RÉMY COINTREAU

REMY COINTREAU GROUP - FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In general, the information contained in this document has been prepared on the basis of the standards and interpretations in force at the time it was prepared; in the event of any modification of those standards and interpretations on the basis of present or future exposure drafts, financial information included in the Group accounts as at March 31, 2006 may differ from the information included in this document.

In accordance with Regulation (EC) No 1606/2002 of the European Parliament and the Council of 19 July 2002 on the application of international accounting standards, the consolidated financial statements of Rémy Cointreau for the periods beginning on or after 1 April 2005 will be prepared in accordance with the standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC). These statements will be prepared from an opening balance sheet at 1 April 2004 to permit inter-period comparisons.

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

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

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

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

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

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

1 Total equity at 31 March 2005 and 1 April 2004

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

2 Balance sheets at 31 March 2005 and 1 April 2004

2.1 Balance sheets compared

	31 March 2005			1 April 2004		
(€ millions)	French GAAP	IFRS	Difference	French GAAP	IFRS	Difference
ASSETS	(a)	(b)	(b) - (a)			(b) - (a)
Intangible assets	923.4	922.7	(0.7)	969.1	968.2	(0.9)
Property, plant and equipment	133.3	195.6	62.3	142.8	204.8	62.0
Investments in associates	89.4	113.6	24.2	78.3	100.7	22.4
Other investments	23.8	7.7	(16.1)	21.9	7.4	(14.5)
Deferred tax assets	4.8	3.9	(0.9)	6.7	4.0	(2.7)
Total non-current assets	**1,174.7**	**1,243.5**	**68.8**	**1,218.8**	**1,285.1**	**66.3**
Inventories	831.7	845.9	14.2	874.0	880.8	6.8
Trade and other receivables	258.1	239.7	(18.4)	255.3	244.7	(10.6)
Current tax assets	6.8	6.8		7.4	7.4	
Derivative financial instruments	8.9	8.9		9.8	9.8	
Total current assets	**1,105.5**	**1,101.3**	**(4.2)**	**1,146.5**	**1,142.7**	**(3.8)**
Cash and cash equivalents	53.6	53.6		68.1	68.1	
Total assets	**2,333.8**	**2,398.4**	**64.6**	**2,433.4**	**2,495.9**	**62.5**
EQUITY AND LIABILITIES						
Share capital and share premium	702.8	702.8		698.0	698.0	
Treasury shares	(0.6)	(0.6)		(10.5)	(10.5)	
Reserves	408.3	119.9	(288.4)	453.5	170.1	(283.4)
Translation reserve	(32.9)	(3.0)	29.9	(29.9)		29.9
Net profit – Group share	24.2	49.8	25.6			
Equity – Group share	**1,101.8**	**868.9**	**(232.9)**	**1,111.1**	**857.6**	**(253.5)**
Minority interests	15.9	19.4	3.5	12.5	13.5	1.0
Total equity	**1,117.7**	**888.3**	**(229.4)**	**1,123.6**	**871.1**	**(252.5)**
Long term borrowings	746.5	746.5		769.6	769.6	
Other non-current liabilities	42.6	51.2	8.6	56.2	54.6	(1.6)
Deferred tax liabilities	11.5	273.4	261.9	6.5	300.3	293.8
Total non-current liabilities	**800.6**	**1,071.1**	**270.5**	**832.3**	**1,124.5**	**292.2**
Short-term borrowing and accrued interest	146.8	170.0	23.2	198.9	221.7	22.8
Trade and other payables	242.7	244.0	1.3	250.3	250.8	0.5
Current tax liabilities	2.9	2.9		5.7	5.7	
Short-term provisions for liabilities and charges	20.4	19.4	(1.0)	20.9	20.4	(0.5)
Derivative financial instruments	2.7	2.7		1.7	1.7	
Total current liabilities	**415.5**	**439.0**	**23.5**	**477.5**	**500.3**	**22.8**
Total equity and liabilities	**2,333.8**	**2,398.4**	**64.6**	**2,433.4**	**2,495.9**	**62.5**

2.2 *Analysis of "Difference" column by type of restatement or reclassification*

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

Each column is the object of a detailed comment.

1 April 2004

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

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

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

(c) Deferred actuarial gains and losses on pension commitments recognised directly to equity and provision set aside in respect of post-retirement healthcare plans from which benefit certain past employees in France.

The impact on the reserves of these two restatements totalled €16.0 million in the final version of the transition balance sheet, i.e. the same as in the preliminary version.

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

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

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

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

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

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

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

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

31 March 2005

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

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

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

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

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

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

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

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

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

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

3 Income statement for the year ended 31 March 2005

3.1 Income statements compared

(€ millions)	To 31 March 2005		
	French GAAP (a)	**IFRS** (b)	**Difference** (b)-(a)
Revenue	**905.3**	**823.8**	**(81.5)**
Gross profit	494.7	438.8	(55.9)
Distribution costs	(243.6)	(221.0)	22.6
Administrative expenses	(83.4)	(87.9)	(4.5)
Other income from operations		12.1	12.1
Operating profit on ordinary activities	**167.7**	**142.0**	**(25.7)**
Provisions for impairment		(28.8)	(28.8)
Other operating income (expenses)		1.7	1.7
Operating profit	**167.7**	**114.9**	**(52.8)**
Finance costs	(53.1)	(55.8)	(2.7)
Profit before tax	**114.6**	**59.1**	**(55.5)**
Income tax expense	(38.3)	(10.5)	27.8
Share of profit of associates	5.6	7.4	1.8
Profit from continuing operations	**81.9**	**56.0**	**(25.9)**
Profit (loss) from discontinuing operations		(0.7)	(0.7)
Profit attributable to minority interests	(3.1)	(5.5)	(2.4)
Non-recurring items after tax	(54.6)		54.6
Net profit – Group share	**24.2**	**49.8**	**25.6**

3.2 *Analysis of "Difference" column*

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

(a) Reflects mainly a reduction in amortisation charges.

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

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

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

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

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

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

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

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

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

4 Accounting principles retained for the transition

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

4.1 Adoption of IFRS 1 "First time adoption of IFRS"

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

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

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

4.2 Consolidation scope

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

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

4.3 Intangible assets

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

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

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

4.4 Property, plant and equipment

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

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

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

4.5 Investment in associated companies

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

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

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

4.6 Employee benefits

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

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

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

4.7 Translation adjustment

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

4.8 Provisions for liabilities and charges

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

4.9 Deferred Taxation

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

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

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

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

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

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

4.10 Share-based payments

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

4.11 Revenue and related income

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

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

4.12 Operating profit and exceptional profit

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

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

4.13 Segment reporting

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

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