CONSOLIDATED FINANCIAL STATEMENTS OF THE RÉMY COINTREAU GROUP AT 31 MARCH 2019

Consolidated income statement

in €m	*Notes*	**2019**	**2018**
Net sales	*17*	**1,125.9**	**1,127.0**
Cost of sales		(415.1)	(366.3)
Gross margin		**710.9**	**760.7**
Distribution costs	*18*	(346.3)	(432.7)
Administrative expenses	*18*	(100.7)	(91.7)
Other income/(expense) from operations		0.3	0.4
Current operating profit/(loss)	*17*	**264.1**	**236.8**
Other operating expenses	*20*	1.7	(13.7)
Operating profit/(loss)		**265.8**	**223.1**
Cost of net financial debt		(13.7)	(14.4)
Other financial income/(expense)		(18.8)	(7.6)
Net financial income/(expense)	*21*	**(32.5)**	**(22.0)**
Profit/(loss) before tax		**233.3**	**201.0**
Income tax	*22*	(67.7)	(53.5)
Share in profit/(loss) of associates	*7*	(6.7)	0.5
Net profit/(loss) for the period		**159.0**	**148.1**
Of which:			
attributable to non-controlling interests		(0.2)	(0.2)
attributable to owners of the parent		159.2	148.2
Net earnings per share – from continuing operations (€)			
basic		3.17	2.97
diluted		3.02	2.83
Net earnings per share – attributable to owners of the parent (€)			
basic		3.18	2.98
diluted		3.03	2.83
Number of shares used for the calculation			
basic	*12.2*	50,068,992	49,789,269
diluted	*12.2*	52,680,567	52,434,796

Consolidated statement of comprehensive income

in €m	**2019**	**2018**
Net profit/(loss) for the period	**159.0**	**148.1**
Movement in the value of hedging instruments	(15.1)	8.8
Actuarial difference on pension commitments	0.1	(0.2)
Related tax effect	5.1	(3.0)
Movement in translation differences	2.3	(3.0)
Total income/(expenses) recorded in equity	**(7.6)**	**2.6**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**151.4**	**150.6**
Of which:		
attributable to owners of the parent	151.5	151.0
non-controlling interests	(0.1)	(0.4)

Consolidated statement of financial position

in €m	*Notes*	**2019**	**2018**
Goodwill and other intangible assets	*4*	515.4	509.4
User rights, IFRS 16	*5*	27.2	-
Property, plant and equipment	*6*	269.3	242.9
Investments in associates	*7*	1.1	20.2
Other financial assets	*8*	93.9	166.2
Deferred tax assets	*22*	17.5	19.7
Non-current assets		**924.4**	**958.6**
Inventories	*9*	1,245.5	1,170.3
Trade and other receivables	*10*	271.1	209.8
Income tax receivables	*22*	3.3	4.9
Derivative financial instruments	*16*	1.8	10.0
Cash and cash equivalents	*11*	178.6	186.8
Assets held for sale		-	1.3
Current assets		**1,700.2**	**1,583.1**
TOTAL ASSETS		**2,624.6**	**2,541.6**
Share Capital		80.2	80.4
Share premium		795.1	804.9
Treasury shares		(34.4)	(20.5)
Consolidated reserves and profit/(loss) for the period		558.0	518.4
Translation reserve		26.2	24.0
Shareholders' equity - attributable to owners of the parent		**1,425.1**	**1,407.1**
non-controlling interests		1.0	1.1
Shareholders' equity	*12*	**1,426.1**	**1,408.3**
Long-term financial debt	*13*	423.8	397.1
Provision for employee benefits		31.5	32.6
Long-term provisions for liabilities and charges	*14*	8.1	6.9
Deferred tax liability	*22*	62.4	81.0
Non-current liabilities		**525.8**	**517.7**
Short-term financial debt and accrued interest charge	*13*	98.1	72.5
Trade and other payables	*15*	543.8	517.3
Income tax payables	*22*	18.4	9.7
Short-term provisions for liabilities and charges	*14*	2.3	14.2
Derivative financial instruments	*16*	10.1	2.0
Liabilities held for sale		-	-
Current liabilities		**672.7**	**615.7**
TOTAL EQUITY AND LIABILITIES		**2,624.6**	**2,541.6**

Change in consolidated shareholders' equity

in €m	Share capital and premium	Treasury shares	Reserves and net profit/(loss)	Translation reserve	Profit/(loss) recorded in equity	Attributable to: owners of the parent company	Attributable to: non-controlling interests	Total equity
At 31 March 2017	**838.1**	**(8.4)**	**464.9**	**26.8**	**(19.0)**	**1,302.5**	**1.5**	**1,304.0**
Net profit/(loss) for the period	-	-	148.2	-	-	148.2	(0.2)	148.1
Gains/(losses) recorded in equity	-	-	-	(2.9)	5.6	2.7	(0.2)	2.5
Share-based payments	-	-	2.7	-	-	2.7	-	2.7
Capital reduction	(10.0)	14.8	(4.8)	-	-	0.0	-	0.0
Transactions on treasury shares	-	(26.9)	-	-	-	(26.9)	-	(26.9)
Dividends	57.1	-	(81.8)	-	-	(24.7)	-	(24.7)
OCEANE [1]	-	-	2.1	-	-	2.1	-	2.1
Other movements	-	-	0.4	-	-	0.4	-	0.4
At 31 March 2018	**885.3**	**(20.5)**	**531.8**	**24.0**	**(13.4)**	**1,407.1**	**1.1**	**1,408.3**
First-time application of IFRS 15 (note **1**)	-	-	(24.2)	-	-	(24.2)	-	(24.2)
At 1 April 2018	**885.3**	**(20.5)**	**507.6**	**24.0**	**(13.4)**	**1,383.0**	**1.1**	**1,384.1**
Net profit/(loss) for the period	-	-	159.2	-	-	159.2	(0.2)	159.0
Gains/(losses) recorded in equity	-	-	-	2.2	(9.9)	(7.7)	0.1	(7.6)
Share-based payments	-	-	3.1	-	-	3.1	-	3.1
Transactions on treasury shares	-	(103.5)	-	-	-	(103.5)	-	(103.5)
Dividends	73.4	-	(82.5)	-	-	(9.1)	-	(9.1)
Capital reduction	(83.3)	83.3	-	-	-	-	-	-
Reclassification	-	6.3	(6.3)	-	-	-	-	-
At 31 March 2019	**875.4**	**(34.4)**	**581.2**	**26.2**	**(23.2)**	**1,425.1**	**1.0**	**1,426.1**

[1] Impact related to the revaluation of deferred tax liabilities of 25.83% on the OCEANE net position under the terms of the 2018 French Finance Act.

Consolidated statement of cash flows

in €m	*Notes*	**2019**	**2018**
Current operating profit/(loss)		264.1	236.8
Depreciation, amortisation and impairment		30.3	21.6
Share-based payments		3.1	2.7
Dividends received from associates	*7*	0.5	0.5
EBITDA		**298.1**	**261.5**
Change in inventories		(69.6)	(33.0)
Change in trade receivables		(45.5)	3.5
Change in trade payables		(46.3)	16.4
Change in other receivables and payables		(0.1)	5.7
Change in working capital requirement		**(161.6)**	**(7.4)**
Net cash flow from operations		**136.5**	**254.1**
Other operating income/(expense)		(3.8)	(1.1)
Financial result		(15.4)	(12.0)
Income tax		(64.1)	(56.4)
Other operating cash flows		**(83.4)**	**(69.6)**
Net cash flow from operating activities		**53.1**	**184.5**
Purchase of intangible assets and property, plant and equipment	*4/6*	(44.6)	(33.6)
Purchase of shares in associates and non-consolidated investments	*7/8*	-	-
Disposal of intangible assets and property, plant and equipment		4.6	0.8
Disposal of shares in associates and non-consolidated investments	*8*	1.4	0.5
Net cash flow from other investments	*8*	85.5	0.5
Net cash flow from investment activities		**46.9**	**(31.7)**
Treasury shares	*12*	(103.5)	(26.9)
Payment of lease liabilities – IFRS 16	*5*	(6.4)	-
Increase in financial debt		40.2	-
Repayment of financial debt		(23.0)	(0.1)
Dividends paid		(9.1)	(24.7)
Net cash flow from financing activities		**(101.8)**	**(51.6)**
Translation differences on cash and cash equivalents		(6.4)	7.6
Change in cash and cash equivalents		**(8.2)**	**108.7**
Cash and cash equivalents at start of year	*11*	**186.8**	**78.0**
Cash and cash equivalents at end of year	*11*	**178.6**	**186.8**

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 the French Commercial Code. Rémy Cointreau shares are listed on Euronext Paris.

The consolidated financial statements presented below were approved by the Board of Directors on 4 June 2019. They will be submitted for shareholders' approval at the Shareholders' Meeting on 24 July 2019.

NOTE 1 SUMMARY OF SIGNIFICANT 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 European regulation (EC) No. 1606/2002 of 19 July 2002, Rémy Cointreau's consolidated financial statements are prepared in accordance with international accounting standards applicable within the European Union as of 31 March 2019.

These standards can be consulted on the European Commission website at:

http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_fr.htm

Changes to accounting principles

The impacts that the IFRS standards listed below have had on the financial statements are detailed in note **2**. These impacts only apply to the financial statements for the year ended 31 March 2019. There has been no restatement of comparative periods.

- IFRS 9 - "Financial Instruments" has become mandatory for financial years beginning on or after 1 January 2018. Rémy Cointreau is mainly concerned by the possibility of deferring the time value of exchange rate option contracts in equity as for forward hedging in order to only impact income at the date of realisation of the hedged transactions. This standard is applied prospectively and the impact of the change in accounting method for the period has been the reclassification of a pre-tax expense of €3.7 million to changes in net position. There has been no restatement of comparative periods. The "classification and measurement" and "impairment tests" aspects of this standard have had no significant impact on the financial statements.

- IFRS 15 - "Revenue from Contracts with Customers" has become mandatory for financial years beginning on or after 1 January 2018. The transition method adopted by the Group is that of "cumulative catch-up" (rather than full retrospective application). In accordance with this standard, certain advertising/promotional expenses are now recognised at the time of the sale to wholesalers. This change has generated an increase of €32.9 million in operating payables and €8.2 million in deferred tax assets. The counterpart is a €24.2 million decrease in opening shareholders' equity at 1 April 2018. In the income statement, the main impact of the application of the standard has been the reclassification of certain expenses (mainly advertising and promotion) between net sales and distribution costs. This reclassification, which is neutral for current operating profit, reduces net sales by 7.4% (see note **2.1**) and has an accretive effect of around 2 points on the current operating margin.

- IFRS 16 - "Leases" is mandatory for financial years beginning on or after 1 January 2019. Rémy Cointreau has opted for the early application of this standard, from 1 April 2018. The transition method adopted is the simplified retrospective method. Restatements apply to operating leases for offices and warehouses. Leases with a term of less than one year have not been restated. The discount rate used for the initial assessment of the lease liability is the incremental borrowing rate of each company. At 1 April 2018, the impact of the application of this standard has been an increase of €31.0 million in non-current assets (of which €28.2 million in user rights and €2.8 million in sub-leasing assets), offset against the financial debt. As concerns current operating profit/(loss), the impact of the application of this standard has been the recognition of income of €0.6 million and an expense of €(0.3) million on net income. The impact on the A ratio (Net debt/EBITDA) was 0.11 at 31 March 2019.

The other standards and amendments whose application by the Group was compulsory for the first time from 1 January 2018 are as follows:

- IFRS annual improvement cycle 2014-2016;
- Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions";
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration".

The first time adoption of these standards and amendments did not have any material impact on the consolidated financial statements.

The standards, interpretations and amendments whose application is compulsory after 31 March 2019 and for which the Group did not choose early application for the consolidated financial statements for the year ended 31 March 2019 are as follows:

- IFRS annual improvement cycle 2015-2017;
- IFRIC 23 "Uncertainty over Income Tax Treatments";
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement";
- Amendments to IFRS 9 "Prepayment Features with Negative Compensation";
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures".

A study is under way of the impacts and practical implications of these standards, amendments and interpretations.

NOTE 1.1 USE OF ESTIMATES

The 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 in respect of the items described below.

Asset impairment tests

For impairment tests performed on the carrying amount of intangible assets with an indefinite useful life, or other assets (such as investments in associates – see note **7**), when required by standards or circumstances, the Group regularly uses discounted future cash flow calculations and/or market values of comparable assets. The underlying parameters of such calculations are subject to assumptions, the future evolution of which may lead to significant changes in subsequent values.

Provisions for liabilities and charges

The recognition of provisions, 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.

Pension commitments and other post-employment benefits

The valuation of these obligations is determined by the use of actuarial methods involving assumptions in respect of 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.

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 these 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.

NOTE 1.2 CONSOLIDATION METHODS

Rémy Cointreau is the consolidating company.

The financial statements of the companies under the exclusive control of Rémy Cointreau are fully consolidated. An investor controls an issuing entity when it is exposed or has rights to variable returns due to its ties with the issuing entity and it has the ability to influence these returns due to the power that it holds over the entity. Consequently, the investor controls an issuing entity if, and only if, all the items below are present:

- it holds power over the issuing entity;
- it is exposed or has rights to variable returns due to its ties with the issuing entity (special purpose entities, see also note **1.7**);
- it has the ability to exercise power over the issuing entity such as to influence the amount of returns it obtains.

Equity investments in companies in which the Group exercises significant influence (associates) are accounted for by the equity method. A significant influence is presumed to exist, unless it is clearly shown that this is not the case, when the parent company holds, directly or indirectly, 20% or more of the voting rights in the Company.

Consolidated companies prepare their financial statements in accordance with generally accepted accounting principles in their country. Where 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.

NOTE 1.3 TRANSLATION OF THE FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

The consolidated financial statements of the Rémy Cointreau Group are stated in euros, the functional currency of Rémy Cointreau SA.

The balance sheets of subsidiaries, whose functional currency is not the euro, are translated at the closing exchange rate. The income statements and statements of cash flows 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 differences" until the sale or liquidation of the subsidiary concerned.

NOTE 1.4 FOREIGN-CURRENCY TRANSACTIONS

In relation to each entity, transactions denominated in currencies other than the functional currency are recorded in the functional currency using the exchange rate applicable on the date of transaction. At the end of each period, monetary assets and liabilities denominated in foreign currencies are revalued at the closing exchange rate. The resulting differences are recognised in either the operating profit/(loss) or net financial income/(expense) depending on the nature of the underlying transactions.

By way of exception, revaluation differences relating to transactions classified as net investment hedges are recognised directly in equity under "Translation differences".

As a general rule, distribution subsidiaries invoice their customers in the functional currency of the customer and make purchases from production subsidiaries in their own functional currency (not in the functional currency of the production company). The majority of the Group's production subsidiaries are located in the euro zone, despite the euro representing only 25% of its sales. As a result, production subsidiaries and some distribution subsidiaries are significantly exposed to changes in foreign exchange rates.

The Group manages this risk, and other similar risks associated with the financing of its “non euro” subsidiaries, centrally through the use of derivative financial instruments which are recognised in accordance with IFRS 9. The hedging instruments are concluded over a rolling 18-month period. At the end of each period, the Group may retain a portfolio of instruments intended to hedge the cash flows of subsequent years. Over the course of the financial year, the instruments retained at the start of the year reach maturity.

The revaluation effects of foreign currency derivative financial instruments at the end of each period are recognised in financial income for the portion that must be recorded as income in accordance with the standard, regardless of the type of cash flows hedged (trading or financial). These revaluations, dependent upon the closing exchange rate for each currency, have no bearing on the income that will actually be generated upon maturity of the instruments.

The income actually generated upon maturity of financial instruments allocated in the financial year is recorded in either gross margin or financial income depending on the type of cash flows hedged (trading or financial).

NOTE 1.5 BUSINESS COMBINATIONS AND GOODWILL

Goodwill represents the difference between the cost of acquisition of the businesses 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 decrease in value. For the purpose of this testing, goodwill is allocated to Cash Generating Units (CGUs).

Costs related to an acquisition are recognised in profit and loss for the periods in which the costs are incurred and the services received. They are classified as “Other operating income and expenses” in the consolidated income statement and as net cash flow from investment activities in the consolidated cash flow statement.

NOTE 1.6 DEFINITION OF CERTAIN INDICATORS

A) Net sales

Net sales include wholesale trading of finished goods in branded wines and spirits marketed by the Group to:

- distributors;
- agents;
- wholesalers, mainly in North America and China.

These sales are recognised when the significant risks and rewards of ownership have been transferred to the customer, which generally occurs on shipment.

These amounts are stated net of duties and 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.

B) Current operating profit, operating profit, net profit/(loss) from discontinued operations

Current operating profit/(loss) comprises all elements relating to the Group’s activities with the exception of:

- the operating profit from operations that were deconsolidated or discontinued during the period or for which plans to this effect have been approved by the Board of Directors. The corresponding operating profit/(loss) is reclassified in the item “Net profit/(loss) from discontinued operations” together with other items of income 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 provisions in respect of brands and other non-current assets recognised as a result of impairment tests (see note 1.8), **provisions for** restructuring and litigation, and significant gains and losses on the sale of assets other than those relating to operations that already have been, or are to be, discontinued.

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

This measure is used to calculate certain ratios. It corresponds to: current operating profit + depreciation and amortisation expenses on property, plant and equipment and intangible assets for the period + expenses relating to stock option and similar plans + dividends paid by associates during the period.

D) Net debt

This measure is used to calculate certain ratios. It corresponds to: long-term financial debt + short-term financial debt and accrued interest - cash and cash equivalents.

NOTE 1.7 CONSOLIDATION OF CO-OPERATIVES

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

This consolidation is reflected by the recognition in the consolidated statement of financial position of 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 financial debt and trade payables. The resulting finance costs are also included in the Rémy Cointreau Group's cost of financial debt.

NOTE 2 IMPACTS OF THE APPLICATION OF THE NEW IFRS

NOTE 2.1 IMPACTS ON THE CONSOLIDATED INCOME STATEMENT

in €m	*Notes*	**2019 reported**	**Cancelation of impacts** (see note**1**)			**2019 proforma**	**2018**
			IFRS 9	**IFRS 15**	**IFRS 16**		
Net sales	*17*	**1,125.9**	**-**	**90.5**	**-**	**1,216.5**	**1,127.0**
Cost of sales		(415.1)	-	27.5	-	(387.6)	(366.3)
Gross margin		**710.9**	**-**	**118.0**	**-**	**828.9**	**760.7**
Distribution costs	*18*	(346.3)	-	(118.0)	-	(464.3)	(432.7)
Administrative expenses	*18*	(100.7)	-	-	(0.6)	(101.3)	(91.7)
Other income/(expense) from operations	*18*	0.3	-	-	-	0.3	0.4
Current operating profit/(loss)	*17*	**264.1**	**-**	**-**	**(0.6)**	**263.6**	**236.8**
Other operating expenses	*20*	1.7	-	-	-	1.7	(13.7)
Operating profit/(loss)		**265.8**	**-**	**-**	**(0.6)**	**265.2**	**223.1**
Cost of net financial debt		(13.7)	-	-	1.0	(12.6)	(14.4)
Other financial income/(expense)		(18.8)	(3.7)	-	-	(22.5)	(7.6)
Net financial income/(expense)	*21*	**(32.5)**	**(3.7)**	**-**	**1.0**	**(35.2)**	**(22.0)**
Profit/(loss) before tax		**233.3**	**(3.7)**	**-**	**0.4**	**230.1**	**201.0**
Income tax	*22*	(67.7)	1.3	-	(0.1)	(66.5)	(53.5)
Share in profit/(loss) of associates	*7*	(6.7)		-	-	(6.7)	0.5
Net profit/(loss) for the period		**159.0**	**(2.4)**	**-**	**0.3**	**156.9**	**148.1**
Net profit/(loss) excluding non-recurring items	*24*	**169.9**	**(2.4)**	**-**	**0.3**	**167.8**	**151.3**

NOTE 2.2 IMPACTS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in €m	*Notes*	2019 reported	Cancellation impacts IFRS 15 (note **1**)	Cancellation impacts IFRS 16 (note **1**)	2019 proforma	2018
Goodwill and other intangible assets	*4*	515.4	-	-	515.4	509.4
User rights, IFRS 16	*5*	27.2	-	(27.2)	-	-
Property, plant and equipment	*6*	269.3	-	-	269.3	242.9
Investments in associates	*7*	1.1	-	-	1.1	20.2
Other financial assets	*8*	93.9	-	(2.6)	91.3	166.2
Deferred tax assets	*22*	17.5	(8.2)	(0.1)	9.2	19.7
Non-current assets		**924.4**	**(8.2)**	**(30.0)**	**886.2**	**958.6**
Inventories	*9*	1,245.5	-	-	1,245.5	1,170.3
Trade and other receivables	*10*	271.1	-	-	271.1	209.8
Income tax receivables	*22*	3.3	-	-	3.3	4.9
Derivative financial instruments	*16*	1.8	-	-	1.8	10.0
Cash and cash equivalents	*11*	178.6	-	-	178.6	186.8
Assets held for sale		-	-	-	-	1.3
Current assets		**1,700.2**	**-**	**-**	**1,700.2**	**1,583.1**
TOTAL ASSETS		**2,624.6**	**(8.2)**	**(30.0)**	**2,586.4**	**2,541.6**
Share Capital		80.2	-	-	80.2	80.4
Share premium		795.1	-	-	795.1	804.9
Treasury shares		(34.4)	-	-	(34.4)	(20.5)
Consolidated reserves and profit/(loss) for the period		558.0	24.7	0.3	583.0	518.4
Translation reserve		26.2	-	-	26.2	24.0
Shareholders' equity - attributable to owners of the parent		**1,425.1**	**24.7**	**0.3**	**1,450.1**	**1,407.1**
non-controlling interests		1.0	-	-	1.0	1.1
Shareholders' equity	*12*	**1,426.1**	**24.7**	**0.3**	**1,451.1**	**1,408.3**
Long-term financial debt	*13*	423.8	-	(22.6)	401.2	397.1
Provision for employee benefits		31.5	-	-	31.5	32.6
Long-term provisions for liabilities and charges	*14*	8.1	-	-	8.1	6.9
Deferred tax liability	*22*	62.4	-	-	62.4	81.0
Non-current liabilities		**525.8**	**-**	**(22.6)**	**503.3**	**517.7**
Short-term financial debt and accrued interest charge	*13*	98.1	-	(7.7)	90.3	72.5
Trade and other payables	*15*	543.8	(32.9)	-	510.9	517.3
Income tax payables	*22*	18.4	-	-	18.4	9.7
Short-term provisions for liabilities and charges	*14*	2.3	-	-	2.3	14.2
Derivative financial instruments	*16*	10.1	-	-	10.1	2.0
Liabilities held for sale		-	-	-	-	-
Current liabilities		**672.7**	**(32.9)**	**(7.7)**	**632.0**	**615.7**
TOTAL EQUITY AND LIABILITIES		**2,624.6**	**(8.2)**	**(30.0)**	**2,586.4**	**2,541.6**

NOTE 2.3 IMPACTS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

in €m	*Notes*	**2019 reported**	**Cancelation of IFRS 16** impact (note **1**)	**2019 proforma**	**2018**
Current operating profit/(loss)		264.1	(0.6)	263.6	236.8
Depreciation, amortisation and impairment		30.3	(6.9)	23.5	21.6
Share-based payments		3.1	-	3.1	2.7
Dividends received from associates	*7*	0.5	-	0.5	0.5
EBITDA		**298.1**	**(7.5)**	**290.6**	**261.5**
Change in inventories		(69.6)	-	(69.6)	(33.0)
Change in trade receivables		(45.5)	-	(45.5)	3.5
Change in trade payables		(46.3)	-	(46.3)	16.4
Change in other receivables and payables		(0.1)	-	(0.1)	5.7
Change in working capital requirement		(161.6)	-	(161.6)	(7.4)
Net cash flow from operations		**136.5**	**(7.5)**	**129.0**	**254.1**
Other operating income/(expense)		(3.8)	-	(3.8)	(1.1)
Financial result		(15.4)	1.0	(14.4)	(12.0)
Income tax		(64.1)	-	(64.1)	(56.4)
Other operating cash flows		**(83.4)**	**1.0**	**(82.4)**	**(69.6)**
Net cash flow from operating activities		**53.1**	**(6.4)**	**46.7**	**184.5**
Purchase of intangible assets and property, plant and equipment	*4/6*	(44.6)	-	(44.6)	(33.6)
Purchase of shares in associates and non-consolidated investments	*7/8*	-	-	-	-
Disposal of intangible assets and property, plant and equipment		4.6	-	4.6	0.8
Disposal of shares in associates and non-consolidated investments	*8*	1.4	-	1.4	0.5
Net cash flow from other investments	*8*	85.5	-	85.5	0.5
Net cash flow from investment activities		**46.9**	**-**	**46.9**	**(31.7)**
Treasury shares	*12*	(103.5)	-	(103.5)	(26.9)
Payment of lease liabilities – IFRS 16	*5*	(6.4)	6.4	-	-
Increase in financial debt		40.2	-	40.2	-
Repayment of financial debt		(23.0)	-	(23.0)	(0.1)
Dividends paid		(9.1)	-	(9.1)	(24.7)
Net cash flow from financing activities		**(101.8)**	**6.4**	**(95.4)**	**(51.6)**
Translation differences on cash and cash equivalents		(6.4)	-	(6.4)	7.6
Change in cash and cash equivalents		**(8.2)**	-	**(8.2)**	**108.7**
Cash and cash equivalents at start of year	*11*	**186.8**	**-**	**186.8**	**78.0**
Cash and cash equivalents at end of year	*11*	**178.6**	**-**	**178.6**	**186.8**

NOTE 3 CHANGES IN CONSOLIDATION SCOPE

There were no acquisitions or disposals during the financial year ended 31 March 2019.

NOTE 4 GOODWILL AND OTHER INTANGIBLE ASSETS

With the exception of software licences, “Brands and other intangible assets” mainly comprises the value of intangible assets identified when acquisitions are made by the Group: residual goodwill, brands, distribution rights.

For certain brands owned by the Group, the value recorded in the balance sheet is the result of the acquisition of non-controlling interests or businesses subsequent to the creation or inclusion of the brand. The amount recorded in the balance sheet therefore represents only a percentage of the value of the brand.

The values recorded under “Brands” in the Rémy Cointreau Group’s statement of financial position are not amortised as they have the benefit of 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 at the period end and as soon as there is any indication of a decrease in value. These tests, described below, also relate to goodwill and distribution rights, where appropriate.

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 for the period in which they are incurred.

Pursuant to IAS 38 – Intangible assets, advertising and promotional expenses are recorded as expenses in the period in which they are incurred.

The Rémy Cointreau Group does not capitalise any research and development costs.

Other intangible assets are amortised over a period of three to seven years.

Impairment tests

For impairment tests performed on the carrying amount of intangible assets with an indefinite useful life, when required by standards or circumstances, the Group regularly uses discounted future cash flow calculations and/or market values of comparable assets. The underlying parameters of such calculations are subject to assumptions, the future evolution of which may lead to significant changes in subsequent values.

The value in use of assets falling within the scope of IAS 36 “Impairment of assets” is tested as soon as there is any indication that it may be impaired, and automatically at each year-end in the case of assets with an indefinite useful life, except in the case of certain brands for which the Group uses the exemption granted by IAS 36.24 due to a significant difference between the carrying amount and the recoverable amount.

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.

For these tests, 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 of comparing the carrying amount of the assets or Group of 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.

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 each brand, asset or Group of assets. Cash flows are estimated based on medium-term business plans, the duration of which is tailored to the individual characteristics of each activity. As such, the duration is five years for brands without ageing processes and twelve years for brands with ageing processes. The terminal value is determined by applying a constant growth rate to infinity. The discount rates used are set and include a specific risk premium for each activity.

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

With respect to operational entities that the Group’s management has decided to sell, the assets concerned are stated at the lower of their carrying amount and estimated market value after transaction costs. If negotiations are in progress, the value is based on the best estimate of their outcome as of the balance sheet date.

In €m	Goodwill	Brands	Distribution rights	Other	Total
Gross value at 31 March 2018	**47.4**	**510.0**	**7.8**	**44.8**	**610.0**
Acquisitions	-	-	-	5.7	5.7
Disposals, items scrapped	-	-	-	(9.3)	(9.3)
Other movements	-	-	(4.3)	1.8	(2.5)
Translation reserve	2.9	2.1	0.3	1.0	6.3
Gross value at 31 March 2019	50.3	512.1	3.8	43.9	610.3
Accumulated amortisation and impairment at 31 March 2018	**1.9**	**60.0**	**7.8**	**31.0**	**100.6**
Increase	-	-	-	3.5	3.5
Disposals, items scrapped	-	-	-	(8.8)	(8.8)
Other movements	-	0.0	(4.3)	1.8	(2.4)
Translation reserve	0.2	0.9	0.3	0.6	2.0
Accumulated depreciation and impairment at 31 March 2019	**2.0**	**61.0**	**3.8**	**28.0**	**94.9**
Net carrying amount at 31 March 2018	**45.6**	**450.0**	**0.0**	**13.8**	**509.4**
Net carrying amount at 31 March 2019	**48.3**	**451.2**	**0.0**	**15.9**	**515.4**

"Other" mainly includes software licences. The amounts recorded under "Goodwill" and "Brands" are considered to have an indefinite useful life.

"Goodwill" comprises the amounts stemming from the acquisition of Bruichladdich Distillery Ltd (September 2012), Rum Refinery of Mount Gay (May 2014), Domaine des Hautes Glaces and Westland (January 2017). The goodwill related to Rum Refinery of Mount Gay was fully depreciated in the year ended 31 March 2018.

The carrying amounts of the brands Rémy Martin and Cointreau total €281.8 million and are essentially derived from the acquisition of non-controlling interests thus not representing a comprehensive valuation of these brands. These brands are not subject to any impairment test as per the allowed exemption stated in caption 36.24 of IAS 36.

The other brands included under "Brands" are mainly Metaxa, Ponche Kuba, Bruichladdich and Westland. They are acquired brands and their total net book value as at March 31, 2019 is €169.4 million. Inclusive of the goodwill booked in the Cash Generating Units to which such brands relate, the total amount is €217.7 million.

For the tests run during the year ended 31 March 2019, the present value used was the recoverable amount, mainly established on the basis of discounted future cash flows, as explained above. The main assumptions and results were as follows:

	Discount rate before tax	Perpetual growth rate	
Metaxa	8.10%	1.55%	
Bruichladdich	10.57%	2.50%	
Westland	10.93%	2.50%	
Total net book value subject to impairment tests (m€)			**217.7**

An increase of 50 bps in the discount rate would trigger a depreciation of about €5 million on the value of the Metaxa trademark and €5 million on the goodwill of Westland. There would be no impact for Bruichladdich.

A decrease of 50 bps in the perpetual growth rate would trigger a depreciation of €3 million on the value of the Metaxa trademark and €2 million on the goodwill of Westland. There would be no impact for Bruichladdich.

Tests carried out during the financial year ended 31 March 2018 had led the Group to fully write-off the intangible assets linked to the Mount Gay brand for a total of €11.8 million (goodwill: €2.0 million, brands: €7.7 million, distribution rights: €2.1 million). The new strategy for this brand, which has been in the Group's portfolio for almost 30 years, has led it to completely rethink its long-term business model, which cannot be taken into account by the impairment tests recommended by IFRS standards. Significant investments were made in Barbados as part of the plan to reposition the brand in a higher market segment.

At 31 March 2019, the total provision for impairment of intangible assets was €65.2 million (2018: €63.9 million), including €45.0 million for the Greek brandy Metaxa, €12.2 million for intangible assets associated with the Mount Gay brand, and €8.0 million for secondary brands.

NOTE 5 USER RIGHTS, IFRS 16

IFRS 16 "Leases" will become mandatory for financial years beginning on or after 1 January 2019. Rémy Cointreau has opted for the early application of this standard, from 1 April 2018. The chosen transition method is the "simplified retrospective" method, with the implementation of the simplifying measures envisaged in the standard (exclusion of contracts of less than one year and exclusion of contracts for low-value assets).

The discount rate used corresponds to each company's incremental borrowing rate at 1 April 2018 for all contracts outstanding at that date. For new leases, the prevailing rate at the lease inception date is used. The discount rates range from 1% to 6.5% and are calculated on the basis of the entity's risk profile and the maturity of the restated contract. They include a country risk component.

Restatements apply to operating leases, mainly for offices and warehouses. The period used for the valuation of these rental commitments runs until April 2026 and corresponds to the potentially extended contractual term if the Group intends to exercise a renewal option.

The following items in the financial statements are impacted by IFRS 16:

- User rights, IFRS 16 (note **5**);
- Other financial assets – Sub-leasing assets, IFRS 16 (note **8.4**);
- Financial debt – Lease liabilities, IFRS 16 (note **13**);
- Segment reporting – ROCE (note **17**);
- Operating expenses by type – Administrative expenses (note **18**);
- Net financial income/(expense) – Effect of accretion of lease liabilities – IFRS 16 (note **21**).

NOTE 5.1 ANALYSIS OF CHANGE

In €m	Gross amount	Depreciation and amortisation	Total
At 31 March 2018	**-**	**-**	**-**
Impact of first-time application of IFRS 16	28.2	-	28.2
New leases	4.9	-	4.9
Expired leases	(0.4)	0.1	(0.4)
Depreciation and amortisation	-	(6.9)	(6.9)
Translation reserve	1.4	(0.1)	1.3
At 31 March 2019	**34.1**	**(6.9)**	**27.2**

NOTE 5.2 BREAKDOWN BY ASSET CATEGORY

	Net carrying amount		Depreciation and amortisation expense	
In €m	**2019**	**2018**	**2019**	**2018**
Offices	23.8	-	(5.9)	-
Warehouses and production sites	2.7	-	(0.6)	-
Other	0.6	-	(0.3)	-
Total	**27.2**	**-**	**(6.9)**	**-**

NOTE 5.3 MATURITY ANALYSIS OF LEASE LIABILITIES

	2019	2018
Year ending March 2020	7.7	-
Year ending March 2021	7.4	-
Year ending March 2022	6.9	-
Year ending March 2023	4.7	-
Year ending March 2024	2.8	-
Year ending March 2025 and beyond	0.8	-
Total	**30.3**	**-**

NOTE 6 PROPERTY PLANT AND EQUIPMENT

Gross amount

In accordance with IAS 16 "Property, Plant and Equipment", the gross value of items of property, plant and equipment corresponds to their acquisition or production cost. These assets are not revalued subsequently.

Their value 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 an asset.

The assets concerned are depreciated using the methods and useful lives described below.

Depreciation

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

The Rémy Cointreau Group's property, plant and equipment are predominantly used in production. Given that they are used until the end of their estimated useful lives, it is deemed that 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.

• Buildings, depending on the components .... 10 to 75 years

• Stills, casks, vats .... 35 to 50 years

• Technical plant, machinery and equipment........ 3 to 15 years

• Computer hardware .... 3 to 5 years

• Other non-current assets .... 5 to 10 years

In €m	Land	Buildings	Other	In-progress	Total
Gross value at 31 March 2018	**14.2**	**132.9**	**279.1**	**17.4**	**443.5**
Acquisitions	0.6	8.7	18.5	16.0	43.7
Disposals, items scrapped	(1.1)	(1.5)	(6.4)	-	(9.0)
Other movements	4.4	4.2	6.5	(14.7)	0.4
Translation reserve	0.5	2.3	4.5	0.2	7.6
Gross value at 31 March 2019	**18.6**	**146.6**	**302.2**	**18.8**	**486.2**
Accumulated amortisation and impairment at 31 March 2018	**3.4**	**52.1**	**145.1**	**-**	**200.6**
Increase	0.3	4.1	15.6	-	20.0
Disposals, items scrapped	(0.7)	(1.0)	(5.1)	-	(6.8)
Other movements	-	-	0.4	-	0.4
Translation reserve	-	0.5	2.3	-	2.7
Accumulated depreciation and impairment at 31 March 2019	**3.0**	**55.7**	**158.2**	**-**	**216.9**
Net carrying amount at 31 March 2018	**10.7**	**80.8**	**134.0**	**17.4**	**242.9**
Net carrying amount at 31 March 2019	**15.6**	**90.9**	**144.0**	**18.8**	**269.3**

As of 31 March 2019, no property, plant or equipment owned by the Group was subject to impairment provisions. These non-current assets are unencumbered.

For the financial year ended 31 March 2019, the acquisitions amounting to €43.7 million mainly correspond to the ongoing modernisation of manufacturing and storage facilities, barrels and IT systems.

NOTE 7 INVESTMENTS IN ASSOCIATES

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

In €m	Dynasty	Diversa	Spirits Plat-form	Total
At 31 March 2018	**12.6**	**6.5**	**1.1**	**20.2**
Dividend paid	-	(0.0)	(0.4)	(0.5)
Profit/(loss) of the period	-	(0.0)	0.3	0.3
Provision for impairment	-	(6.4)	-	(6.4)
Transfer to non-consolidated equity investments	(13.9)	-	-	(13.9)
Translation differences	1.2	-	0.0	1.2
At 31 March 2019	**-**	**-**	**1.1**	**1.1**

NOTE 7.1 DYNASTY

The 27% interest in the Dynasty Group (336.5 million shares) originated in a wine production joint venture between Rémy Cointreau and the city of Tianjin (China) in 1980. This Group was listed on the Hong Kong stock exchange in 2005.

Following allegations of fraud with regard to 2010 and 2011, the listing was suspended on 22 March 2013. To date, it has not been relisted. On 8 December 2017, the Dynasty Group published its provisional financial statements for the 2012, 2013, 2014 and 2015 financial years. Its provisional financial statements for 2016 were published on 15 February 2018. The publication of the 2017 and 2018 audited financial statements and the final versions of the previous years' financial statements has been postponed several times. Publication is expected in the next six months.

Due to this unprecedented extended delay, the assessment of this holding since the end of the 2012/2013 financial year is a source of uncertainty and technical difficulties. At the end of each period, Rémy Cointreau carries out assessments with the assistance of independent experts, using all the information available to it.

At 31 March 2019, the valuation model was updated with the help of an independent expert. Taking into account the information available, the test indicated that the value ranges between HK$0.31 and HK$0.56 per share. The modelling uses a discount rate of 16.5% (2018: 14.8%) and a long-term growth rate of 3.0% (2018: 2.6%). The assumptions concerning the increase in Dynasty's market share and profitability were revised compared to the test carried out for the financial year ended 31 March 2018. Market studies indicate that Dynasty is still the fifth largest player on the Chinese wine market, a market that has recovered its strong potential.

Rémy Cointreau’s management decided that the value of HK$0.36 per share used at 31 March 2018 was still appropriate. In light of the favourable movement in the EUR/HKD exchange rate, resulting in a positive translation difference of €1.2 million, this investment was valued at €13.9 million at 31 March 2019 (2018: €12.6 million).

The investment in the Dynasty Group was classified under investments in associates from the outset. At 31 March 2019, after six years of suspension, given the constantly delayed publication of the financial statements and the difficulty of non-executive directors in influencing the return to normal of the situation, Rémy Cointreau’s management no longer considers the significant influence criteria to apply. Accordingly, the investment has been reclassified to “non-consolidated investments”. Henceforth the shares will be measured at fair value and any variation posted directly to equity as authorized by IFRS 9.

NOTE 7.2 DIVERSA

Since 31 March 2009, the Group had held a 50% interest in Diversa GmbH under a distribution joint venture agreement in Germany with the Underberg group.

On 13 March 2019, the Group finalised an agreement to exit this joint venture in order to regain its commercial independence in the German market.

Under the terms of the agreement, Rémy Cointreau is to sell its entire stake in Diversa to the Underberg group. As Rémy Cointreau’s exit coincided with the end of the distribution agreement, the securities were valued at one euro.

Since the sale took effect in April 2019, the loss on the securities of €6.4 million and the related expenses were recognised at 31 March 2019.

For the year ended 31 March 2019, the Rémy Cointreau Group generated net sales of €18.6 million with Diversa (2018: €20.2 million).

Since 1 April 2019, the Rémy Cointreau Group has entrusted the distribution of its portfolio in the German market to a third-party distributor in which it does not hold a stake.

NOTE 7.3 SPIRITS PLATFORM

On 31 July 2015, the Rémy Cointreau Group acquired a 37% stake in Spirits Platform Pty Ltd for €0.7 million. When this company was created, a €0.4 million loan was granted to certain shareholders for a five-year term, recognised in “Other financial assets”. Spirits Platform Pty Ltd, consolidated using the equity method, distributes Rémy Cointreau’s brand portfolio in the Australian market.

Its financial year-end is 30 September. Its net sales for the year ended 31 March 2019 totalled €50.2 million (€48.5 million at 31 March 2018). Its total assets amounted to €23.9 million at 31 March 2019 (2018: €31.3million).

In the year to 31 March 2019, the Rémy Cointreau Group generated net sales of €8.2 million with Spirits Platform (2018: €7.9 million).

NOTE 8 OTHER FINANCIAL ASSETS

In €m	**2019**	**2018**
Non-consolidated equity investments (note **8.1**)	14.4	1.5
Vendor loan (note **8.2**)	-	88.2
Other equity investment financial assets (note **8.3**)	71.3	71.3
Sub-leasing assets – IFRS 16 (note **8.4**)	2.6	-
Loans to non-consolidated equity investments	0.4	0.4
Liquidity account excluding Rémy Cointreau shares (note **8.5**)	3.9	3.3
Other	1.3	1.5
Total	**93.9**	**166.2**

NOTE 8.1 NON-CONSOLIDATED EQUITY INVESTMENTS

In €m	% held	2019	% held	2018
Dynasty Fine Wines Group Ltd (China)	27.0%	13.9	-	-
Balachoa-Vinhos de Portugal (Portugal)	0.8%	0.5	0.8%	0.5
Dettling & Marmot (Switzerland)	-	-	25.0%	1.0
Total		**14.4**		**1.5**

Rémy Cointreau's interest in Dynasty Fine Wines Group Ltd has been reclassified from "Investments in associates" to "Non-consolidated equity investments" for the year ended 31 March 2019 (note **7.1**).

NOTE 8.2 VENDOR LOAN

As part of the disposal of the Champagne division, which took place on 8 July 2011, the Rémy Cointreau Group had granted a vendor loan of €75 million, over a maximum term of nine years (maturing on 8 July 2020), bearing interest at 5% during the first six years and 6% during the last three years, with the interest being capitalised for the first three years.

At 31 March 2018, the loan was recognised at the present value of the cash flow that Rémy Cointreau would have collected if the loan was repaid on maturity in accordance with the terms and conditions of the contract, i.e. €88.2 million. The interest accrued from July 2017 to March 2018 was recognised in "Other receivables" in the amount of €3.8 million.

This loan was repaid early, on 10 July 2018, for a total and final amount of €86.8 million, comprising principal and interest. The difference between the amount recognised on the balance sheet at 31 March 2018 and the amount paid, i.e. an expense of €5.2 million, was recognised in "Other financial income/(expense)" (note **20**).

NOTE 8.3 OTHER EQUITY INVESTMENT FINANCIAL ASSETS

This item comprises the fair value of assets assigned to the Passoã SAS joint venture at the time of its creation with the Dutch spirits Group Lucas Bols NV on 1 December 2016. Under the terms of the agreements, Lucas Bols NV assumes the operational control and financial management of the joint venture. Consequently, this entity is not consolidated within Rémy Cointreau.

NOTE 8.4 SUB-LEASING ASSETS - IFRS 16

This sub-leasing asset is linked to the application of IFRS 16 and relates to an office lease in the United States (note **5**).

NOTE 8.5 LIQUIDITY ACCOUNT

Since the financial year ended 31 March 2006, Rémy Cointreau signed a liquidity agreement with a financial intermediary. This type of agreement does not qualify as "Cash and cash equivalents". Furthermore, the balance on the account corresponding to the value of Rémy Cointreau shares held under the agreement is reclassified as treasury shares as a deduction from consolidated equity (note **12.1**).

NOTE 9 INVENTORIES

Inventories are recognised when the risks and rewards of their ownership have passed to the Rémy Cointreau 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 counterparty to these inventories is generally recorded in trade payables.

Inventories are stated at the lower of cost and net realisable value.

A substantial part of the inventories held by the Rémy Cointreau Group consists of *eaux-de-vie* (cognac, brandy, rum, malt Scotch whisky) that are undergoing ageing. These inventories may be held for periods ranging from 3 to more than 70 years. They remain classified within current assets based on common industry practice.

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

Inventories that are undergoing ageing are valued at cost price, excluding finance costs. The latter are recognised in the income statement in the period in which they are incurred. Cost price includes the purchase price and incidental costs and is adjusted each year to include costs directly attributable to the ageing process as well as to reflect evaporation.

The approach used to determine realisable value takes into account the sale price of finished goods made from these inventories.

Finished goods inventories are stated at the lower of the cost price calculated using the weighted average cost method and net realisable value.

NOTE 9.1 BREAKDOWN BY CATEGORY

In €m	**2019**	**2018**
Raw materials	31.6	34.2
Ageing wines and *eaux-de-vie*[1]	1,103.4	1,044.7
Goods for resale and finished goods	114.4	94.8
Gross amount	**1,249.4**	**1,173.6**
Provision for impairment	(4.0)	(3.3)
Carrying amount	**1,245.5**	**1,170.3**

[1] *of which AFC inventories (March 2019: €298.7 million, March 2018: €276.2 million)* (note **1.7**)

As of 31 March 2019, some inventories were subject to agricultural warrants for €70.0 million (2018: €64.0 million).

NOTE 9.2 ANALYSIS OF CHANGE

In €m	**Gross amount**	**Impairment**	**Carrying amount**
Balance at 31 March 2018	**1,173.6**	**(3.3)**	**1,170.3**
Movement	69.6	(0.5)	69.1
Translation reserve	6.2	(0.1)	6.1
Balance at 31 March 2019	**1,249.4**	**(4.0)**	**1,245.5**

NOTE 10 TRADE AND OTHER RECEIVABLES

Trade receivables, which are generally collected within three months, are stated at nominal value.

In €m	**2019**	**2018**
Trade receivables	194.5	141.8
Receivables related to taxes and social charges (excl. income tax)	13.1	9.9
Sundry prepaid expenses	8.9	8.3
Advances paid	39.3	33.3
Receivables related to asset disposals	0.0	0.1
Other receivables	15.3	16.4
Total	**271.1**	**209.8**
Of which provision for doubtful debts	(2.3)	(2.3)

At 31 March 2019, the breakdown of trade receivables by maturity was as follows:

In €m	**Total**	**Current**	**Due**	
			Less than 3 months	**More than 3 months**
Trade receivables gross	**196.8**	**172.0**	**21.7**	**3.1**

The Group implemented factoring programmes during the year which had the effect of accelerating customer payments. These totalled €48.9 million at 31 March 2019 (2018: €49.0 million).

NOTE 11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise 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.

In the statement of cash flows, bank overdrafts are excluded from cash and cash equivalents and are included in short-term financial debt.

In €m	**2019**	**2018**
Short-term deposits	0.6	-
Cash at bank	178.0	186.8
Total	**178.6**	**186.8**

NOTE 12 SHAREHOLDERS' EQUITY

NOTE 12.1 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of shares	Treasury shares	Total number of shares	Share Capital	Share premium	Treasury shares
At 31 March 2018	**50,223,800**	**(220,297)**	**50,003,503**	**80.4**	**804.9**	**(20.5)**
Partial payment of dividend in shares	725,987	-	725,987	1.2	72.2	-
2015B bonus share plan	-	74,600	74,600	-	-	6.3
Share buyback plan	-	(1,000,000)	(1,000,000)	-	-	(103.6)
Cancellation of shares	(800,000)	800,000	-	(1.3)	(82.0)	83.3
Liquidity account	-	3,609	3,609	-	-	0.1
At 31 March 2019	**50,149,787**	**(342,088)**	**49,807,699**	**80.2**	**795.1**	**(34.4)**

Share capital and premium

At 31 March 2019, the share capital consisted of 50,149,787 shares with a par value of €1.60.

On 12 September 2018, 725,987 shares were issued following the option offered to shareholders to receive partial payment of the dividend in shares.

As part of a share buyback plan implemented between 1 August 2018 and 20 December 2018, Rémy Cointreau acquired 1,000,000 shares for a total sum of €103.6 million. The Board of Directors of Rémy Cointreau, meeting on 17 January 2019, decided to cancel 800,000 treasury shares through a capital reduction as a result of this share buyback plan.

Treasury shares

Treasury shares: Group investments in Rémy Cointreau shares are deducted from consolidated equity at their acquisition cost. These shares are generally held with the aim of serving bonus share plans or under a liquidity contract.

At 31 March 2019, Rémy Cointreau held 336,185 treasury shares intended to cover current or future bonus share plans and 5,903 treasury shares under the liquidity contract.

NOTE 12.2 NUMBER OF SHARES USED FOR THE CALCULATION OF EARNINGS PER SHARE

Basic earnings per share are calculated according to the weighted average number of shares in issue during the reporting period, less treasury shares.

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

	2019	2018
Average number of shares (basic):		
Average number of shares	50,451,656	50,033,464
Average number of treasury shares	(382,664)	(244,195)
Total used for calculating basic earnings per share	**50,068,992**	**49,789,269**
Average number of shares (diluted):		
Average number of shares (basic)	50,068,992	49,789,269
Dilution effect of bonus share plans	124,990	158,852
Dilution effect on OCEANE	2,486,675	2,486,675
Total used for calculating diluted earnings per share	**52,680,657**	**52,434,796**

NOTE 12.3 BONUS SHARE PLANS

Grant date (1)	Plan No.	Vesting period	Minimum retention period	Rights initially granted	Value of rights on grant date	Lapsed rights	Rights granted at the end of the vesting period	Rights outstanding at 31 March 2019
24 November 2015	2015B	3 years	2 years	88,800	66.64	14,200	74,600	-
22 November 2016	2016	3 years	2 years	73,600	77.44	6,900	-	66,700
21 November 2017	2017	3 years	2 years	50,900	111.40	4,100	-	46,800
17 January 2019	2019	4 years	-	57,450	101.00	-	-	57,450
Total				**270,750**		**25,200**	**74,600**	**170,950**

(1) The grant date is the date of the Board meeting which decided the allocations under each plan. The 2015B plan was authorised by the Combined Shareholders' Meeting of 24 July 2014. The 2016 and 2017 plans were authorised by the Combined Shareholders' Meeting of 26 July 2016, the 2019 plan by the Combined Shareholders' Meeting of 24 July 2018.

All plans are indexed plans (AGAI). The shares issued to beneficiaries at the end of the vesting period are subject to their continued employment with the Group. The number of shares will depend on the achievement of external and/or internal criteria.

2015B Plan: the maximum number of shares will be granted if the share price increases by 20% or more between 24 November 2015 and 23 November 2018, with a target price of €76.95. The Board of Directors will set the share delivery terms (delivery of treasury shares or creation of new shares) when deciding on the final allocation of the plan. At the reporting date, the plan was expected to be serviced in full by the delivery of shares held by Rémy Cointreau.

2016 Plan: The maximum number of shares will be granted if the overall performance of Rémy Cointreau stock (TSR – Total Shareholder Return) as at the end of the vesting period is superior to that of a panel of nine luxury goods and/or premium spirits companies. The Board of Directors will set the share delivery terms (delivery of treasury shares or creation of new shares) when deciding on the final allocation of the plan. At the reporting date, the plan was expected to be serviced in full by the delivery of shares held by Rémy Cointreau.

2017 Plan: The maximum number of shares will be granted if the overall performance of Rémy Cointreau stock (TSR – Total Shareholder Return) as at the end of the vesting period is superior to that of a panel of eight luxury goods and/or premium spirits companies. The Board of Directors will set the share delivery terms (delivery of treasury shares or creation of new shares) when deciding on the final allocation of the plan. At the reporting date, the plan was expected to be serviced in full by the delivery of shares held by Rémy Cointreau.

2019 Plan: 50% of the maximum number of shares will be granted if the overall performance of Rémy Cointreau stock (TSR – Total Shareholder Return) as at the end of the vesting period is superior to that of a panel of 10 luxury goods and/or premium spirits companies. 50% of the maximum number of shares will be granted if the current operating profit has reached the target set (target values defined for financial years 2019/20 to 2022/23). The Board of Directors will set the share delivery terms (delivery of treasury shares or creation of new shares) when deciding on the final allocation of the plan. At the reporting date, the plan was expected to be serviced in full by the delivery of shares held by Rémy Cointreau.

Calculation of the charge for the year

In accordance with IFRS 2, a charge representing the value of the benefit granted to the beneficiaries of these plans is recognised as operating profit, spread over the vesting period.

The fair value of the rights granted was calculated by independent actuaries.

In €m	Fair value per right (€)	Total value	2019 Charge
Plan 2015B	27.81	2.1	0.4
Plan 2016	51.12	3.4	1.1
Plan 2017	85.37	4.0	1.3
Plan 2019	82.58	4.7	0.2
Total		**14.2**	**3.1**

The charge recorded for the year ended 31 March 2018 was €2.7 million.

The social security charges relating to these plans are recorded under general expenses in accordance with the regulations in force on the grant date of the plans (plan 2015B: charges due on the grant date; plans 2016, 2017 and 2019: charges due on the vesting date provisioned prorata temporis over the vesting period).

NOTE 12.4 DIVIDENDS

The Shareholders' Meeting of 24 July 2018 approved the payment of an ordinary dividend of €1.65 per share for the year ended 31 March 2018, with an option for payment of the entire dividend in shares.

The dividend was paid out on 17 September and amounted to €82.5 million, of which €9.1 million in cash and €73.4 million in shares.

NOTE 12.5 NON-CONTROLLING INTERESTS

In €m	2019	2018
Minority interests in Mount Gay Distilleries	1.0	1.1
Total	**1.0**	**1.1**

NOTE 13 FINANCIAL DEBT

Financial resources are stated at nominal value net of costs incurred when arranging this financing. These costs are recognised in the income statement as finance costs using an actuarial calculation (the effective interest rate method), except for costs relating to the syndicated loan, which are amortised using the straight-line method over the term of the contract.

NOTE 13.1 NET FINANCIAL DEBT

	2019			2018		
In €m	Long term	Short term	Total	Long term	Short term	Total
Gross financial debt	423.8	98.1	521.9	397.1	72.5	469.6
Cash and cash equivalents (note **11**)	-	(178.6)	(178.6)	-	(186.8)	(186.8)
Net financial debt	**423.8**	**(80.5)**	**343.3**	**397.1**	**(114.3)**	**282.8**

The change in net financial debt over the financial year breaks down as follows:

	2018	Change in cash	Change due to exchange rates	IFRS 16 application and changes during the financial year	Amortisation of issue costs and premium	Amortisation of OCEANE Equity component	2019
Financial debt of more than one year	397.1	(0.5)	1.1	21.5	1.1	3.5	423.8
Financial debt of less than one year	72.5	17.7	0.6	7.3	-	-	98.1
Gross financial debt	**469.6**	**17.2**	**1.7**	**28.8**	**1.1**	**3.5**	**521.9**
Cash and cash equivalents	(186.8)	1.8	6.4	-	-	-	(178.6)
Net financial debt	**282.8**	**19.1**	**8.1**	**28.8**	**1.1**	**3.5**	**343.3**

NOTE 13.2 GROSS FINANCIAL DEBT BY TYPE

	2019			2018		
In €m	Long term	Short term	Total	Long term	Short term	Total
Private bond placement	79.8	-	79.8	79.8	-	79.8
Convertible bonds (OCEANE)	257.4	-	257.4	253.6	-	253.6
Drawdown on syndicated loan	-	-	-	-	-	-
Upfront fees on syndicated loan	(0.4)	-	(0.4)	(0.5)	-	(0.5)
Partner current account	-	40.0	40.0	-	60.0	60.0
Other financial debt and overdrafts	-	-	-	-	-	-
Accrued interest	-	0.8	0.8	-	1.2	1.2
Total Rémy Cointreau SA	**336.9**	**40.8**	**377.6**	**332.9**	**61.2**	**394.1**
Bonds	64.2	-	64.2	64.0	-	64.0
Other financial debt and overdrafts	0.2	0.6	0.8	0.2	2.3	2.5
Accrued interest	-	1.7	1.7	-	1.6	1.6
Borrowings by special *purpose entities*	-	47.2	47.2	-	7.3	7.3
Lease liabilities – IFRS 16 (note **5**)	22.6	7.7	30.3	-	-	-
Total subsidiaries	**86.9**	**57.3**	**144.2**	**64.2**	**11.3**	**75.4**
Gross financial debt	**423.8**	**98.1**	**521.9**	**397.1**	**72.5**	**469.6**

The total amount of confirmed resources available and their utilisation rate is detailed in the note on liquidity risk (note **16.6**).

NOTE 13.3 GROSS FINANCIAL DEBT BY MATURITY

In €m	Long term	Short term
Before 31 March 2020	-	98.1
13 August 2023	64.2	-
27 February 2025	79.8	-
2 July 2025	(0.4)	-
7 September 2026	257.4	-
Lease liabilities – IFRS 16 (note **5**)	22.6	-
Sundry other	0.2	
Total	**423.8**	**98.1**

NOTE 13.4 GROSS FINANCIAL DEBT BY TYPE OF RATES

	2019			2018		
In €m	Long term	Short term	Total	Long term	Short term	Total
Fixed interest rate	401.6	87.2	488.8	397.6	67.3	464.9
Variable interest rate	22.2	8.3	30.5	(0.5)	2.3	1.9
Accrued interest	-	2.5	2.5	-	2.9	2.9
Gross financial debt	**423.8**	**98.1**	**521.9**	**397.1**	**72.5**	**469.6**

	2019			2018		
In €m	Long term	Short term	Total	Long term	Short term	Total
Drawdown on syndicated loan	-	-	-	-	-	-
Upfront fees on syndicated loan	(0.4)	-	(0.4)	(0.5)	-	(0.5)
Lease liabilities – IFRS 16 (note **5**)	22.6	7.7	30.3	-	-	-
Other	-	0.6	0.6	-	2.3	2.3
Total variable-rate debt	**22.2**	**8.3**	**30.5**	**(0.5)**	**2.3**	**1.9**

Details of the interest rate hedging instruments held in the portfolio at the reporting date are provided in note **16**.

NOTE 13.5 GROSS FINANCIAL DEBT BY CURRENCY

	2019			2018		
In €m	Long term	Short term	Total	Long term	Short term	Total
Euro	406.1	92.3	498.4	397.1	70.4	467.5
US dollar	9.4	2.9	12.3	-	0.2	0.2
Chinese yuan	4.0	1.6	5.5	-	-	-
Hong Kong dollar	0.3	0.2	0.6	-	1.9	1.9
Other	4.0	1.1	5.1	-	-	-
Gross financial debt	**423.8**	**98.1**	**521.9**	**397.1**	**72.5**	**469.6**

NOTE 13.6 BONDS

Private bond placement

On 27 February 2015, Rémy Cointreau issued an €80.0 million bond in the form of a private placement with a leading European insurer. The bonds have a coupon of 2.945% with a ten-year maturity. This bond stood at €79.8 million at 31 March 2019, taking into account €0.2 million of issue expenses.

This contract is unsecured. Availability of the funds is subject to the A ratio (see Syndicated loan) remaining below 3.5 at each half year end for the duration of the contract.

Convertible bonds (OCEANE)

On 7 September 2016, as part of a private placement with institutional investors, Rémy Cointreau issued bonds with an option to convert to and/or exchange for new and/or existing shares (OCEANE), with a maturity date of 7 September 2026 and a nominal amount of €275 million, or 2,484,191 OCEANE with a par value of €110.70 each.

The par value of the OCEANE bonds incorporates an issue premium of 40% based on the reference price of the Company's shares on the Euronext Paris regulated market. OCEANE bondholders are entitled to new and/or existing Rémy Cointreau shares, at the conversion rate of one share per OCEANE, subject to potential subsequent adjustments exercisable on 7 September 2023. This conversion rate was increased to 1.001 share per OCEANE following the payment of the dividend of €1.65 per share on 4 September 2017.

The OCEANE bonds bear interest at a nominal annual rate of 0.125%, payable in arrears on 7 September each year.

The €24.9 million difference between the par value of the issue and its fair value on the issue date is recognised in equity.

Bonds with a par value of €65 million

On 13 August 2013, Financière Rémy Cointreau SA/NV issued a ten-year bond for the amount of €65 million, guaranteed by Rémy Cointreau SA. This bond stood at €64.2 million at 31 March 2019, taking into account €(0.8) million of issue premiums and expenses.

The bonds have a par value of €250,000 each and were issued at 97.977% of par (issue premium of 2.003%), bearing interest of 4% payable annually on 13 August. They will be redeemed at par at maturity on 13 August 2023.

This bond is not secured.

After taking the issue premium and expenses into account, the net proceeds from the bond were €63.2 million, putting the effective interest rate at 4.35%.

NOTE 13.7 SYNDICATED LOAN

On 2 July 2018, Rémy Cointreau took out a new syndicated loan of €100 million with a pool of six banking groups. This new syndicated loan has a maturity of five years (with an optional 2-year extension) and replaces the syndicated loan of €255 million maturing on 11 April 2019.

Amounts drawn down bear interest at EURIBOR plus a margin of 35 bps to 125 bps, depending on the Group's debt rating.

This facility is unsecured.

The availability of the facility is contingent on "Average net debt/ EBITDA" (the A ratio) being less than or equal to 4.0 at 30 September and 31 March of each year until maturity. At 31 March 2019, the ratio was 1.19 (September 2018: 1.21, March 2018: 1.48).

NOTE 14 PROVISIONS FOR RISKS AND LIABILITIES

The recognition of provisions, 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.

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 an outflow of resources for the benefit of the third party, without receipt of an at least equivalent consideration from the said third party. Provisions for restructuring are recognised only when 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 12 months, the amount of the provision is discounted to its present value, with the effects being recognised in net financial result.

NOTE 14.1 ANALYSIS OF CHANGE

In €m	**Restructuring**	**Litigation**	**Total**
At 31 March 2018	**2.1**	**19.0**	**21.1**
Increase	-	3.4	3.4
Reversals – Used	(2.0)	(4.5)	(6.5)
Reversals – Unused	-	(6.8)	(6.8)
Translation reserve	-	0.2	0.2
Reclassification to accrued expenses	-	(1.1)	(1.1)
At 31 March 2019	**0.1**	**10.3**	**10.4**

"Restructuring" covers costs for the restructuring, closure and/or transfer of sites in Germany. "Litigation" includes provisions set aside to cover trade, tax and employee-related disputes.

NOTE 14.2 MATURITY

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

In €m	**2019**	**2018**
Long-term provisions (or unknown maturity)	8.1	6.9
Short-term provisions	2.3	14.2
Total	**10.4**	**21.1**

NOTE 15 TRADE AND OTHER PAYABLES

Trade payables, which are generally settled within three months, are stated at nominal value.

In €m	**2019**	**2018**
Trade payables – eaux-de-vie	229.8	284.1
Other trade payables	101.0	78.6
Advances from customers	2.1	2.2
Payables related to tax and social charges (excl. income tax)	68.0	60.6
Excise duties	3.9	3.1
Advertising expenses payable	75.5	44.3
Miscellaneous deferred income	3.9	2.5
Other liabilities	59.6	42.0
Total	**543.8**	**517.3**

The increase in "Advertising expenses payable" includes around €32.9 million due to the application of IFRS 15, which now requires certain types of expenses to be deducted from net sales at the time of the sale instead of at the time of the expenditure as previously done (see note **1**).

NOTE 16 FINANCIAL INSTRUMENTS AND MARKET RISKS

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 these 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.

Financial assets and liabilities are measured in accordance with IFRS 9 "Financial Instruments: Recognition and Measurement", as approved by the European Union on 19 November 2004 and its subsequent amendments.

The Group makes extensive use of derivative financial instruments as part of its policy of 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 IFRS 9.

Derivative instruments are stated at market value as at the balance sheet date. Market values are calculated using an external valuation model, and compared with those obtained from counterparty banks. Changes in the value of currency derivatives 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 result for any residual change in fair value of the hedging instruments and the change in fair value of the non-hedging instruments.

NOTE 16.1 BREAKDOWN OF FINANCIAL INSTRUMENTS BY CATEGORY

The following tables show the financial instruments recorded in the statement of financial position, analysed by the measurement categories defined in IFRS 9.

AT 31 MARCH 2019

In €m	*Notes*	**Carrying amount**	**Fair value**	**Loans and receivables at amortised cost**	**Fair value through profit or loss** (1)	**Fair value through OCI**	**Hedging instruments**
Non-current financial assets	*8*	93.9	93.9	4.3	75.2	14.4	-
Derivative financial instruments	*16*	1.8	1.8	-	0.7	-	1.1
Cash and cash equivalents	*11*	178.6	178.6	-	178.6	-	-
ASSETS		**544.4**	**544.4**	**274.4**	**254.5**	**14.4**	**1.1**
Long-term financial debt	*13*	423.8	423.8	423.8	-	-	-
Short-term financial debt and accrued interest charge	*13*	98.1	98.1	98.1	-	-	-
Derivative financial instruments	*16*	10.1	10.1	-	1.7	-	8.3
LIABILITIES		**1,075.7**	**1,075.7**	**1,065.7**	**1.7**	**-**	**8.3**

(1) These financial instruments belong to the "held for trading" category.

AT 31 MARCH 2018

In €m	*Notes*	Carrying amount	Fair value	Loans and receivables at amortised cost	Fair value through profit or loss	Fair value through OCI	Hedging instruments
Non-current financial assets	*8*	166.2	166.2	90.1	74.6	1.5	-
Derivative financial instruments	*16*	10.0	10.0	-	1.0	-	9.0
Cash and cash equivalents	*11*	186.8	186.8	-	186.8	-	-
ASSETS		**572.7**	**572.7**	**299.9**	**262.4**	**1.5**	**9.0**
Long-term financial debt	*13*	397.1	397.1	397.1	-	-	-
Short-term financial debt and accrued interest charge	*13*	72.5	72.5	72.5	-	-	-
Derivative financial instruments	*16*	2.0	2.0	-	1.0	-	1.0
LIABILITIES		**988.9**	**988.9**	**986.9**	**1.0**	**-**	**1.0**

NOTE 16.2 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. More 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 that use a currency other than the euro.

The Group's hedging policy only allows 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 net sales and margins.

NOTE 16.3 BREAKDOWN OF FINANCIAL INSTRUMENTS (INTEREST AND FOREIGN EXCHANGE RATES)

In €m	2019	2018
Assets		
Interest rate derivatives	-	-
Exchange rate derivatives	1.8	10.0
Total	**1.8**	**10.0**
Liabilities		
Interest rate derivatives	-	-
Exchange rate derivatives	10.1	2.0
Total	**10.1**	**2.0**

NOTE 16.4 INTEREST RATE DERIVATIVES

At 31 March 2019, the Group had no interest rate derivatives in its portfolio.

NOTE 16.5 EXCHANGE RATE DERIVATIVES

The Group uses options and 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 SA, which centralises the Group's financing needs, and its subsidiary Financière Rémy Cointreau make intra-Group loans and borrowings denominated in the counterparty's currency. The Group uses back-to-back currency swaps to match these loans and borrowings. The maturity of such transactions ranges from one month to one year.

Breakdown of all currency hedging instruments in the portfolio at 31 March 2019:

(€ million)	**Nominal** [1]	**Initial value**	**Market value**	**of which CFH** [2]	**of which Trading** [2]
Put options and tunnel options					
Seller USD (vs. EUR)	169.2	3.4	0.2	0.2	-
Other currencies (vs. EUR)	36.2	1.0	0.3	0.3	-
	205.4	**4.4**	**0.4**	**0.4**	**-**
Forward sales					
Seller USD (vs. EUR)	164.8	-	(5.8)	(5.8)	-
Other currencies (vs. EUR)	73.8	-	(1.8)	(1.8)	-
	238.6	**-**	**(7.6)**	**(7.6)**	**-**
Purchase/(sale) of currency swaps (operating activities)[3]					
Seller USD (vs. EUR)	(64.3)	-	(0.1)	-	(0.1)
Other currencies (vs. EUR)	(24.6)	-	(0.1)	-	(0.1)
	(89.0)	**-**	**(0.2)**	**-**	**(0.2)**
Purchase/(sale) of currency swaps (financing activities)[3]					
Seller USD (vs. EUR)	(75.3)	-	(1.3)	-	(1.3)
Other currencies (vs. EUR)	(62.2)	-	0.3	-	0.3
	(137.5)	**-**	**(1.0)**	**-**	**(1.0)**
Total	**217.5**	**4.4**	**(8.3)**	**(7.2)**	**(1.1)**

[1] Nominal amount in foreign currency translated at the closing rate

[2] Fair value hedge; Cash flow hedge;

Trading: held for trading

[3] Difference between closing rate and forward rate

Breakdown of all currency hedging instruments in the portfolio at 31 March 2018:

(€ million)	**Nominal** [1]	**Initial value**	**Market value**	**of which CFH** [2]	**of which Trading** [2]
Put options and tunnel options					
Seller USD (vs. EUR)	146.1	3.1	5.0	5.0	-
Other currencies (vs. EUR)	53.2	1.2	0.6	0.6	-
	199.3	**4.3**	**5.6**	**5.6**	**-**
Forward sales					
Seller USD (vs. EUR)	93.4	-	1.7	1.7	-
Other currencies (vs. EUR)	63.5	-	0.6	0.6	-
	156.9	**-**	**2.3**	**2.3**	**-**
Purchase/(sale) of currency swaps (operating activities)[3]					
Seller USD (vs. EUR)	(62.4)	-	(0.6)	-	(0.6)
Other currencies (vs. EUR)	(35.6)	-	(0.1)	-	(0.1)
	(98.0)	**-**	**(0.7)**	**-**	**(0.7)**
Purchase/(sale) of currency swaps (financing activities)[3]					
Seller USD (vs. EUR)	(74.7)	-	0.7	-	0.7
Other currencies (vs. EUR)	(36.2)	-	0.1	-	0.1
	(111.0)	**-**	**0.8**	**-**	**0.8**
Total	**147.2**	**4.3**	**8.1**	**7.9**	**0.1**

[1] Nominal amount in foreign currency translated at the closing rate

[2] Fair value hedge; Cash flow hedge; Trading: held-for-trading

[3] Difference between closing rate and forward rate

Sensitivity to foreign exchange risk

Taking into account the hedges in place, a 10% increase or decrease in the EUR/USD exchange rate would have the following impact, with the impact on net profit/(loss) arising mainly from the ineffective portion hedging future flows:

	2019		**2018**	
	US dollar sensitivity		**US dollar sensitivity**	
Benchmark value	1.1229		1.2319	
	+ 10%	- 10%	+ 10%	- 10%
EUR/USD rate	1.24	1,01	1.36	1.11
Net profit/(loss) for the period	(1.9)	2.0	(3.6)	0.8
Equity excluding net profit/(loss)	(13.6)	12.7	13.8	(9.0)
Change in value of financial instruments	(15.1)	11.9	24.2	(23.0)
Nominal amount at balance sheet date:				
• USD instruments in the portfolio	245.1	299.6	161.0	196.8
• USD receivables potentially exposed	85.5	104.6	86.3	105.5

NOTE 16.6 LIQUIDITY RISK

In accordance with IFRS 7, liabilities are stated at their carrying amount at the balance sheet date excluding discounting effects. The amounts drawn down on credit lines in the year ended 31 March 2019 are assumed to be carried forward until the maturity of each of the corresponding facilities. The corresponding interest expense is calculated using the parameters known at the balance sheet date. For 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 market conditions prevailing at the balance sheet date.

Liquidity risk stems mainly from the availability of financial resources.

The majority of the Group's activities are characterised by high levels of capital employed, particularly inventories undergoing ageing. Rémy Cointreau continuously monitors the balance of its financial structure, prioritises long-term resources and combines fixed- rate and variable-rate resources. Refinancing is systematically prepared for those resources reaching maturity. The Group obtains its financing from leading financial institutions.

The following table shows the contractual maturity profile of disbursements relating to financial liabilities recognised as of 31 March 2019.

In €m	**Before 31 March 2020**	**Before 31 March 2021**	**Before 31 March 2022**	**Before 31 March 2023**	**Beyond**	**Total**
Financial debt and accrued interest	90.5	-	-	-	420.0	510.5
Trade and other payables	543.8	-	-	-	-	543.8
Liabilities recognised at 31 March 2019	**634.3**	**-**	**-**	**-**	**420.0**	**1,054.3**
Future interest on financial debt	5.7	5.3	5.3	5.3	6.7	28.2
TOTAL DISBURSEMENTS	**640.0**	**5.3**	**5.3**	**5.3**	**426.7**	**1,082.5**

The confirmed resources and their availability are as follows (see also note **13 for** the description of financial debt):

In €m	**2019**	**2018**
Fixed-rate resources	460.0	480.0
Variable-rate resources	100.0	255.0
Total	**560.0**	**735.0**
Long-term	520.0	675.0
Short-term	40.0	60.0
Total	**560.0**	**735.0**
Availability subject to compliance with the A ratio	180.0	335.0
Available with no ratio restrictions	380.0	400.0
Total	**560.0**	**735.0**
Unused at 31 March	100.0	255.0
Unused at 31 March as % of available resources	18%	35%

The availability of some financing is contingent upon achieving the “A ratio” (average net debt/EBITDA). This is calculated every six months and must be below 3.50 for the private bond placement (note 13.6**)** and below 4.0 for the new syndicated loan (note **13.7**). The A ratio was 1.19 at 31 March 2019. The Group is confident in its ability to maintain this ratio in the short, medium and long-term, and in its ability to renew financing that is due to reach maturity in the coming years.

The Group’s rating by specialised agencies is reviewed annually. At 31 March 2019: Standard & Poor’s awarded a “BBB-, outlook stable” rating and Moody’s a “Baa3, outlook stable” rating.

NOTE 17 SEGMENT REPORTING

Breakdown by sector

As required by IFRS 8, the Rémy Cointreau Group provides an analysis by business segment and geographic area of certain items of its consolidated financial statements.

A) Business segment

The segments to be presented are those operating segments for which separate financial information is available internally and which are used by the “main operational decision-maker” to make operational decisions. Rémy Cointreau’s main operational decision-maker is the Executive Committee. This committee reviews operational performances and allocates resources based on the financial data analysed for the Rémy Martin, Liqueurs & Spirits and Partner Brands businesses. Consequently, the Group has identified these businesses as the operating segments to be presented. In addition, a holding segment includes the central expenses that are not allocated to the various divisions.

The main brands in the “Liqueurs & Spirits” segment are Cointreau, Metaxa, St-Rémy, Mount Gay, Bruichladdich, The Botanist, Westland and Domaine des Hautes Glaces.

The “Partner Brands” business includes brands which are not controlled by the Group and those whose production is not carried out wholly by the Group. These brands are distributed using the Group’s distribution network in the framework of fixed-term agreements.

Information given by business segment is identical to that presented to the Executive Committee.

B) Geographic area

Net sales by geographic area are analysed based on the destination of the goods sold. Items in the statement of financial position are analysed based on the geographic area of the entities reporting them.

The geographic areas covered are: Europe/Middle-East/Africa, Americas, Asia-Pacific. The Asia-Pacific area includes Asia, Australia and New Zealand.

NOTE 17.1 BUSINESSES

Note 17.1.1 Breakdown of net sales and current operating profit/(loss)

	Net sales		Current operating profit/(loss)	
In €m	**2019**	**2018**	**2019**	**2018**
Rémy Martin	774.4	760.0	235.6	204.4
Liqueurs & Spirits	264.4	266.8	38.8	42.8
Group brands subtotal	**1,038.8**	**1,026.8**	**274.4**	**247.2**
Partner Brands	87.2	100.2	4.9	5.3
Holding	-	-	(15.2)	(15.7)
Total	**1,125.9**	**1,127.0**	**264.1**	**236.8**

There are no intra-segment sales.

Impact of the new IFRS standards on the breakdown of net sales and current operating profit/(loss) by business line

In €m	2019 re-ported	Cancelation of IFRS 15 impact	2019 proforma	2019 re-ported	Cancelation of IFRS 16 impact	2019 proforma
Rémy Martin	774.4	77.6	851.9	235.6	-	235.6
Liqueurs & Spirits	264.4	12.2	276.6	38.8	-	38.8
Group brands subtotal	**1,038.8**	**89.8**	**1,128.6**	**274.4**	**-**	**274.4**
Partner Brands	87.2	0.8	87.9	4.9	-	4.9
Holding	-	-	-	(15.2)	(0.6)	(15.8)
Total	**1,125.9**	**90.5**	**1,216.5**	**264.1**	**(0.6)**	**263.6**

Note 17.1.2 Breakdown of the statement of financial position

AT 31 MARCH 2019

In €m	Rémy Martin	Liqueurs & Spirits	Partner Brands	Unallocated	Total
Non-current assets	430.7	378.6	2.7	112.5	924.4
Current assets	1,289.9	173.3	39.8	16.9	1,519.9
Derivative financial instruments	-	-	-	1.8	1.8
Cash and cash equivalents	-	-	-	178.6	178.6
Total assets	**1,720.5**	**551.9**	**42.4**	**309.7**	**2,624.6**
Shareholders' equity	-	-	-	1,426.1	1,426.1
Financial debt and accrued interest	-	-	-	521.9	521.9
Provisions for liabilities and charges	24.5	8.0	1.8	7.5	41.9
Deferred and current tax assets	-	-	-	80.8	80.8
Trade and other payables	442.0	61.6	21.4	18.8	543.8
Derivative financial instruments	-	-	-	10.1	10.1
Total equity and liabilities	**466.5**	**69.7**	**23.2**	**2,065.2**	**2,624.6**
Right of use, brands and other intangible assets not included in the basis of calculation of return on capital employed (ROCE)	254.1	270.2	2.4	-	526.7
ROCE basis of calculation	**999.9**	**212.1**	**16.8**		**1,228.8**

AT 31 MARCH 2018

In €m	Rémy Martin	Liqueurs & Spirits	Partner Brands	Unallocated	Total
Non-current assets	396.9	355.1	0.4	206.2	958.6
Current assets	1,182.5	146.4	37.1	19.0	1,385.0
Derivative financial instruments	-	-	-	10.0	10.0
Assets held for sale	-	-	-	1.3	1.3
Cash and cash equivalents	-	-	-	186.8	186.8
Total assets	**1,579.4**	**501.5**	**37.5**	**423.2**	**2,541.6**
Shareholders' equity	-	-	-	1,408.3	1,408.3
Financial debt and accrued interest	-	-	-	469.6	469.6
Provisions for liabilities and charges	27.2	9.7	2.9	13.9	53.7
Deferred and current tax assets	-	-	-	90.7	90.7
Trade and other payables	431.2	54.8	18.2	13.2	517.3
Derivative financial instruments	-	-	-	2.0	2.0
Total equity and liabilities	**458.4**	**64.5**	**21.1**	**1,997.6**	**2,541.6**
Brands and other intangible assets not included in the basis of calculation of Return on Capital Employed (ROCE)	236.3	259.3	-	-	495.6
ROCE basis of calculation	**884.7**	**177.7**	**16.4**		**1,078.8**

Note 17.1.3 Return on Capital Employed (ROCE)

Return on capital employed is measured using the following indicators:

- Current operating profit by activity (note **17.1.1**);
- Breakdown of the statement of financial position by activity, excluding certain intangibles (note **17.1.2**).

Current operating profit/(loss) and capital employed are identified by business on an analytical basis. Profit and capital employed of the distribution network and holding businesses are allocated on a pro-rata basis according to net sales and current inventory.

Return on capital employed is a key indicator for the Group's management. It is one of the key performance indicators for each business.

AT 31 MARCH 2019

In €m	Capital employed	Current operating profit/(loss)	%
Rémy Martin	999.9	235.6	23.6%
Liqueurs & Spirits	212.1	38.8	18.3%
Sub-total Group brands	**1,212.0**	**274.4**	**22.6%**
Partner Brands	16.8	4.9	29.3%
Holding	-	(15.2)	-
Total	**1,228.8**	**264.1**	**21.5%**

Impact of new IFRS on return on capital employed

AT 31 MARCH 2019 Proforma

In €m	2019 ROCE reported	Cancelation of IFRS 15 and IFRS 16 impact	2019 ROCE proforma
Rémy Martin	23.6%	-0.8%	22.8%
Liqueurs & Spirits	18.3%	0.0%	18.3%
Sub-total Group brands	**22.6%**	**-0.6%**	**22.0%**
Partner Brands	29.3%	0.0%	29.3%
Holding	-	-	-
Total	**21.5%**	**-0.6%**	**20.9%**

The impact of IFRS 15 relates to the restatement of advertising expenses payable (see note **15**). This totals €32.9 million and concerns the Rémy Martin category. The impact of IFRS 16, relating to the restatement of leases, has a €0.6 million impact on current operating profit and relates to the Holding category.

AT 31 MARCH 2018

In €m	Capital employed	Current operating prof-it/(loss)	%
Rémy Martin	884.7	204.4	23.1%
Liqueurs & Spirits	177.7	42.8	24.1%
Sub-total Group brands	**1 062,4**	**247.2**	**23.3%**
Partner Brands	16.4	5.3	32.6%
Holding	-	(15.7)	-
Total	**1 078,8**	**236.8**	**21.9%**

Note 17.1.4 Capital expenditure and depreciation expense

	Capital expenditure and acquisition of property, plant and equipment and intangible assets		Depreciation and amortisation of property, plant and equipment and intangible assets	
In €m	**2019**	**2018**	**2019**	**2018**
Rémy Martin	32.8	21.1	15.1	13.6
Liqueurs & Spirits	16.6	15.5	8.3	7.7
Partner Brands	0.1	0.1	0.1	0.2
Total	**49.5**	**36.7**	**23.5**	**21.6**

NOTE 17.2 GEOGRAPHIC AREAS

Net sales

	2019	2018
Europe/Middle-East/Africa	311.9	342.3
Americas	467.8	435.8
Asia-Pacific	346.3	348.9
Total	**1 125,9**	**1,127.0**

Impact of the new IFRS standards on the breakdown of net sales by geographic area

	2019 reported	Cancelation of IFRS 15 im-pact	2019 proforma
Europe/Middle-East/Africa	311.9	17.4	329.3
Americas	467.8	6.6	474.4
Asia-Pacific	346.3	66.5	412.8
Total	**1 125,9**	**90.5**	**1 216,5**

Balance sheet

AT 31 MARCH 2019

In €m	Europe/Middle-East/Africa	Americas	Asia-Pacific	Unallocated	**Total**
Non-current assets	783.2	101.7	39.5	-	924.4
Current assets	1,269.5	109.1	141.3	-	1,519.9
Derivative financial instruments	-	-	-	1.8	1.8
Cash and cash equivalents	-	-	-	178.6	178.6
Total assets	**2,052.6**	**210.8**	**180.8**	**180.4**	**2,624.6**
Shareholders' equity	-	-	-	1,426.1	1,426.1
Financial debt and accrued interest	-	-	-	521.9	521.9
Provisions for liabilities and charges	41.0	-	0.9	-	41.9
Deferred and current tax liability	69.3	0.3	11.2	-	80.8
Trade and other payables	382.3	46.8	114.6	-	543.8
Derivative financial instruments	-	-	-	10.1	10.1
Liabilities held for sale	-	-	-	-	-
Total equity and liabilities	**492.7**	**47.1**	**126.7**	**1,958.1**	**2,624.6**

AT 31 MARCH 2018

In €m	Europe/Middle-East/Africa	Americas	Asia-Pacific	Unallocated	**Total**
Non-current assets	857.7	81.4	19.4	-	958.6
Current assets	1,186.4	90.3	108.3	-	1,385.0
Derivative financial instruments	-	-	-	10.0	10.0
Assets held for sale	1.3	-	-	-	1.3
Cash and cash equivalents	-	-	-	186.8	186.8
Total assets	**2,045.4**	**171.8**	**127.7**	**196.7**	**2,541.6**
Shareholders' equity	-	-	-	1,408.3	1,408.3
Financial debt and accrued interest	-	-	-	469.6	469.6
Provisions for liabilities and charges	50.3	-	3.5	-	53.7
Deferred and current tax assets	82.6	0.3	7.7	-	90.7
Trade and other payables	410.3	46.2	60.9	-	517.3
Derivative financial instruments	-	-	-	2.0	2.0
Liabilities held for sale	-	-	-	-	-
Total equity and liabilities	**543.2**	**46.5**	**72.1**	**1,879.8**	**2,541.6**

Capital expenditure and depreciation and amortisation expense

In €m	Capital expenditure and acquisition of property, plant and equipment and intangible assets		Depreciation and amortisation of property, plant and equipment and intangible assets	
	2019	**2018**	**2019**	**2018**
Europe/Middle-East/Africa	40.3	24.8	17.7	16.5
Americas	5.5	9.9	3.5	3.3
Asia-Pacific	3.7	2.0	2.3	1.7
Total	**49.5**	**36.7**	**23.5**	**21.6**

NOTE 18 ANALYSIS OF OPERATING EXPENSES BY TYPE

Distribution costs comprise advertising and promotion expenses, commission income or expenses, ordinary write downs of inventories and trade receivables and the overheads of the Group distribution companies.

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

Other income and expenses correspond to the profit generated by peripheral activities.

In €m	**2019**	**2018**
Personnel costs	(197.9)	(184.6)
Advertising and promotion expenses	(182.2)	(264.7)
Depreciation, amortisation and impairment of non-current assets	(30.3)	(21.5)
Other expenses	(102.4)	(110.4)
Expenses allocated to inventories and production costs	65.9	56.9
Total	**(447.0)**	**(524.4)**
Of which:		
Distribution costs	(346.3)	(432.7)
Administrative expenses	(100.7)	(91.7)
Total	**(447.0)**	**(524.4)**

Personnel costs consist of the following:

In €m	**2019**	**2018**
Salaries and social charges	(180.8)	(170.6)
Pension and other similar benefits	(6.9)	(7.0)
Employee profit-sharing	(7.1)	(4.4)
Share-based payments	(3.1)	(2.7)
Total	**(197.9)**	**(184.6)**

Impact of the new IFRS standards on the breakdown of operating expenses by type

In €m	2019 reported	Cancelation of IFRS 15 impact	Cancelation of IFRS 16 impact	2019 profor-ma
Personnel costs	(197.9)	-	-	(197.9)
Advertising and promotion expenses	(182.2)	(101.9)	-	(284.1)
Depreciation, amortisation and impairment of non-current assets	(30.3)	-	6.9	(23.5)
Other expenses	(102.4)	(16.1)	(7.5)	(126.0)
Expenses allocated to inventories and production costs	65.9	-	-	65.9
Total	**(447.0)**	**(118.0)**	**(0.6)**	**(565.6)**
Of which:				
Distribution costs	(346.3)	(118.0)	-	(464.3)
Administrative expenses	(100.7)	-	(0.6)	(101.3)
Total	**(447.0)**	**(118.0)**	**(0.6)**	**(565.6)**

NOTE 19 NUMBER OF EMPLOYEES

The number of employees is stated at the reporting date and covers all fully consolidated companies.

	2019	2018
France	719	704
Europe (outside France) – Africa	375	384
Americas	380	377
Asia-Pacific	434	396
Total	**1 908**	**1 861**

NOTE 20 OTHER OPERATING INCOME AND EXPENSES

“Other operating income and expenses” include 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 notably include impairment provisions in respect of brands and other non-current assets recognised as a result of impairment tests, provisions for restructuring and litigation, and significant gains and losses on the sale of assets other than those relating to operations that have already been, or are to be, discontinued (see note **1.6**).

In €m	2019	2018
Disposal of non-strategic assets	2.1	-
Impairment of Mount Gay goodwill, brand and distribution rights	-	(11.8)
Provision for network restructuring costs	-	(2.5)
Costs related to the acquisition of Westland and Domaine des Hautes Glaces	-	(0.0)
Provision for disputes relating to distribution contracts	-	0.2
Other	(0.5)	0.4
Total	**1.7**	**(13.7)**

NOTE 21 FINANCIAL RESULT

NOTE 21.1 NET BORROWING COST BY TYPE

In €m	**2019**	**2018**
Bonds	(2.8)	(2.8)
Convertible bonds (OCEANE)	(4.2)	(4.1)
Private bond placement	(2.4)	(2.4)
Syndicated loan and unconfirmed lines	(1.0)	(1.7)
Partner current account	(0.3)	(0.8)
Finance costs of special purpose entities	(2.0)	(2.5)
Net effect of accretion of lease liabilities – IFRS 16 (note **5**)	(1.0)	-
Other financial expense	0.0	(0.2)
Cost of gross financial debt	**(13.7)**	**(14.5)**
Interest income	0.0	0.0
Cost of net financial debt	**(13.7)**	**(14.4)**

Income from IFRS 16 sub-leases totalled €0.1 million and is presented in the item “Net effect of accretion of lease liabilities under IFRS 16”.

Financial debt is described in note **13**.

NOTE 21.2 OTHER FINANCIAL INCOME/(EXPENSE)

The amount presented in currency gains and losses mainly includes the currency gains and losses from financing transactions. Currency gains/(losses) from operations are recognised in gross profit (note **1.4**).

In €m	**2019**	**2018**
Currency gains	-	-
Vendor loan – interest accrued and revaluation (note **8.2**)	-	4.7
Other financial income	**-**	**4.7**
Currency losses	(4.0)	(2.9)
Other financial expenses of special *purpose entities*	(8.5)	(8.4)
Vendor loan – interest accrued and revaluation (note **8.2**)	(5.2)	-
Other	(1.1)	(1.0)
Other financial expense	**(18.8)**	**(12.3)**
Other financial income/(expense)	**(18.8)**	**(7.6)**

The item “Vendor loan – interest accrued and revaluation” relates to the loan granted at the time of the disposal of the Champagne division. These loans are described in note **8.2**.

Currency gains/(losses) from operations are recognised in gross profit.

IFRS 9 “Financial Instruments” was first applied on 1 April 2018 (note **1**). Without the application of this standard, an expense of €3.7 million would have been recognised in currency gains/(losses), corresponding to the “ineffective” portion of the change in the fair value of the currency hedging portfolio recognised at the end of the period (IAS 39). Since IFRS 9, this impact is now recognised in shareholders’ equity. IAS 39 was applied for the financial year ended 31 March 2018. The transition from IAS 39 to IFRS 9 does not require the restatement of comparative periods.

In €m	**2019**	**2018**
Ineffective portion of currency hedges	0.2	2.1
Other	(4.2)	(4.9)
Currency gains/(losses)	**(4.0)**	**(2.9)**

NOTE 22 INCOME 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 values used for taxation purposes in the accounts of the consolidated entities.

Deferred tax is calculated at the statutory tax rates that are expected to be in effect when timing differences reverse, which is generally the tax rate for the current reporting period or that of the subsequent reporting period, if known. The effects of changes in tax rates are included in the income tax expense 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, most often resulting from goodwill on acquisition, and their value for taxation purposes, which is generally nil.

As required by IAS 12, a deferred tax liability is recognised on the difference between the carrying amount and the tax value of shares 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 reporting date.

Tax savings from tax losses carried forward are recognised as deferred tax assets and written down according to the probability of these losses later being utilised.

NOTE 22.1 NET INCOME TAX EXPENSE

In €m	**2019**	**2018**
Current tax (expense)/income	(71.6)	(61.9)
Deferred tax (expense)/income	3.9	8.4
Income tax	**(67.7)**	**(53.5)**
Effective published tax rate	-29.0%	-26.6%
Effective tax rate excl. non-recurring items	-28.5%	-29.7%

In the previous financial year, the change in tax rate in the United States and the 2018 French Finance Act had resulted in a remeasurement of deferred taxes, leading to the recognition of a net deferred tax asset for €5.7 million. The repayment of the 3% contribution on distribution of cash dividends generated tax income of €7.0 million, while a €2.3 million charge was recognised in respect of the exceptional corporate tax contribution in France.

These impacts are adjusted in the calculation of the effective tax rate excluding non-recurring items and of the net profit/loss excluding non-recurring items (note **24**).

NOTE 22.2 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 expenses of companies with taxable income against losses incurred by other subsidiaries. The resulting tax saving is recognised in the year of offset.

NOTE 22.3 ANALYSIS OF ORIGIN AND BREAKDOWN OF DEFERRED TAXES

In €m	2019	2018
Breakdown by type		
Pension provisions	9.6	10.1
Regulated provisions	(29.0)	(26.7)
Other provisions	4.0	4.3
Brands	(75.2)	(77.3)
Non-current assets	(3.8)	(4.5)
Convertible bonds (OCEANE)	(3.3)	(4.6)
Margins on inter-company inventories	22.1	22.1
Losses carried forward	0.2	1.3
Financial instruments	4.0	(1.2)
Other timing differences	26.5	15.2
Net liability	**(44.9)**	**(61.3)**
Breakdown by tax Group		
Tax Group – France	(52.0)	(67.4)
Tax Group – United States	1.1	2.6
Other	6.0	3.5
Net liability	**(44.9)**	**(61.3)**
Deferred tax asset	17.5	19.7
Deferred tax liability	(62.4)	(81.0)
Net liability	**(44.9)**	**(61.3)**

NOTE 22.4 TAX LOSSES AND CAPITAL LOSSES CARRIED FORWARD

As at 31 March 2019, tax losses carried forward totalled €15.6 million (2018: €18.6 million). The potential tax saving arising from the use of these losses is €2.4 million (2018: €3.3 million). On these losses, the Group recognised a net asset of €0.2 million, which it plans to recover by March 2021.

NOTE 22.5 TAX RECONCILIATION

At 31 March 2019, income tax expense amounted to €67.7 million. The difference compared to the theoretical tax expense based on the French statutory rate (34.43%) breaks down as follows:

In €m	2019	2018
Theoretical income tax	(80.3)	(69.2)
Actual tax charge	(67.7)	(53.5)
Difference	**12.7**	**15.7**
Permanent differences between consolidated profit and taxable profit	(3.2)	(4.7)
Use of tax losses or timing differences not previously recognised	1.2	1.5
Unused losses from subsidiaries that are loss-making from a tax point of view	(0.9)	(1.9)
Difference in tax rates applicable to foreign subsidiaries	15.9	16.3
Adjustment to the tax charge for prior years	(0.3)	(5.9)
Impact of tax rate changes on the deferred taxes in France and the USA	-	5.8
3% contribution on distribution of cash dividends and refund	-	7.0
Exceptional corporate tax contribution in France	-	(2.3)
Total	**12.7**	**15.7**

NOTE 23 NET PROFIT/(LOSS) FROM DECONSOLIDATED OR 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 as “Assets held for sale” or “Liabilities 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 has been deconsolidated or sold during the reporting period or classified as assets held for sale:

- each line of the contribution to the result of said company or business for the current period and for comparison periods is reclassified as “Net profit/(loss) from deconsolidated and discontinued operations”. A similar reclassification is made in the statement of cash flows by using: “Impact of deconsolidated and discontinued operations” for operating and investment cash flows;
- when the disposal is still in progress at the reporting date, any difference between the carrying amount of the assets in question and the estimated market value, net of disposal expenses and tax, if negative, is recognised as “Net profit/(loss) from deconsolidated and discontinued operations”;
- the profit generated by the disposal, net of transaction costs and tax, is also recognised under “Net profit/(loss) from deconsolidated and discontinued operations”. In the statement of cash flows, a distinction is made between the cash received as consideration for the sale net of transaction costs, classified as cash flow from investments, and any impact of the deconsolidation of the cash held by the entity sold, classified as cash flow from financing activities.

Direct costs associated with the disposal in progress and which are irrevocably incurred at the balance sheet date are recognised under “Net profit/(loss) from deconsolidated and discontinued operations”. A similar reclassification is made in the statement of cash flows by using: “Impact of deconsolidated and discontinued operations” for investment cash flows.

No net profit/(loss) from discontinued operations was recognised for the periods presented.

NOTE 24 NET PROFIT/(LOSS) EXCLUDING NON-RECURRING ITEMS

Net profit/(loss) excluding non-recurring items corresponds to the net profit/(loss) for the period adjusted to reflect the other operating income and expenses described in note **18**, the related tax effects, the profit/(loss) from discontinued operations and the contribution on the distribution of cash dividends.

NOTE 24.1 RECONCILIATION WITH NET PROFIT/LOSS

Net profit/(loss) excluding non-recurring items attributable to owners of the parent is reconciled with net profit/(loss) attributable to owners of the parent as follows:

In €m	2019	2018
Net profit/(loss) – attributable to owners of the parent	**159.2**	**148.2**
Profit/(loss) recorded under “Other operating income and expenses” (note **20**)	(1.7)	13.7
Tax on “Other operating income and expenses	2.0	0.2
Expense on vendor loan (note **8.2**)	5.2	-
Income tax associated with expense on vendor loan	(1.8)	-
Impact of tax rate changes on the deferred taxes in France and the USA (tax)	-	(5.8)
3% contribution on distribution of cash dividends and refund (Tax)	-	(7.0)
Exceptional corporate tax contribution in France (tax)	-	2.3
Loss on Diversa securities and related expenses (note **7.2**)	7.0	-
Other	-	(0.3)
Net profit/(loss) excluding non-recurring items – attributable to owners of the parent	**169.9**	**151.3**

NOTE 24.2 NET EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS – ATTRIBUTABLE TO OWNERS OF THE PARENT

In €m	*Notes*	2019	2018
Net profit/(loss) excluding non-recurring items			
• attributable to owners of the parent		169.9	151.3
Number of shares			
• basic	*10.2*	50,068,992	49,789,269
• diluted	*10.2*	52,680,567	52,434,796
Per share (in €)			
• basic		3.39	3.04
• diluted		3.22	2.89

NOTE 25 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The valuation of pension commitments and other post-employment benefits is determined using actuarial methods that involve assumptions in respect of the discount rate, expected rate of return of 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.

In accordance with the laws and practices in each country, Rémy Cointreau offers 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 19R.

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 Group companies located in the euro zone, the discount rate used is based on the iBoxx index for bonds with a maturity close to that of the corresponding liabilities.

Actuarial gains and losses calculated for the valuation of post-employment defined benefit plans (experience adjustments and the effects of changes in actuarial assumptions) are recognised directly in equity.

NOTE 25.1 DEFINED-BENEFIT PENSION PLANS

At 31 March 2019, defined-benefit plans, which are subject to an actuarial valuation, predominantly pertain to:

- retirement indemnities and long-service awards under collective bargaining agreements in France affecting a workforce of 661 people;
- defined-benefit supplementary pension plans sponsored by the Group in France, in Germany, in Belgium and in Switzerland affecting 176 people of whom 78 current employees and 98 retired employees or deferred plans;
- a post-employment healthcare scheme in France affecting a closed population of 24 retirees.

The breakdown by plan type of the liabilities recorded in the consolidated financial statements is as follows:

In m€	**2019**	**2018**
Retirement indemnities	10.1	9.5
Supplementary pension plans	20.2	21.9
Long-service awards	0.7	0.7
Post-employment healthcare benefits	0.4	0.5
TOTAL	**31.5**	**32.6**

The liability related to these plans is in France for €26.6 million of which €10.1 million for retirement indemnities, €15.3 million for supplementary pension plans and €1.1 million for the other benefits.

In m€	2019	2018
Present value of obligation at start of year	**37.0**	**36.2**
Service cost	2.7	2.7
Interest cost	0.5	0.4
Impact of changes to schemes	3.4	(0.3)
Benefits paid	(4.2)	(1.7)
Actuarial gains (losses)	0.7	(0.3)
Translation reserve	-	-
Present value of obligation at end of year	**40.1**	**37.0**
not funded	19.6	19.8
partly funded	20.5	18.0
Carrying amount of plan asset at start of year	**4.4**	**4.6**
Expected return	0.1	0.0
Contributions received	2.2	0.6
Impact of changes to schemes	3.8	-
Benefits paid	(2.2)	(0.4)
Actuarial gain (losses)	0.3	(0.4)
Translation reserve	-	-
Carrying amount of plan asset at end of year	**8.6**	**4.4**
Pension commitments	**31.5**	**32.6**
LIABILITIES	**31.5**	**32.6**
ASSETS	**-**	**-**

The assets underlying the liabilities are held by insurance companies who invest these assets together with their general assets. They are located in France for €1.4 million.

NOTE 25.2 COST FOR THE PERIOD

In m€	2019	2018
Service cost	(2.7)	(2.7)
Interest cost	(0.5)	(0.4)
Expected return	0.1	0.0
Impact of changes to scheme	0.4	0.3
Total income (expense)	**(2.7)**	**(2.8)**
Benefits paid	2.0	2.1
Employer's contribution	2.2	0.6
Total net income (expense)	**1.5**	**(0.1)**
Hypothèses actuarielles		
Average discount rate	0.94%	1.26%
Average salary increase	1.80%	2.35%
Expected working life	19 ans	19 ans
Return on assets	0.75%	0.49%
Increase in medical costs	5.00%	5.00%
Estimated payments for the next five years:	10.6	13.6
Sensitivity to an increase of 0.50% in the discount rate on the gross actuarial debt	(1.4)	(1.3)
Sensitivity to an increase of 0.50% in the discount rate on the service cost	(0.3)	(0.3)

NOTE 26 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

NOTE 26.1 OPERATING ACTIVITY COMMITMENTS

In €m	2019	2018
Beyond Purchase commitments – non-current assets	33.8	7.1
Leasing commitments – offices	-	24.0
Leasing commitments – equipment	-	2.6
Purchase commitments – *eaux-de-vie* (individual agreements)	68.8	56.2
Purchase commitments – *eaux-de-vie* (collective agreements)	-	45.7
Other purchase commitments	21.2	17.0

Purchase commitments on non-current assets mainly concern the acquisition of ageing casks at the Cognac site, as well as building projects in Cognac and Islay.

The office leasing commitments mainly related to the lease of the Group's Paris head office and those of the head offices of the subsidiaries Rémy Cointreau USA in New York, E. Rémy Rentouma Trading Ltd in Shanghai and Rémy Cointreau International Pte Ltd in Singapore. At 31 March 2019, these are no longer treated as off-balance sheet commitments and have been restated in compliance with IFRS 16 "Leases" (see note **5**).

Eaux-de-vie purchasing commitments mainly relate to multi-year contracts in place with distillers. These commitments are valued based on the prices known at the balance sheet date.

Other purchase commitments comprise purchase commitments for packaging items, advertising and promotion spending commitments and other miscellaneous purchase commitments.

Breakdown of commitments by maturity as of 31 March 2019:

In €m	Total	2020	Beyond
Purchase commitments – non-current assets	33.8	20.7	13.1
Leasing commitments – offices	-	-	-
Leasing commitments – equipment	-	-	-
Purchase commitments – *eaux-de-vie* (individual agreements)	68.8	28.4	40.4
Purchase commitments – *eaux-de-vie* (collective agreements)	-	-	-
Other purchase commitments	21.2	21.2	-

NOTE 26.2 FINANCING COMMITMENTS, DEPOSITS AND SIMILAR GUARANTEES

In €m	2019	2018
Customs deposits	22.5	21.6
Environmental deposits	2.7	2.8
Factoring guarantees	-	10.0
Agricultural warrants on AFC inventories	70.0	64.0
Guarantee on €65 million bond issue	65.0	65.0
Miscellaneous guarantees on credit lines	18.9	33.2
Other guarantees	1.5	1.4

Breakdown of commitments by maturity as of 31 March 2019:

In €m	Total	2020	Beyond
Customs deposits	22.5	11.7	10.8
Environmental deposits	2.7	-	2.7
Factoring guarantees	-	-	-
Agricultural warrants on AFC inventories	70.0	70.0	-
Guarantee on €65 million bond issue	65.0	-	65.0
Miscellaneous guarantees on credit lines	18.9	18.9	-
Other guarantees	1.5	0.3	1.2

As part of the creation of the Passoa SAS joint-venture with Lucas Bols, the parties issued put and call options on their respective securities in Passoa SAS which may not be exercised before 1 December 2020. Unwinding of these instruments could enable Lucas Bols to acquire all the securities held by Rémy Cointreau in Passoa SAS. The exercise amount is currently estimated at €71.3 million.

NOTE 26.3 CONTINGENT ASSETS AND LIABILITIES RELATED TO DISPOSAL TRANSACTIONS

In connection with disposal transactions, guarantees in respect of 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 and still outstanding at 31 March 2019 were as follows:

disposal transaction	Transaction date	Nature of ongoing guar-antees	Maturity	Maximum amount
Izarra – Distillerie de la Côte Basque	27 October 2015	Tax items	Legal period +30 days	€200,000

NOTE 26.4 OTHER CONTINGENT LIABILITIES

One of the French companies in the Group was the subject of a tax notification during the year ended 31 March 2019. On the recommendation of its advisors, the Group is contesting all claims and intends to use all available remedies to defend its case. Accordingly, no provision has been recognised.

At 31 March 2019, Rémy Cointreau was involved in various other litigation proceedings. After reviewing each case in relation to each subsidiary concerned, and after seeking legal advice, the provisions deemed to be necessary have been established to cover the estimated risks, where applicable.

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

NOTE 27 RELATED PARTIES

NOTE 27.1 TRANSACTIONS WITH ASSOCIATES

At 31 March 2019, the Rémy Cointreau Group's main associates were Diversa and Spirits Platform Pty Ltd.

The transactions with these companies are described in note **7.**

NOTE 27.2 TRANSACTIONS WITH ORPAR AND ANDROMÈDE

Andromède is Rémy Cointreau's main shareholder, through Orpar. Transactions between Rémy Cointreau and these companies are as follows:

In €m	**2019**	**2018**
Service fees paid	2.6	2.7
Current-account agreement[1] - Debt	40.0	60.0
Trade and other receivables	0.4	0.4
Trade payables and other liabilities	-	-

[1] A shareholder current account advance agreement between Rémy Cointreau SA and Orpar SA was signed in March 2015. It now consists of €40 million at an interest rate of 0.60%, taking into account the early repayment of €20 million (31 March 2018: €60 million at 1.25%).

NOTE 27.3 TRANSACTIONS WITH COMPANIES WITH A COMMON SHAREHOLDER OR DIRECTOR

Andromède, shareholder of Orpar, is also a 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 to the Rémy Cointreau Group.

In €m	**2019**	**2018**
Purchases of non-current assets	3.6	3.8
Other purchases	0.9	0.8
Trade payables	0.5	0.3

NOTE 27.4 MANAGEMENT BODIES

The Group's management bodies comprise the members of the Board of Directors and the Executive Committee.

The Executive Committee is comprised of the Chief Executive Officer and 11 members.

The data below includes the remuneration due to members of the management bodies during their term of office with these bodies.

Short-term benefits include fixed and variable remuneration, benefits in kind and all social security charges directly linked to these remunerations.

In €m	**2019**	**2018**
Short-term benefits	8.8	8.5
Post-employment benefits[(1)]	1.6	1.4
Share-based payments	1.8	1.5
Directors' fees paid to members of the Board of Directors	0.5	0.5
Total	**12.7**	**11.8**

[(1)] *Primarily a defined-benefit pension plan (see note **25**). The corresponding liabilities for the management bodies were €7.7 million at 31 March 2019*

NOTE 28 AUDIT FEES

[in progress]

NOTE 29 EVENTS AFTER THE REPORTING PERIOD

Rémy Cointreau sold its entire stake in Diversa to the Underberg Group on 1 April 2019 (note **7.2**).

On 1 April 2019, the Rémy Cointreau Group announced the effective sale of its distribution subsidiaries in the Czech Republic (Rémy Czech Republic) and Slovakia (Rémy Cointreau Slovakia) to the company Mast-Jägermeister SE. Simultaneously with the sale, the Rémy Cointreau Group signed a distribution agreement with Mast-Jägermeister SE to distribute, on an exclusive basis, the spirits of the Rémy Cointreau Group in the Czech Republic and Slovakia.

Given the nature of the transaction and the insignificance of the amounts involved (0.8% of the Rémy Cointreau Group's net assets at 31 March 2019), this transaction did not give rise to the application of IFRS 5 in the financial statements for the year ended 31 March 2019. The net assets sold amounted to €11.3 million. This transaction was carried out for an amount of €16.2 million and will generate a gain on disposal of around €4.0 million, net of fees and taxes, which will be recognised in the first quarter of the year ending 31 March 2020.

The combined balance sheet summary of the entities sold is as follows:

	Total
User rights, IFRS 16	1.6
Working capital requirement (net)	4.7
Net Cash and Cash equivalent	5.0
TOTAL	**11.3**

On 29 May 2019, the Remy Cointreau Group announced having entered into exclusive negotiation for the acquisition of Maison de Cognac JR Brillet with potential finalisation during the fall of 2019.

No other material event occurred after the reporting period.

NOTE 30 LIST OF CONSOLIDATED COMPANIES

At 31 March 2019, the scope of consolidation included 44 companies (47 at 31 March 2018). 42 companies were fully consolidated, and two were accounted for using the equity method. All companies have a 31 March year-end, except Spirits Platform Pty Ltd, which has a 30 September year-end.

Company	Activity	% interest	
		March 2019	March 2018
EUROPE			
France			
Rémy Cointreau SA[1]	Holding/Finance	100.0	100.0
Rémy Cointreau Services[1]	Holding/Finance	100.0	100.0
CLS Rémy Cointreau[1]	Production/Distribution	100.0	100.0
Domaines Rémy Martin[1]	Agricultural production	100.0	100.0
E. Rémy Martin & Cie[1]	Production	100.0	100.0
Cointreau[1]	Production	100.0	100.0
Alliance Fine Champagne[2]	Special purpose entity	100.0	100.0
Domaine des Hautes Glaces[1]	Production	95.5	95.5
Rémy Cointreau International Marketing Services[1]	Other	100.0	100.0
Storeco[1]	Production	100.0	100.0
Other countries			
Rémy Cointreau Nederland Holding NV (Netherlands)	Holding/Finance	100.0	100.0
Cointreau Holding GmbH (Germany)	Holding/Finance	100.0	100.0
Diversa Spezialitaten GmbH[3] (Germany)	Distribution	50.0	50.0
S. & E. & A. Metaxa ABE (Greece)	Production	100.0	100.0
Financière Rémy Cointreau SA (Belgium)	Holding/Finance	100.0	100.0
Rémy Cointreau Belgium (Belgium)	Distribution	100.0	100.0
Rémy Cointreau Europe & MEA SA (Switzerland)	Distribution	100.0	100.0
Rémy Cointreau Luxembourg SA (Luxembourg)	Distribution	100.0	100.0
Rémy Cointreau Slovakia sro (Slovakia)	Distribution	100.0	100.0
Rémy Cointreau Czech Republic sro (Czech Republic)	Distribution	100.0	100.0
Bruichladdich Distillery Company Ltd (UK)	Production	100.0	100.0
Rémy Cointreau UK Ltd (UK)	Holding/Finance	100.0	100.0
Rémy Cointreau UK Distribution Ltd (UK)	Distribution	100.0	100.0
Rémy Cointreau International Spirits Ltd (United Kingdom)	Holding/Finance	100.0	100.0
AMERICAS			
United States			
Rémy Cointreau USA Inc	Distribution	100.0	100.0
Rémy Cointreau Amérique Inc	Holding/Finance	100.0	100.0
Rémy Cointreau Travel Retail Americas Inc	Distribution	100.0	100.0
The Westland Distillery Company	Production	100.0	100.0
Barbados			
Mount Gay Distilleries Ltd	Production	95.2	95.2
Mount Gay Holding Ltd	Holding/Finance	100.0	100.0
Other countries			
Cointreau Do Brazil (licores) Ltda (Brazil)	Other	100.0	100.0

Company	Activity	% interest	
		March 2019	March 2018
ASIA/PACIFIC/AFRICA			
China/Hong Kong			
Rémy Cointreau Shanghaï Ltd	Distribution	100.0	100.0
E. Rémy Rentouma Trading Ltd	Distribution	100.0	100.0
Shanghaï RC Trading Ltd	Distribution	100.0	100.0
Rémy Concord Ltd	Distribution	100.0	100.0
Rémy Pacifique Ltd	Holding/Finance	100.0	100.0
Caves de France	Holding/Finance	100.0	100.0
Other countries			
Rémy Cointreau Taiwan Pte Ltd (Taiwan)	Distribution	100.0	100.0
Rémy Cointreau Japan KK (Japan)	Distribution	100.0	100.0
Rémy Cointreau International Pte Ltd (Singapore)	Distribution	100.0	100.0
RM Cointreau Vietnam Company Ltd (Vietnam)	Distribution	100.0	100.0
Rémy Cointreau South Africa Pty Ltd (South Africa)	Distribution	100.0	100.0
Rémy Cointreau Malaysia (Malaysia)	Distribution	100.0	100.0
Spirits Platform Pty Ltd (Australia)(3)	Distribution	37.0	37.0
CHANGES IN CONSOLIDATION SCOPE			
Joint Marketing Services(4)	Holding/Finance	-	100.0
Hermann Joerss GmbH & Co (Germany) (4)	Distribution	-	100.0
Dynasty Fine Wines Group Ltd(5)	Production	27.0	27.0

(1) Company included in the French tax group.

(2) Special-purpose entity.

(3) Equity-accounted company.

(4) Merger or liquidation during the financial year.

*(5) Equity-accounted company at 31 March 2018 and whose securities have been reclassified to "Non-consolidated equity investments" (note **7**).*