# CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

## INCOME STATEMENT
As at 31 March, in € millions

| | notes | 2009 | 2008 | 2007 |
|---|---|---|---|---|
| **Revenues** | 15 | **714.1** | **817.8** | **785.9** |
| Cost of sales | | (302.3) | (375.7) | (368.6) |
| **Gross profit** | | **411.8** | **442.1** | **417.3** |
| Distribution costs | 16 | (201.7) | (210.6) | (192.5) |
| Administrative expenses | 16 | (80.7) | (83.0) | (81.1) |
| Other income (expenses) from operations | 16 | 7.6 | 11.1 | 10.1 |
| **Operating profit on ordinary activities** | 15 | **137.0** | **159.6** | **153.8** |
| Other operating income (expenses) | 18 | 14.9 | (0.6) | (243.4) |
| **Operating profit (loss)** | | **151.9** | **159.0** | **(89.6)** |
| Finance costs | | (33.1) | (40.5) | (37.2) |
| Other financial income (expense) | | 1.8 | (5.3) | (0.1) |
| **Net financial income (expenses)** | 19 | **(31.3)** | **(45.8)** | **(37.3)** |
| **Profit (loss) before tax** | | **120.6** | **113.2** | **(126.9)** |
| Corporation tax (expense) income | 20 | (37.5) | (28.9) | 50.1 |
| Share of profit of associates | 5 | 3.0 | 9.5 | 10.2 |
| **Profit (loss) from continuing operations** | | **86.1** | **93.8** | **(66.6)** |
| Profit (loss) from discontinued operations | 21 | - | 4.6 | 45.2 |
| **Net profit (loss) for the year** | | **86.1** | **98.4** | **(21.4)** |
| Of which: attributable to minority interest | | - | - | 1.6 |
| **Group share** | | **86.1** | **98.4** | **(23.0)** |
| **Earnings per share – Group share (€)** | | | | |
| Basic | | 1.84 | 2.12 | (0.50) |
| Diluted | | 1.83 | 2.10 | (0.50) |
| **Earnings per share from continuing operations (€)** | | | | |
| Basic | | 1.84 | 2.03 | (1.46) |
| Diluted | | 1.83 | 2.00 | (1.46) |
| **Number of shares used for the calculation** | | | | |
| Basic | 10.2 | 46 877 143 | 46 320 872 | 45 657 049 |
| Diluted | 10.2 | 47 113 389 | 46 792 120 | 45 657 049 |

## BALANCE SHEET

As at 31 March, in € millions

| | notes | 2009 | 2008 | 2007 |
|---|---|---|---|---|
| Brands and other intangible assets | 3 | 629.8 | 627.0 | 628.1 |
| Property, plant and equipment | 4 | 197.0 | 180.0 | 171.9 |
| Investments in associates | 5 | 62.1 | 120.3 | 127.2 |
| Other investments | 6 | 61.1 | 54.1 | 97.5 |
| Deferred tax assets | 20 | 22.4 | 14.0 | 13.0 |
| **Non-current assets** | | **972.4** | **995.4** | **1 037.7** |
| Inventories | 7 | 961.2 | 861.6 | 841.7 |
| Trade and other receivables | 8 | 282.1 | 238.3 | 245.6 |
| Corporation tax receivables | | 6.0 | 1.5 | 30.8 |
| Derivative financial instruments | 14 | 10.8 | 26.1 | 11.1 |
| Cash and cash equivalents | 9 | 89.4 | 37.3 | 20.6 |
| Assets held for sale | 2 | 0.2 | 2.5 | 17.4 |
| **Current assets** | | **1 349.7** | **1 167.3** | **1 167.2** |
| **Total assets** | | **2 322.1** | **2 162.7** | **2 204.9** |
| Share capital | | 75.8 | 74.5 | 73.6 |
| Share premium | | 685.5 | 664.5 | 650.2 |
| Treasury shares | | (2.3) | 0.1 | (0.9) |
| Consolidated reserves | | 127.9 | 100.4 | 162.3 |
| Translation reserve | | (0.5) | (24.6) | (8.1) |
| Net profit (loss) – Group share | | 86.1 | 98.4 | (23.0) |
| **Equity – Group share** | | **972.5** | **913.3** | **854.1** |
| Minority interests | | (1.8) | (1.8) | (1.6) |
| **Total equity** | 10 | **970.7** | **911.5** | **852.5** |
| Long-term borrowings | 11 | 592.4 | 322.1 | 403.5 |
| Provision for staff benefits | 22 | 18.7 | 20.3 | 22.2 |
| Long-term provisions for risks and charges | 12 | 12.4 | 7.5 | 256.2 |
| Deferred tax liabilities | 20 | 200.4 | 163.0 | 135.8 |
| **Non-current liabilitites** | | **823.9** | **512.9** | **817.7** |
| Short-term borrowings and accrued interest | 11 | 28.9 | 156.1 | 179.2 |
| Trade and other payables | 13 | 452.9 | 307.4 | 310.4 |
| Corporation tax payables | | 32.9 | 6.9 | 11.7 |
| Short-term provisions for risks and charges | 12 | 5.9 | 267.8 | 33.3 |
| Derivative financial instruments | 14 | 6.9 | 0.1 | 0.1 |
| **Current liabilities** | | **527.5** | **738.3** | **534.7** |
| **Total liabilities and equity** | | **2 322.1** | **2 162.7** | **2 204.9** |

## VARIATION DES CAPITAUX PROPRES CONSOLIDES

As at 31 March, in € millions

| | Share capital and premium | Treasury shares | Consolidated reserves | Translation reserve | Group share | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as at 31 March 2006** | **712.3** | **(0.7)** | **205.1** | **2.0** | **918.7** | **(3.2)** | **915.5** |
| Net profit for the year | - | - | (23.0) | - | **(23.0)** | 1.6 | **(21.4)** |
| Change in value of hedging instruments | - | - | 4.9 | - | **4.9** | - | **4.9** |
| Actuarial difference on pension liabilities | - | - | 1.2 | - | **1.2** | - | **1.2** |
| Associated tax effect | - | - | (2.2) | - | **(2.2)** | - | **(2.2)** |
| Translation differences | - | - | | (10.1) | **(10.1)** | - | **(10.1)** |
| **Total income and (expenses) of the year** | **-** | **-** | **(19.1)** | **(10.1)** | **(29.2)** | **1.6** | **(27.6)** |
| Share-based payments | - | - | 3.3 | - | **3.3** | - | **3.3** |
| Capital increase | 11.5 | - | - | - | **11.5** | - | **11.5** |
| Transactions on treasury shares | - | (0.2) | - | - | **(0.2)** | - | **(0.2)** |
| Dividends | - | - | (50.0) | - | **(50.0)** | - | **(50.0)** |
| **Balance as at 31 March 2007** | **723.8** | **(0.9)** | **139.3** | **(8.1)** | **854.1** | **(1.6)** | **852.5** |
| Net profit for the year | - | - | 98.4 | - | **98.4** | - | **98.4** |
| Change in value of hedging instruments | - | - | 15.1 | - | **15.1** | - | **15.1** |
| Actuarial difference on pension liabilities | - | - | 3.1 | - | **3.1** | - | **3.1** |
| Associated tax effect | - | - | (6.2) | - | **(6.2)** | - | **(6.2)** |
| Translation differences | - | - | | (16.5) | **(16.5)** | (0.2) | **(16.7)** |
| **Total income and (expenses) of the year** | **-** | **-** | **110.4** | **(16.5)** | **93.9** | **(0.2)** | **93.7** |
| Share-based payments | - | - | 3.5 | - | **3.5** | - | **3.5** |
| Capital increase | 15.2 | - | (0.2) | - | **15.0** | - | **15.0** |
| Transactions on treasury shares | - | 1.0 | - | - | **1.0** | - | **1.0** |
| Dividends | - | - | (55.2) | - | **(55.2)** | - | **(55.2)** |
| Change in consolidation scope | - | - | 1.0 | - | **1.0** | - | **1.0** |
| **Balance as at 31 March 2008** | **739.0** | **0.1** | **198.8** | **(24.6)** | **913.3** | **(1.8)** | **911.5** |
| Net profit for the year | - | - | 86.1 | - | **86.1** | (0.1) | **86.0** |
| Change in value of hedging instruments | - | - | (24.0) | - | **(24.0)** | - | **(24.0)** |
| Actuarial difference on pension liabilities | - | - | 2.8 | - | **2.8** | - | **2.8** |
| Change in value of AFS securities | - | - | (0.2) | - | **(0.2)** | - | **(0.2)** |
| Associated tax effect | - | - | 7.4 | - | **7.4** | - | **7.4** |
| Translation differences | - | - | - | 24.1 | **24.1** | 0.1 | **24.2** |
| **Total income and (expenses) of the year** | **-** | **-** | **72.1** | **24.1** | **96.2** | **-** | **96.2** |
| Share-based payments | - | - | 3.6 | - | **3.6** | - | **3.6** |
| Capital increase | 22.3 | - | - | - | **22.3** | - | **22.3** |
| Transactions on treasury shares | - | (2.4) | - | - | **(2.4)** | - | **(2.4)** |
| Dividends | - | - | (60.5) | - | **(60.5)** | - | **(60.5)** |
| **Balance as at 31 March 2009** | **761.3** | **(2.3)** | **214.0** | **(0.5)** | **972.5** | **(1.8)** | **970.7** |

## CASH FLOW STATEMENT

As at 31 March, in € millions

| | notes | 2009 | 2008 | 2007 |
|---|---|---|---|---|
| Operating profit on ordinary activities | | 137.0 | 159.6 | 153.8 |
| Adjustment for depreciation, amortisation and impairment charges | | 14.8 | 13.6 | 13.2 |
| Adjustment for share-based payments | | 3.6 | 3.5 | 3.3 |
| Dividends received from associates | 5 | 1.4 | 8.4 | 5.9 |
| EBITDA | | 156.8 | 185.1 | 176.2 |
| Change in inventories | | (67.2) | (32.5) | (0.8) |
| Change in trade receivables | | 43.6 | (10.3) | (4.9) |
| Change in trade payables | | 92.1 | 10.8 | 9.0 |
| Change in other receivables and payables | | (65.2) | 5.8 | 10.6 |
| Change in working capital requirement | | 3.3 | (26.2) | 13.9 |
| **Net flow from operations** | | **160.1** | **158.9** | **190.1** |
| Other operating income (expenses) | | (232.5) | (9.4) | (6.9) |
| Net financial expenses | | (17.6) | (37.5) | (43.6) |
| Net corporation tax | | 27.9 | 10.5 | (43.2) |
| Other operating cash flows | | (222.2) | (36.4) | (93.7) |
| **Net cash flow from operating activities – continuing operations** | | **(62.1)** | **122.5** | **96.4** |
| Impact of discontinued operations | | - | 0.6 | 2.1 |
| **Net cash flow from operating activities** | | **(62.1)** | **123.1** | **98.5** |
| Purchases on non-current assets | 3/4 | (31.5) | (27.3) | (25.8) |
| Purchases of investment securities | 5/6 | (5.8) | - | (3.5) |
| Proceeds from sale of non-current assets | | 4.5 | 9.4 | 1.2 |
| Proceeds from sale of investment securities | 6 | 60.4 | 52.5 | 4.3 |
| Net cash flow from other investments | 6 | 1.6 | (1.5) | (0.2) |
| **Net cash flow from investing activities – continuing operations** | | **29.2** | **33.1** | **(24.0)** |
| Impact of discontinued operations | | (0.7) | (3.1) | 156.4 |
| **Net cash flow from investing activities** | | **28.5** | **30.0** | **132.4** |
| Capital increase | 10 | 0.9 | 8.0 | 11.5 |
| Treasury shares | 10 | (2.2) | 1.0 | (0.2) |
| Increase in borrowings | | 136.6 | 82.0 | 141.5 |
| Repayment of borrowings | | (2.3) | (186.6) | (346.9) |
| Dividends paid to shareholders ot the parent company | | (39.2) | (48.1) | (50.0) |
| Other cash flows from financing activities | | - | - | - |
| **Net cash flow from financing activities – continuing operations** | | **93.8** | **(143.7)** | **(244.1)** |
| Impact of discontinued operations | | - | - | - |
| **Net cash flow from financing activities** | | **93.8** | **(143.7)** | **(244.1)** |
| Translation differences on cash and cash equivalents | | (8.1) | 7.3 | 2.2 |
| **Change in cash and cash equivalents** | | **52.1** | **16.7** | **(11.0)** |
| **Cash and cash equivalents brought forward** | 9 | **37.3** | **20.6** | **31.6** |
| **Cash and cash equivalents carried forward** | 9 | **89.4** | **37.3** | **20.6** |

# 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 NYSE Euronext Paris.

The consolidated financial statements presented below were approved by the Board of Directors on 4 June 2009 pursuant to a recommendation from the audit committee following its meeting of 3 June 2009. They will be submitted for shareholder approval at the shareholders' general meeting of 28 July 2009.

## 1 ACCOUNTING POLICIES

Rémy Cointreau's financial year runs from 1 April to 31 March. The consolidated financial statements are presented 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 the international accounting policies applicable within the European Union as at 31 March 2009.

These standards can be consulted on the website of the European Commission at:
http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission

**First time adoption**

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 and mandatory exemptions provided for in 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 publication of the financial statements for the six 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 measure 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.

**Changes in accounting principles compared to previous year**

Of the standards and interpretations whose application became mandatory for the year ended 31 March 2009, none had a significant impact on the consolidated financial statements.

In the financial statements for the year ended 31 March 2009, Rémy Cointreau did not anticipate the enforcement of any of the standards, interpretations or revisions which have or will become mandatory starting from 1 January 2009 or 2010. This is the case for IFRS 8 *Segment reporting* or IAS23 revised (IAS23R) *Borrowing costs*. The implementation of IFRS 8 next year will bring some changes in the presentation of segment reporting. The impact of IAS23R is assumed to be minor as Rémy Cointreau will opt for the exemption for the capitalisation of borrowing costs in inventories.

## 1.1 Use of estimates

Preparation of the financial statements in accordance with International Financial Reporting Standards requires the use of 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 discounted 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 liabilities and other post-employment 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, 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 options plans**
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 compensation payable in the event of disputes with third parties, requires the Group's management to estimate the level of probability associated with this risk and also the outcome of negotiations, transactions and legal proceedings that are or may be conducted with the third parties concerned.

**Bank covenant**
The availability of a significant part of the Group's financial resources is subject to the compliance with a Bank covenant referred to as "ratio A" (note **10.6** and **14.7**) computed every 6 months. Financial statements are prepared based on the going concern principle. Therefore, Group's management has to make some assumptions on the ability of the Group to comply with this ratio in the future.

## 1.2 Basis of consolidation

The consolidated financial statements include on a fully consolidated basis all material subsidiaries in which Rémy Cointreau controls, directly or indirectly, more than 50% of the voting rights or over which it exercises effective control, even when it has no actual shareholding (ad-hoc entities, 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 rate of exchange prevailing on the transaction date. At the balance sheet date, foreign currency assets and liabilities are netted off and translated at the closing rate of exchange. The 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 Euro zone, whereas production and other costs are incurred mainly within this zone. The consolidated operating profit thus has significant exposure to changes in foreign exchange rates. The Group frequently uses financial derivatives, particularly options and forward currency contracts, to hedge this currency risk.

These financial derivatives are recognised on the balance sheet at their closing market value. When they qualify as hedging instruments as defined by IAS 39, changes in the value of such instruments are recognised within:

- gross profit for the effective portion of hedges relating to trade receivables and payables at the period end;
- so-called recyclable equity for the effective portion of hedges relating to future cash flows, the gain or loss being recycled in gross profit (for trading cash flows) or within net financial income or expenses (for other cash flows) as the cash flows covered by the hedging transactions occur;
- net financial income or expenses for the ineffective part of hedges relating to future cash flows, including changes in the time value of options.

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

More details on derivatives are provided in note **1.10.c**.

### 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 installations 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 re-valued 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 and/or to extend the useful life of the asset.

Property, plant 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 below.

**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 property, plant and equipment | 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's 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 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 2009, the following assumptions were used:

- pre-tax discount rates ranging from 9.2% to 9.4%,
- growth rate to infinity of between 1% and 2%.

For the discount rates used as at 31 March 2009, risk premium rates have been kept at the same level as last year considering that prevailing levels during the year, impacted by the economical and financial crisis were not accurate to value such assets on a long-term perspective.

When recent transactions involving similar assets have taken place, the 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. Such 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.

Finished 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) 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 (mainly caps and interest swaps) are recorded in recyclable equity in respect of the change in the intrinsic value of the hedging instruments when these options are active and in net financial income and expenses for any residual change in fair value of the hedging instruments and the change in fair value of the non-hedging instruments.

The Group also holds derivative instruments involving Rémy Cointreau shares (note **14.6**).

**d) Loans and borrowings**

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

- two non-convertible bond issues, one of which was redeemed in July 2007;
- amounts drawn down on credit lines negotiated with a banking syndicate;
- amounts drawn down on confirmed and unconfirmed credit lines.

Financial resources 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.

### 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 in 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 corporation tax charge for 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 written down by reference to the probability that these losses will be utilised.

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

### 1.13 Provisions for risks and charges

In accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, a provision is recognised when the Group has an obligation towards a third party and it is certain or 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 the time value of money is material, the amount of the provision corresponds to the present value of expected expenditure that the Company believes to be necessary to meet the liability. In practice, when the liability 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 post-employment benefits

In accordance with the laws and practices in each country, Rémy Cointreau participates in employee benefit plans providing pensions and other post-employment 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. For the Group companies located in the Euro zone, the discount rate used is based on iBoxx index for bonds with a maturity close to that of the pension liabilities.

Commitments under defined benefit plans concern:

- commitments under the Group's pension plan in Germany, Barbados and Belgium;
- retirement indemnities and long-service awards under collective bargaining agreements in France;
- commitments in respect of various post-employment healthcare benefits;

- other commitments in respect of supplementary defined benefit pension plans sponsored by the Group in France.

Certain Group companies have early retirement plans that are accounted for in the same way as employee redundancy.

Actuarial gains and losses for defined benefit plans arising since 1 April 2004 have also been 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 was 25%-owned by Rémy Cointreau until 30 March 2009;
- 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 customer prices. 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 (expenses) from operations” 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) Geographic segments**

The secondary segment reported is the geographical segment. The breakdown of revenues by geographic 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 geographic 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 reclassified in equity. The value of cash held in the liquidity account is recorded in "Other investments".

### 1.19 Stock options and free share plans

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 simultaneously credited to reserves.

The benefits are measured as follows:

- for stock 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 free share plans: 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 par share

Basic earnings per share are calculated based on the weighted average number of shares in issue during the reporting period, less treasury shares 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 and plus 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.

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 is classified as being discontinued as at the balance sheet date in accordance with IFRS 5, the assets and liabilities directly related to the operation and which will be transferred on completion of the disposal are reclassified in "Assets held for sale" or "Liabilities directly related to assets held for sale" for the current reporting period only.

When a company or activity that represents a major and distinct line of business or geographic area is sold during the reporting period or is classified in 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 for the current period are reclassified in the line "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";
- the profit or loss generated on the disposal transaction, net of transaction costs and taxes, is also recognised in the line "Profit (loss) from discontinued operations". In the cash flow statement, a distinction is made between the cash received as consideration for the sale net of transaction costs, classified in "Net cash flow from investing activities", and any impact of the de-consolidation of the cash held by the entity sold, classified in "Net 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 co-operatives

Since 1 April 2003, Rémy Cointreau has fully consolidated as a special purpose entity the Alliance Fine Champagne (AFC) cooperative in respect of the scope of operations relating to Rémy Cointreau.

As a result of this consolidation, the consolidated balance sheet includes the inventories that AFC holds and intends to deliver to Rémy Cointreau. These inventories include inventories held by the distillers in connection with three-year supply agreements. Corresponding entries are included in borrowings and trade payables. Related finance costs are also included in Rémy Cointreau’s finance costs.

### 1.23 Consolidation of the Maxxium joint venture

Until 30 March 2009, Rémy Cointreau Group held a 25% share in the Maxxium distribution joint venture to which it was 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 contained 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 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”.

## 2 CHANGES IN CONSOLIDATION SCOPE

### 2.1 Disposals of the year

Rémy Cointreau Group has withdrawn from the Maxxium BV distribution joint venture on 30 March 2009. The shares held by the Group (25% ownership) were redeemed to Maxxium for a value of €60.4 million as it had been agreed with Maxxium's partners on 2 September 2008. The carrying amount of the shares at opening date was €76.4 millions. Hence, an impairment charge of €16.0 million has been posted in "Other operating income (expense)" together with the positive adjustment of €37.0 million related to the indemnity paid to Maxxium on the termination of the distribution agreement which had been provided in the accounts of the year ended 31 March 2007 (note **18**).

### 2.2 Acquisitions of the year

As part of its withdrawal from Maxxium and of the set up of its new distribution network, Rémy Cointreau Group has acquired:

- 50% ownership in the French company Lixir, a distribution joint-venture with William Grant's & Sons on 7 October 2008. This entity is consolidated by equity method.
- Full ownership of 4 distribution companies previously held by Maxxium in Belgium, Luxemburg, Czech Republic and Slovakia on 31 March 2009.
- 50% ownership in the German entity Diversa GmbH, a distribution joint-venture with Underberg group on 31 March 2009. This entity is consolidated by equity method.

Most acquisition took place at closing date. Consequently, comparability of the income statement on previous years is not impacted.

The total purchase cost for the shares is €17.6 million of which 11.3 million had not been yet paid at balance sheet date and are due on the year ending 31 March 2010.

The Diversa transaction incurred a €6.8 million goodwill recorded in « Investments in associates » (note **5**).

### 2.3 Assets held for sale and related liabilities

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 2009, most of the assets previously shown in this category have been actually sold.

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Inventories – Brand Clés des Ducs | - | - | 3.5 |
| Reims property assets | - | 1.8 | 12.6 |
| Machecouls industrial site | 0.2 | 0.2 | 1.3 |
| Other | - | 0.5 | - |
| **Total assets** | **0.2** | **2.5** | **17.4** |

## 3 BRANDS AND OTHER INTANGIBLE ASSETS

| (€ millions) | Brands | Distribution rights | Other | Total |
|---|---|---|---|---|
| **Cost at 31 March 2007** | **623.2** | **10.0** | **23.0** | **656.2** |
| Additions | - | - | 2.7 | 2.7 |
| Disposals, items scrapped | (0.1) | - | (2.9) | (3.0) |
| Change in consolidation scope | (0.1) | - | - | (0.1) |
| Other movements | - | - | 0.7 | 0.7 |
| Translation differences | (1.4) | (0.9) | (0.2) | (2.5) |
| **Cost at 31 March 2008** | **621.6** | **9.1** | **23.3** | **654.0** |
| Additions | - | - | 3.4 | 3.4 |
| Disposals, items scrapped | - | (0.7) | (2.5) | (3.2) |
| Change in consolidation scope | - | - | 0.2 | 0.2 |
| Other movements | - | - | 0.3 | 0.3 |
| Translation differences | 1.4 | 0.9 | 0.3 | 2.6 |
| **Cost at 31 March 2009** | **623.0** | **9.3** | **25.0** | **657.3** |
| | | | | |
| **Cumulated depreciation at 31 March 2007** | **3.4** | **7.6** | **17.1** | **28.1** |
| Charge for the year | - | 0.1 | 2.4 | 2.5 |
| Change in consolidation scope | - | - | (3.0) | (3.0) |
| Translation differences | - | (0.6) | - | (0.6) |
| **Cumulated depreciation at 31 March 2008** | **3.4** | **7.1** | **16.5** | **27.0** |
| Charge for the year | - | - | 2.5 | 2.5 |
| Change in consolidation scope | - | (0.2) | (2.5) | (2.7) |
| Translation differences | - | 0.5 | 0.2 | 0.7 |
| **Cumulated depreciation at 31 March 2009** | **3.4** | **7.4** | **16.7** | **27.5** |
| | | | | |
| **Net carrying amount at 31 Mars 2007** | **619.8** | **2.4** | **5.9** | **628.1** |
| **Net carrying amount at 31 Mars 2008** | **618.2** | **2.0** | **6.8** | **627.0** |
| **Net carrying amount at 31 Mars 2009** | **619.6** | **1.9** | **8.3** | **629.8** |

« Other » includes mainly software licenses and leasehold rights.

For the year ended 31 March 2009, the change in consolidation scope is related to the acquisition of the formerly Maxxium-held distribution companies in Belgium, Luxemburg, Czech Republic and Slovakia (note **2**).

Brands and other intangible assets with indefinite useful life have been subject to an annual impairment test as described in note **1.8**. Considering the business plans on which such test are based and the financial parameters taken into account, a decrease of 0.5 points in the discount rates or in the growth rate to infinity would not incur any impairment of any of the brands and other intangible assets with an indefinite useful life held by Rémy Cointreau Group.

## 4 PROPERTY, PLANT AND EQUIPMENT

| (€ millions) | Lands | Buildings | Other | In progress | Total |
|---|---|---|---|---|---|
| **Cost at 31 March 2007** | **37.0** | **91.1** | **162.1** | **6.5** | **296.7** |
| Additions | - | 0.5 | 10.1 | 13.9 | 24.5 |
| Disposals, items scrapped | (0.8) | (1.7) | (12.9) | - | (15.4) |
| Reclassified as assets held for sale | - | - | (4.1) | - | (4.1) |
| Change in consolidation scope | 0.3 | (0.4) | 0.2 | - | 0.1 |
| Other movements | - | 1.9 | 10.2 | (10.1) | 2.0 |
| Translation differences | (0.1) | (1.1) | (2.0) | - | (3.2) |
| **Cost at 31 March 2008** | **36.4** | **90.3** | **163.6** | **10.3** | **300.6** |
| Additions | - | 1.3 | 3.0 | 23.8 | 28.1 |
| Disposals, items scrapped | (0.3) | (0.2) | (3.2) | (0.1) | (3.8) |
| Change in consolidation scope | - | - | 0.2 | - | 0.2 |
| Other movements | 1.8 | 12.8 | 16.3 | (31.4) | (0.5) |
| Translation differences | 0.1 | 1.2 | 2.4 | - | 3.7 |
| **Cost at 31 March 2009** | **38.0** | **105.4** | **182.3** | **2.6** | **328.3** |
| | | | | | |
| **Cumulated depreciation at 31 March 2007** | **1.4** | **33.4** | **90.0** | **-** | **124.8** |
| Charge for the year | 0.1 | 2.3 | 8.6 | - | 11.0 |
| Disposals, items scrapped | (0.3) | (0.8) | (11.2) | - | (12.3) |
| Reclassified as assets held for sale | - | - | (3.1) | - | (3.1) |
| Change in consolidation scope | 0.2 | (0.2) | 0.2 | - | 0.2 |
| Other movements | - | 0.1 | 1.3 | - | 1.4 |
| Translation differences | - | (0.2) | (1.2) | - | (1.4) |
| **Cumulated depreciation at 31 March 2008** | **1.4** | **34.6** | **84.6** | **-** | **120.6** |
| Charge for the year | 0.1 | 2.6 | 9.6 | - | 12.3 |
| Disposals, items scrapped | - | (0.2) | (2.9) | - | (3.1) |
| Other movements | - | - | (0.1) | - | (0.1) |
| Translation differences | - | 0.2 | 1.4 | - | 1.6 |
| **Cumulated depreciation at 31 March 2009** | **1.5** | **37.2** | **92.6** | **-** | **131.3** |
| | | | | | |
| **Net carrying amount at 31 March 2007** | **35.6** | **57.7** | **72.1** | **6.5** | **171.9** |
| **Net carrying amount at 31 March 2008** | **35.0** | **55.7** | **79.0** | **10.3** | **180.0** |
| **Net carrying amount at 31 March 2009** | **36.5** | **68.2** | **89.7** | **2.6** | **197.0** |

For the year ended 31 March 2009, purchase amount to €28.1 million mainly related to industrial capital expenditure on the Group's various production facilities in Cognac, Angers, Reims and Barbados.

For the year ended 31 March 2009, the change in consolidation scope is related to the acquisition of the formerly Maxxium-held distribution companies in Belgium, Luxemburg, Czech Republic and Slovakia (note **2**).

These non-current 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 | Lixir | Diversa | Total |
|---|---|---|---|---|---|
| **At 31 March 2007** | **80.9** | **46.3** | **-** | **-** | **127.2** |
| Dividends paid [1] | (6.9) | (1.5) | - | - | **(8.4)** |
| Net profit for the year | 6.1 | 3.4 | - | - | **9.5** |
| Translation differences | (3.7) | (4.3) | - | - | **(8.0)** |
| **At 31 March 2008** | **76.4** | **43.9** | **-** | **-** | **120.3** |
| Dividends paid | - | (1.4) | - | - | **(1.4)** |
| Net profit for the year | - | 2.3 | 0.7 | - | **3.0** |
| Change in consolidation scope | (80.4) | - | 0.6 | 7.2 | **(72.6)** |
| Translation differences | 4.0 | 8.8 | - | - | **12.8** |
| **At 31 March 2009** | **-** | **53.6** | **1.3** | **7.2** | **62.1** |

[1] For Maxxium, dividend paid from the share premium

### 5.1 Maxxium

#### 5.1.1 General description

Maxxium, 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, merged with Maxxium in May 2001. Since then, Rémy Cointreau has held a 25% equity stake in Maxxium.

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 notable exceptions of the United States, the Caribbean and certain Eastern European 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.

In the autumn of 2006, the Swedish government announced its intention to privatise Vin & Sprit.

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**.

On 31 March 2008, the Pernod Ricard group announced the acquisition of Vin & Sprit.

Maxxium's partners are both suppliers and shareholders of Maxxium. Revenue earned by Rémy Cointreau from Maxxium's distribution companies or customers managed by them accounted for 48.3% of total revenue for the year ended 31 March 2009 (2008: 50.0%; 2007: 46.1%).

Rules for allocating Maxxium's profit between partners are described in note **1.23**.

The financial impact of ongoing transactions between Maxxium and Rémy Cointreau is set out in note **24** on 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.

As a result of the termination, the participation of Rémy Cointreau in Maxxium could be terminated 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 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 €240.9 million provision was raised in the financial statements for the year ended 31 March 2007. At 31 March 2008, the provision stood at €250.4 million after allowing for a discounting effect.

On 2 September 2008, Rémy Cointreau Group signed an agreement setting the conditions for its exit from Maxxium. The indemnity for the termination of the distribution agreement was set at €224.0 million, settled on 26 March 2009 and the purchase price for the shares at €60.4 million, collected on 27 March 2009. The accounting effects of this agreement, being the reversal of a provision in an amount of €37.0 million and the recognition of an impairment loss of €16.0 million, are reported under "Other operating income (expense)".

During the present accounting period, the discounting charge related to the indemnity was €10.6 million, posted in "Other financial income (expense).

### 5.2 Dynasty

The Dynasty Fine Wines Limited group, which is listed on the Hong Kong stock exchange, 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.

At 31 March 2009, 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 HKD1.30 (2008: HKD1.69; 2007: HKD3.32).

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. Financials for the Dynasty Group are available on the following internet site: www.dynasty-wines.com.

For the purpose of consolidation, the figures are adjusted to reflect the fact that Rémy Cointreau has a financial year end of 31 March.

### 5.3 Lixir

On 7 October 2008, Rémy Cointreau Group acquired a 50% share in the French distribution joint venture Lixir from Wiliam Grant & Sons Investments Ltd for €0.5 million.

At 31 March 2009, Lixir's revenues were €192.1 million of which €55.9 million related to the brands owned by the Rémy Cointreau Group.

### 5.4 Diversa

On 31 March 2009, Rémy Cointreau Group acquired a 50% share in Diversa GmbH to form a distribution joint venture on the German market with the Underberg Group. This company started operating on 1 April 2009.

## 6 OTHER INVESTMENTS

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Non-consolidated equity investments | 4.8 | 5.4 | 5.3 |
| CEDC shares | - | - | 46.0 |
| Prepayments for post-employment benefit schemes | 0.4 | 0.3 | 0.5 |
| Seller's loan | 52.8 | 43.6 | 41.7 |
| Loan to non-consolidated equity investments | 1.0 | 1.1 | 1.0 |
| Liquidity account (excluding Rémy Cointreau shares) | 1.1 | 2.7 | 2.2 |
| Other | 1.0 | 1.0 | 0.8 |
| **Total** | **61.1** | **54.1** | **97.5** |

### 6.1 Non-consolidated equity investments

| (€ millions) | % interest | 2009 | % interest | 2008 | % interest | 2007 |
|---|---|---|---|---|---|---|
| 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 (RPC) | 0.2% | 0.3 | 0.2% | 0.6 | 0.2% | 0.6 |
| Balachoa-Vinhos de Portugal (Portugal) | 0.8% | 0.5 | - | - | - | - |
| Caves Allianca S.A. (Portugal) | - | - | 5.4% | 0.8 | 5.4% | 0.8 |
| REVICO (France) | 5.0% | 0.4 | 5.0% | 0.4 | 5.0% | 0.3 |
| TRANSMED (France) | 9.6% | 0.0 | 9.6% | 0.0 | 9.6% | 0.0 |
| Destilerias de Vilafranca S.A. (liquidation in process) | 100.0% | 1.5 | 100.0% | 1.5 | 100.0% | 1.5 |
| **Total** | | **4.8** | | **5.4** | | **5.3** |

### 6.2 CEDC shares

As part of the sale of the Polish business on 17 August 2005, Rémy Cointreau had initially received 1 691 419 CEDC shares, which subsequently became 2 537 129 shares following the share split in June 2006. These shares were re-valued at the closing share price at each period end, with the difference being recognised in "Other financial income (expense)".

At 31 March 2007, 2 103 383 shares were outstanding. They were sold between 1 April 2007 and 25 May 2007. The profit(loss) of these operations was recognised in "Other financial income (expense)" (note **19.2**).

### 6.3 Seller's loan

In connection with the sale of the Lucas Bols division on 11 April 2006, Rémy Cointreau granted a seller's loan of €50 million for a maximum term of seven years (expiring 11 April 2013) and bearing interest at 3.5%. The loan interest is capitalised.

This loan was initially recorded net of an early repayment option at the acquirer's initiative of €10 million, such option had to be exercised before 11 April 2009.

On 6 February 2009, Lucas Bols BV, beneficiary of the loan, confirmed it would not exercise the early repayment option. Consequently and as stated by the contract if loan is repaid before 11 April 2010, the repayment option at the acquirer's initiative is brought down to €5 million and the interest charge is retroactively computed with a 4.5% interest rate per annum. Should repayment not take place at that date but before 11 April 2011, early repayment option is brought down to €2.5 million and interest rate is increased to 5.5%. For the subsequent period until maturity, early repayment option is nil and interest charge is computed for each annual period based on EURIBOR 3 months plus a spread of 3.04%.

At 31 March 2009, the carrying amount of the loan is the present value of the flows which Rémy Cointreau would get for a repayment before 11 April 2010 as per the contract.

### 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 on 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 **10.1.2**).

## 7 INVENTORIES

### 7.1 Breakdown by category

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Goods for resale and finished goods | 117.4 | 89.1 | 89.8 |
| Raw materials | 97.0 | 81.9 | 71.4 |
| Ageing wines and « eaux-de-vie » | 745.0 | 690.8 | 677.0 |
| Other bulk | 4.3 | 4.3 | 6.9 |
| **At cost** | **963.7** | **866.1** | **845.1** |
| Provision for impairment | (2.5) | (4.5) | (3.4) |
| **Carrying amount** | **961.2** | **861.6** | **841.7** |

### 7.2 Analysis of the change

| (€ millions) | Cost | Impairment | Carrying amount |
|---|---|---|---|
| **At 31 March 2007** | **845.1** | **(3.4)** | **841.7** |
| Change | 32.5 | (1.2) | 31.3 |
| Change in consolidation scope | 0.5 | (0.1) | 0.4 |
| Translation differences | (12.0) | 0.2 | (11.8) |
| **At 31 March 2008** | **866.1** | **(4.5)** | **861.6** |
| Change | 73.5 | 2.5 | 76.0 |
| Change in consolidation scope | 6.7 | (0.2) | 6.5 |
| Translation differences | 17.5 | (0.4) | 17.1 |
| **At 31 March 2009** | **963.7** | **(2.5)** | **961.2** |

For the year ended 31 March 2009, the change in consolidation scope is related to the acquisition of the formerly Maxxium-held distribution companies in Belgium, Luxemburg, Czech Republic and Slovakia (note **2**).

## 8 TRADE AND OTHER RECEIVABLES

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Trade receivables | 154.9 | 169.4 | 175.3 |
| Receivables related to taxes and social charges (excl. corporation tax) | 70.5 | 20.9 | 18.7 |
| Sundry prepaid expenses | 8.4 | 10.4 | 8.7 |
| Advances paid | 9.5 | 10.1 | 12.5 |
| Receivables related to asset disposals | 7.7 | 5.4 | 2.7 |
| Other receivables | 31.1 | 22.1 | 27.7 |
| **Total** | **282.1** | **238.3** | **245.6** |
| Of which, provision for impairment | (4.7) | (5.3) | (4.1) |

A provision for impairment of receivables is recognised on a case-by-case basis when the fair value of the receivable is less than its carrying amount.

"Receivables related to taxes and social charges " includes a VAT receivable of €42.8 million related to the Maxxium compensation payment. A matching payable is included in "Other payables" as described in note **13**.

At 31 March 2009, the breakdown of Trade receivables by maturity is as follows:

| (€ millions) | **Total** | **Current** | | **Overdue** | |
|---|---|---|---|---|---|
| | | **Less than 3 months** | **More than 3 months** | **Less than 3 months** | **More than 3 months** |
| Trade receivables at cost | 159.6 | 122.9 | 2.4 | 27.8 | 6.5 |
| Provision for impairment | (4.7) | (0.1) | - | (0.3) | (4.3) |
| **Carrying amount** | **154.9** | **122.8** | **2.4** | **27.5** | **2.2** |

## 9 CASH AND CASH EQUIVALENTS

| (€ millions) | **2009** | **2008** | **2007** |
|---|---|---|---|
| Short-term deposits | 66.1 | 0.1 | 0.1 |
| Associates' current accounts | 1.9 | 1.2 | 1.1 |
| Cash at bank | 21.4 | 36.0 | 19.4 |
| **Total** | **89.4** | **37.3** | **20.6** |

In the course of the month of March 2009, in the context of the settlement to be made to Maxxium in a stretched external context, Rémy Cointreau Group decided to drawdown on its financial resources in excess of its immediate financing needs thus generating a very short-term excess cash position of €66.0 million invested in short-term deposits.

## 10 EQUITY

### 10.1 Share capital and premium, treasury shares

| | **Number of shares** | **Treasury shares** | **Total** | **Share capital** | **Share premium** | **Treasury shares** |
|---|---|---|---|---|---|---|
| **At 31 March 2007** | **45 999 802** | **(25 000)** | **45 974 802** | **73.6** | **650.2** | **(0.9)** |
| Exercise of stock options | 328 252 | - | 328 252 | 0.5 | 7.5 | - |
| Dividend paid in shares | 142 739 | - | 142 739 | 0.2 | 6.8 | - |
| 2005 free share plan | 88 000 | - | 88 000 | 0.2 | - | - |
| Liquidity account | - | 25 000 | 25 000 | - | - | 1.3 |
| Other treasury shares | - | (4 705) | (4 705) | - | - | (0.1) |
| Net capital gain on treasury shares | - | - | - | - | - | (0.2) |
| **At 31 March 2008** | **46 558 793** | **(4 705)** | **46 554 088** | **74.5** | **664.5** | **0.1** |
| Exercise of stock options | 47 908 | - | 47 908 | 0.1 | 0.8 | - |
| Dividend paid in shares | 673 843 | - | 673 843 | 1.1 | 20.2 | - |
| 2006 free share plan | 89 500 | - | 89 500 | 0.1 | - | - |
| Liquidity account | - | (86 000) | (86 000) | - | - | (1.8) |
| Other treasury shares | - | (12 500) | (12 500) | - | - | (0.3) |
| Reclassed to Consolidated reserves | - | - | - | - | - | (0.3) |
| **At 31 March 2009** | **47 370 044** | **(103 205)** | **47 266 839** | **75.8** | **685.5** | **(2.3)** |

### 10.1.1 Share capital and premium

At 31 March 2009, the share capital consisted of 47 370 044 shares with a nominal value of €1.60.

During the year ended 31 Mars 2009, 47 908 shares were issued in connection with the stock options granted to certain employees.

On 8 October 2007, Rémy Cointreau issued 673 843 shares following the option for partial dividend payment in shares instead of cash.

On 20 November 2008, 89 500 bonus shares were issued (from retained earnings) on expiry of the vesting period of the Free share plan 2006 which was fully granted.

### 10.1.2 Treasury shares

At 31 March 2009, 86 000 shares were held in the liquidity account (note **1.18**). The post tax income earned on the shares by the manager of the liquidity account during the period was €0.1 million recognised in equity.

At 31 March 2008, Rémy Cointreau held 4 705 of its own shares to be allocated to the exercise of stock options under the plan no.12. During the subsequent period, Rémy Cointreau exercised its buyback option on 33 000 shares under the sale and buyback agreement entered into on 24 March 2005 for the purpose of covering stock option plan no.12 and 13. 12 500 shares were allocated to options exercised under plan no.12 and 8 000 to options exercised under plan no.13. At 31 March 2009, Rémy Cointreau thus held the remaining 17 205 shares for allocation to options exercised the following year.

At 31 March 2009, 213 503 shares are outstanding under the sale and buyback agreement mentioned above (194 000 shares at €27.67 each and 19 503 shares at €28.07 each). Rémy Cointreau also holds a call option on 224 497 shares (at €28.07 each). These instruments are intended to cover stock option plans no.12 and 13).

## 10.2 Number of shares used for the calculation of earnings per share

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

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Average number of shares (basic):** | | | |
| Average number of shares | 46 980 348 | 46 325 577 | 45 682 049 |
| Treasury shares | (103 205) | (4 705) | (25 000) |
| **Total used for calculating basic earnings per share** | **46 877 143** | **46 320 872** | **45 657 049** |
| **Average number of shared (diluted):** | | | |
| Average number of shares | 46 877 143 | 46 320 872 | 45 657 049 |
| Dilution effect of stock options plans (1) (2) | 236 246 | 471 248 | - |
| **Total used for calculating diluted earnings per share** | **47 113 389** | **46 792 120** | **45 657 049** |

*(1) The Rémy Cointreau share price used as a reference when calculating the shares that could be issued in the future as a result of the exercise of options was €31.05 for 2009, €49.06 for 2008 and €43.89 for 2007*

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

## 10.3 Stock option and free share plans

### 10.3.1 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).

| Exercise start date | Plan n° | Term in years | Type (1) | Options granted | Exercise price in € | Lapsed options | Options exercised at 31 March 2008 | Options exercised during the year | Average exercise price | Outstanding options at 31 March 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| 28 Aprill 1999 | 7 | 10 | S | 289 300 | 12.20 | 4 700 | 259 325 | 22 013 | 19.68 | 3 262 |
| 7 December 1999 | 8 | 10 | S | 499 100 | 16.36 | 3 400 | 452 717 | 11 635 | 25.32 | 31 348 |
| 30 May 2000 | 9 | 10 | S | 131 280 | 18.85 | - | 113 740 | - | - | 17 540 |
| 1 March 2003 | 10 | 8 | S | 1 016 600 | 27.10 | 34 000 | 749 810 | 9 000 | 30.02 | 223 790 |
| 8 March 2006 | 11 | 6 | S | 659 500 | 25.00 | 8 500 | 456 867 | 5 260 | 30.96 | 188 873 |
| 16 September 2007 | 12 | 6 | P | 287 000 | 27.67 | 27 000 | 70 295 | 12 500 | 38.50 | 177 205 |
| 24 December 2008 | 13 | 6 | P | 262 000 | 28.07 | 35 000 | - | 8 000 | 29.77 | 219 000 |
| **Total** | | | | **3 144 780** | | **112 600** | **2 102 754** | **68 408** | **27.48** | **861 018** |

[(1)] *S = Subscription, P = Purchase*

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

### 10.3.2 Free share plans

| Grant date [(1)] | Plan n° | Vesting period | Minimum retention period | Initial number of shares granted | Share price on the grant date | Lapsed options | Shares granted at the end of the vesting period | Number of shares outstanding at 31 March 2009 |
|---|---|---|---|---|---|---|---|---|
| 12 October 2006 | 2006 | 2 years | 2 years | 97 000 | 40.41 | 7 500 | 89 500 | - |
| 20 November 2007 | 2007 | 2 years | 2 years | 91 100 | 50.47 | 2 000 | n/a | 89 100 |
| 20 November 2008 | 2008 | 2 years | 2 years | 89 900 | 24.89 | - | n/a | 89 900 |
| **Total** | | | | **278 000** | | **9 500** | **89 500** | **179 000** |

[(1)] *The grant date is the date of the Board which decided on granting each plan*

For these three plans, the Board of Directors determined that the following acquisition terms would apply:

- 60% of the shares are granted on the condition that the beneficiary is still employed by the Group at the end of the vesting period;
- 40% of the shares are granted on the condition that the beneficiary is still employed by the Group at the end of the vesting period and that Group has achieved the performance criteria as measured at the end of the financial year preceding the end of the vesting period. Performance indicators are the operating profit margin and return on capital employed measured at constant exchange rates.

The plans 2006 and 2007 were granted under the authorisation given by the general meeting of 28 July 2005. For the plan 2008, the authorisation was given by the general meeting of 16 September 2008.

The shares granted at the end of the vesting period for the 2006 plan resulted in the creation of 89 500 new shares as a deduction against retained earnings. The plan was fully granted (with the exception of 7 500 having lapsed due to the departure of the beneficiaries), as the performance criteria, based on the performance of the financial year ended 31 March 2009 were met.

### 10.3.3 Calculation of the charge for the year

In accordance with IFRS 2, a charge representing the estimated value of the benefit granted to the beneficiaries of share-based payments is recognised in operating profit (note **1.19**). Only plans granted after 7 November 2002 are taken into account.

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 (4 years for plans 12 and 13 and 2 years for the Free share plans).

The assumptions used for the estimation of the benefit value and the resulting values are as follows for the plans not yet vested at balance sheet date.

| | Plan 13 | Plan 2006 (2) | Plan 2007 (2) | Plan 2008 (2) |
|---|---|---|---|---|
| Volatility (1) | 28% | - | - | - |
| Dividend payout | 3.6% | - | - | - |
| Risk free rate | 3.6% | - | - | - |
| Staff turnover ratio | 3.4% | 7.7% | 5.0% | 8.0% |
| Value per option | €8.00 | €37.91 | €37.20 | €20.51 |

(1) based on history

(2) For Free share plans 2006, 2007, 2008 valuations include an assumption on the probability of meeting the performance criteria.

For the year ended 31 March 2009, the related expense is €3.6 million (2008: €3.5 million; 2007: €3.3 million).

### 10.4 Dividends

On 8 October 2008, Rémy Cointreau S.A. distributed a total dividend of €1.30 per share for the year ended 31 March 2008, i.e. €60.5 million in total, payable, at each shareholder's option, as follows:

- wholly in cash, i.e. €1.30 per share; or
- in shares in respect of 50% of the dividend, i.e. €0.65 per share, with the balance of the dividend, i.e. €0.65 per share, to be paid in cash.

As such, the part paid in cash totalled €39.2 million while the equivalent of €21.3 million was paid in shares, corresponding to the issue of 673 843 shares at €31.61 each.

The dividend that will be proposed to the shareholders' general meeting of 28 July 2008 for the year ended 31 March 2009 is €1.30 per share, amounting to a total of €61.6 million before taking into account treasury shares. It will also be proposed that shareholders' are given the option to elect for 50% of the dividend, i.e. €0.65 per share, to be paid in shares.

### 10.5 Minority interests

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Minority interests in Mount Gay Distilleries | 0.9 | 0.7 | 0.8 |
| Other entities linked to Takirra Invest Corp | (2.7) | (2.5) | (2.4) |
| **Total** | **(1.8)** | **(1.8)** | **(1.6)** |

### 10.6 Capital management and financial structure

Capital management forms an integral part of the optimisation of the Group's financial structure. In this regard, Rémy Cointreau takes into account the intrinsic features of its business and the strategic objectives it has set for the Group. These require a specific level of capital employed, mainly via brandy and wine inventories undergoing the ageing process, which provide a unique guarantee for its brands' future and their potential to create shareholder value.

For several years now, the Group has resolutely pursued a debt-reduction policy in order to maximise funds available for brand development. As a result, it has sold non-core assets and adopted new performance indicators including return on capital employed (ROCE) and free cash flow for the various businesses. Another key indicator is the "ratio A" (Average net borrowings/EBITDA) (notes **11.7** and **14.7**) with which the Group has to comply in order to access to a significant part of its financial resources.

During the year ended 31 March 2009, continuing activities have generated operating cash flow (net of capital expenditures) of €132.9 million, increasing by 29% on the previous year. Net borrowings have increased due to the consequences of the withdrawal from Maxxium but the net debt to equity ratio at 0.55 remained close to the previous year (0.49 in 2008 and 0.66 in 2007). The ratio A has reached 2.99, largely below the limit of 3.50 set out by the financing contracts.

# 11 BORROWINGS

## 11.1 Net borrowings

| | 2009 | | | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|---|---|---|
| (€ millions) | **Long term** | **Short term** | **Total** | **Long term** | **Short term** | **Total** | **Long term** | **Short term** | **Total** |
| Gross borrowings | 592.4 | 28.9 | 621.3 | 322.1 | 156.1 | 478.2 | 403.5 | 179.2 | 582.7 |
| Cash and cash equivalents | - | (89.4) | (89.4) | - | (37.3) | (37.3) | - | (20.6) | (20.6) |
| **Net borrowings** | **592.4** | **(60.5)** | **531.9** | **322.1** | **118.8** | **440.9** | **403.5** | **158.6** | **562.1** |

## 11.2 Breakdown by type

| | 2009 | | | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|---|---|---|
| (€ millions) | **Long term** | **Short term** | **Total** | **Long term** | **Short term** | **Total** | **Long term** | **Short term** | **Total** |
| Bonds | 191.0 | - | 191.0 | 191.0 | 1.9 | 192.9 | 372.9 | 2.6 | 375.5 |
| Drawdown on syndicated credit | 370.0 | - | 370.0 | 130.0 | - | 130.0 | 30.0 | - | 30.0 |
| Drawdown on other confirmed credit lines | 30.0 | - | 30.0 | - | - | - | - | - | - |
| Drawdown on unconfirmed credit lines | - | - | - | - | 88.9 | 88.9 | - | 103.3 | 103.3 |
| Other borrowings and overdrafts | - | 0.6 | 0.6 | - | 0.4 | 0.4 | - | 1.8 | 1.8 |
| Issue costs for syndicated credit | (0.1) | (0.4) | (0.5) | (0.4) | (0.4) | (0.8) | (0.8) | (0.3) | (1.1) |
| Accrued interests | - | 8.3 | 8.3 | - | 2.9 | 2.9 | - | 5.5 | 5.5 |
| **Total Rémy Cointreau S.A.** | **590.9** | **8.5** | **599.4** | **320.6** | **93.7** | **414.3** | **402.1** | **112.9** | **515.0** |
| | | | | | | | | | |
| Finance leases | 0.1 | - | 0.1 | 0.1 | 0.1 | 0.2 | - | 0.1 | 0.1 |
| Other borrowings and overdrafts | 1.4 | 12.5 | 13.9 | 1.4 | 9.3 | 10.7 | 1.4 | 16.2 | 17.6 |
| Accrued interests | - | - | - | - | 0.0 | 0.0 | - | 0.1 | 0.1 |
| Borrowings special purpose entities | - | 7.9 | 7.9 | - | 53.0 | 53.0 | - | 49.9 | 49.9 |
| **Total subsidiaries** | **1.5** | **20.4** | **21.9** | **1.5** | **62.4** | **63.9** | **1.4** | **66.3** | **67.7** |
| | | | | | | | | | |
| **Gross borrowings** | **592.4** | **28.9** | **621.3** | **322.1** | **156.1** | **478.2** | **403.5** | **179.2** | **582.7** |

## 11.3 Breakdown by maturity

| (€ millions) | |
|---|---|
| Before 30 June 2009 | 28.9 |
| 7 June 2010 | 25.2 |
| 30 June 2010 | 1.4 |
| 9 July 2010 | 30.0 |
| 15 January 2012 | 191.0 |
| 7 June 2012 | 344.8 |
| **Total** | **621.3** |

At 31 March 2009, undrawn amounts under the confirmed credit lines of Rémy Cointreau are €220 million (2008: €370 million ; 2007: €470 million). Including the special purpose entity (AFC), amounts are €249.5 million (2008: €383.0 million ; 2007: €474.9 million).

At 31 March 2009, the total amount of confirmed financial resources is €849.8 million (2008: €760.7 million ; 2007: €936.1 million), with the following maturities:

| (€ millions) | Bond | Syndicated credit | Other confirmed lines | Special purpose entity | Total |
|---|---|---|---|---|---|
| 30 June 2009 | - | - | - | 32.0 | 32.0 |
| 31 December 2009 | - | - | 30.0 | - | 30.0 |
| 31 March 2010 | - | - | 40.0 | - | 40.0 |
| 30 April 2010 | - | - | 20.0 | - | 20.0 |
| 7 June 2010 | - | 34.0 | - | - | 34.0 |
| 9 July 2010 | - | - | 30.0 | - | 30.0 |
| 7 June 2012 | - | 466.0 | - | - | 466.0 |
| 15 January 2012 | 192.4 | - | - | - | 192.4 |
| 30 December 2012 | - | - | - | 5.4 | 5.4 |
| **Total** | **192.4** | **500.0** | **120.0** | **37.4** | **849.8** |
| | | | | | |
| **Used at 31 March 2009** | **192.4** | **370.0** | **30.0** | **7.9** | **600.3** |

Liquidity risk is detailed in note **14.**

## 11.4 Breakdown by interest type

| | **2009** | | | **2008** | | | **2007** | | |
|---|---|---|---|---|---|---|---|---|---|
| (€ millions) | **Short term** | **Long term** | **Total** | **Short term** | **Long term** | **Total** | **Short term** | **Long term** | **Total** |
| Fixed interest rate | 191.0 | - | 191.0 | 191.0 | 1.9 | 192.9 | 372.9 | 2.6 | 375.5 |
| Variable interest rate | 401.4 | 20.6 | 422.0 | 131.1 | 151.3 | 282.4 | 30.6 | 171.0 | 201.6 |
| Accrued interest | - | 8.3 | 8.3 | - | 2.9 | 2.9 | - | 5.6 | 5.6 |
| **Gross borrowings** | **592.4** | **28.9** | **621.3** | **322.1** | **156.1** | **478.2** | **403.5** | **179.2** | **582.7** |

| | **2009** | | | **2008** | | | **2007** | | |
|---|---|---|---|---|---|---|---|---|---|
| (€ millions) | **Short term** | **Long term** | **Total** | **Short term** | **Long term** | **Total** | **Short term** | **Long term** | **Total** |
| Drawdown on syndicated credit | 370.0 | - | 370.0 | 130.0 | - | 130.0 | 30.0 | - | 30.0 |
| Drawdown on other confirmed credit lines | 30.0 | - | 30.0 | - | - | - | - | - | - |
| Drawdown on unconfirmed credit lines | - | - | - | - | 88.9 | 88.9 | - | 103.3 | 103.3 |
| Other borrowings | 1.4 | 20.6 | 22.0 | 1.1 | 62.4 | 63.5 | 0.6 | 67.7 | 68.3 |
| **Total variable-rate borrowings** | **401.4** | **20.6** | **422.0** | **131.1** | **151.3** | **282.4** | **30.6** | **171.0** | **201.6** |

Drawdowns on syndicated credit and other confirmed and unconfirmed credit lines are hedged. Details of the interest rate hedging instruments held in the portfolio at the balance sheet are provided in note **14.**

## 11.5 Breakdown by currency

| (€ millions) | 2009 Short term | Long term | Total | 2008 Short term | Long term | Total | 2007 Short term | Long term | Total |
|---|---|---|---|---|---|---|---|---|---|
| Euro | 592.4 | 21.9 | 614.3 | 322.1 | 150.2 | 472.3 | 403.5 | 166.9 | 570.4 |
| US Dollar | - | 4.8 | 4.8 | - | 5.9 | 5.9 | - | 7.7 | 7.7 |
| Chinese Yuan | - | 2.2 | 2.2 | - | - | - | - | - | - |
| Hong Kong Dollar | - | - | - | - | - | - | - | 4.6 | 4.6 |
| **Total** | **592.4** | **28.9** | **621.3** | **322.1** | **156.1** | **478.2** | **403.5** | **179.2** | **582.7** |

## 11.6 Bonds

| (€ millions) | 2009 Short term | Long term | Total | 2008 Short term | Long term | Total | 2007 Short term | Long term | Total |
|---|---|---|---|---|---|---|---|---|---|
| Bond 175 M€ (par value) | - | - | - | - | - | - | 175.0 | - | 175.0 |
| Bond 200 M€ (par value) | 192.4 | - | 192.4 | 192.4 | - | 192.4 | 200.0 | - | 200.0 |
| Centaure bond (par value) | - | - | - | - | 2.3 | 2.3 | 2.3 | 4.0 | 6.3 |
| Present value adjustments | (1.4) | - | (1.4) | (1.4) | (0.4) | (1.8) | (4.4) | (1.4) | (5.8) |
| **Total** | **191.0** | **-** | **191.0** | **191.0** | **1.9** | **192.9** | **372.9** | **2.6** | **375.5** |

At 31 March 2009, the only outstanding bond is the €200.0 million bond issue dated from 15 January 2005 (200 000 bonds with a par value of €1 000 each). Subsequent to the redemption of 7 632 bonds in June 2007, the outstanding amount is €192.4 million at the balance sheet date.

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 issue carries a number of clauses for early redemption at the issuer's options 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:
    - 1% of the principal amount redeemed,
    - 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 entitles every bondholder to request redemption of the bonds held at 101% in the event of:
    - the sale or transfer of all or a substantial part of Rémy Cointreau's assets,
    - approval by the shareholders of a liquidation or voluntary winding up plan for the issuer, or
    - 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 consecutive 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 up to the amount of the sale proceeds. Furthermore, the agreement contains certain conventions that may limit the maximum dividend payout in the event of a loss.

### 11.7 Syndicated credit

At 31 March 2009, Rémy Cointreau had access to a €500 million syndicated loan entered into on 7 June 2005. The agreement provides for a revolving credit facility of €500 million, of which €466 million expires on 7 June 2012 and €34 million 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 vary 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 commitment fee 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 agreement, Rémy Cointreau undertakes to comply with the following financial ratios calculated at 30 September and 31 March each year:

| Period | Ratio A |
|---|---|
| From the outset to 30 September 2006 | Ratio A < 4.50 |
| 1 October 2006 to 30 September 2007 | Ratio A < 4.00 |
| 1 October 2007 to 30 September 2008 | Ratio A < 3.75 |
| 1 October 2007 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 2008, ratio A stood at 2.99 (2008: 2.54 ; 2007: 3.28).

### 11.8 Other confirmed lines

During the year ended 31 March 2009, the Group negotiated additional confirmed credit lines in addition to the syndicated bank loan amounting to €120 million in total. The characteristics of these credit lines are summarised in the table below:

| Amount € millions | Maturity | Benchmark | Margin | Engagement commission |
|---|---|---|---|---|
| 30.0 | 31 December 2009 | EURIBOR | 0.350% | 0.300% |
| 40.0 | 31 March 2010 | EONIA | 0.350% | 0.200% |
| 20.0 | 30 April 2010 | EURIBOR | 0.400% | 0.600% |
| 30.0 | 9 July 2010 | EURIBOR | 0.250% | 0.250% |

## 12 PROVISIONS FOR RISKS AND CHARGES

### 12.1 Analysis of change

| (€ millions) | Maxxium indemnity | Restructu--ring | Early retirement plan | Other | Total |
|---|---|---|---|---|---|
| **At 31 March 2007** | **240.9** | **16.9** | **1.9** | **29.8** | **289.5** |
| Increase | - | 1.7 | 0.2 | 0.9 | 2.8 |
| Discounting | 9.2 | 0.4 | - | - | 9.6 |
| Decrease | - | (8.1) | (0.7) | (12.7) | (21.5) |
| Unused | - | - | (0.4) | (4.2) | (4.6) |
| Reclassifications | 0.3 | - | - | (0.6) | (0.3) |
| Translation differences | - | - | - | (0.2) | (0.2) |
| **At 31 March 2008** | **250.4** | **10.9** | **1.0** | **13.0** | **275.3** |
| Increase | - | - | - | 8.4 | 8.4 |
| Discounting | 10.6 | 0.1 | - | - | 10.7 |
| Decrease | (224.0) | (5.6) | (0.6) | (2.4) | (232.6) |
| Unused | (37.0) | (2.7) | - | (3.3) | (43.0) |
| Reclassifications | - | - | - | (0.6) | (0.6) |
| Translation differences | - | - | - | 0.1 | 0.1 |
| **At 31 March 2009** | **-** | **2.7** | **0.4** | **15.2** | **18.3** |

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

"Restructuring" covers costs for the restructuring, closure and transfer of sites in France and the Netherlands and "Other" comprises provisions raised in respect of trade and tax disputes.

### 12.2 Maturity

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

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| More than one year or unknown | 12.4 | 7.5 | 256.2 |
| Less than one year | 5.9 | 267.8 | 33.3 |
| **Total** | **18.3** | **275.3** | **289.5** |

## 13 TRADE AND OTHER PAYABLES

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Trade payables – eaux-de-vie | 160.6 | 85.8 | 77.3 |
| Other trade payables | 143.4 | 110.9 | 109.1 |
| Advances to customers | 1.2 | 1.0 | 0.2 |
| Payables related to tax and social charges (excl.corporate tax) | 80.7 | 35.1 | 42.4 |
| Excise duties | 2.4 | 0.5 | 0.2 |
| Advertising expenses payable | 23.0 | 32.5 | 32.8 |
| Miscellaneous deferred income | 1.5 | 0.5 | 0.5 |
| Other liabilities | 40.1 | 41.1 | 47.9 |
| **Total** | **452.9** | **307.4** | **310.4** |

Payables related to tax and social charges include a VAT liability of €42.8 million related to Maxxium compensation payment matching the asset described in note **8**. Following a procedure filled with the Dutch tax authorities,  the €42.8 million VAT asset and liability were fully settled in May 2009.

## 14 FINANCIAL INSTRUMENTS AND MARKET RISKS

### 14.1 Breakdown of financial instruments by category

The following tables show the financial instruments recorded on the balance sheet analysed by the measurement categories defined in IAS 39.

**At 31 March 2009**

| (€ millions) | notes | Carrying amount | Fair value | Assets and liabilities at amortised costs | Fair value through profit (loss) statement [1] | Available for sale | Hedging instruments |
|---|---|---|---|---|---|---|---|
| Other financial assets | 6 | 61.1 | 61.1 | 55.2 | 1.1 | 4.8 | - |
| Trade and other receivables | 8 | 282.1 | 282.1 | 282.1 | - | - | - |
| Derivative financial instruments | 14 | 10.8 | 10.8 | - | 4.0 | - | 6.8 |
| Cash and cash equivalents | 9 | 89.4 | 89.4 | - | 89.4 | - | - |
| **Assets** | | **443.4** | **443.4** | **337.3** | **94.5** | **4.8** | **6.8** |
| Long-term borrowings | 11 | 592.4 | 592.4 | 592.4 | - | - | - |
| Short-term borrowings and accrued interests | 11 | 28.9 | 28.9 | 28.9 | - | - | - |
| Trade and other payables | 13 | 452.9 | 452.9 | 452.9 | - | - | - |
| Derivative financial instruments | 14 | 6.9 | 6.9 | - | 3.4 | - | 3.5 |
| **Liabilities** | | **1 081.1** | **1 081.1** | **1 074.2** | **3.4** | **0.0** | **3.5** |

*(1) Derivative financial instruments in this column pertain to the Trading sub-category.*

**At 31 March 2008**

| (€ millions) | notes | Carrying amount | Fair value | Assets and liabilities at amortised costs | Fair value through profit (loss) statement | Available for sale | Hedging instruments |
|---|---|---|---|---|---|---|---|
| Other financial assets | 6 | 54.1 | 54.1 | 46.0 | 2.7 | 5.4 | - |
| Trade and other receivables | 8 | 238.3 | 238.3 | 238.3 | - | - | - |
| Derivative financial instruments | 14 | 26.1 | 26.1 | - | - | - | 26.1 |
| Cash and cash equivalents | 9 | 37.3 | 37.3 | - | 37.3 | - | - |
| **Assets** | | **355.8** | **355.8** | **284.3** | **40.0** | **5.4** | **26.1** |
| Long-term borrowings | 11 | 322.1 | 322.1 | 322.1 | - | - | - |
| Short-term borrowings and accrued interests | 11 | 156.1 | 156.1 | 156.1 | - | - | - |
| Trade and other payables | 13 | 307.4 | 307.4 | 307.4 | - | - | - |
| Derivative financial instruments | 14 | 0.1 | 0.1 | - | - | - | 0.1 |
| **Liabilities** | | **785.7** | **785.7** | **785.6** | **0.0** | **0.0** | **0.1** |

**At 31 March 2007**

| (€ millions) | notes | Carrying amount | Fair value | Assets and liabilities at amortised costs | Fair value through profit (loss) statement | Available for sale | Hedging instruments |
|---|---|---|---|---|---|---|---|
| Other financial assets | 6 | 97.5 | 97.5 | 44.0 | 48.2 | 5.3 | - |
| Trade and other receivables | 8 | 245.6 | 245.6 | 245.6 | - | - | - |
| Derivative financial instruments | 14 | 11.1 | 11.1 | - | - | - | 11.1 |
| Cash and cash equivalents | 9 | 20.6 | 20.6 | - | 20.6 | - | - |
| **Assets** | | **374.8** | **374.8** | **289.6** | **68.8** | **5.3** | **11.1** |
| Long-term borrowings | 11 | 403.5 | 403.5 | 403.5 | - | - | - |
| Short-term borrowings and accrued interests | 11 | 179.2 | 179.2 | 179.2 | - | - | - |
| Trade and other payables | 13 | 310.4 | 310.4 | 310.4 | - | - | - |
| Derivative financial instruments | 14 | 0.1 | 0.1 | - | - | - | 0.1 |
| **Liabilities** | | **893.2** | **893.2** | **893.1** | **0.0** | **0.0** | **0.1** |

### 14.2 Market risk management policy

The Group uses 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 Euro zone.

The Group's 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 revenue and margins.

### 14.3 Breakdown of derivative financial instruments

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Assets** | | | |
| Interest rate derivatives | 3.4 | 1.7 | 3.4 |
| Exchange rate derivatives | 7.4 | 24.4 | 7.7 |
| **Total** | **10.8** | **26.1** | **11.1** |
| **Liabilities** | | | |
| Interest rate derivatives | 5.6 | - | - |
| Exchange rate derivatives | 1.3 | 0.1 | 0.1 |
| **Total** | **6.9** | **0.1** | **0.1** |

### 14.4 Interest rate derivatives

The Group manages the risk of an increase in interest rates on its variable-rate financial resources (note **11.1.2**), which are generally based on EURIBOR (1 month or 3 month), using only options (caps). During the year ended 31 March 2009, Rémy Cointreau also entered into interest rate swap contracts in the context of decreasing interest rate on the market.

Rémy Cointreau also enters into floor contracts to back its fixed-rate borrowings. However, such contracts do not qualify as hedging instruments according to IAS39. They pertain to the “Trading” category.

#### 14.4.1 Breakdown by type

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Assets** | | | |
| Purchases of cap | 0.2 | 1.6 | 3.4 |
| Purchase of floor | 3.2 | 0.1 | - |
| **Total** | **3.4** | **1.7** | **3.4** |
| **Liabilities** | | | |
| Sales of floor | 3.2 | 0.1 | - |
| Interest rate swaps | 2.4 | - | - |
| **Total** | **5.6** | **0.1** | **-** |

#### 14.4.2 Breakdown by maturity and IFRS classification

As at 31 March 2009, the detail of the portfolio is as follows:

| (€ millions) | Nominal amount | Initial value | Market value | Of which CFH [1] | Of which Trading |
|---|---|---|---|---|---|
| **Purchases of cap** | | | | | |
| Maturing before March 2010 | 200.0 | 0.5 | - | - | - |
| Maturing before March 2011 | 375.0 | 1.1 | 0.2 | 0.2 | - |
| | **575.0** | **1.6** | **0.2** | **0.2** | **-** |
| **Purchases of floor** | | | | | |
| Maturing before March 2010 | 100.0 | 0.2 | 1.9 | - | 1.9 |
| Maturing before March 2011 | 50.0 | 0.1 | 1.3 | - | 1.3 |
| | **150.0** | **0.3** | **3.2** | **-** | **3.2** |
| **Total assets** | | **1.9** | **3.4** | **0.2** | **3.2** |
| **Sales of floor** | | | | | |
| Maturing before March 2010 | 100.0 | 1.0 | 1.9 | - | 1.9 |
| Maturing before March 2011 | 50.0 | 1.1 | 1.3 | - | 1.3 |
| | **150.0** | **2.1** | **3.2** | **-** | **3.2** |
| **Interest rate swaps** | | | | | |
| Maturing before March 2010 | 200.0 | - | 1.6 | 1.6 | - |
| Maturing before March 2011 | 75.0 | - | 0.8 | 0.8 | - |
| Maturing before March 2015 | 25.0 | - | - | - | - |
| | **300.0** | **-** | **2.4** | **2.4** | **-** |
| **Total liabilities** | | **2.1** | **5.6** | **2.4** | **3.2** |

[1] *Cash Flow Hedge*

For the year ended 31 March 2009, a pre-tax expense of €2.8 million was recognised directly in equity related to the valuation of the interest rate derivatives of which €0.4 million were recycled to profit (loss) statement following the expiry or change to non-hedging status of the instruments. The balance of €2.4 million is the change in intrinsic value of instruments qualifying as Cash Flow Hedge (CFH).

**Sensitivity to interest rate risk**

Given the financing in place and existing hedges at 31 March 2009, a 50 bp increase or decrease in interest rates would have the following impact.

| (€ millions) | Euribor 1 month [1] +50 bp 1.621% | -50 bp 0.621% |
|---|---|---|
| Net income | (0.5) | 0.3 |
| Equity excluding Net income | 1.6 | (0.7) |
| Change in value of derivatives | 2.4 | (1.3) |
| Variable-rate net borrowings | 332.6 | 332.6 |
| Of which hedged | 225.0 | 225.0 |
| Of which not hedged | 107.6 | 107.6 |

*[1] Benchmark value is Euribor 1 month as at 31 March 2009 i.e. 1.121%*

The impacts on the net income are mainly related to the portion not hedged of the variable-rate borrowings.

## 14.5 Exchange rate derivatives

The Group uses options or forward contracts to hedge its cash flows from 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 (the parent company), 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.

| (€ millions) | **Nominal amount** | **Initial value** | **Market value** | **Of which CFH [1]** | **Of which Trading [1]** |
|---|---|---|---|---|---|
| **Put options and tunnel options** | | | | | |
| Seller USD (vs EUR) | 263.0 | 2.9 | 3.0 | 2.4 | 0.6 |
| Other currencies (vs EUR) | 42.3 | 0.7 | 1.6 | 1.6 | - |
| | **305.3** | **3.6** | **4.6** | **4.0** | **0.6** |
| **Forward sales** | | | | | |
| Seller USD (vs EUR) | 22.5 | - | 1.4 | 1.4 | - |
| Other currencies (vs EUR) | 0.4 | - | 0.1 | 0.1 | - |
| | **23.0** | **-** | **1.5** | **1.5** | **-** |
| **Total** | **328.3** | **3.6** | **6.1** | **5.5** | **0.6** |

| (€ millions) | **Nominal amount** | **Market value** | **Of which FVH [1]** |
|---|---|---|---|
| **Purchase (sale) of currency swaps (financing activities)** | | | |
| USD/EUR | (69.5) | 0.9 | 0.9 |
| Other currencies | 4.0 | - | - |
| | **(65.4)** | **0.9** | **0.9** |

*[1] FVH: Fair Value Hedge, CFH: Cash Flow Hedge*

For the year ended 31 March 2009, a pre-tax expense of €21.2 million was recognised directly in equity related to the valuation of the exchange rate derivatives of which €22.6 million were recycled to profit (loss) statement following the expiry or change to non-hedging status of the instruments. The balance, an income of €1.4 million, is the change in intrinsic value of instruments qualifying as Cash Flow Hedge (CFH).

**Sensitivity to foreign exchange risk**

Given the hedges in place at 31 March 2009, a 10% increase or decrease in the €/USD exchange rate would have the following impact:

| | Dollar US | |
|---|---|---|
| | +10% | -10% |
| EUR/USD rate [1] | 1.46 | 1.20 |
| (€ millions) | | |
| Net income | 1.9 | (2.5) |
| Equity excluding Net income | 4.1 | (1.8) |
| Change in value of derivatives | 8.9 | (6.2) |
| Nominal amount at closing date [2] : | | |
| - derivatives USD/EUR | 260.3 | 316.7 |
| - receivables USD/EUR | 52.0 | 63.3 |

[1] *Benchmark is the €/USD parity as at 31 March 2009 i.e. 1.33*

[2] *translated in € million at each simulation rate*

The impacts on the net income are mainly related to inefficiency of instruments qualifying as Cash Flow Hedge at the balance sheet date.

## 14.6 Other derivatives

Other derivatives held in the portfolio at 31 March 2009 comprised call options on 224 497 Rémy Cointreau shares that, in accordance with IAS 39, are not recorded on the balance sheet.

## 14.7 Liquidity risk

The following table shows the contractual maturity profile of disbursements relating to financial liabilities recognised as at 31 March 2009.

| (€ millions) | Before 31 March 2010 | Before 31 March 2011 | Before 31 March 2012 | Before 31 March 2013 | Subsequent | Total |
|---|---|---|---|---|---|---|
| Long-term borrowings | - | 56.6 | 192.4 | 344.8 | | 593.8 |
| Short-term borrowings and accrued interests | 29.3 | - | - | - | | 29.3 |
| Trade and other payables | 452.3 | 0.6 | - | - | | 452.9 |
| Derivative financial instruments | 2.0 | 0.6 | - | 0.5 | 1.0 | 4.1 |
| **Liabilities recognised at 31 March 2009** | **483.6** | **57.8** | **192.4** | **345.3** | **1.0** | **1 080.1** |
| Future interests on borrowings | 16.2 | 15.7 | 13.3 | 0.9 | | 46.1 |
| **Total disbursements** | **499.8** | **73.5** | **205.7** | **346.2** | **1.0** | **1 126.2** |

According to IFRS7, the liabilities are stated at their carrying amount at balance sheet date excluding discounting effects. The amounts drawn down on credit lines at balance sheet date are assumed to be carried forward until the maturity of each of the corresponding facilities. The corresponding interest expenses are computed based on the parameters prevailing at the balance sheet date. For the derivative financial instruments, amounts stated in this analysis are the net cash outflow, excluding discounting effects, which should be paid out by the company based on the contracts with the market parameters prevailing at the balance sheet date.

The liquidity risk is mainly driven by the availability and maturity of the financial resources. As at 31 March 2009, total net borrowings were €623.1 million in nominal value when total confirmed resources amounted to €849.8 million (note **11.3**). Of this amount, €102.0 million mature during the year ending 31 March 2010 and €84.0 during the subsequent year.

Of the €849,8 million of confirmed resources as at 31 March 2009, the availability of €620.0 million is subject to the compliance with the ratio A (note **11.7**) which should score under 3.50 at the end of every six-month period until the final maturity of the facilities. For Rémy Cointreau Group's management, compliance with ratio A is a top priority and they are confident in the ability of the Group to meet this requirement in the future.

## 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 produced by the Group, which are marketed through the Group's own distribution network. At 31 March 2009, it includes mainly Edrington Group scotches in the US. |

#### 15.1.1 Breakdown of revenue and operating profit on ordinary activities

| (€ millions) | Revenues | | | Operating profit from ordinary activities | | |
|---|---|---|---|---|---|---|
| | **2009** | **2008** | **2007** | **2009** | **2008** | **2007** |
| Cognac | 311.9 | 362.3 | 347.6 | 75.1 | 93.5 | 87.2 |
| Liqueurs and spirits | 196.0 | 211.7 | 209.3 | 53.2 | 53.2 | 55.3 |
| Champagne | 125.9 | 142.4 | 126.0 | 10.8 | 12.4 | 10.1 |
| Group brands | 633.8 | 716.4 | 682.9 | 139.1 | 159.1 | 152.6 |
| Partner brands | 80.3 | 101.4 | 103.0 | (2.1) | 0.5 | 1.2 |
| **Total** | **714.1** | **817.8** | **785.9** | **137.0** | **159.6** | **153.8** |

There are no intra-segment sales.

### 15.1.2 Breakdown of the balance sheet

**At 31 March 2009**

| (€ millions) | Cognac | Liqueurs and spirits | Champagne | Partner brands | Not allocated [1] | Total |
|---|---|---|---|---|---|---|
| Non-current assets | 333.1 | 283.2 | 199.6 | 10.5 | 146.0 | 972.4 |
| Current assets | 717.4 | 75.0 | 286.3 | 59.3 | 111.3 | 1 249.3 |
| Derivative financial instruments | - | - | - | - | 10.8 | 10.8 |
| Assets held for sale | - | - | - | - | 0.2 | 0.2 |
| Cash and cash equivalents | - | - | - | - | 89.4 | 89.4 |
| **Total assets** | **1 050.5** | **358.2** | **485.9** | **69.8** | **357.7** | **2 322.1** |
| Equity | - | - | - | - | 970.7 | 970.7 |
| Borrowings and accrued interests | - | - | - | - | 621.3 | 621.3 |
| Provision for risks and charges | 11.7 | 5.1 | 5.7 | 0.3 | 14.2 | 37.0 |
| Deferred and current tax liabilities | - | - | - | - | 233.3 | 233.3 |
| Trade and other payables | 244.2 | 39.3 | 74.7 | 17.5 | 77.2 | 452.9 |
| Derivative financial instruments | - | - | - | - | 6.9 | 6.9 |
| **Total equity and liabilities** | **255.9** | **44.4** | **80.4** | **17.8** | **1 923.6** | **2 322.1** |
| Brands and other intangible assets excluded from the base for the calculation of return on capital employed (ROCE) | 236.3 | 246.6 | 128.8 | 9.8 | - | 621.5 |
| **Base for the calculation of ROCE** | **558.3** | **67.2** | **276.7** | **42.2** | **-** | **944.4** |

[1] *Assets and liabilities pertaining to the 4 entities purchased from Maxxium (note 2.2) were not allocated as at 31 March 2009. Related non-current assets are €0.4 million, current assets €21.5 million and trade and other payables €9.7 million.*

**At 31 March 2008**

| (€ millions) | Cognac | Liqueurs and spirits | Champagne | Partner brands | Not allocated | Total |
|---|---|---|---|---|---|---|
| Non-current assets | 316.3 | 279.6 | 200.4 | 10.7 | 188.4 | 995.4 |
| Current assets | 659.1 | 74.2 | 271.4 | 69.0 | 27.7 | 1 101.4 |
| Derivative financial instruments | - | - | - | - | 26.1 | 26.1 |
| Assets held for sale | - | - | - | - | 2.5 | 2.5 |
| Cash and cash equivalents | - | - | - | - | 37.3 | 37.3 |
| **Total assets** | **975.4** | **353.8** | **471.8** | **79.7** | **282.0** | **2 162.7** |
| Equity | - | - | - | - | 911.5 | 911.5 |
| Borrowings and accrued interests | - | - | - | - | 478.2 | 478.2 |
| Provision for risks and charges | 17.2 | 7.2 | 7.2 | 0.5 | 263.5 | 295.6 |
| Deferred and current tax liabilities | - | - | - | - | 169.9 | 169.9 |
| Trade and other payables | 164.1 | 45.3 | 70.4 | 18.3 | 9.3 | 307.4 |
| Derivative financial instruments | - | - | - | - | 0.1 | 0.1 |
| **Total equity and liabilities** | **181.3** | **52.5** | **77.6** | **18.8** | **1 832.5** | **2 162.7** |
| Brands and other intangible assets excluded from the base for the calculation of return on capital employed (ROCE) | 236.3 | 245.2 | 128.8 | 9.9 | - | 620.2 |
| **Base for the calculation of ROCE** | **557.8** | **56.1** | **265.4** | **51.0** | **-** | **930.3** |

**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 interests | - | - | - | - | 582.7 | 582.7 |
| Provision 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 du passif et des capitaux propres** | **150.7** | **72.8** | **95.5** | **19.7** | **1 866.2** | **2 204.9** |
| Brands and other intangible assets excluded from 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** |

### 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 revenue 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 2009**

| (€ millions) | Capital employed | Operating profit on ordinary activities | % |
|---|---|---|---|
| Cognac | 558.3 | 75.1 | 13.5% |
| Liqueurs and spirits | 67.2 | 53.2 | 79.2% |
| Champagne | 276.7 | 10.8 | 3.9% |
| Partner brands | 42.2 | (2.1) | (5.0%) |
| **Total** | **944.4** | **137.0** | **14.5%** |

**At 31 March 2008**

| (€ millions) | Capital employed | Operating profit on ordinary activities | % |
|---|---|---|---|
| Cognac | 557.8 | 93.5 | 16.8% |
| Liqueurs and spirits | 56.1 | 53.2 | 94.8% |
| Champagne | 265.4 | 12.4 | 4.7% |
| Partner brands | 51.0 | 0.5 | 1.0% |
| **Total** | **930.3** | **159.6** | **17.2%** |

**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%** |

### 15.1.4 Capital expenditure and depreciation and amortisation expenses

| | Capital expenditure | | | Depreciation and amortisation expenses | | |
|---|---|---|---|---|---|---|
| (€ millions) | 2009 | 2008 | 2007 | 2009 | 2008 | 2007 |
| Cognac | 22.4 | 14.0 | 14.8 | 7.3 | 6.6 | 5.9 |
| Liqueurs and spirits | 5.6 | 4.8 | 5.8 | 4.1 | 4.2 | 4.3 |
| Champagne | 3.2 | 8.2 | 4.7 | 3.2 | 2.5 | 2.8 |
| Partner brands | 0.3 | 0.3 | 0.5 | 0.2 | 0.3 | 0.2 |
| **Total** | **31.5** | **27.3** | **25.8** | **14.8** | **13.6** | **13.2** |

## 15.2 Geographic regions

### 15.2.1 Revenues

| (€ millions) | Revenues | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| Europe | 275.1 | 303.3 | 274.4 |
| Americas | 283.0 | 350.6 | 370.4 |
| Asia and rest of the world | 156.0 | 163.9 | 141.1 |
| **Total** | **714.1** | **817.8** | **785.9** |

### 15.2.2 Balance sheet

**At 31 March 2009**

| (€ millions) | Europe | Americas | Asia and rest of the world | Not allocated | Total |
|---|---|---|---|---|---|
| Non-current assets | 882.7 | 28.7 | 61.0 | - | **972.4** |
| Current assets | 1 058.1 | 125.0 | 66.2 | - | **1 249.3** |
| Derivative financial instruments | - | - | - | 10.8 | **10.8** |
| Assets held for sale | 0.2 | - | - | - | **0.2** |
| Cash and cash equivalents | - | - | - | 89.4 | **89.4** |
| **Total assets** | **1 941.0** | **153.7** | **127.2** | **100.2** | **2 322.1** |
| Equity | - | - | - | 970.7 | **970.7** |
| Borrowings and accrued interests | - | - | - | 621.3 | **621.3** |
| Provision for risks and charges | 37.0 | - | - | - | **37.0** |
| Deferred and current tax liabilities | 232.8 | - | 0.5 | - | **233.3** |
| Trade and other payables | 394.7 | 25.7 | 32.5 | - | **452.9** |
| Derivative financial instruments | - | - | - | 6.9 | **6.9** |
| **Total equity and liabilities** | **664.5** | **25.7** | **33.0** | **1 598.9** | **2 322.1** |

**At 31 March 2008**

| (€ millions) | Europe | Americas | Asia and rest of the world | Not allocated | Total |
|---|---|---|---|---|---|
| Non-current assets | 927.1 | 22.3 | 46.0 | - | **995.4** |
| Current assets | 938.9 | 135.0 | 27.5 | - | **1 101.4** |
| Derivative financial instruments | - | - | - | 26.1 | **26.1** |
| Assets held for sale | 2.5 | - | - | - | **2.5** |
| Cash and cash equivalents | - | - | - | 37.3 | **37.3** |
| **Total assets** | **1 868.5** | **157.3** | **73.5** | **63.4** | **2 162.7** |
| Equity | - | - | - | 911.5 | **911.5** |
| Borrowings and accrued interests | - | - | - | 478.2 | **478.2** |
| Provision for risks and charges | 293.3 | 2.1 | 0.2 | - | **295.6** |
| Deferred and current tax liabilities | 167.7 | 0.5 | 1.7 | - | **169.9** |
| Trade and other payables | 271.0 | 28.1 | 8.3 | - | **307.4** |
| Derivative financial instruments | - | - | - | 0.1 | **0.1** |
| **Total equity and liabilities** | **732.0** | **30.7** | **10.2** | **1 389.8** | **2 162.7** |

**At 31 March 2007**

| (€ millions) | Europe | Americas | Asia and rest of the 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 interests | - | - | - | 582.7 | 582.7 |
| Provision 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 equity and liabilities** | **726.0** | **36.7** | **6.9** | **1 435.3** | **2 204.9** |

### 15.2.3 Capital expenditure

| | Capital expenditure | | |
|---|---|---|---|
| (€ millions) | **2009** | **2008** | **2007** |
| Europe | 27.4 | 25.4 | 23.1 |
| Americas | 2.2 | 1.4 | 2.5 |
| Asia and rest of the world | 1.9 | 0.5 | 0.2 |
| **Total** | **31.5** | **27.3** | **25.8** |

## 16 ANALYSIS OF OPERATING EXPENSES BY TYPE

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Personnel costs | (107.8) | (104.8) | (105.7) |
| Advertising and promotion expenses | (131.9) | (140.2) | (129.6) |
| Depreciation, amortisation and impairment of non-current assets | (14.8) | (13.6) | (13.2) |
| Other costs | (92.2) | (93.9) | (85.5) |
| Costs allocated to inventories and production cost | 64.3 | 58.9 | 60.4 |
| **Total** | **(282.4)** | **(293.6)** | **(273.6)** |
| Of which: | | | |
| Distribution costs | (201.7) | (210.6) | (192.5) |
| Administrative expenses | (80.7) | (83.0) | (81.1) |
| **Total** | **(282.4)** | **(293.6)** | **(273.6)** |

Distribution costs comprise marketing and advertising expenses, commissions income or expenses, 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) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Salaries and social charges | (99.8) | (96.5) | (98.7) |
| Pension and other post employment benefits | (3.1) | (3.0) | (2.4) |
| Employee profit sharing | (1.3) | (1.8) | (1.3) |
| Share-based payments | (3.6) | (3.5) | (3.3) |
| **Total** | **(107.8)** | **(104.8)** | **(105.7)** |

## 17 NUMBER OF EMPLOYEES

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

| (Full Time Equivalent) | 2009 | 2008 | 2007 |
|---|---|---|---|
| France | 825 | 840 | 860 |
| Europe (excluding France) | 150 | 41 | 38 |
| Americas | 330 | 327 | 304 |
| Asia and rest of the world | 207 | 38 | 17 |
| **Total** | **1 512** | **1 246** | **1 219** |

The number of employees in Europe includes the 105 full time equivalent of the four companies purchased from Maxxium (note **2**). The increase in staff on Asia and rest of the world is related to the set up of the new network following the withdrawal from Maxxium.

## 18 OTHER OPERATING INCOME AND EXPENSES

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Maxxium indemnity and related charges (note **5**) | 33.6 | (0.4) | (241.6) |
| Impairment of Maxxium shares (note **5**) | (16.0) | - | - |
| Maxxium translation reserve (note **5**) | (4.0) | - | - |
| Restructuring plans | 0.6 | (0.9) | 1.8 |
| Tax penalties (excluding corporate taxe) | 0.2 | 0.7 | (3.6) |
| Other | 0.5 | - | - |
| **Total** | **14.9** | **(0.6)** | **(243.4)** |

The procedures for determining the amount of the Maxxium indemnity are set out in note **5.1.2**.

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 property taxes since 2002.

## 19 NET FINANCIAL EXPENSES

### 19.1 Finance costs by nature

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Bonds | (10.5) | (14.3) | (23.4) |
| Syndicated credit, confirmed and unconfirmed lines | (16.7) | (13.0) | (8.4) |
| Interest on short term deposits | 1.8 | - | - |
| Finance costs of special purpose entities | (8.9) | (6.4) | (5.8) |
| Early redemption premium and accelerated amortisation of issue costs on the 6,5% bond (note **11.3**) | - | (8.0) | - |
| "Waiver" on the 5,2% bond (note **11.3**) | - | (2.5) | - |
| Other finance costs | 0.1 | (0.2) | - |
| Impact of interest rate derivatives | 1.1 | 3.9 | 0.4 |
| **Total** | **(33.1)** | **(40.5)** | **(37.2)** |

Borrowings are described in note **11**.

Given that net borrowings averaged €477.8 million for the year ended 31 March 2009, the average interest rate is 6.93% (2008: €541.2 million and 5.54% excluding the impact of the waiver and of the early redemption of the €175 million bond (note **11.3**) ; 2007: €619.9 million and 5.99%).

The impact of interest rate derivatives (**14.4)**, is as follows:

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Interest received on caps and floors | 1.5 | 3.9 | 1.5 |
| Interest (paid) on interest rate swaps | (0.1) | - | - |
| Interest received (paid) on FRA | | - | 0.1 |
| Ineffective portion of interest rate hedges | (0.3) | - | (1.2) |
| **Impact of interest rate derivatives** | **1.1** | **3.9** | **0.4** |

At 31 March 2009, the ineffective portion of interest rate hedges includes a charge of €1.0 million for expired instruments, a charge of €0.5 million for instruments reclassified to non-hedging and an income of €1.2 million for the instruments falling in the Cash Flow Hedge category.

### 19.2 Other financial income (expenses)

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Income (loss) related to CEDC shares | - | 4.2 | (4.2) |
| Discounting charge on provisions | (10.7) | (9.6) | (0.5) |
| Seller's loan - interest accrued and revaluation (note **6.3**) | 9.2 | 1.8 | 1.7 |
| Currency (losses) and gains | 4.7 | (1.6) | 1.5 |
| Other | (1.4) | (0.1) | 1.4 |
| **Total** | **1.8** | **(5.3)** | **(0.1)** |

"Discounting charge on provisions" relates mainly to the provision for the Maxxium indemnity (2009: €10.6 million ; 2008: €9.2 million) (note **12**).

Items related to the seller's loan as at 31 March 2009 increased by €7.4 million against the previous year including a revaluation impact of the loan for €5.7 million and a catch up effect on accrued interests for €1.6 million.

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

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Ineffective portion of currency hedges | 1.2 | (3.6) | (2.3) |
| Other | 3.5 | 2.0 | 3.8 |
| **Total** | **4.7** | **(1.6)** | **1.5** |

The ineffective portion of currency hedges related entirely to the instruments falling in the Cash Flow Hedge category at the balance sheet date. Impacts related to the instruments expired during the period are recognised in gross profit as they relate to operating flows.

## 20 CORPORATION TAX

### 20.1 Net corporation tax charge

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Current tax (expense) income | (0.3) | (1.5) | (7.2) |
| Deferred tax (expense) income | (37.2) | (27.4) | 57.3 |
| **Total** | **(37.5)** | **(28.9)** | **50.1** |
| Effective tax rate | -31.1% | -25.5% | n/s |

### 20.2 Tax regime

Rémy Cointreau has opted for the group tax regime for certain subsidiaries in which it holds a direct or indirect 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 of deferred taxes

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Breakdown by type** | | | |
| Pension provisions | 5.2 | 5.8 | 6.4 |
| Regulated provisions | (10.9) | (9.3) | (7.9) |
| Other provisions | 0.8 | 6.2 | 6.1 |
| Brands | (169.8) | (167.6) | (165.4) |
| Non-current assets | (13.8) | (14.6) | (16.2) |
| Margins on inter-company inventories | 12.7 | 9.4 | 9.9 |
| Losses carried forward | 2.2 | 36.9 | 63.8 |
| Other timing differences | (4.4) | (15.8) | (19.5) |
| **Net asset (liability)** | **(178.0)** | **(149.0)** | **(122.8)** |
| **Breakdown by tax group** | | | |
| France | (141.8) | (100.6) | (79.8) |
| USA | 3.5 | 1.5 | 1.0 |
| Netherlands | (57.6) | (55.8) | (55.4) |
| Other | 17.9 | 5.9 | 11.4 |
| **Net asset (liability)** | **(178.0)** | **(149.0)** | **(122.8)** |
| | | | |
| Deferred tax asset | 22.4 | 14.0 | 13.0 |
| Deferred tax liability | (200.4) | (163.0) | (135.8) |
| **Net asset (liability)** | **(178.0)** | **(149.0)** | **(122.8)** |

### 20.4 Tax losses and capital losses carried forward

At 31 March 2009, the tax losses carried forward totalled €16.1 million (2008: €114.1 million). The potential tax saving arising from the use of these losses is €3.4 million (2008: €38.1 million). A deferred tax asset of €2.2 millions has been recognised related to the tax losses carried forward.

### 20.5 Tax proof

For the year ended 31 March 2009, the corporation tax charge amounted to €37.5 million. The difference between the actual tax charge and the theoretical tax charge based on the French statutory rate of 34.4% is analysed as follows:

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Theoretical tax charge | (41.5) | (39.0) | 43.7 |
| Actual tax charge | (37.5) | (28.9) | 50.1 |
| **Difference** | **4.0** | **10.1** | **6.4** |
| Permanent differences between consolidated profit and taxable profit | (11.5) | (2.1) | (4.6) |
| Use of tax losses or timing differences not previously recognised | 0.6 | 0.9 | 1.5 |
| Difference in tax rates applicable to foreign subsidiaries | 11.8 | 6.8 | 5.0 |
| Adjustment to the tax charge of prior years | 3.1 | 4.5 | 4.5 |
| **Total** | **4.0** | **10.1** | **6.4** |

## 21 NET PROFIT FROM DISCONTINUED OPERATIONS

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Italian liqueurs and Dutch liqueurs and spirits** | | | |
| Profit (loss) on sale (before tax) | - | 2.7 | 9.3 |
| Tax effect | - | 1.8 | 24.3 |
| **Cognac de Luze** | | | |
| Net profit for the year (before tax) | - | - | 0.2 |
| Corporation tax charge for the year | - | - | (0.1) |
| Profit (loss) on sale (before tax) | - | - | 6.1 |
| Tax effect | - | - | (0.4) |
| **Bols Hungary** | | | |
| Profit (loss) on sale (before tax) | - | - | 8.7 |
| Tax effect | - | 0.1 | (1.6) |
| **Armagnac** | | | |
| Profit (loss) on sale (before tax) | - | (0.2) | - |
| Impairment charge | - | - | (1.9) |
| Tax effect | - | 0.2 | 0.6 |
| **Total** | **-** | **4.6** | **45.2** |

The transactions relating to activities sold during the year are described in note **2**.

## 22 PENSIONS AND OTHER POST-EMPLOYEMENT BENEFITS

### 22.1 Defined benefit pension plans

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Present value of obligations brought forward** | **(26.4)** | **(27.8)** | **(28.1)** |
| Service cost | (1.4) | (1.2) | (1.2) |
| Interest cost | (1.5) | (1.1) | (0.9) |
| Curtailments or settlements | - | - | 1.1 |
| Benefits paid | 1.4 | 0.5 | 0.6 |
| Actuarial gains (losses) | 2.3 | 3.1 | 0.9 |
| Past services costs | - | (0.3) | (1.0) |
| Closure of pension scheme | - | - | 1.0 |
| Change in consolidation scope[2] | (2.3) | - | - |
| Other (including transfers) | (0.1) | - | (0.2) |
| Translation differences | (0.4) | 0.4 | - |
| **Present value of obligations carried forward [1]** | **(28.4)** | **(26.4)** | **(27.8)** |
| | | | |
| **Carrying amount of Plan asset brought forward** | **5.7** | **5.2** | **4.5** |
| Expected return | 0.4 | 0.3 | 0.3 |
| Contributions received | 0.5 | 0.5 | 0.5 |
| Benefits paid | (0.4) | - | (0.4) |
| Actuarial gains (losses) | 0.8 | - | 0.3 |
| Change in consolidation scope[2] | 1.8 | - | - |
| Other (including transfers) | - | 0.1 | - |
| Translation differences | 0.5 | (0.4) | - |
| **Carrying amount of Plan asset carried forward** | **9.3** | **5.7** | **5.2** |
| | | | |
| **Funded status** | **(19.1)** | **(20.7)** | **(22.6)** |
| | | | |
| Unrecognised past service costs | 0.5 | 0.8 | 0.9 |
| Unrecognised actuarial (gain) loss | 0.3 | - | - |
| **Net obligation** | **(18.3)** | **(19.9)** | **(21.7)** |
| | | | |
| **(Liability)** | **(18.7)** | **(20.3)** | **(22.2)** |
| **Asset** | **0.4** | **0.3** | **0.5** |

*[1] of which €18.4 million is not funded and €10.0 is partially funded.*

*[2] relates to Maxxium Belgium (renamed RC Belgium) acquired at 31 March 2009*

### 22.2 Charge for the year

| (€ millions) | **2009** | **2008** | **2007** |
|---|---|---|---|
| Service cost | (1.4) | (1.3) | (1.2) |
| Interest cost | (1.5) | (1.1) | (0.9) |
| Expected return on plan assets | 0.4 | 0.3 | 0.3 |
| Amortisation of other items not recognised | (0.3) | (0.3) | (0.2) |
| Impact of curtailments | - | - | 2.4 |
| **Total income (expense)** | **(2.8)** | **(2.4)** | **0.4** |
| Benefit paid | 1.0 | 0.2 | 0.2 |
| **Net income (expense)** | **(1.8)** | **(2.2)** | **0.6** |

| | | | |
|---|---|---|---|
| **Assumptions** | | | |
| Average discount rate | 5.75% | 5.75% | 4.60% |
| Average salary increase | 2.80% | 2.80% | 2.80% |
| Expected working life | 8 to 14 years | 8 to 14 years | 8 to 14 years |
| Expected return rate on plan assets | 4.50% | 4.50% | 4.50% |
| Increase in medical costs | 5.00% | 5.20% | 5.50% |

### 22.3 Actuarial gain and (losses)

| (€ millions) | **2009** | **2008** | **2007** |
|---|---|---|---|
| **Brought forward** | **(16.2)** | **(19.3)** | **(15.0)** |
| Movement for the year | 2.8 | 3.1 | 1.2 |
| Of which experience adjustments | 1.9 | 0.2 | 0.3 |
| **Carried forward** | **(13.4)** | **(16.2)** | **(13.8)** |

### 22.4 Breakdown of present value obligation by nature

| (€ millions) | **2009** | **2008** | **2007** |
|---|---|---|---|
| Retirement indemnities | (6.8) | (6.5) | (6.6) |
| Supplementary defined benefit pension plans | (18.1) | (15.4) | (15.5) |
| Long-service awards | (0.6) | (0.6) | (0.6) |
| Post-employment healthcare benefits | (2.9) | (3.9) | (5.1) |
| **Total** | **(28.4)** | **(26.4)** | **(27.8)** |

### 22.5 Dedicated assets

At 31 March 2009, the assets underlying the liability were held by insurance firms that invest them together with their general assets.

## 23 OFF-BALANCE SHEET COMMITMENTS 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) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Purchase commitments – non-current assets | 0.2 | 5.7 | 5.0 |
| Leasing commitments – offices | 12.1 | 12.0 | 16.3 |
| Leasing commitments – equipment | 1.7 | 1.9 | 1.4 |
| Purchase commitments – eaux-de-vie | 63.1 | 121.3 | - |
| Purchase commitments – wine (champagne) | 22.5 | 15.4 | 15.9 |

The office leasing commitments 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 brand 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 growers.

The maturity analysis of commitments at 31 March 2009 is as follows:

| (€ millions) | Total | 2010 | After 2010 |
|---|---|---|---|
| Purchase commitments – non-current assets | 0.2 | 0.2 | |
| Leasing commitments – offices | 12.1 | 3.9 | 8.3 |
| Leasing commitments – equipment | 1.7 | 0.9 | 0.8 |
| Purchase commitments – eaux-de-vie | 63.1 | 63.1 | - |
| Purchase commitments – wine (champagne) | 22.5 | | 22.5 |

### 23.2 Deposits and other similar guarantees

| (€ millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Tax deposits | - | - | 9.7 |
| Customs deposits | 7.3 | 7.3 | - |
| Guaranteed granted to suppliers | 6.3 | - | - |
| Agricultural warrants on AFC inventories | 7.9 | 53.0 | 48.5 |
| Maxxium financing guarantee (25%) | - | 40.4 | 37.2 |
| Miscellaneous guarantees on credit lines | 12.3 | 12.3 | 12.0 |

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.

The maturity analysis of commitments at 31 March 2009 is as follows:

| (€ millions) | Total | 2010 | After 2010 |
|---|---|---|---|
| Customs deposits | 7.3 | 7.3 | - |
| Guaranteed granted to suppliers | 6.3 | - | 6.3 |
| Agricultural warrants on AFC inventories | 7.9 | 6.8 | 1.1 |
| Miscellaneous guarantees on credit lines | 12.3 | 12.3 | - |

### 23.3 Contingent liabilities related to disposal transactions

In connection with disposal 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 outstanding at 31 March 2009 are as follows:

| Transaction | Date | Description of outstanding guarantees | Term | Maximum amount |
|---|---|---|---|---|
| Botapol Holding BV (parent company of Bols Sp.z.o.o) | 17 August 2005 | Tax liabilities<br>Total all guarantees | 17 October 2010 | 24.9 |
| Lucas Bols | 11 April 2006 | Tax liabilities<br>Total all guarantees<br>Franchise | 11 October 2012 | 100<br>2.6 |
| Bols Hungary | 12 July 2006 | Tax liabilities<br>Total all guarantees | 12 July 2012 | 2.4 |

### 23.4 Other contingent liabilities

At 31 March 2009, Rémy Cointreau was involved in various legal proceedings. After reviewing 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 Transactions with associated companies

At 31 March 2009, Rémy Cointreau Group's main associated companies were Dynasty Fine Wines Group Ltd, Lixir and Diversa GmbH (note **5**).

The Group does not conduct any commercial business with Dynasty.

The joint venture with Maxxium Worldwide BV has ceased to be a related party starting from 30 March 2009 (note **2**).

### 24.2 Transaction with Orpar

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

| (€ millions) | **2009** | **2008** | **2007** |
|---|---|---|---|
| Service fee paid to Orpar | 2.6 | 2.6 | 2.6 |
| Current account (assets) | 0.6 | 0.4 | 0.9 |
| Payable to Orpar | 0.1 | - | - |

### 24.3 Transactions with companies with a common shareholder or director

Andromède, shareholder of Orpar, is also the largest shareholder of Oeneo group, which is listed on Euronext Paris and is a market leader in the cooperage and corking business. As such, various Oeneo Group subsidiaries are suppliers of Rémy Cointreau Group.

| (€ millions) | **2009** | **2008** | **2007** |
|---|---|---|---|
| Purchase of non-current assets | 5.4 | 5.7 | 4.4 |
| Other purchases | 0.1 | 1.2 | 0.3 |
| Payable (receivable) | 1.1 | 0.3 | (1.6) |
| Purchase commitments | - | 5.0 | 2.8 |

### 24.4 Management bodies

Since 7 September 2004, the Group's management bodies have comprised the members of the Board of Directors and the Executive Committee (6 members at 31 March 2009 and at 31 March 2008; 5 members at 31 March 2007).

| (€ millions) | **2009** | **2008** | **2007** |
|---|---|---|---|
| Short-term benefits | 5.0 | 4.7 | 4.1 |
| Post-employment benefits | 0.7 | 0.5 | 0.5 |
| Share-based payments | 2.1 | 2.0 | 1.5 |
| Severance payments | - | - | 0.2 |
| **Total** | **7.8** | **7.2** | **6.3** |

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

Concerning the Chief Executive Officer (CEO), the Board of Directors, in its meeting of 4 June 2008, authorised the commitment to deferred compensation corresponding to 18 months of gross remuneration (fixed and variable) that would be due by the company in the event his departure is instigated by his employer. This compensation is subject to compliance with performance conditions measured by the rate of achievement, over the past three years, of the CEO's individual annual objectives used as basis for the variable share of his remuneration. If this rate is less than 50%, no compensation shall be paid. If rate is between 50 % and 75 %, the compensation is proportional to the value of this rate. Compensation shall be paid in full if the rate exceeds 75 %.

## 25 POST BALANCE SHEET EVENTS

There are no events that are likely to have a material impact on the financial statements for the year ended 31 March 2009.

## 26 LIST OF CONSOLIDATED COMPANIES

At 31 March 2009, the consolidation included 52 companies (50 at 31 March 2008). 49 companies were fully consolidated and 3 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 2009** | **March 2008** |
| **EUROPE** | | | |
| **France [1]** | | | |
| Rémy Cointreau SA | Holding / Finance | 100.00 | 100.00 |
| Rémy Cointreau Sces | Holding / Finance | 100.00 | 100.00 |
| Tequisco | Holding / Finance | 100.00 | 100.00 |
| CLS Rémy Cointreau SA | Production/Distribution | 100.00 | 100.00 |
| SNE des Domaines Rémy Martin | Production | 100.00 | 100.00 |
| E. Rémy Martin & Cie | Production | 100.00 | 100.00 |
| Cointreau | Production | 100.00 | 100.00 |
| Izarra | Production | 100.00 | 100.00 |
| Champ.P&C Heidsieck SA | Production | 99.98 | 99.98 |
| Champ. F.Bonnet P&F | Production | 100.00 | 100.00 |
| Piper Heidsieck C.C. | Production | 100.00 | 100.00 |
| G.V. de l'Aube | Production | 100.00 | 100.00 |
| G.V. de la Marne SA | Production | 99.95 | 99.95 |
| Fournier & Cie - Safec | Production | 100.00 | 100.00 |
| Société Forestière Agricole et Viticole de Comméreuil | Production | 100.00 | 100.00 |
| Alliance Fine Champagne | Special purpose entity | 100.00 | 100.00 |
| **Netherlands** | | | |
| Penelop BV | Holding / Finance | 100.00 | 100.00 |
| RC Nederland Holding BV | Holding / Finance | 100.00 | 100.00 |
| DELB BV | Holding / Finance | 100.00 | 100.00 |
| Ponche Kuba BV | Holding / Finance | 100.00 | 100.00 |
| RC Nederland BV | Holding / Finance | 100.00 | 100.00 |
| Metaxa BV | Holding / Finance | 100.00 | 100.00 |
| Lodka Sport BV | Other | 50.00 | 50.00 |
| 't Lootsje II BV | Holding / Finance | 100.00 | 100.00 |
| Unipol BV | Other | 50.00 | 50.00 |
| De Bron 1575 BV | Holding / Finance | 100.00 | 100.00 |
| **Other countries** | | | |
| Hermann Joerss Gmbh (Allemagne) | Distribution | 100.00 | 100.00 |
| Cointreau Holding (Allemagne) | Holding / Finance | 100.00 | 100.00 |
| S&EA Metaxa ABE (Grèce) | Production | 100.00 | 100.00 |
| Financière Rémy Cointreau SA (Belgique) | Holding / Finance | 100.00 | 100.00 |

| Company | Activity | % interest | |
|---|---|---|---|
| | | March 2009 | March 2008 |
| **AMERICAS** | | | |
| **USA** | | | |
| Rémy Cointreau USA Inc | Distribution | 100.00 | 100,00 |
| Rémy Cointreau Amérique Inc | Holding / Finance | 100.00 | 100,00 |
| **Barbados** | | | |
| Mount Gay Distilleries Ltd | Production | 94.98 | 94,98 |
| Mount Gay Holding Ltd | Holding / Finance | 100.00 | 100,00 |
| **ASIA/PACIFIC** | | | |
| **China / Hong Kong** | | | |
| Dynasty Fine Wines Group Ltd [(3)] | Production | 27.03 | 27,03 |
| Shanghai Rentouma Trading Cpy Ltd | Distribution | 100.00 | 100,00 |
| Rémy Concord | Holding / Finance | 100.00 | 100,00 |
| Rémy Pacifique Ltd | Holding / Finance | 100.00 | 100,00 |
| **Other countries** | | | |
| BPE Pty Ltd (Australia) | Other | 100.00 | 100,00 |
| Rangit Ltd (Mauritius) | Holding / Finance | 100.00 | 100,00 |
| **CHANGE IN CONSOLIDATION SCOPE** | | | |
| **Acquisitions of the year** | | | |
| Lixir [(3)] (France) | Distribution | 50.00 | - |
| Diversa GmbH [(3)] (Allemagne) | Distribution | 50.00 | - |
| Remy Cointreau Slovakia | Distribution | 100.00 | - |
| Remy Cointreau Czech Republic | Distribution | 100.00 | - |
| Remy Cointreau Belgium | Distribution | 100.00 | - |
| Remy Cointreau Luxembourg | Distribution | 100.00 | - |
| **Company set up during the year** | | | |
| Remy Cointreau Travel Retail Americas Inc (Etats-Unis) | Distribution | 100.00 | - |
| E. Remy Rentouma Trading Ltd (Chine) | Distribution | 100.00 | - |
| Caves de France (Hong Kong) | Holding / Finance | 100.00 | - |
| Rémy Cointreau Taïwan Pte Ltd | Distribution | 100.00 | - |
| Rémy Cointreau Japan KK | Distribution | 100.00 | - |
| Rémy Cointreau International Pte Ltd (Singapour) | Distribution | 100.00 | - |
| **Disposal of the year** | | | |
| Maxxium International BV [(3)] | Distribution | - | 25,00 |
| Bols Latin America NV | Holding / Finance | - | 100,00 |
| **Other changes (merger or liquidation)** | | | |
| Seguin & Cie [(4)] | Production | - | 100,00 |
| Lelie BV [(5)] | Holding / Finance | - | 100,00 |
| Bols Sports & Travel Sp.z.o.o [(5)] | Other | - | 100,00 |

(1) Company is part of the French tax group

(2) Special purpose entity

(3) Accounted for by the equity method

(4) Merged into E. Rémy Martin & cie

(5) Liquidated