV on 31 May 2001, Rémy Cointreau S.A. notified the decision to terminate this exclusive distribution agreement on 30 March 2009.

In accordance with the terms of the Umbrella Agreement, Rémy Cointreau Group must pay to Maxxium, by 30 March 2009 at the latest, an indemnity representing three times 15% of the amount of sales of Rémy Cointreau Group products invoiced by the Maxxium distribution network during the year ended 31 March 2008.

In accordance with the principles set out in note 1.13, a provision was raised in the financial statements for the year ended 31 March 2007 to cover this indemnity (notes **13** and **18**). At 31 March 2007, the provision stood at €241 million and corresponded to the most likely estimate of the expected outflow of resources after allowing for a discounting effect.

As a result of the termination, Rémy Cointreau Group may relinquish its equity holding in Maxxium at any time at the initiative of Rémy Cointreau Group or, with effect from 31 March 2009, at the initiative of the other three partners.

In the event that Rémy Cointreau decides to withdraw, the shareholders' pact provides for a minimum notice period of six months. At the end of this period, a second six-month period commences that must enable an external third party appointed by the parties to determine the restructuring costs to be borne by Rémy Cointreau. These costs are deducted from the purchase value of the shares held by Rémy Cointreau in Maxxium. At the end of this second period, Maxxium or its shareholders have the option to buy the shares from Rémy Cointreau. If Maxxium or its shareholders fail to purchase all the shares, Rémy Cointreau Group will have the option to convene a shareholders' meeting to initiate the winding up of Maxxium.

As from 31 March 2009 (the day after the date of withdrawal from the Global Distribution Agreement), Maxxium's shareholders will still have the option to notify Rémy Cointreau Group of their withdrawal from Maxxium. The withdrawal of Rémy Cointreau will be effected by the purchase of Rémy Cointreau's shares at the end of a six-month period starting on the date on which Maxxium's shareholders notify Rémy Cointreau.

In all cases, the purchase value of the shares is determined using the following formula: consolidated net assets adjusted for the change in value of goodwill, less any dividends contractually due to the shareholders and any restructuring costs to be borne by Rémy Cointreau.

The consolidation of the Maxxium joint venture using the equity method remains perfectly justified at 31 March 2007 as:

- up to 30 March 2009, Rémy Cointreau continues to exercise significant influence over Maxxium;
- the withdrawal of Rémy Cointreau from the capital will take place only after 30 March 2009.

At 31 March 2007, Rémy Cointreau's management estimates that, given current transactions and based on the various scenarios envisaged, the Maxxium BV shares are unlikely to depreciate in value.

5.2 Dynasty

Dynasty group produces and sells various ranges of wines in 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.

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

During the year ended 31 March 2006, Rémy Cointreau purchased 30 million 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".

In February 2007, Rémy Cointreau purchased 9.5 million additional shares from a third party for €3.1 million representing a further equity interest of 0.76%, This transaction generated goodwill on acquisition of €2.0 million, which was posted to "Investments in associates".

At 31 March 2007, Rémy Cointreau held 336.5 million Dynasty shares representing a 27.03% equity stake. The share price on the Hong Kong stock exchange on that date stood at HKD3.32 (31 March 2006 and 2005: HKD3.25).

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)	2006	2005	2004
Revenues	108.8	103.6	76.0
Operating profit on ordinary activities	14.8	25.1	21.2
Net profit	**11.2**	**19.6**	**15.7**

Summary balance sheet

(€ millions)	2006	2005	2004
Fixed assets	37.4	35.2	19.6
Working capital	27.6	27.5	7.2
Net assets	**65.0**	**62.7**	**26.8**
Financed by:			
Borrowings net of cash and cash equivalents	(74.6)	(83.4)	(20.2)
Equity	139.6	146.2	47.0
Total	**65.0**	**62.7**	**26.8**

5.3 Avandis CV

Avandis CV was a joint venture operating in the Netherlands in association with two local partners that produce Dutch liqueurs and spirits. This 33.33% equity interest was first reclassified in "Assets held for sale" prior to being sold as part of the transaction described in note **2.1.1.**

6 OTHER INVESTMENTS

(€ millions)	2007	2006	2005
Non-consolidated equity investments	5.3	5.3	5.3
CEDC shares	46.0	53.7	-
Value of security on CEDC shares	-	7.2	-
Advance payments for pension and retirement schemes	0.5	0.6	0.3
Seller's loan	41.7	-	-
Loans to non-consolidated equity investments	1.0	1.2	1.1
Liquidity account excluding Rémy Cointreau shares	2.2	1.9	-
Other	0.8	0.8	0.9
Total	**97.5**	**70.7**	**7.6**

6.1 Non-consolidated equity investments

(€ millions)	% interest	2007	% interest	2006	% interest	2005
Dettling & Marmot (Switzerland)	25.0%	1.0	25.0%	1.0	25.0%	1.0
Ducs de Gascogne S.A. (France)	30.1%	1.1	30.1%	1.1	30.1%	1.1
Tianjin Dvpt Holding Ltd (China)	0.2%	0.6	0.2%	0.6	0.2%	0.3
Caves Allianca S.A. (Portugal)	5.4%	0.8	5.4%	1.1	5.4%	1.3
Revico (France)	5.0%	0.3	-	-	-	-
Transmed (France)	9.6%	0.0	7.0%	0.0	7.0%	0.0
Destilerias de Vilafranca S.A. (in liquidation)	100.0%	1.5	100.0%	1.5	100.0%	1.6
Total		**5.3**		**5.3**		**5.3**

During the year ended 31 March 2007, Rémy Cointreau purchased a 5% equity interest in Revico (France). This company recycles residues from the distillation of brandies.

In addition, Rémy Cointreau held bonds in Transmed (France) that were converted into shares, which are fully covered by a provision. This transaction generated a net loss of €0.8 million, which was posted to "Other financial income and expenses".

6.2 CEDC shares

As part of the sale of the Polish business to CEDC during the year ended 31 March 2006, Rémy Cointreau received 1,691,419 CEDC shares. This company is listed on NASDAQ and the Warsaw stock exchange.

During the first half of the year ended 31 March 2007, CEDC's shares were subject to a stock split that resulted in the number of shares being increased to 2,537,129. In December 2006, Rémy Cointreau embarked on the gradual sale of these shares. At 31 March 2007, the Group held 2,103,383 CEDC shares that were listed at $29.11 each (31 March 2006: $25.63, after the stock split). As described in note **1.10 c)**, the shares are valued at each period end at market value and the change in value compared with the acquisition date is recorded in "Other financial income and expenses", as are any gains and losses on the sale of these shares.

In connection with this transaction, Rémy Cointreau had obtained guarantees, similar in nature to put options, concerning CEDC's share performance in the event of a sale. These guarantees, which had been valued at the grant date and then at 31 March 2006 (at €7.2 million) expired during the year ended 31 March 2007. Their value was reversed from "Other financial income and expenses" and income of €0.8 million was recognised in respect of the exercise of one of the guarantees.

6.3 Seller's loan

As part of the "Lucas Bols" transaction (note **2.1**), Rémy Cointreau granted a seller's loan of €50 million for a maximum term of seven years and bearing interest at 3.5%. This loan is presented net of an early repayment option at the acquirer's initiative of €10 million. The loan interest is capitalised.

6.4 Liquidity account

During the year ended 31 March 2006, Rémy Cointreau signed a liquidity agreement with a financial intermediary (note **1.18**). This type of agreement 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 agreement is reclassified as treasury shares as a deduction from consolidated equity (note **11.1.2**).

7 INVENTORIES

7.1 Breakdown by inventory category

(€ millions)	**2007**	**2006**	**2005**
Goods for resale and finished products	89.8	78.6	84.2
Raw materials	71.4	69.3	84.5
Ageing wines and eaux-de-vie	677.0	696.1	668.2
Other	6.9	13.0	13.3
At cost	**845.1**	**857.0**	**850.2**
Provision for impairment	(3.4)	(4.6)	(4.3)
Carrying amount	**841.7**	**852.4**	**845.9**

7.2 Analysis of the change

(€ millions)	**Cost**	**Impairment**	**Carrying amount**
Balance at 31 March 2006	**857.0**	**(4.6)**	**852.4**
Change	1.2	1.0	2.2
Reclassified as assets held for sale	(5.5)	0.1	(5.4)
Net impact of the deconsolidation of companies sold	(1.4)	-	(1.4)
Translation differences	(6.2)	0.1	(6.1)
Balance at 31 March 2007	**845.1**	**(3.4)**	**841.7**

8 TRADE AND OTHER RECEIVABLES

(€ millions)	**2007**	**2006**	**2005**
Trade receivables	175.3	183.6	181.7
Tax and social security receivables (excluding income tax)	18.7	16.2	20.4
Sundry prepaid expenses	8.7	8.1	10.3
Other receivables	42.9	35.2	27.3
Total	**245.6**	**243.1**	**239.7**
of which, provision for doubtful receivables	(4.1)	(3.2)	(6.8)

The provision for doubtful receivables is established on a case-by-case basis and is measured based on the bad debt risk.

9 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to manage its interest rate and currency risk exposure. The policy for managing market risks complies with the prudential rules approved by the Board of Directors. Specifically, the sale of options is limited to tunnel strategies and the resale of previously purchased instruments that are subject to approval on an individual basis.

All hedging transactions are entered into with top-tier international banks.

With regard to currency risk, the Group endeavours to hedge its budgeted net commercial exposure over a rolling period of approximately 15 to 18 months. This is achieved by entering into firm or optional currency hedging agreements in accordance with the guidelines set by the Board of Directors.

The group does not hedge the currency risk arising from the translation into euros of the financial statements of companies outside the Eurozone.

The hedging policy allows only for the hedging of short-term currency risk. It is not intended to protect the Group against the economic effects of long-term money market trends on the Group's revenues and margins.

9.1 Breakdown of financial instruments (on interest rates and exchange rates)

(€ millions)	2007	2006	1 April 2005	2005 [1]
Assets				
Derivatives on interest rates	3.4	2.9	0.2	-
Derivatives on exchange rates	7.7	4.0	10.1	8.9
Total	**11.1**	**6.9**	**10.3**	**8.9**
Liabilities and equity				
Derivatives on interest rates	-	0.6	5.3	-
Derivatives on exchange rates	0.1	1.3	2.4	2.7
Total	**0.1**	**1.9**	**7.7**	**2.7**

[1] As the first-time application of IAS32/39 took effect only on 1 April 2005, this data is not comparable.

For the years ended 31 March 2007 and 2006 and 1 April 2005, the data represents the market value of the various instruments at the period end date.

9.2 Derivative instruments on interest rates

The instruments held in the portfolio at 31 March 2007 relate only to interest rate hedges on the syndicated loan. At 31 March 2006 and 2005, the portfolio also included instruments relating to the subordinated perpetual notes (TSDI) that matured on 16 May 2006.

(€ millions)	2007	2006	1 April 2005	2005 [1]
Assets				
Purchases of caps	3.4	2.9	0.2	-
Purchases of floors	0.0	-	-	-
Total	**3.4**	**2.9**	**0.2**	**-**
Liabilities and equity				
FRAs	-	-	0.1	-
Sales of floors	-	-	0.3	-
Interest rate swaps relating to TSDI	-	0.6	4.9	-
Total	**-**	**0.6**	**5.3**	**-**

[1] As the first-time application of IAS32/39 took effect only on 1 April 2005, this data is not comparable.

Derivative financial instruments on interest rates held in the portfolio at 31 March 2007 comprised the following:

	March 2007			
(€ millions)	**Nominal value**	**Qualified as hedge**	**Initial value**	**Market value**
Purchases of caps				
Maturing in June 2007	200.0	no	0.2	0.3
Maturing in March 2008	200.0	yes	0.8	2.2
Maturing in March 2009	150.0	yes	0.5	0.9
Total	**350.0**		**1.5**	**3.4**
Purchases of floors				
Maturing in September 2008	50.0	yes	0.2	-
Maturing in December 2008	50.0	yes	0.1	-
Total	**100.0**		**0.3**	**-**

9.3 Derivative instruments on exchange rates

The Group uses options to hedge commercial transactions. Commercial transactions for the year for which payment has not been received as of the balance sheet date are hedged by short-term currency swaps.
Furthermore, Rémy Cointreau SA, which centralises the Group's financing needs, and its subsidiary Financière Rémy Cointreau, make intra-Group loans and borrowings denominated in the counterparty's currency. The Group uses currency swaps to perfectly match these loans and borrowings. The maturity of all such transactions ranges from one month to one year.

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

	March 2007			
(€ millions)	**Nominal value** (1)	**Qualified as hedge**	**Initial value**	**Market value**
Put options and tunnel options				
USD/EUR	250.0	yes	3.9	6.1
AUD/EUR	11.0	yes	0.1	0.0
CAD/EUR	16.0	yes	0.2	0.4
GBP/EUR	16.0	yes	0.5	0.5
JPY/EUR	1 900.0	yes	0.3	0.6
Total			**5.0**	**7.6**

(1) *expressed in millions of currency units*

	March 2007		
(€ millions)	**Nominal value** (1)	**Qualified as hedge**	**Nominal value at guaranteed exchange rate**
(Sale) purchase short-term currency swaps on commercial transactions			
USD/EUR	(41.6)	no	(31.2)
AUD/EUR	(2.3)	no	(1.4)
CAD/EUR	2.4	no	1.6
JPY/EUR	(458.9)	no	(2.9)
GBP/EUR	4.4	no	6.4
NZD/EUR	0.2	no	0.1
HKD/USD	100.8	no	9.7
Total			**(17.8)**
Purchase (sale) currency swaps on financing activities			
HKD/EUR	10.6	no	1.0
AUD/EUR	2.4	no	1.5
CHF/EUR	0.0	no	0.0
GBP/EUR	0.0	no	0.0
USD/EUR	(66.0)	no	(49.6)
Total			**(47.1)**

(1) *expressed in millions of currency units*

9.4 Equity Swap

The equity swap agreement that Rémy Cointreau SA signed with a financial institution on 31 October 2001 expired on 8 November 2006. At 31 March 2006, the agreement covered 210,000 shares (2005: 210,000 shares). Rémy Cointreau paid interest at a variable interest rate in addition to any capital losses based on the reference share price of €20.52 and received dividends on the shares. On expiry, the financial institution received the full amount of the capital gain on the 210,000 shares.

A net interest charge of €0.1 million was recorded for the year in net financial expenses.

9.5 Other derivatives

Other derivatives in the portfolio at 31 March 2007 comprised call options on 224,497 Rémy Cointreau shares that, in accordance with IAS 39, are not included on the balance sheet.

10 CASH AND CASH EQUIVALENTS

(€ millions)	2007	2006	2005
Marketable securities	0.1	10.8	26.4
Current accounts with associates	1.1	3.6	6.2
Cash at bank	19.4	17.2	21.0
Total	**20.6**	**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 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	0.0	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)**
Exercise of stock options	493,658	-	493,658	0.8	10.7	
Change in liquidity account	-	(300)	(300)	-	-	(0.3)
Net capital gain on liquidity account transactions	-	-	-	-	-	0.1
At 31 March 2007	**45,999,802**	**(25,000)**	**45,974,802**	**73.6**	**650.2**	**(0.9)**

11.1.1 Share capital and share premium

At 31 March 2007, the share capital consisted of 45,999,802 shares with a nominal value of €1.60 per share.

Between 1 April 2006 and 31 March 2007, 493,658 shares were issued in connection with the stock options granted to certain employees.

11.1.2 Treasury shares

At 31 March 2007, 25,000 shares were held in a liquidity account established in November 2005 (note **1.18**). These shares were valued at €1.3 million and were deducted from equity. Post-tax gains of €0.1 million earned on the shares by the manager of the liquidity account during the year ended 31 March 2007 were also recorded in equity.

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

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

	March 2007	March 2006	March 2005
Average number of shares (basic)			
Average number of shares in issue	45,862,049	45,344,986	44,867,924
Average number of treasury shares	(25,000)	(24,700)	(620,877)
Total used for calculating basic earnings per share	**45,657,049**	**45,320,286**	**44,247,047**
Average number of shares (diluted)			
Average number of shares in issue	45,657,049	45,320,286	44,247,047
Dilution effect from the exercise of options (1) (3)	-	573,279	416,132
Dilution effect from the OCEANE (2)	-	-	6,833,691
Total used for calculating diluted earnings per share	**45,657,049**	**45,893,565**	**51,496,870**

(1) The Rémy Cointreau share price used as reference when calculating the shares that could be issued in the future as a result of the exercise of options was €37.44 for 2006 and €28.42 for 2005.

(2) For March 2006, the dilution effect from the OCEANE has an impact on net financial expenses of €10.3 million (after tax) that is taken into account when calculating the diluted earnings per share.

(3) For March 2007, the dilution effect from the exercise of options is not taken into account due to the net loss of continuing activities recorded for the year ended 31 March 2007.

11.3 Stock option plans and similar schemes

11.3.1 Stock option plans

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

Plan start date	Plan no.	Term	Type (1)	Number of options granted	Exercise price in euros	Lapsed options	Options exercised at 31 March 2006	Options exercised during the year	Average exercise price	Outstanding options at 31 March 2007
28 April 1999	7	10 years	S	289,300	12.2	4,700	231,484	13,730	47.38	39,386
7 December 1999	8	10 years	S	499,100	16.36	3,400	337,550	87,487	45.34	70,663
30 May 2000	9	10 years	S	131,280	18.85	-	61,565	40,305	45.32	29,410
1 March 2003	10	8 years	S	1,016,600	27.1	34,000	466,450	155,760	45.24	360,390
8 March 2006	11	6 years	S	659,500	25.00	8,500	113,500	196,376	45.96	341,124
16 September 2007	12	6 years	P	287,000	27.67	23,000	-	-	-	264,000
24 December 2008	13	6 years	P	262,000	28.07	30,000	-	-	-	232,000
Total				**3,144,780**		**103,600**	**1,210,549**	**493,658**	**45.61**	**1,336,973**

(1) S = Subscription, P = Purchase

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

11.3.2 Bonus share issues

A bonus share scheme (2005 plan) covering 96,500 shares was agreed by the Board of Directors meeting of 11 October 2005 under an authorisation given by the extraordinary general meeting of 28 July 2005. The right vesting period is two years and the final allocation is subject to Group performance criteria as of 31 March 2007. After taking into account cancellations, 89,000 allocations remained outstanding at 31 March 2007.

A bonus share scheme (2006 plan) covering 97,000 shares was agreed by the Board of Directors meeting of 12 October 2006 under an authorisation given by the extraordinary general meeting of 28 July 2005. The right vesting period is two years and the final allocation is subject to Group performance criteria as of 31 March 2008. After taking into account cancellations, 95,500 allocations remained outstanding at 31 March 2007.

11.3.3 Calculation of the charge for the year

In accordance with IFRS 2, plans 12 and 13 and the 2005 and 2006 plans are valued for accounting purposes. The valuation assumptions and resulting values are as follows:

	Plan 12	Plan 13	Plan 2005 (2)	Plan 2006(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%	5.0%
Value per option (€)	9.11	8.00	34.74	38.16

(1) Assumptions are based on historic data.
(2) The 2005 and 2006 plans are bonus share schemes. Their valuations are based on the share price on the grant date and on the estimated dividends to be paid during the rights vesting period, weighted according to the probability of meeting the final allocation criteria.

The charge is calculated as the value per stock option of the plans concerned multiplied by the estimated number of options that will be exercised, amortised on a straight-line basis over the rights vesting period (four years for plans 12 and 13 and two years for the 2005 and 2006 plans).

The charge amounted to €3.3 million for the year ended 31 March 2007 (2006: €1.7 million; 2005: €0.8 million).

11.4 Dividends

In July 2006, Rémy Cointreau S.A. distributed a dividend of €1.10 per share for the year ended 31 March 2006, amounting to a total of €50.0 million.

The dividend that will be proposed to the shareholders' general meeting of 31 July 2007 for the year ended 31 March 2007 is €1.20 per share, amounting to a total of €55.2 million before taking into account treasury shares. Shareholders will be given the option that 20% of the dividend, €0.24 per share, be paid in shares.

11.5 Minority interests

(€ millions)	2007	2006	2005
Minority interests of Mount Gay Distilleries	0.8	0.7	0.5
Interest of Takirra Invest Corp BV in Botapol Holding & Bols Sp.z.o.o.	-	-	18.3
Other entities linked to Takirra Invest Corp	(2.4)	(3.9)	0.5
Other	-	-	0.1
Total	**(1.6)**	**(3.2)**	**19.4**

The minority interests in the Polish entities held by Takirra Investment Corp. NV were removed from the balance sheet following the sale of these businesses to CEDC during the year ended 31 March 2006. At the time of the transaction, provisions for outstanding disputes were established in the retained entities held as joint ventures with Takirra Investment Corp. NV.

12 BORROWINGS

12.1 Breakdown of gross borrowings

12.1.1 Breakdown by type

	2007			2006			2005 [1]		
(€ millions)	Long term	Short term	Total	Long term	Short term	Total	Long term	Short term	Total
TSDI (debt securitisation fund units)	-	-	-	-	11.9	11.9	28.3	-	28.3
OCEANE	-	-	-	-	331.6	331.6	325.0	-	325.0
Other convertible bonds	-	-	-	-	-	-	0.6	-	0.6
Bonds	372.9	2.6	375.5	375.5	2.0	377.5	384.6	2.1	386.7
Drawdowns on syndicated bank line	30.0	-	30.0	-	-	-	-	-	-
Drawdowns on unconfirmed credit lines	-	103.3	103.3	-	-	-	-	-	-
Other borrowings and overdrafts	-	1.8	1.8	-	1.4	1.4	-	0.7	0.7
Issue costs for syndicated loan	(0.8)	(0.3)	(1.1)	(1.1)	(0.4)	(1.5)	-	-	-
Accrued interest not yet due	-	5.5	5.5	-	18.0	18.0	-	26.6	26.6
Total – Rémy Cointreau S.A.	402.1	112.9	515.0	374.4	364.5	738.9	738.5	29.4	767.9
Finance leases	-	0.1	0.1	-	0.1	0.1	-	0.2	0.2
Other borrowings and overdrafts	1.4	16.2	17.6	1.8	12.7	14.5	7.9	11.4	19.3
Accrued interest not yet due	-	0.1	0.1	-	0.6	0.6	-	-	-
Borrowings of special purpose entities	-	49.9	49.9	-	49.0	49.0	-	129.0	129.0
Total – subsidiaries	1.4	66.3	67.7	1.8	62.4	64.2	7.9	140.6	148.5
Gross borrowings	**403.5**	**179.2**	**582.7**	**376.2**	**426.9**	**803.1**	**746.4**	**170.0**	**916.4**

(1) As the first-time application of IAS32/39 took effect only on 1 April 2005, this data is not comparable.

12.1.2 Breakdown by rate type

	2007			2006			2005		
(€ millions)	Long term	Short term	Total	Long term	Short term	Total	Long term	Short term	Total
Fixed rate	372.9	2.6	375.5	375.5	333.6	709.1	710.2	2.1	712.3
Variable rate	30.6	171.0	201.6	0.7	74.7	75.4	36.2	141.3	177.5
Accrued interest not yet due	-	5.6	5.6	-	18.6	18.6	-	26.6	26.6
Gross borrowings	**403.5**	**179.2**	**582.7**	**376.2**	**426.9**	**803.1**	**746.4**	**170.0**	**916.4**

	2007			2006			2005		
(€ millions)	Long term	Short term	Total	Long term	Short term	Total	Long term	Short term	Total
TSDI	-	-	-	-	11.9	11.9	28.3	-	28.3
Drawdowns on syndicated bank line	30.0	-	30.0	-	-	-	-	-	-
Drawdowns on unconfirmed credit lines	-	103.3	103.3	-	-	-	-	-	-
Other	0.6	67.7	68.3	0.7	62.8	63.5	7.9	141.3	149.2
Total variable-rate borrowings	**30.6**	**171.0**	**201.6**	**0.7**	**74.7**	**75.4**	**36.2**	**141.3**	**177.5**

The drawdowns on the syndicated bank line and unconfirmed credit lines are hedged. Details of the interest rate hedging instruments held in the portfolio at the balance sheet date are provided in note **9**.

12.1.3 Breakdown by currency

(€ millions)	2007 Long term	2007 Short term	2007 Total	2006 Long term	2006 Short term	2006 Total	2005 Long term	2005 Short term	2005 Total
Euro	403.5	166.9	570.4	376.2	420.7	796.9	745.6	162.5	908,1
US dollar	-	7.7	7.7	-	6.2	6.2	-	6.7	6,7
Hong Kong dollar	-	4.6	4.6	-	-	-	-	-	-
Polish zloty	-	-	-	-	-	-	0.8	0.6	1,4
Other	-	-	-	-	-	-	-	0.2	0,2
Gross borrowings	**403.5**	**179.2**	**582.7**	**376.2**	**426.9**	**803.1**	**746.4**	**170.0**	**916,4**

12.1.4 Breakdown by maturity

(€ millions)	
Before 31 March 2008	179.2
Before 31 March 2009	1.9
Before 31 March 2010	(1.8)
Before 31 March 2011	173.9
Before 31 March 2012	229.5
Total	**582.7**

At 31 March 2007, confirmed credit lines not drawn down totalled €470 millions (2006: €500.0 million; 2005: €418.8 million).

12.2 Net borrowings

(€ millions)	2007 Long term	2007 Short term	2007 Total	2006 Long term	2006 Short term	2006 Total	2005 (1) Long term	2005 (1) Short term	2005 (1) Total
Gross borrowings	403.5	179.2	582.7	376.2	426.9	803.1	746.4	170.0	916.4
Cash and cash equivalents	-	(20.6)	(20.6)	-	(31.6)	(31.6)	-	(53.6)	(53.6)
Net borrowings	**403.5**	**158.6**	**562.1**	**376.2**	**395.3**	**771.5**	**746.4**	**116.4**	**862.8**

(1) As the first-time application of IAS32/39 took effect only on 1 April 2005, this data is not comparable.

12.3 TSDI

Rémy Cointreau issued €304.9 million of 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 issue as part of an agreement with a third party. Under this agreement, the third party undertook to redeem the securities from the subscribers after 15 years and to waive the right to interest from the start of 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 issue as a liability on the balance sheet at their net amount of €222.0 million. In Rémy Cointreau's accounts, the amount of €82.9 million is written down each year on an actuarial basis as a reduction in the liability 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* ("FCC" – debt securitisation fund) that received the interest income up to 15 May 2006. At the time of the restructuring, interest rate swaps were entered into for both Rémy Cointreau and the FCC (note **9**).

With effect from 1 April 2005, as a result of the first-time application of IAS32/39, the FCC has been consolidated as a special purpose entity. The FCC's liability is thus recognised with a corresponding entry to eliminate the balance on the securities.

The TSDI matured on 15 May 2006.

Following introduction of Article 23 of the 2006 French Finance Act, 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 on the instrument's maturity, Rémy Cointreau had a tax liability at 31 March 2007 of €16.3 million that had been recognised in previous financial years.

12.4 OCEANE

By virtue of the authorisation granted by the shareholders' combined general meeting of 24 August 2000, the meeting of the Board of Directors of 13 December 2000 approved the issue of 6,896,551 bonds totalling €300 million with the option to convert into and/or exchange for new and/or existing shares (OCEANEs). Each bond has a par value of €43.50.

The bonds were issued at par. They have a term of five years and 61 days commencing on 30 January 2001 and bear interest at 3.50% per annum payable on 1 April each year. On maturity on 1 April 2006, in the event of non-conversion, the bonds were redeemable at €48.53 each including a redemption premium of 11.56% of the par value.

At the time of the first-time application of IAS32/39 on 1 April 2005, the OCEANEs were recognised as two separate components:
- equity of €29.7 million, i.e. €29.1 million net of issue costs;
- debt, discounted from the issue date to 1 April 2005, of €316.2 million.

Since the issue date, Rémy Cointreau has redeemed 62,837 OCEANEs and 2,285 have been converted or exchanged, including 2,262 during March 2006. No other conversions were made on maturity of the instrument on 1 April 2006 and the OCEANEs were redeemed for a total (including the redemption premium) of €331.6 million.

12.5 Other convertible bonds

At 31 March 2005, 1,877 convertible bonds from a 1991 issue remained outstanding, representing a debt of €0.6 million. These bonds matured on 21 March 2006 giving rise to the issue of 30,032 new shares.

12.6 Bonds

12.6.1 €175 million bond issued on 24 June 2003

A €175 million 7-year bond was issued on 24 June 2003, with a 6.5% coupon payable every six months. Upon maturity, this bond is redeemable at par.

This bond is not secured.

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

- 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: (a) the present value on the redemption date at 103.25% plus interest calculated over the period from the redemption date to 1 July 2007, and (b) the par value. 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% up to 1 July 2008, at 101.625% up to 1 July 2009 and at par up to 1 July 2010.

- The bond issue contract also provides every bondholder with the right to request redemption of the bonds held at 101% in the event of:
  - (i) the sale or transfer of all or a substantial part of Rémy Cointreau's assets,
  - (ii) approval by the shareholders of a liquidation or voluntary winding up plan for the issuer, or
  - (iii) Orpar and Recopart together holding less than one third of the voting rights in the issuer and another person or group obtaining more than one third of the voting rights in the issuer or Orpar and Recopart being unable to appoint the majority of the Board of Directors for two consecutives years,

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

In the event of the sale of assets and in the absence of the sale proceeds being used for authorised operations, Rémy Cointreau must, within 365 days starting from the date of receipt of the sale proceeds, offer early redemption of the issue to the extent of the amount of the sale proceeds. Furthermore, the agreement contains certain conventions that may limit the dividend distribution capacity in the event that a loss is made.

12.6.2 €200 million bond issued on 15 January 2005

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

This bond is not secured.

The funds were raised to refinance the OCEANEs 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: (a) 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 (b) 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% up to 15 January 2010 exclusive, at 101.3% from 15 January 2010 to 15 January 2011 exclusive and at par from 15 January 2011.
- The bond issue contract also provides every bondholder with the right to request redemption of the bonds held at 101% in the event of:
  - (i) the sale or transfer of all or a substantial part of Rémy Cointreau's assets,
  - (ii) approval by the shareholders of a liquidation or voluntary winding up plan for the issuer, or
  - (iii) Orpar and Recopart together holding less than one third of the voting rights in the issuer and another person or group obtaining more than one third of the voting rights in the issuer or Orpar and Recopart being unable to appoint the majority of the Board of Directors for two consecutives years,
- At any time at par, but in full, in the event of a material change in the tax regime applicable to payments made by the issuer on the bonds subsequent to the issue date.

In the event of the sale of assets and in the absence of the sale proceeds being used for authorised operations, Rémy Cointreau must, within 365 days starting from the date of receipt of the sale proceeds, offer early redemption of the issue to the extent of the amount of the sale proceeds. Furthermore, the agreement contains certain conventions that may limit the maximum dividend payout in the event that a loss is made.

12.6.3 Other bonds

In connection with the CLS Rémy Cointreau employee savings plan, on 1 July 2003 Rémy Cointreau issued unlisted bonds with a 6% coupon. Total outstanding bonds from this issue, known as "PEE Centaure" (Centaure employee savings plan) were as follows:

(€ millions)	2007			2006			2005		
	Long term	Short term	Total	Long term	Short term	Total	Long term	Short term	Total
Centaure employee savings plan	2.3	4.0	6.3	6.3	3.4	9.7	9.6	2.1	11.7

12.7 Syndicated bank line

At 31 March 2005, Rémy Cointreau had access to a €500 million syndicated loan signed on 10 June 2003 for a five-year term. This agreement was terminated in May 2005 and replaced by a new agreement on 7 June 2005. The new agreement provides for a revolving credit facility of €500 million for an initial term of five years. In May 2006, the agreement was extended until 7 June 2011 in respect of €466 million, the balance of €34 million still being due on 7 June 2010.

Amounts drawn down bear interest at EURIBOR plus a margin fixed at the outset at 0.675% per annum that may as shown in the following table based on the average debt/EBITDA ratio (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 each year:

Period	Ratio A
Date of signing 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

Definitions of the indicators used in the calculation of Ratio A are provided in note **1.16**. The amounts used for these various indicators in the calculation for each period are adjusted in accordance with the terms of the agreement.

At 31 March 2007, ratio A stood at 3.28 (2006: 3.91).

12.8 Accrued interest not yet due

(€ millions)	2007	2006	2005 [1]
Interest on the TSDI (debt securitisation fund units)	-	1.8	10.3
Interest on the OCEANEs	-	10.4	10.4
Interest on bonds	5.3	5.6	5.7
Other	0.3	0.8	0.2
Total accrued interest not yet due	**5.6**	**18.6**	**26.6**

[1] As the first-time application of IAS32/39 took effect only on 1 April 2005, this data is not comparable.

12.9 Liquidity risk

At 31 March 2007, Rémy Cointreau had access to confirmed funding totalling €936.1 million with the following maturities:

(€ millions)	Bonds	Syndicated bank line	Resources special purpose entities	Total
30 June 2007	4.0	-	50.2	54.2
29 August 2007	-		4.6	4.6
30 June 2008	2.3	-	-	2.3
1 July 2010	175.0	-	-	175.0
7 June 2010	-	34.0	-	34.0
7 June 2011	-	466.0	-	466.0
15 January 2012	200.0	-	-	200.0
Total	**381.3**	**500.0**	**54.8**	**936.1**
Utilised at 31 March 2007	381.3	30.0	49.9	411.3

12.10 Interest rate hedges and sensitivity

Given the financing available and existing hedges at 31 March 2007, a 100bp (1%) increase in interest rates would increase the Group's financial expenses by €0.5 million. A 100bp (1%) fall in interest rates would reduce financial expenses by €1.6 million.

13 PROVISIONS FOR RISKS AND CHARGES

13.1 Change in provisions for risks and charges

(€ millions)	Maxxium indemnity	Restruc-turing	Early retire-ment plan	Other	Total
At 31 March 2006	**-**	**25.7**	**3.2**	**31.5**	**60.4**
Charge for the year	241.0	-	-	17.4	258.4
Discounting	-	0.3	-	-	0.3
Utilisations	-	(6.8)	(1.3)	(10.6)	(18.7)
Write-backs of provisions no longer required	-	(1.9)	-	(10.9)	(12.8)
Reclassified in "Assets held for sale"	-	(1.9)	-	-	(1.9)
Other reclassifications	-	1.5	-	2.8	4.3
Changes in consolidation scope	-	-	-	(0.3)	(0.3)
Translation differences	(0.1)	-	-	(0.1)	(0.2)
At 31 March 2007	**240.9**	**16.9**	**1.9**	**29.8**	**289.5**

The terms and conditions of the Maxxium indemnity are set out in note **5.1.2**.

"Other" comprises provisions raised in respect of trade and tax disputes.

13.2 Maturity

The provisions are intended to cover probable items of expenditure payable as follows:

(€ millions)	2007	2006	2005
Long-term provisions (or maturity unknown)	256.2	26.3	24.1
Short-term provisions	33.3	34.1	19.4
Total	**289.5**	**60.4**	**43.5**

14 TRADE AND OTHER PAYABLES

(€ millions)	2007	2006	2005
Trade payables – eaux-de-vie suppliers	77.3	69.3	12.5
Other trade payables	109.1	109.4	98.9
Customer advances	0.2	0.2	0.8
Taxes payable (other than income tax)	42.4	35.7	41.9
Excise duties payable	0.2	1.1	16.3
Advertising charges payable	32.8	29.8	31.5
Miscellaneous deferred income	0.5	4.9	3.4
Other liabilities	47.9	50.1	38.9
Total	**310.4**	**300.4**	**244.1**

15 SEGMENT REPORTING

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

15.1 Activities

Brands are broken down into four 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, by extension, those not fully produced by the Group, which are marketed through the Group's own distribution network; mainly Highland Distillers scotch, Imperia vodka and a portfolio of wines in the United States.

15.1.1 Breakdown of revenues and operating profit on ordinary activities

(€ millions)	Revenues			Operating profit on ordinary activities		
	2007	**2006**	**2005**	**2007**	**2006**	**2005**
Cognac	347.6	322.5	312.2	87.2	75.9	68.0
Liqueurs and spirits	209.3	212.4	203.4	55.3	49.9	44.6
Champagne	126.0	122.2	116.4	10.1	9.6	8.3
Partner brands	103.0	123.5	101.7	1.2	4.1	2.8
Total	**785.9**	**780.6**	**733.7**	**153.8**	**139.5**	**123.7**

There are no intra-segment sales.

15.1.2 Breakdown of the balance sheet

At 31 March 2007

(€ millions)	Cognac	Liqueurs and spirits	Champagne	Partner brands	Not allocated	Total
Non current assets	306.1	287.7	195.2	11.0	237.7	**1 037.7**
Current assets	634.3	99.1	265.5	67.5	51.7	**1 118.1**
Derivative financial instruments	-	-	-	-	11.1	**11.1**
Assets held for sale	-	-	-	-	17.4	**17.4**
Cash and cash equivalents	-	-	-	-	20.6	**20.6**
Total assets	**940.4**	**386.8**	**460.7**	**78.5**	**338.5**	**2,204.9**
Equity	-	-	-	-	852.5	**852.5**
Borrowings and accrued interest	-	-	-	-	582.7	**582.7**
Provisions for risks and charges	18.8	11.8	13.2	1.1	266.8	**311.7**
Deferred and current tax liabilities	-	-	-	-	147.5	**147.5**
Trade and other payables	131.9	61.0	82.3	18.6	16.6	**310.4**
Derivative financial instruments	-	-	-	-	0.1	**0.1**
Total liabilities and equity	**150.7**	**72.8**	**95.5**	**19.7**	**1,866.2**	**2,204.9**
Brands and other intangible assets not included in the base for the calculation of "return on capital employed" (ROCE)	236.3	246.7	128.8	10.4		**622.2**
Base for the calculation of ROCE	**553.4**	**67.3**	**236.4**	**48.4**	**-**	**905.5**

At 31 March 2006

(€ millions)	Cognac	Liqueurs and spirits	Champagne	Partner brands	Not allocated (1)	Total
Non current assets	296.2	295.6	217.0	0.5	207.4	**1 016.7**
Current assets	635.9	115.0	252.8	68.3	034.5	**1 106.5**
Derivative financial instruments	-	-	-	-	6.9	**6.9**
Assets held for sale	-	-	-	-	204.0	**204.0**
Cash and cash equivalents	-	-	-	-	31.6	**31.6**
Total assets	**932.1**	**410.6**	**469.8**	**68.8**	**484.4**	**2,365.7**
Equity	-	-	-	-	915.5	**915.5**
Borrowings and accrued interest	-	-	-	-	803.1	**803.1**
Provisions for risks and charges	24.9	17.7	8.5	1.7	32.1	**84.9**
Deferred and current tax liabilities	-	-	-	-	194.4	**194.4**
Trade and other payables	136.0	63.2	58.0	19.0	24.2	**300.4**
Derivative financial instruments	-	-	-	-	1.9	**1.9**
Liabilities directly related to assets held for sale					65.5	**65.5**
Total liabilities and equity	**160.9**	**80.9**	**66.5**	**20.7**	**2,036.7**	**2,365.7**
Brands and other intangible assets not included in the base for the calculation of "return on capital employed" (ROCE)	236.3	247.7	128.8	10.7		**623.5**
Base for the calculation of ROCE	**534.9**	**82.0**	**274.5**	**37.4**	**-**	**928.8**

(1) also includes the line-by-line impact of entities sold during the year ended 31 March 2007 (Bols Hungary)

At 31 March 2005

(€ millions)	Cognac	Liqueurs and spirits	Champagne	Partner brands	Not allocated (1)	Total
Non current assets	296.6	295.1	219.8	1.3	439.7	**1 252.5**
Current assets	597.2	109.4	255.4	48.8	81.7	**1 092.5**
Derivative financial instruments	-	-	-	-	8.9	**8.9**
Cash and cash equivalents	-	-	-	-	53.6	**53.6**
Total assets	**893.8**	**404.5**	**475.2**	**50.1**	**583.9**	**2,407.5**
Equity	-	-	-	-	888.3	**888.3**
Borrowings and accrued interest	-	-	-	-	916.4	**916.4**
Provisions for risks and charges	13.2	8.8	8.0	1.0	39.6	**70.6**
Deferred and current tax liabilities	-	-	-	-	285.4	**285.4**
Trade and other payables	77.9	62.2	43.0	15.2	45.8	**244.1**
Derivative financial instruments	-	-	-	-	2.7	**2.7**
Total liabilities and equity	**91.1**	**71.0**	**51.0**	**16.2**	**2,178.2**	**2,407.5**
Brands and other intangible assets not included in the base for the calculation of "return on capital employed" (ROCE)	236.3	247.1	128.8	9.8	-	**622.0**
Base for the calculation of ROCE	**566.4**	**86.4**	**295.4**	**24.1**	**-**	**972.3**

(1) also includes the line-by-line impact of entities sold during the years ended 31 March 2007 and 31 March 2006

15.1.3 Return on capital employed (ROCE)

Return on capital employed is calculated based on the following indicators:
- Operating profit on ordinary activities by activity (note **15.1.1**)
- Breakdown of the balance sheet by activity excluding certain intangible assets (note **15.1.2**)

Operating profit on ordinary activities and capital employed are determined by business segment based on management accounts. Profits and capital employed for the distribution business and holding company are allocated pro rata to actual revenues and inventories.

Return on capital employed is a key indicator for management of the group. In particular, it is used as one of the main indicators for measuring the performance of each business.

At 31 March 2007

(€ millions)	Capital employed	Operating profit on ordinary activities	%
Cognac	553.4	87.2	15.8%
Liqueurs and spirits	67.3	55.3	82.2%
Champagne	236.4	10.1	4.3%
Partner brands	48.4	1.2	2.5%
Total	**905.5**	**153.8**	**17.0%**

At 31 March 2006

(€ millions)	Capital employed	Operating profit on ordinary activities	%
Cognac	534.9	75.9	14.2%
Liqueurs and spirits	82.0	49.9	60.9%
Champagne	274.5	9.6	3.5%
Partner brands	37.4	4.1	11.0%
Total	**928.8**	**139.5**	**15.0%**

At 31 March 2005

(€ millions)	Capital employed	Operating profit on ordinary activities	%
Cognac	566.4	68.0	12.0%
Liqueurs and spirits	86.4	44.6	51.6%
Champagne	295.4	8.3	2.8%
Partner brands	24.1	2.8	11.6%
Total	**972.3**	**123.7**	**12.7%**

15.1.4 Capital expenditure and depreciation and amortisation charges

	Capex on property, plant and equipment and intangible assets			Depreciation and amortisation of property, plant and equipment and intangible assets		
(€ millions)	**2007**	**2006**	**2005**	**2007**	**2006**	**2005**
Cognac	14.8	11.0	8.2	5.9	5.2	6.5
Liqueurs and spirits	5.8	6.5	11.2	4.3	4.8	5.6
Champagne	4.7	2.5	3.5	2.8	4.1	3.5
Partner brands	0.5	0.7	0.9	0.2	0.2	0.3
Total	**25.8**	**20.7**	**23.8**	**13.2**	**14.3**	**15.9**

15.2 Geographical regions

15.2.1 Breakdown of revenues

(€ millions)	**Revenues**		
	2007	**2006**	**2005**
Europe	274.4	281.4	284.9
Americas	370.4	374.3	325.9
Asia and rest of world	141.1	124.9	122.9
Total	**785.9**	**780.6**	**733.7**

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

15.2.2 Breakdown of the balance sheet

Balance sheet information is broken down according to the geographical location of the Group entities.

At 31 March 2007

(€ millions)	Europe	Americas	Asia and rest of world	Not allocated	Total
Non current assets	965.5	25.2	47.0	-	**1 037.7**
Current assets	939.4	145.9	32.8	-	**1 118.1**
Derivative financial instruments	-	-	-	11.1	**11.1**
Assets held for sale	17.4	-	-	-	**17.4**
Cash and cash equivalents	-	-	-	20.6	**20.6**
Total assets	**1,922.3**	**171.1**	**79.8**	**31.7**	**2,204.9**
Equity	-	-	-	852.5	**852.5**
Borrowings and accrued interest	-	-	-	582.7	**582.7**
Provisions for risks and charges	309.4	2.1	0.2	-	**311.7**
Deferred and current tax liabilities	146.3	1.0	0.2	-	**147.5**
Trade and other payables	270.3	33.6	6.5	-	**310.4**
Derivative financial instruments	-	-	-	0.1	**0.1**
Total liabilities and equity	**726.0**	**36.7**	**6.9**	**1,435.3**	**2,204.9**

At 31 March 2006

(€ millions)	Europe	Americas	Asia and rest of world	Not allocated	Total
Non current assets	945.3	26.4	45.0	-	**1 016.7**
Current assets	968.1	138.4	-	-	**1 106.5**
Derivative financial instruments	-	-	-	6.9	**6.9**
Assets held for sale	204.0	-	-	-	**204.0**
Cash and cash equivalents	-	-	-	31.6	**31.6**
Total assets	**2,117.4**	**164.8**	**45.0**	**38.5**	**2,365.7**
Equity	-	-	-	915.5	**915.5**
Borrowings and accrued interest	-	-	-	803.1	**803.1**
Provisions for risks and charges	83.1	1.8	-	-	**84.9**
Deferred and current tax liabilities	193.5	0.7	0.2	-	**194.4**
Trade and other payables	264.6	35.3	0.5	-	**300.4**
Derivative financial instruments	-	-	-	1.9	**1.9**
Liabilities directly related to assets held for sale	65.5	-	-	-	**65.5**
Total liabilities and equity	**606.7**	**37.8**	**0.7**	**1,720.5**	**2,365.7**

At 31 March 2005

(€ millions)	Europe	Americas	Asia and rest of world	Not allocated	Total
Non current assets	1 198.9	20.9	32.7	-	**1 252.5**
Current assets	969.5	122.9	0.1	-	**1 092.5**
Derivative financial instruments	-	-	-	8.9	**8.9**
Cash and cash equivalents	-	-	-	53.6	**53.6**
Total assets	**2,168.4**	**143.2**	**32.8**	**62.5**	**2,407.5**
Equity	-	-	-	888.3	**888.3**
Borrowings and accrued interest	-	-	-	916.4	**916.4**
Provisions for risks and charges	70.6	-	-	-	**70.6**
Deferred and current tax liabilities	284.5	0.7	0.2	-	**285.4**
Trade and other payables	216.2	27.6	0.3	-	**244.1**
Derivative financial instruments	-	-	-	2.7	**2.7**
Total liabilities and equity	**571.3**	**28.3**	**0.5**	**1,807.4**	**2,407.5**

16 ANALYSIS OF OPERATING EXPENSES BY TYPE

(€ millions)	2007	2006	2005
Personnel costs	(105.7)	(105.1)	(106.9)
Advertising and promotion expenses	(129.6)	(130.2)	(129.9)
Depreciation, amortisation and impairment of fixed assets	(13.2)	(14.3)	(15.9)
Other costs	(85.5)	(78.4)	(80.8)
Costs allocated to inventories and production cost	60.4	57.1	55.1
Total	**(273.6)**	**(270.9)**	**(278.4)**
Of which:			
Distribution costs	(192.5)	(190.7)	(193.5)
Administrative expenses	(81.1)	(80.2)	(84.9)
Total	**(273.6)**	**(270.9)**	**(278.4)**

Distribution costs comprise marketing and advertising expenses, commissions payable and receivable, brand royalties, ordinary allowances for inventories and trade receivables and the overheads of the Group distribution companies.

Administrative expenses comprise all the overheads of the holding companies and production companies.

Other income and expenses correspond to the profit generated by activities that are peripheral to the sale of cognac, liqueurs, spirits, champagnes and partner brands.

Personnel costs consist of the following:

(€ millions)	2007	2006	2005
Wages, salaries and social security	(98.7)	(99.6)	(103.9)
Pensions and other retirement benefits	(2.4)	(1.5)	(1.5)
Employee profit sharing	(1.3)	(2.3)	(0.7)
Share-based payments	(3.3)	(1.7)	(0.8)
Total	**(105.7)**	**(105.1)**	**(106.9)**

17 NUMBER OF EMPLOYEES

The number of employees is stated in terms of full-time equivalents at the balance sheet date and covers all fully-consolidated companies.

(full-time equivalents)	2007	2006	2005
France	860	928	980
Europe (excluding France)	38	102	531
Americas	304	312	329
Asia and rest of world	17	4	4
Total	**1,219**	**1,346**	**1,844**
Of which, activities sold in:			
Hungary	-	57	-
Poland	-	-	345
Total	**-**	**57**	**345**

18 OTHER OPERATING INCOME AND EXPENSES

(€ millions)	2007	2006	2005
Capital gains on asset disposals	-	-	1.5
Maxxium indemnity (and related charges)	(241.6)	-	-
Site restructuring, closure and transfer plans	1.8	(18.2)	(2.3)
Additional tax assessments (other than income tax)	(3.6)	-	-
Dilution gain on Dynasty, net of expenses	-	-	13.1
Total	**(243.4)**	**(18.2)**	**12.3**

The terms under which the Maxxium indemnity was evaluated are set out in note **5.1.2**.

The amount recognised in 2006 in “Site restructuring, closure and transfer plans” corresponds mainly to a reorganisation plan for the main Group subsidiary, CLS Rémy Cointreau, which was presented to staff representatives on 22 March 2006. This plan impacts 147 staff and provides for early retirement and voluntary redundancy payments and assistance. The provision was adjusted at 31 March 2007.

During the year ended 31 March 2007, various French entities of the Group were advised by the tax authorities of additional assessments relating to the calculation of business and land taxes since 2002.

19 NET FINANCIAL EXPENSES

19.1 Finance costs by type of financing

(€ millions)	2007	2006	2005 [1]
TSDI	(0.2)	(1.4)	(4.9)
OCEANE bonds	0.1	(26.0)	(18.1)
Bonds	(23.4)	(23.7)	(15.5)
Syndicated loan and unconfirmed lines	(8.4)	(6.4)	(10.5)
Finance costs of special purpose entities	(5.8)	(5.1)	(4.1)
Other finance costs	0.1	(0.4)	(0.1)
Impact of interest rate hedges, excluding TSDI	0.4	(1.1)	(1.7)
Total	**(37.2)**	**(64.1)**	**(54.9)**

[1] As the first-time application of IAS32/39 took effect only on 1 April 2005, this data is not comparable.

Borrowings are described in note **12**.

Given the average net borrowings of €619.9 million for the year ended 31 March 2007, the average interest rate is 5.99% (2006: €798.6 million and 8.00%).

19.2 Other financial income and expenses

(€ millions)	2007	2006	2005
Change in fair value of CEDC shares	(6.0)	0.2	-
Profit on sale of CEDC shares	1.8	-	-
Interest on seller's loan	1.7	-	-
Currency (losses) and gains	1.5	(0.8)	(1.1)
Other financial income and expenses	0.9	1.5	0.7
Other financial income and expenses	**(0.1)**	**0.9**	**(0.4)**

The change in fair value of CEDC shares corresponds to the change in value of the CEDC shares received on the sale of Bols Sp.z.o.o. and the change in value of the guarantees relating to this transaction (see note **6.2**). The profit on sale of CEDC shares corresponds to the gain realised on the sale of 433,746 CEDC shares between December 2006 and March 2007.

Currency losses and gains from operations are recognised in gross profit in accordance with the procedures described in note **1.4**.

20 INCOME TAX

20.1 Income tax expense

(€ millions)	2007	2006	2005
Current tax (expense) income	(7.2)	(42.6)	(21.6)
Deferred tax (expense) income	57.3	29.3	(1.5)
Income tax (expense) income	**50.1**	**(13.3)**	**(23.1)**
Effective tax rate	n/s	-22.9%	-29.8%

At 31 March 2007, deferred tax comprised the capitalisation of the tax loss from the French tax consolidation as a result of the Maxxium indemnity. Excluding the Maxxium indemnity, the tax rate for Rémy Cointreau Group is -23.4%.

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, within certain limits, the tax charges of companies with taxable income against losses incurred by other subsidiaries. The resulting tax saving is recognised in the year of offset.

20.3 Analysis and source of deferred tax

(€ millions)	2007	2006	2005
Breakdown by type			
Retirement provisions	6.4	6.9	8.1
Regulated provisions	(7.9)	(22.1)	(33.4)
Other provisions	6.1	13.8	6.0
Brands	(165.4)	(167.6)	(254.6)
Non-current assets	(16.2)	(17.0)	(22.2)
Inventory margins	9.9	8.7	7.0
OCEANE redemption premium	-	11.8	9.7
Losses carried forward	63.8	-	-
Other timing differences	(19.5)	7.0	10.0
Net deferred assets (liabilities)	**(122.8)**	**(158.5)**	**(269.4)**
Breakdown by tax group			
France tax group	(79.8)	(134.4)	(167.0)
USA tax group	1.0	-	(0.6)
Netherlands tax group	(55.4)	(33.9)	(111.8)
Other	11.4	9.8	10.0
Net deferred assets (liabilities)	**(122.8)**	**(158.5)**	**(269.4)**
Deferred tax assets	13.0	12.3	13.0
Deferred tax liabilities	(135.8)	(170.8)	(282.4)
Net deferred assets (liabilities)	**(122.8)**	**(158.5)**	**(269.4)**

20.4 Tax losses and capital losses carried forward

At 31 March 2007, the tax losses carried forward totalled €189.4 million, including €184.5 million on the French tax consolidation due to the Maxxium indemnity. The potential tax saving arising from the use of these losses is €64.8 million (2006: €1.5 million), including €63.5 million for the French tax consolidation.

20.5 Tax reconciliation

In 2007, the tax income amounted to €50.1 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)	2007	2006	2005
Theoretical tax charge	43.7	(20.0)	(27.1)
Actual tax charge	50.1	(13.3)	(23.1)
Difference	**6.4**	**6.7**	**4.0**
Permanent differences between consolidated profit and taxable income	(4.6)	(1.4)	3.9
Impact of TSDI		22.1	-
Use of tax losses or timing differences not previously recognised	1.5	0.8	0.5
Unrecognised tax losses of subsidiaries	-	(0.2)	(0.1)
Difference in tax rates for foreign subsidiaries	5.0	(0.2)	4.8
Adjustment to the tax charge of prior years	4.5	(14.4)	(5.1)
Total	**6.4**	**6.7**	**4.0**

21 NET PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS

(€ millions)	2007	2006	2005
Polish activities			
Net profit for the year (before tax)	-	0.6	14.7
Income tax for the year	-	(0.1)	(3.1)
Provision for impairment of assets sold	-	-	(23.5)
Tax effect	-	-	11.2
Gain (loss) on sale (before tax)	-	(0.8)	-
Tax effect	-	17.6	-
Italian liqueurs and Dutch liqueurs and spirits			
Net profit for the year (before tax)	-	7.2	2.8
Income tax for the year	-	(0.6)	(0.8)
Provision for impairment of assets sold	-	-	(25.7)
Tax effect	-	-	14.4
Gain (loss) on sale (before tax)	9.3	(7.2)	-
Tax effect	24.3	2.2	-
Cognac de Luze			
Net profit (loss) for the year (before tax)	0.2	(0.4)	0.7
Income tax for the year	(0.1)	0.1	(0.3)
Gain (loss) on sale (before tax)	6.1	-	-
Tax effect	(0.4)	-	-
Bols Hungary			
Net profit (loss) for the year (before tax)	-	2.4	3.7
Income tax for the year	-	(0.4)	(0.7)
Gain (loss) on sale (before tax)	8.7	-	-
Tax effect	(1.6)	-	-
Armagnac activity			
Provision for impairment of assets sold	(1.9)	-	-
Tax effect	0.6	-	-
Total	**45.2**	**20.6**	**(6.6)**

The transactions related to discontinued operations are described under note 2.

22 RETIREMENT PROVISIONS

22.1 Defined benefit pension commitments

(€ millions)	2007	2006	2005
Actuarial liability brought forward	**(28.1)**	**(134.6)**	**(123.6)**
Normal expense	(1.2)	(1.9)	(2.1)
Interest on actuarial liability	(0.9)	(5.9)	(6.0)
Changes to pension benefits	-	0.7	-
Reductions in pension benefits	1.1	-	1.3
Pensions paid	0.6	6.5	6.4
Actuarial gains and (losses)	0.9	(5.4)	(11.4)
Cost of prior year services	(1.0)	1.5	-
Closure of pension scheme (1)	1.0	110.2	-
Other (including transfers)	(0.2)	0.6	1.0
Actuarial liability carried forward (2)	**(27.8)**	**(28.3)**	**(134.4)**
Value of dedicated assets brought forward	**4.5**	**106.4**	**99.6**
Yield	0.3	6.3	5.9
Contributions received	0.5	3.3	3.5
Changes to pension benefits	-	-	(0.5)
Reductions in pension benefits	-	-	-
Pensions paid	(0.4)	(5.9)	(5.9)
Actuarial gains and (losses)	0.3	5.9	3.7
Closure of pension scheme (1)	-	(111.2)	-
Value of dedicated assets carried forward	**5.2**	**4.8**	**106.3**
Dedicated assets for the liability	**(22.6)**	**(23.5)**	**(28.1)**
Cost of past services not recognised (income) / expense	0.9	(0.4)	1.3
Other	-	-	-
Retirement obligations	**(21.7)**	**(23.9)**	**(26.8)**
Liabilities	**(22.2)**	**(24.5)**	**(27.1)**
Assets	**0.5**	**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 firm. The balance on the transfer amounted to €10.5 million. The previous provisions were written back.

(2) Of the total actuarial liability of €27.8 million, €27.1 million is not financed and €6.1 million is partially financed.

22.2 Cost for the year

(€ millions)	2007	2006	2005
Normal expense	1.2	2.1	2.3
Interest on actuarial liability	0.9	5.7	5.9
Forecast yield on investments	(0.3)	(6.3)	(5.9)
Depreciation of other items not recognised	0.2	0.3	0.6
Impact of reductions in benefits	(2.4)	(1.3)	(1.2)
Expense for the year	**(0.4)**	**0.5**	**1.7**
Pensions paid	(0.2)	(0.6)	(0.2)
Net expense for the year	**(0.6)**	**(0.1)**	**1.5**

Actuarial assumptions			
Average discount rate	4.60%	3.90%	4.50%
Average salary increase	2.80%	2.80%	2.90%
Expected period of working service	8 to 14 years	8 to 13 years	6 to 10 years
Forecast yield on investments	4.50%	4.50%	5.70%
Increase in medical costs	5.50%	5.20%	5.20%

22.3 Actuarial gains and losses

(€ millions)	2007	2006	2005
Movements for the year	1.2	0.6	(7.3)
of which, differences between actual and forecast	0.3	0.7	-

22.4 Breakdown of present value of benefits by type of scheme

(€ millions)	2007	2006	2005
End of career bonus	(6.6)	(6.8)	(7.6)
Additional pension payments	(15.5)	(15.2)	(120.7)
Long-service awards	(0.6)	(0.7)	(0.6)
Pensioners’ medical costs	(5.1)	(5.6)	(5.5)
Total	**(27.8)**	**(28.3)**	**(134.4)**

22.5 Analysis of dedicated investments

At 31 March 2007, the assets underlying the liability were held by insurance firms that invests them together with their general assets.

23 OFF-BALANCE SHEET ITEMS AND CONTINGENT ASSETS AND LIABILITIES

Commitments in respect of retirement and similar benefits and certain brandy purchase commitments are no longer treated as off-balance sheet commitments but are fully reflected in the financial statements following the introduction of IFRS accounting policies.

23.1 Purchase and leasing commitments

(€ millions)	2007	2006	2005
Purchase commitments – non-current assets	5.0	5.0	0.5
Leasing commitments – offices	16.3	19.9	8.4
Leasing commitments – equipment	1.4	1.5	2.3
Purchase commitments – brandies	-	17.5	57.3
Purchase commitments – wine (champagne)	15.9	14.6	13.1

The leasing commitments on offices relate to a six-year lease entered into on 1 December 2004 in respect of the Group's Paris head office and a ten-year lease entered into on 1 April 2005 in respect of the head office of the subsidiary Rémy Cointreau USA in New York.

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

The wine purchase commitments of the champagne division concern purchases of wine reserved with the champagne grower.

The maturity analysis of commitments at 31 March 2007 is as follows:

(€ millions)	Total	2008	Further out
Purchase commitments – non-current assets	5.0	5.0	-
Leasing commitments – offices	16.3	3.0	13.3
Leasing commitments – equipment	1.4	0.9	0.5
Purchase commitments – wine (champagne)	15.9	-	15.9

23.2 Deposits and other similar guarantees

(€ millions)	2007	2006	2005
Tax deposits	9.7	10.3	10.5
Agricultural warrants on AFC inventories	48.5	42.5	97.8
Maxxium financing guarantee (25%)	37.2	27.0	34.7
Avandis financing guarantees (33.33%)	-	4.4	7.6
Miscellaneous guarantees on credit lines	12.0	2.5	1.0

The tax deposits are bank deposits given to the tax authorities as security for disputed tax assessments following the lodging of requests for deferred payment.

Rémy Cointreau S.A. guarantees 25% of the bank borrowings of Maxxium BV, with the three other partners also providing a similar guarantee. The maximum amount of this guarantee is €62.5 million.

The maturity analysis of commitments at 31 March 2007 is as follows:

(€ millions)	Total	2008	Further out
Tax deposits	9.7	9.7	-
Agricultural warrants on AFC inventories	48.5	48.5	-
Maxxium financing guarantee (25%)	37.2	-	37.2
Miscellaneous guarantees on credit lines	12.0	12.0	-

23.3 Contingent liabilities relating to disposal transactions

In connection with sale transactions, guarantees in respect of future liabilities are generally granted to the buyers for defined periods and amounts stipulated in the agreements. Liabilities for tax, excise duties and social security payments that may 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 2007 are as follows:

(€ millions)

Sale transaction	Transaction date	Nature of unlapsed guarantee	Maturity	Maximum amount
Wine business (ORB) (Netherlands)	17 April 2003	Excise duties, tax and social security liabilities	17 October 2008	
		Total of all guarantees		1.5
RMSJ/SMCS (France)	11 July 2003	Tax, customs and social security liabilities	31 October 2008	None
Botapol Holding BV (parent company of Bols Sp.z.o.o.)	17 August 2005	Tax liabilities	17 October 2010	
		Total of all guarantees		26.9
Lucas Bols	11 April 2006	Tax liabilities	11 October 2012	
		General guarantees	11 October 2007	
		Total of all guarantees		100.0
		Franchise		2.6
Bols Hungary	12 July 2006	Tax liabilities	12 July 2012	
		Total of all guarantees		2.4
Cognac de Luze	25 July 2006	Total of all guarantees	31 December 2008	2.8

23.4 Contingent asset

In connection with the agreements for setting up Maxxium in August 1999, Rémy Cointreau contributed assets to the new joint venture in exchange for Maxxium shares and a balancing payment of €122 million, of which €82 million had been received at 31 March 2007. The balance of €40 million represents a variable price component that depends on Maxxium's financial performance. Part of this amount (€24 million) must be paid by 31 July 2009 while the balance (€16 million) has no fixed payment deadline.

23.5 Other contingent liabilities

At 31 March 2007, Rémy Cointreau was involved in various legal proceedings. After examining each case in relation to the subsidiary concerned, and after seeking legal advice, the provisions deemed to be necessary have, where applicable, been established to cover the estimated risks.

Rémy Cointreau declares that it has not omitted any material off-balance sheet items in the presentation of its consolidated financial statements.

24 RELATED PARTIES

24.1 Relations with related companies

At 31 March 2007, the principal companies related to Rémy Cointreau Group were Dynasty Fine Wines Group Ltd and the Maxxium BV joint venture.

The Group does not conduct any commercial business with Dynasty.

Business with the Maxxium BV joint venture is conducted under the agreement described in notes **1.23** and **5.1**.This business mainly concerns the sale of products to various distribution companies owned by Maxxium BV worldwide.

(€ millions)	**2007**	**2006**
Sales to Maxxium	362.2	336.3
Customer account balance	33.5	52.2

Rémy Cointreau Group also guarantees 25% of Maxxium BV's borrowings (see note **23.2**).

24.2 Relations with Orpar

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

(€ millions)	**2007**	**2006**
Services invoiced by Orpar	2.6	2.7
Current account balance	0.9	1.0
Supplier account balance	-	0.2

24.3 Relations with companies with a common shareholder or directors

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. As such, various subsidiaries of Oeneo group are suppliers of Rémy Cointreau Group.

(€millions)	**2007**	**2006**
Purchase of non-current assets	4.4	1.4
Other purchases	0.3	1.6
Supplier account balance	(1.6)	0.4
Purchase commitments	2.8	5.4

24.4 Management bodies

The Group's management bodies comprise:

- Since 7 September 2004, the members of the Board of Directors and the Executive Committee (5 members at 31 March 2007; 6 members at 31 March 2006),
- Prior to this date, the members of the Supervisory Board and the Management Board.

(€ millions)	**2007**	**2006**	**2005**
Short-term benefits	4.1	3.2	2.9
Post-retirement benefits	0.5	0.5	0.1
Stock options and similar expenses	1.5	1.0	0.4
End-of-contract bonuses	0.2	-	2.3
Total	**6.3**	**4.7**	**5.7**

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

25 POST-BALANCE SHEET EVENTS

By the date on which the financial statements were approved by the Board of Directors, Rémy Cointreau had sold on the open market all the CEDC shares it held at 31 March 2007. The sale proceeds of $67.0 million will generate financial income of around €4.2 million in the year ended 31 March 2008.

On 1 June 2007, Rémy Cointreau notified its intention to make early redemption of the €175 million bond issued in 24 June 2003. This redemption will take place as from 2 July 2007 in accordance with the issue terms and conditions, whose main redemption procedures are set out in this document in section 12.6.1.

26 LIST OF CONSOLIDATED COMPANIES

At 31 March 2007, the consolidation included 50 companies (56 at 31 March 2006). 48 companies were fully consolidated and two were accounted for using the equity method. All companies have a 31 March year end, except for Dynasty Fine Wines Group Ltd which has a 31 December year end.

Company	Activity	% interest March 2007	March 2006
EUROPE			
France			
Rémy Cointreau SA [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 SA [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
Seguin & Cie [1]	Production	100.00	100.00
Cointreau [1]	Production	100.00	100.00
Izarra [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	100.00
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
The Netherlands			
Maxxium International BV [3]	Distribution	25.00	25.00
RC Nederland Holding BV [8]	Holding / Finance	100.00	100.00
DELB BV [9]	Holding / Finance	100.00	100.00
Gedistilleerd en Wijn Groep Nederland BV [5]	Other	-	100.00
DELB Holding BV [4]	Holding / Finance	100.00	-
RC Nederland BV [10]	Holding / Finance	100.00	100.00
Metaxa BV	Holding / Finance	100.00	100.00
Lodka Sport BV	Other	50.00	50.00
Lelie BV	Holding / Finance	100.00	100.00
't Lootsje II BV	Holding / Finance	100.00	100,00
Wijnhandel Ferwerda & Tieman BV [5]	Holding / Finance	-	100.00
Duncan, Gilby & Matheson BV [5]	Other	-	100.00
Unipol BV	Other	50.00	50.00
Botapol Management BV	Holding / Finance	100.00	100.00
De Bron 1575 BV [4]	Holding / Finance	100.00	-
Other countries			
Hermann Joerss Gmbh	Distribution	100.00	100.00
Cointreau Holding	Holding / Finance	100.00	100.00
Rémy Suisse SA	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
Financière Rémy Cointreau SA [4]	Holding / Finance	100.00	-

Company	Activity	% interest March 2007	March 2006
AMERICAS			
USA			
Rémy Cointreau USA Inc [7]	Distribution	100.00	100.00
Remy Cointreau Amérique Inc	Holding / Finance	100.00	100.00
Caribbean			
Mount Gay Distilleries Ltd	Production	94.98	94.98
Bols Latin America NV	Holding / Finance	100.00	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	27.03	26.27
Rangit Ltd [4]	Holding / Finance	100.00	-
Shanghai Rentouma Trading Cpy Ltd [4]	Distribution	100.00	-
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
Avandis CV [3]	Production	-	33.33
Pisang Ambon BV	Holding / Finance	-	100.00
Bokma Distillateurs BV	Holding / Finance	-	100.00
Beleggingsmaatschappij Honthorst II BV	Holding / Finance	-	100.00
Erven Lucas Bols Pty. Ltd	Distribution	-	50.00
Bols Hungary Kft	Distribution	-	100.00
Cognacs de Luze	Production	-	100.00
SAP [1]	Production	100.00	100.00

(1) Company is part of the French tax group.
(2) Special purpose entity.
(3) Accounted for by the equity method.
(4) Company formed during the year.
(5) Company liquidated.
(6) Rémy Cointreau Group purchased an additional 0.76% equity interest during the year.
(7) Formerly Rémy Amérique Inc. before it changed its name to Rémy Cointreau USA Inc.
(8) Formerly Erven Lucas Bols NV before it changed its name to RC Nederland Holding BV.
(9) Formerly Distilleerderijen Erven Lucas Bols BV before it changed its name to DELB BV.
(10) Formerly Bols Distilleries BV before it changed its name to RC Nederland BV.