Societe des bains de mer
et du cercle des etrangers a Monaco

Annual Report 2006/2007

SOCIETE ANONYME DES BAINS DE MER

ET DU CERCLE DES ETRANGERS A MONACO

ANNUAL GENERAL MEETING

SEPTEMBER 21, 2007

Note:

The financial statements in English are a faithful translation of the original French version but should not be considered as completely accurate due to the unavailability of English equivalents for certain French accounting terms. Consequently, this English document is intended for general information only.

FISCAL YEAR

2006 - 2007

BOARD OF DIRECTORS

Chairman	Mr.	Jean-Luc BIAMONTI
Directors	Messrs.	Alexandre KEUSSEOGLOU
		Thierry LACOSTE
		Patrick LECLERCQ
		Jean-Louis MASUREL
		Yves PIAGET
		Marco PICCININI
		Jean-François PRAT
		Michel REY

GENERAL MANAGEMENT

Chief Executive Officer	Mr.	Bernard LAMBERT

STATUTORY AUDITORS

Permanent Members	Messrs.	Jean BOERI
		André GARINO
Substitute Members	Mrs.	Simone DUMOLLARD
	Mr.	Louis VIALE

AUDITOR

DELOITTE & ASSOCIES

CONTENTS

MESSAGE FROM THE CHAIRMAN

Ladies,

Gentlemen,

Stockholders,

Fiscal year 2006/2007 represents the third consecutive record year of your Company, in terms of revenue, operating profit and net income.

This performance demonstrates that your Company is well positioned to benefit from a favorable global economic environment through its investments, marketing policies and rigorous cost management.

All sectors of activity improved their performance.

In the hotel sector, the first full year of operation of the Monte-Carlo Bay Hotel & Resort confirmed the merits of this investment, which contributed to an expanded Company offering and attracted a new clientele. The other hotels as well as most of the points of sale also reported significant growth.

With respect to the gaming sector, the record revenue was generated despite the persistent difficulty of table games, specifically roulette where our clients benefited from a particularly favorable cycle. This was compensated by a new improvement in slot machines which, for the first time in your Company's history, posted results that surpassed those of table games. While continuing to invest in the slot machine sector (refurbishment of the Café de Paris Casino and pursuit of the acquisition program for the latest machines), we will step up even further our promotional activities for table games which, by their importance, remain a specialty of your Company in the casino world.

In addition, your Board of Directors has pursued a systematic development policy in recent years regarding the Company's real estate assets, thus generating a substantial increase for a profit source that is immune to the uncertainties inherent to the main activity. Thanks to the expansion of existing luxury boutiques and the rental of apartments in the Monte-Carlo Bay Residence, revenue from leasing to third parties has increased from €7 million in 2003/2004 to €15 million in 2006/2007.

We are continuing to examine further opportunities for boosting real estate revenues by looking at the creation of new boutiques, as well as the hotel residence project at the Hôtel Balmoral, a site recently acquired by your Company and close to the Hôtel Hermitage. Finally, in close cooperation with the Government of the Principality of Monaco, we are contemplating further development of the Sporting d'Hiver – located on the Casino square - in future years. This could include, among other things, the creation of luxury residences designed to foster the loyalty of an international clientele, in order to carry on and develop the table game tradition in the Principality.

These outstanding performances would not have been possible without the daily efforts of all the Société des Bains de Mer Group's employees to whom we wish to express our gratitude by offering each and everyone a Company share to be created, as was the case last year.

I would add that the Société des Bains de Mer name is closely tied to the prestigious image of Monte-Carlo, to whose development the Group has contributed. To further capitalize on the exceptional reputation of what has become a luxury brand respected worldwide, our signature will henceforth become "Monte-Carlo S.B.M." You will discover our new logotype on the cover of this annual report, which is printed on recycled paper for the first time, as part of our action plan for sustainable development and environmental protection.

Jean-Luc Biamonti

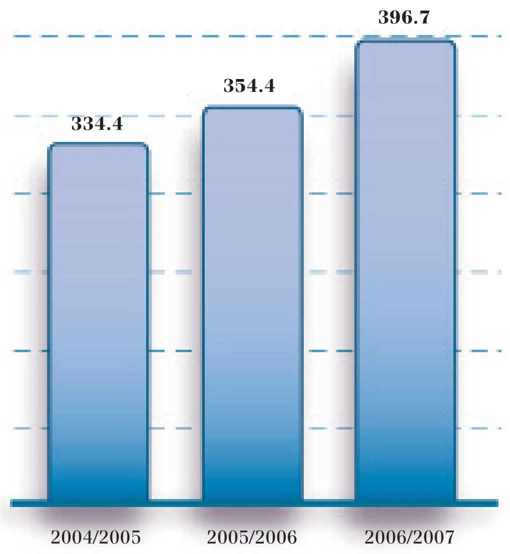
Chairman of the Board of Directors

KEY FIGURES

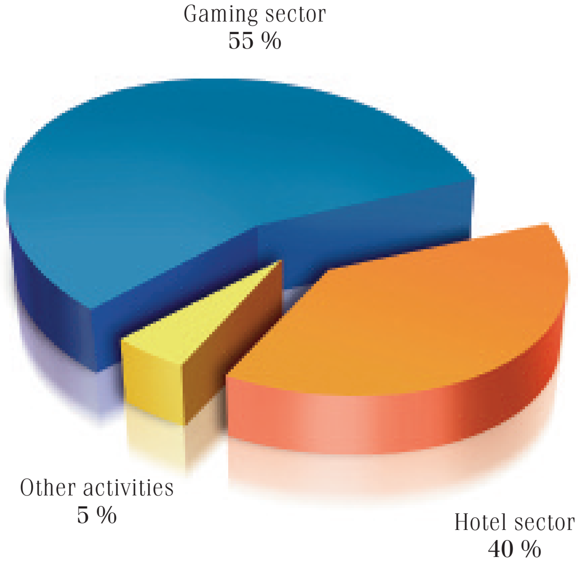
The following information relates to the group comprising the Société des Bains de Mer and its subsidiaries.

CONSOLIDATED REVENUES

in millions of euros

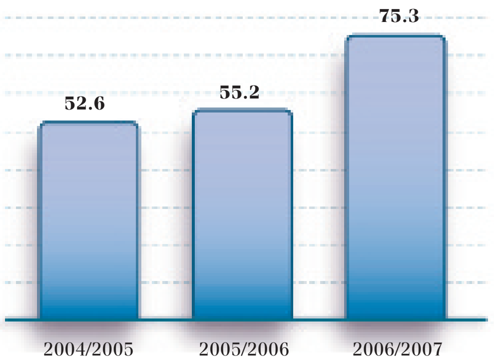


BREAKDOWN OF ACTIVITIES



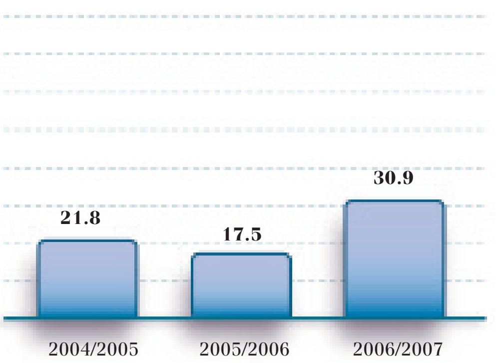
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

in millions of euros



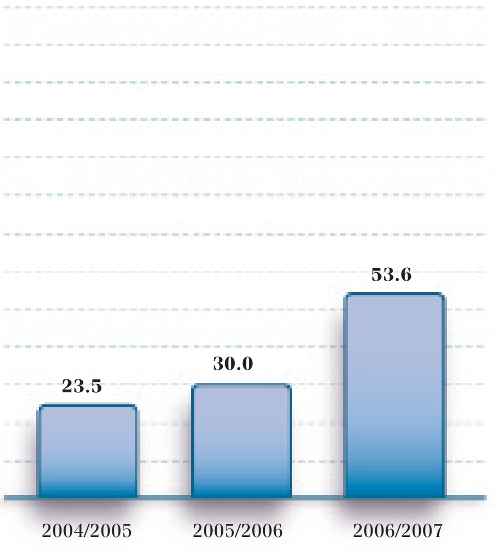
OPERATING INCOME

in millions of euros



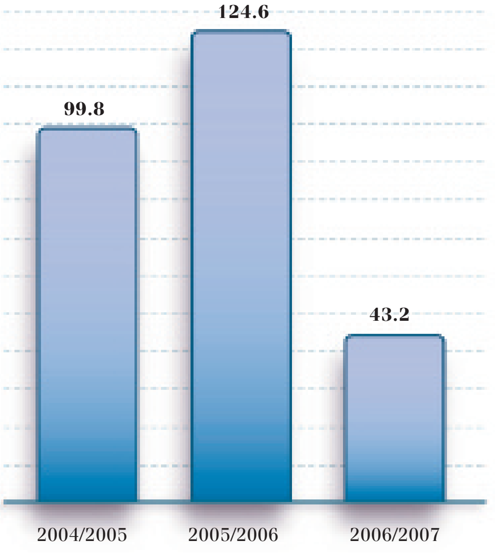
INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

in millions of euros



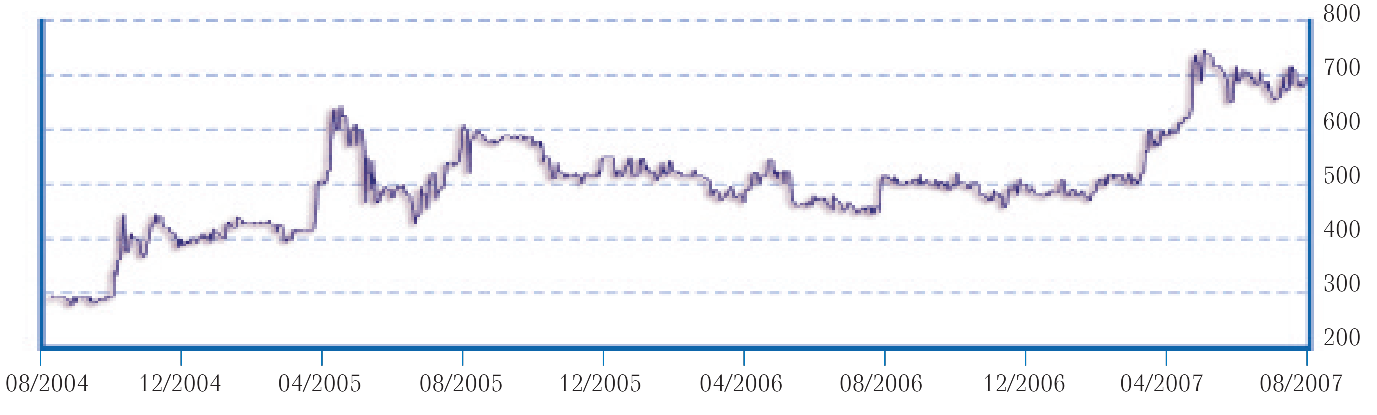
CAPITAL EXPENDITURE

in millions of euros



MARKET SHARE PRICE OF THE SOCIETE DES BAINS DE MER

Eurolist - compartment B - (ISIN MC0000031187 - BAIN) - in euros



BOARD OF DIRECTORS' REPORT

In a healthier global economy, and benefiting from the step-up in activity of the Monte-Carlo Bay Hotel & Resort, as well as the numerous initiatives undertaken to stimulate business, Société des Bains de Mer and its subsidiaries recorded a substantial improvement in the annual results for the period ended March 31, 2007.

Accordingly, revenue generated in fiscal year 2006/2007 for all operations – gaming and hotels – stood at €396.7 million, compared to €354.4 million in 2005/2006, up 12%.

This solid performance is primarily attributable to another record year for gaming sector receipts, the momentum of the hotel sector and the steady development of the new Monte-Carlo Bay Hotel & Resort establishment, which completed its first full year of operation.

The favorable trend in the activity has substantially improved Group operating income, which stood at €30.9 million, compared to €17.5 million the previous year, rising 76%.

Taking into account financial income that was up 81%, as a result of the capital gain on the sale of 300,000 Wynn Resorts, Limited shares and the investment income received in December in connection with the Wynn Resorts, Limited distribution, consolidated net income attributable to equity holders of the parent totaled €53.6 million, compared to €30 million for 2005/2006.

The developments in the gaming and hotel sectors are analyzed below.

GAMING SECTOR

Gaming sector receipts again posted a solid performance for fiscal year 2006/2007, with revenue of €222.9 million, compared to €219.6 million the previous year. If the overall result is satisfactory, the trends for table games and automatic machines differed.

Table game receipts amounted to €104 million compared to €123 million in 2005/2006. Despite a steady rate of frequentation and a higher activity volume over the preceding year, the sector was impacted by the substantial gains of certain players and an overall climate of uncertainty deemed less favorable.

Particularly concerned are the European games, which historically represent the most significant segment. With a 41% decline in receipts, essentially from European Roulette, this item represented nearly half of table game revenue in 2006/2007. Punto Banco also continues to grow.

Conversely, the trend for American games is much more favorable. With a 29% increase in revenue, the segment's performance is the best since the exceptional level of 1999/2000 and for the first time exceeds European games receipts. Backed by a 39% increase in receipts, Black Jack has become the number one game in terms of revenue. Finally, Stud Poker and Three-card Poker seem to be enjoying a growing success.

Automatic machines again had an outstanding year with record revenue up by 23%, standing at €118.9 million, compared to €96.7 million for the previous year. Receipts for automatic machines exceeded those of gaming tables.

This remarkable performance is the result of an aggressive machine renewal policy introduced nearly three years ago and numerous communication initiatives targeting a new clientele. Throughout the sector's establishments, whether the Casino, Café de Paris, Sun Casino or Bay Casino, this clientele can now enjoy machines that offer optimum appeal and function, with innovations that are often a European first.

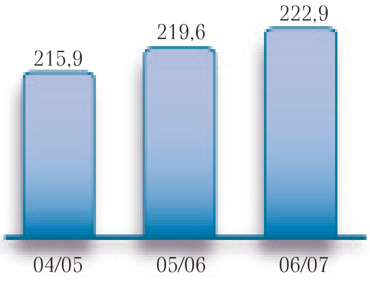
The complete refurbishment of the Café de Paris Casino also bears mentioning, as its clientele can now benefit from a concept and infrastructures that are novel and highly appealing.

For the entire gaming sector, fiscal year 2006/2007 operating income before depreciation and amortization stood at €53.8 million, compared to €51.1 million the previous year. The improvement is the direct result of the increase in automatic game receipts. To boost table game activity, the Group has intensified its endeavor in terms of invitations and marketing and promotional initiatives. Significant efforts have also been made in the area of the arts with a prestigious July-August Summer Festival, and the first edition of the Monte-Carlo Jazz Festival, in late November/early December.

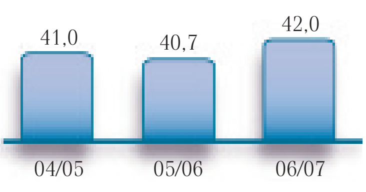
After taking into account a depreciation and amortization charge that rose by €1.4 million, due to the investments in automatic machines, operating income for the gaming sector amounted to €42 million en 2006/2007, compared to €40.7 million for the preceding year.

REVENUE (in M€)		05/06	06/07	%
47 %	Table games	123,0	104,0	−15
53 %	automatic games	96,7	118,9	23
100 %	**Total gaming sector**	**219,6**	**222,9**	**1**

GAMING REVENUE (in M€)



OPERATING INCOME FROM GAMES (in M€)



HOTEL SECTOR

Benefiting from a positive economic situation for luxury hotels and numerous commercial initiatives, the Group's hotel operators again reported a substantial boost in revenue, for a fiscal year 2006/2007 total of €164.3 million, compared to €128.1 million the previous year, a rise of 28%. At the Group level, this revenue was generated by accommodation for €61.3 million (37%), catering for €81.7 million (50%) and the other hotel segments for €21.3 million (13%). The new Monte-Carlo Bay Hotel & Resort establishment, with its first full year of operation, accounted for a significant portion of this performance, added to the contribution of the other establishments, which posted growth of 10%.

In fiscal year 2006/2007, the Monte-Carlo Bay Hotel & Resort reported hotel revenue of €34.3 million, as opposed to the €9.5 million generated following the first six months of operation, from its opening in October 2005 until March 31, 2006, a period of low occupancy. The step-up in the establishment's activity has thus been satisfactory with results that have met expectations, the additional product and service offering attracting the new clientele that was sought. It was possible to achieve an annual occupancy rate of 62.2% for the 334 new rooms offered, generating an accommodation revenue of €20.9 million, and serve more than 166,000 meals in the various restaurants, for receipts of €9.9 million, without competing against the other Group establishments. The new hotel has also generated numerous positive spin-offs for other Company operations.

For the overall 2006/2007 fiscal year, the hotel sector under its former structure generated revenue of €130 million, compared to €118.6 million in 2005/2006, an increase of 10%.

The trend for the various sectors - accommodation, catering, and seaside and thermal activities - was favorable.

With revenue of €40.3 million for 2006/2007, excluding the contribution of the Monte-Carlo Bay Hotel & Resort, compared to €38.8 million in the previous year, the **accommodation** segment continues to grow.

This 4% rise in receipts is the result of a boost in activity for the Hôtel de Paris, which can again offer the rooms and suites of the renovated Alice wing, and the continuing improvement of the Monte-Carlo Beach. However, the Hôtel Hermitage was hampered by substantial restructuring work in the 56 rooms and salons of the Excelsior wing.

The impact of this work on the occupancy rate was compensated by 9% growth in average revenue, reflecting an optimized rate management policy and justifying the significance of the financial resources committed by the Group to maintain the highest level of quality for its property assets.

Average revenue also benefited from a change in the client mix. For the three aforementioned establishments combined, the breakdown between "private individuals" and "business clients" is approaching a 70%/30% ratio, compared to 68%/32% the previous year. Taking into account the characteristics of the Monte-Carlo Bay Hotel & Resort clients in the calculation of this indicator, the percentage of "business clients" received in the Group's four establishments is close to 42%.

Catering revenue in the other Monte-Carlo Bay Hotel & Resort establishments stood at €71.8 million, up 14% over last year. The 6% increase in the number of meals served to 792,000, compared to 746,000 in 2005/2006, involves all the restaurants. Specifically, the Salle des Etoiles of the Sporting – Monte-Carlo and the Salle Empire of the Hôtel de Paris now organize events throughout the year. The Casino restaurants, regularly frequented by the gaming clientele, and the Café de Paris, with a total of 366,000 meals served over the 2006/2007 fiscal year and another increase in activity at 6%, also contributed to this growth. The remarkable performance of the Jimmy'z discotheque should also be underscored, with revenue up 50% in its best year.

Finally, following two consecutive years of stability, there was a limited rise in average catering prices for the entire hotel sector.

Taking into account the contribution of the Monte-Carlo Bay Hotel & Resort, the Group's catering receipts increased by 23% and totaled €81.7 million, for nearly 960,000 meals served.

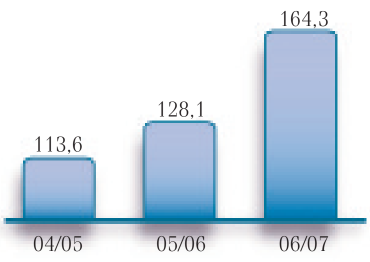
Revenue from the Group's **other** activities in the hotel sector rose by 17% to €21.3 million.

Operating income before depreciation and amortization for fiscal year 2005/2006 had been significantly affected by the opening of the Monte-Carlo Bay Hotel & Resort, with the allocation of pre-opening costs and the recognition of an operating deficit over the first quarters of activity. For the current fiscal year, the Group has improved its result substantially to reach €29.1 million, compared to the €13.8 million recorded the previous year.

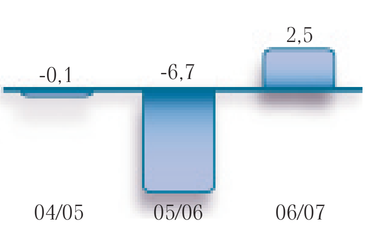
Taking into account a €6.1 million increase in depreciation and amortization charges over 2006/2007 with, for the first time, the full-year impact of the charges for the new establishment, operating income for the hotel sector is again positive at €2.5 million, compared to the €6.7 million loss posted in 2005/2006.

REVENUE (en M€)		05/06	06/07	%
37 %	Hébergement	43,7	61,3	40
50 %	Restauration	66,2	81,6	23
13 %	Autres	18,2	21,3	17
100 %	**Total secteur hôtelier**	**128,1**	**164,3**	**28**

HOTEL REVENUE (in M€)



OPERATING INCOME (LOSS) FROM HOTELS (in M€)



ANNUAL FINANCIAL STATEMENTS

A solid level of activity, particularly over the second half, enabled Société des Bains de Mer and its subsidiaries to post a significant improvement in the consolidated financial statements presented for the 2006/2007 fiscal year.

Revenue

The Group reported consolidated revenue of €396.7 million for fiscal year 2006/2007, compared to €354.4 million in the previous year, up 12%.

The growth is primarily related to the sustained development of activity for the new Monte-Carlo Bay Hotel & Resort establishment, for which 2006/2007 represents the first full year of operation. Opened at the beginning of October 2005, the establishment generated revenue of €11.4 million for its six months of 2005/2006 activity, a period of low occupancy, with both the hotel and the casino posting results in line with expectations. The opening of a hotel residence integrated to the building, and above all the initial marketing of these new facilities for the first six months of fiscal year 2006/2007, a very busy period for clientele that covers the summer season, translated into €40.9 million in revenue for the establishment, an increase of €29.5 million over the previous year.

There is also satisfaction to be drawn from the favorable trend for the other Group sectors and establishments, which recorded revenue growth of 4% over the cumulative fiscal year.

Operating income and depreciation and amortization

Operating income before depreciation and amortization rose by 36% to €75.3 million, compared to €55.2 million the previous year. Although the pre-opening costs and the operating loss inherent to the initial months of activity of the Monte-Carlo Bay Hotel & Resort had a negative impact of €4 million on the fiscal year 2005/2006 financial statements, the new establishment recorded an operating income before depreciation and amortization of €13.2 million in 2006/2007.

The first full year of operation of the Monte-Carlo Bay Hotel & Resort also generated a €7.8 million increase in depreciation and amortization charges.

Group operating income for all activities stood at €30.9 million, compared to €17.5 million the previous year, rising by 76%. All sectors posted growth, the most dramatic being that of the Monte-Carlo Bay Hotel & Resort. Whereas its impact on 2005/2006 operating income had been negative for €11.1 million, its contribution to 2006/2007 consolidated operating income, through its own results and its input in other Group operations in its first full year of activity, has been positive.

Financial income

Financial income stood at €22.7 million, compared to €12.5 million in 2005/2006. Other than the €15 million capital gain on the sale of 300,000 Wynn Resorts, Limited shares, the Group also received €7.3 million in financial income as part of the Wynn Resorts, Limited distribution in December.

At the end of March 2007, the Group continued to hold a stake of 2,300,000 shares, equivalent to approximately 2.3% of the Wynn Resorts, Limited capital. The Group also maintains a strategic partnership with the company, which is established in Las Vegas and Macao.

Consolidated net income

Considering all these elements, consolidated net income attributable to the equity holders of Société des Bains de Mer and its subsidiaries totaled €53.6 million for fiscal year 2006/2007, compared to €30 million the previous year.

Cash from operations and cash flows

Cash from operations rose substantially, standing at €80.3 million, compared to €48.1 million the previous year. With the favorable trend in the working capital requirement arising from business development, net cash flows from operations amounted to €97.7 million, compared to €59.2 million in 2005/2006.

Financial resources allocated to the capital expenditure policy returned to normal at €43.2 million, following the exceptional €124.6 million in construction work and acquisitions recorded in fiscal year 2005/2006, comprising the completion of the Monte-Carlo Bay Hotel & Resort, the renovation of the Salle Garnier, and numerous capital expenditure projects. Taking into account the proceeds from the disposal of property, plant and equipment and financial assets for €19 million, net cash used in investing activities totaled €24.2 million, compared to €96.6 million for 2005/2006.

During the year under review, the Group was therefore able to reimburse the total €40 million drawn down on the revolving credit facility as of March 31, 2006 and has, once again, net cash available of €60.8 million at the close of fiscal year 2006/2007.

Parent company financial statements and dividends

For the period ended March 31, 2007, the financial statements of Société des Bains de Mer, the parent company, reported revenue of €374.5 million and net income €51.5 million, compared to €34.5 million in 2005/2006.

The Board of Directors of your Company wishes to pass on these solid results via the payment of a higher dividend, which it proposes to set at €7 per share, including the statutory dividend, compared to €4.75 the previous year.

CAPITAL EXPENDITURE AND FUTURE OUTLOOK

Capital expenditure

Following a substantial step-up in the Group's capital expenditure policy over the last three years, in order to complete the exceptional projects embodied by the renovation and elevation of the Hôtel Hermitage, the refurbishment of the Salle Garnier and its annexes in the Casino de Monte-Carlo and the construction of the Monte-Carlo Bay Hotel & Resort complex, there was a return to normal regarding financial resources allocated to capital expenditure in fiscal year 2006/2007. Accordingly, for the period ended March 31, 2007, purchases of property, plant and equipment and intangible assets totaled €43.2 million, compared to €124.6 million the previous year and €99.8 million in 2004/2005.

At approximately €10 million, the Monte-Carlo Bay Hotel & Resort project on the Larvotto peninsula again represented the lion's share of the Group's capital expenditure. The amount represents the final balance of a project whose total cost on completion amounted to €205 million, which was in line with the budget.

In the gaming sector, the investment effort over the last three years to replace the automatic machine pool was pursued, and almost all rooms now have innovative and often exclusive slot machines, more widespread availability of bill acceptors and a cashless system that has been gradually extended.

In the same vein, the Café de Paris Casino has undergone a major renovation resulting in a spectacular and highly contemporary décor. A pool of 467 machines has been installed in an atmosphere of multiple color variations depending on the time of day and the event. The machines, often never before seen or with exclusive European or worldwide rights, combine technological innovation with an uncommon playing capacity providing clients with top gaming quality. The space dedicated to American table games was the subject of particular attention as well as investment.

In addition, the Group continues to pursue its upgrading program for client hotel facilities. The complete overhaul of 11 rooms and 3 junior suites in the Alice wing of the Hôtel de Paris, completed in May 2006, was followed by the renovation of 56 rooms and salons in the Excelsior wing of the Hôtel Hermitage. After more than six months of work and a cost of €8.5 million, this jewel of the Group's real estate assets is now undergoing the completion of the fourth phase of a vast renovation and refurbishment program initiated in 2002. This rehabilitation will allow the Excelsior wing to provide special service to clients who have come for stays/treatments at the Monte-Carlo thermal baths.

Finally, the first Boutique SBM Monte-Carlo has been set up on the terrace of the Café de Paris. Open for business since last Easter, this space offers an ensemble of products found in the various Group establishments and signed "Société des Bains de Mer". These include bath sheets, posters or souvenirs designed in cooperation with major brands or evoking the Monte-Carlo gaming tradition.

In terms of the strategic alliance with Wynn Resorts, Limited, the Group has covered the total amount of its initial €38.1 million investment with the sale of 700,000 shares during the 2005/2006 and 2006/2007 fiscal years. At the end of March 2007, following the various disposals without impact on the strategic partnership, the Group continued to hold 2,300,000 shares in Wynn Resorts, Limited, equivalent to approximately 2.3% of the share capital.

In addition, the Group wished to hedge a portion of its interest, in the amount of 200,000 shares, against the risk of a change in share price. Hence it subscribed forward sale instruments that guarantee a share price of nearly US$ 100 for the aforementioned portion on final maturity of the contract, i.e. March 31, 2008. Initiated in December 2006, this instrument could be unwound on maturity by payment or transfer of the corresponding shares.

Finally, an additional 100,000 Wynn Resorts, Limited shares were sold in June 2007. The transaction generated a €5.3 million capital gain that will be recorded in the financial statements for the period beginning April 1, 2007.

Brand value and protection policy

Over the years since its inception in 1863, Société des Bains de Mer has created some of the most prestigious brands in the luxury hotel industry and the gaming world. These brands symbolize not only the Group's name and history, but also the reputation and image of excellence acquired by its establishments over the decades. Today, certain establishments represent invaluable assets based on their reputation.

However, like other famous brands, those created by Société des Bains de Mer have been the subject of illegal use, which has multiplied with the dawn and development of the Internet network.

Fully determined to preserve the image of its brands which are an essential component of its strategy, the Group has set up an organization dedicated to their protection. A permanent monitoring system has been introduced and, as needed, the necessary actions are initiated with the international arbitration bodies concerned and the competent legal authorities. Carried out persistently over several years, this protection policy has been the success that was anticipated.

Aware of its power of communication and strategic importance, the Group intends to pursue the actions implemented and thus transform its brands into an instrumental success factor for its future growth in an increasingly globalized market.

Competitive environment and outlook

Backed by a worldwide reputation and a preferential real estate portfolio, the Group has the necessary advantages to entice an increasingly demanding clientele, seeking exceptional experiences and solicited by all manner of tourist destinations.

Reaping the benefits of an economic environment that remains buoyant, the Group intends to pursue its ambitious capital expenditure policy and accelerate its sales and marketing initiatives, in its wish to provide a service offering and quality of welcome second to none in the world of luxury hotels and casinos.

This is the strategy that has been successfully pursued by Société des Bains de Mer and its subsidiaries over the last years and which will serve as the basis of future Group developments.

THE ENVIRONMENT

In His July 12, 2005 enthronement address, His Serene Highness, Prince Albert II, initiated a collective approach to preserving the environment, which should be one of the Principality of Monaco's contributions to the international community.

As part of this project, the Board of Directors created an "Environment and Quality" Committee, charged with preparing a breakdown of projects already undertaken in this respect and identifying areas for action meeting a sustainable development objective, i.e.: "a development that does not compromise the ability of future generations to provide for their own growth".

Eager to extend its support to the policy engaged by the Principality of Monaco at the instigation of its Sovereign, Société des Bains de Mer's guiding principle in managing the Group's development shall be to constantly respect and preserve natural resources. In its businesses and on its own scale - significant for Monaco - the Group thus intends to contribute to the protection of the environment in the Principality and surrounding region.

Believing that, in this early twenty-first century, the trust placed in a company should not solely be related to its profitability, but should also consider its commitments to common interest objectives encouraging, among others, sustainable development, the Company set up an action plan in 2006 for the purposes of meeting the international objectives in this area and promoting virtuous practices in both its business partners and its own personel.

This plan, which is monitored on an ongoing basis and assessed yearly, includes, at this early stage, more than twenty clearly defined actions under the following items:

- raise the awareness of personnel regarding respect for the environment and the ensuing obligations;
- set up an energy saving plan;
- control water consumption;
- organize waste collection, recycling and treatment;
- encourage the use of new energies that are more respectful of the environment, particularly energies that do not produce greenhouse gases;
- favour the use of biological and natural products for geen space maintenance;
- use recycled paper and eco-labeled products;
- buy from fair-trade supply networks, particularly for textiles and food;
- provide all suppliers with a charter setting forth the Group's expectations in environmental and ethical matters;
- make clients aware of the Group's environment protection policy and persuade them to adhere to it in their own behavior.

The objective of this first "Environmental" Charter of Société des Bains de Mer is to progressively launch new initiatives based on the experience gained and prospects for strengthening environmental protection. Most of the actions cited have been undertaken and further developments can be anticipated in the near future.

CULTURE AND SPORTS

Upholding its tradition, the Company has confirmed its significant contribution to the artistic and sporting activities of the Principality. It continued to be involved in numerous artistic events - seminars, exhibitions, shows - which add to the event-driven energy that characterizes Monaco.

With its financial support, cultural associations - the Opera, the Philharmonic Orchestra and the Ballets of Monte-Carlo - have been able to stage high-quality performances such as Othello and The Rosen Cavalier, program concerts under the direction of conductors of international repute as well as create Ballets and the Printemps des Arts (spring arts festival), which has developed unique musical experiences outside traditional performing venues.

The Summer Festival, an event organized by the Company, grows more popular every year: Paul Anka and Shirley Bassey, The Who and Deep Purple, Sting, Eros Ramazzotti and Johnny Halliday are among the renowned artists who went on the Salle des Etoiles stage last year. The Group also organized the Monte-Carlo Jazz Festival which found its public from its very first edition.

Finally, the Monte-Carlo Tennis Masters Series Tournament and the traditional Monegasque automobile competitions, supported by the Company, have been as successful as ever.

THE WORKPLACE

The Group's personnel policies revolve around initiatives launched according to the following common issues:

- training;
- evaluation and management by objectives;
- communication.

With respect to the last item, an individual employee survey was conducted to measure expectations and collect observations. As a similar survey was conducted in 2004, a comparison was made so as to identify the progress made.

Human resources management should develop each individual employee's capabilities and merits through appropriate assessment procedures.

In addition, the Group is examining the consistency of its numerous types of remuneration packages and grades. Their great diversity reflects a Group history spanning more than a hundred and forty years. Nevertheless, a number of improvements will have to be made over the next few years to enable the Group to effectively face its development challenges and increased international competition.

During the fiscal year under review, a capital increase reserved for the personnel of the Company and the Group consolidated subsidiaries was performed so that employees have a greater stake in the running of the Company.

Finally, the Group is actively seeking to involve its personnel in the sustainable development project and the ongoing search for quality improvement, the environmental approach requiring the support and mobilization of everyone so that it becomes an everyday reality and thus a model of efficiency.


HOTEL
DE PARIS

BOARD OF DIRECTORS

You are requested to discharge all Directors from any liabilities with respect to the performance of their mandate for the 2006/2007 fiscal year and to grant full and final discharge to Mr. Michel Sosso.

We would also bring to your attention the expiration, on this date, of the terms of office as Director of Messrs. Jean-Louis Masurel and Michel Rey, which we would ask you to renew.

In accordance with Article 12 of the bylaws, the term of office of Mr. Jean-Louis Masurel will end at the Annual General Meeting following September 18, 2012, and the term of office of Mr. Michel Rey will expire at the Ordinary General Meeting that will approve the financial statements for the 2012/2013 financial year.

ARTICLE 23 OF THE ORDER OF MARCH 5, 1895

We hereby inform you of the transactions directly or indirectly involving your company and its Directors, or between your company and its affiliated or non-affiliated companies with common Directors:

- transactions involving the subsidiaries of your company:
  - Société Anonyme Monégasque d'Entreprise de Spectacles (S.A.M.E.S.)
  - Société Anonyme Monégasque des Thermes Marins Monte-Carlo (S.T.M.)
  - Société Anonyme Monégasque Générale d'Hôtellerie (SOGETEL)
  - Société Financière et d'Encaissement (S.F.E.)
  - Société Civile Particulière Soleil du Midi
  - Société Civile Immobilière de l'Hermitage
  - Société S.B.M./U.S.A. Inc.
  - Société Monégasque pour l'Exploitation du Tournoi de Tennis (S.M.E.T.T.).
- and:
  - business relations with Société Monégasque d'Electricité et du Gaz
  - and bank transactions conducted with the following establishments:
    - Compagnie Monégasque de Banque
    - Banque J. Safra (Monaco) S.A.

In accordance with article 23 of the Order of March 5, 1895, we would ask you to ratify these transactions.

STATUTORY AUDITORS AND AUDITOR

The fees paid to the statutory auditors and the auditor in respect of fiscal year 2006/2007 break down as follows:

	Deloitte & Associés				Statutory auditors			
	Amount excluding taxes		%		Amount excluding taxes		%	
In thousands of euros	2006/2007	2005/2006	06/07	05/06	2006/2007	2005/2006	06/07	05/06
Audit								
• Statutory audit, certification, review of company and consolidated financial statements								
- Issuer	270,000	250,000	92	84	62,800	60,200	100	100
- Fully consolidated subsidiaries								
• Other procedures and services directly related to the statutory audit								
- Issuer	23,890	46,200	8	16				
- Fully consolidated subsidiaries								
Sub-total	**293,890**	**296,200**	**100**	**100**	**62,800**	**60,200**	**100**	**100**
Other services rendered by the networks for the fully consolidated subsidiaries								
• Legal, tax, emplyee-related								
• Other								
Sub-total								
TOTAL FEES PAID	**293,890**	**296,200**	**100**	**100**	**62,800**	**60,200**	**100**	**100**


VERDI

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

on the terms and conditions governing the preparation and organization of the Board's work and the internal control procedures

Pursuant to the recommendations of the Autorité des Marchés Financiers (French securities regulator) of January 23, 2004 ("Corporate governance and internal control – Disclosure and publication requirements for securities issuers"), adopted in accordance with Article 122 of the French Financial Security Act of August 1, 2003, the following report focuses on the terms and conditions governing the preparation and organization of the Board's work and the internal control procedures implemented by the Company, it being understood that these procedures apply to the Company and all its subsidiaries.

This report was reviewed by the Board of Directors during its meeting on July 26 and 27, 2007.

TERMS AND CONDITIONS GOVERNING THE PREPARATION AND ORGANIZATION OF THE BOARD'S WORK

Functions of the Board

The Board of Directors defines and approves Company policy and determines its implementation.

Subject to the powers officially attributed to stockholders' meetings and within the limit of the corporate purpose, it has wider powers in order to manage, control and supervise the Company's business.

The Board of Directors performs the controls that it deems necessary for the best interests of the Company.

Organization and activities of the Board of Directors

Under the bylaws, the Board of Directors has a minimum of seven members and a maximum of eleven members, and comprises two director categories:

- a maximum of six members are appointed by the General Meeting for a renewable term of six years,
- a maximum of five members are appointed by the Government of HSH the Prince of Monaco for a renewable term of six years (government directors) and can only be dismissed by the Government of HSH the Prince of Monaco.

As of March 31, 2007, the Board of Directors comprised five directors appointed by the General Meeting and four government directors.

Under the bylaws, the Board meets every two months and when required in the interests of the Company.

The Board's responsibilities are defined by legal and statutory provisions and cover the following areas:

- appointment, supervision and dismissal of the Managing Director or the Chief Executive Officer,
- approval of the annual and half-yearly financial statements,
- assessment of the consistency and appropriateness of management,
- supervision of management of employee-related issues in the broad sense of the term,
- respect of the equality and rights of stockholders, etc.

The Chairman appointed by the Board of Directors chairs the General Meetings.

Government Commissioner

The Company is monitored and supervised by the concession granting authority through a Government Commissioner, responsible for ensuring the compliance with the Company's terms of reference and bylaws and the application of gaming regulations.

The Government Commissioner attends the Board of Directors' meetings that he convenes, but does not take part in voting.

Gaming control

The Company's principal activity is monitored by the public authorities through two bodies:

- the Gaming Commission, responsible for assessing gaming activity and the application of gaming regulations,
- the Gaming Control Board, responsible for ensuring the observance of legal provisions and the measures adopted for their application.

The employees allocated to the principal activity and the gaming equipment and machines are subject to a previous authorization from the concession granting authority.

Review of the Board of Directors' activity during the fiscal year ended March 31, 2007

The Board of Directors met eight times during the fiscal year ended March 31, 2007. A detailed analysis of the results of the Company and its subsidiaries was submitted to the Board at each meeting, together with presentations by operational directors on topics essential to the understanding of the Group's strategy, activities and outlook.

Activities of the Director Committees

The Board of Directors has set up three committees for even closer monitoring: a Finance and Audit Committee, a Human Resources Committee and an Environment and Quality Committee.

- **The Finance and Audit Committee** is responsible for providing insight to the Board of Directors' meetings, especially with respect to the following:
  - Audit of the annual and half-yearly financial statements, the financing plans and the capital expenditure programs,
  - Analysis and assessment of internal control and the accounting methods adopted for the preparation of the parent company and consolidated financial statements,
  - Analysis of financial and cash flow risks, in addition to miscellaneous risks (off-balance sheet commitments, litigations, etc.) and appraisal of risk coverage, etc

  This committee, comprising three Board members, met six times during the fiscal year ended March 31, 2007 and had discussions, in particular, with the Chief Executive Officer, the Chief Financial Officer, the Internal Audit Manager and the Group's auditor and statutory auditors during its meetings.
- **The Human Resources Committee** comprising three Directors, is responsible for assisting the Board of Directors and General Management with employee-related and remuneration issues. It met nine times during the fiscal year ended March 31, 2007 and heard reports from the Chief Executive Officer and the Human Resources Manager during its meetings.
- **The Environment and Quality Committee** comprising three Directors, is responsible for dealing with environmental issues, and proposing to the Board of Directors the actions to be undertaken in order to actively contribute to the environmental protection policy initiated by the Principality of Monaco. Created in January 2006, the committee met three times during the 2006/2007 fiscal year.

INTERNAL CONTROL PROCEDURES

General context

The purpose of the internal control system implemented by the Company and its subsidiaries is to provide reasonable assurance as to the achievement of the following objectives:

- performance and efficient management of operations,
- reliability of financial information,
- compliance with prevailing laws and regulations.

This system is based on a set of organizational rules, policies, procedures and practices, designed to anticipate and control risks resulting from the Company's activity and risks of error or fraud, particularly with respect to finance and accounting. However, it cannot provide absolute assurance that these have been totally removed, the level of assurance being related to the limits inherent to any internal control system, e.g. the cost/benefit ratio regarding the implementation of new controls or the risk of collusion that could impede controls.

Internal reference documents

Among the internal reference documents distributed to the various managers and their teams are the following:

• **The code of ethics**

This document focuses on the rules of ethics and professional conduct that all the Company's managerial staff are provided with and must apply. It is an integral part of the employment contracts of the relevant personnel.

• **Company internal regulations**

As is the case for any Monegasque firm, the Company is required to have internal regulations that define the working conditions and the principles of order and discipline applicable to staff members.

Moreover, under the law of June 12, 1987 on games of chance, the internal regulations are subject to administrative approval and must mention:

- The regulations relating to discipline, particularly dress and conduct while on service, and the attitude to adopt towards clients;
- The regulations governing the hierarchical organization of personnel and the definition of the functions relating to each type of employment.

Considering the diversity of its sites and services, the Company applies specific internal regulations where necessary.

• **User guide to new information and communication technologies**

This guide defines the best practices for data processing resources (IT, electronic and digital equipment used for data processing). It has been distributed to all users of such resources and has been individually approved by each relevant employee. The guide is an integral part of the employment contracts of new employees.

• **Procedures**

Many procedures prevail within the Company and an action plan has been set up to make them even more effective.

Internal control environment

• **General Management**

The Company is organized into activity sectors and transversal departments serving as a support for operations.

The division of operations into activity sectors (gaming and hotel sectors) under the responsibility of the operational directors ensures an improved understanding of their related issues and risks.

In addition, General Management ensures that the strategy applied to each sector complies with that defined at Company level. Regular meetings are organized to assess the positions and performances of the various Company and Group sectors, in order to verify that they meet the objectives set by the Board in terms of allocated resources and results.

The transversal departments serve as a support for the operational sectors and their centralized activities ensure the cohesion of management principles and rules, and facilitate the optimized use of the Company's resources. These departments are as follows:

- General Secretariat – Legal Department,
- Administrative and Financial Departments,
- Technical Department,
- Information Systems Department,
- Human Resources Department,
- Sales and Marketing Department,
- Arts Department,
- Purchasing Department,
- Security Department.

• **Finance Department**

The Finance Department is responsible for managing financial risks (foreign exchange rate, interest rate exposure, etc.) and the risk control mechanism.

More particularly, it is responsible for implementing procedures to ensure the faithful representation and reasonableness of the financial statements, in accordance with prevailing accounting and regulatory legislation.

The Finance Department also ensures management control at various levels. Each activity sector undergoes management analyses, which are consolidated and used at Group level.

• **Internal Audit**

The Internal Audit Department's main competencies are as follows:

- Identification of risks that could affect the Company and the internal control system,
- Coordination of audit procedures with the auditor and the statutory auditors,
- Completion of selected tasks initiated by the Chief Executive Officer or the Finance Department,
- Preparation of the annual audit plan.

The Internal Audit Department, reporting directly to the Chief Executive Officer, is able to carry out its duties independently.

Internal control mechanism

• **General and internal control procedures**

- Control environment

The internal control culture developed by General Management throughout the organization is based on a clear allocation of responsibilities and authorizations, appropriate segregation of duties, commitment limits and compliance with internal and external standards.

- Risk appraisal

Under the authority of General Management, the activity sector directors and managers supervise the Company's operations and ensure their consistency with the objectives defined by the Board of Directors. They contribute more specifically to the continual development of strategic plans, in order to identify potential risks that could affect their operations and implement appropriate corrective measures. In addition, any investments or significant development projects are subject to a specific risk analysis.

- Budgetary monitoring

The Company has implemented a budgetary monitoring process broken down by activity sector, which results in a monthly analysis of performances and the identification of shortcomings compared to the defined objectives. This monitoring process is constantly reviewed by General Management and the Finance Department, in direct cooperation with the operational departments. This budgetary process is one of the key mechanisms of the Company's internal control system.

The control environment also relies on a very strict management of capital expenditure, with a detailed and centralized analysis of capital expenditure requests and the related contractual commitments, and a verification of capital expenditure incurred based on a system for monitoring granted authorizations.

- Internal control system coordination

The various operational activity sector or transversal department managers are responsible for developing and promoting this internal control culture by implementing specific and formalized procedures, based, in particular, on the use of integrated information systems, in order to quickly identify any performance variances compared to the defined objectives.

In order to verify that the internal control system operates satisfactorily, the Company regularly monitors the control mechanisms implemented and their appropriateness.

Internal control is specifically monitored through procedures conducted by Internal Audit, and the Group's auditor and statutory auditors. The possible weaknesses identified during these procedures are then communicated to General Management and corrective action plans are implemented.

• **Specific procedures: control activities**

- Preparation of financial information

The preparation of financial information is based on a standardized process of collecting data from the operational systems. By way of example, information relating to inventories, purchases, revenues etc. is extracted from accounting management systems using automated interface procedures.

Financial information is consolidated at Group level according to defined rules, formats and production time limits.

The integration of the operational and accounting information systems within each subsidiary, and the standardization of the account production process are factors contributing to the quality of the consolidated financial statements.

The financial statements are drawn up in accordance with the following principles:

· completeness and accuracy of accounting entries,

· cut-off,

· more generally, compliance with prevailing laws and regulations.

- Other controls performed by the operational department and transversal department managers.

In addition to guaranteeing the reliability of the information produced, the transversal and operational sector managers ensure the following internal control processes:

· safeguarding of the Group's assets (inventories, fixed assets, receivables, cash) within each activity sector,

· compliance with the basic principles of the segregation of duties, and the strict application of an appropriate policy regarding the control of profiles for access to the Group's various management software packages,

· compliance with authorization rules, which have been specifically defined according to the individuals, and understanding of the limits surrounding third-party commitments. This principle is reinforced by the substantial centralization of expense commitments and the existence of approval and control procedures at the various stages of the purchasing process.


CANAVESE

AUDITOR'S AND STATUTORY AUDITORS' REPORT

on the report prepared by the Chairman of the Board of Directors of Société des Bains de Mer et du Cercle des Etrangers à Monaco with respect to the internal control procedures for the preparation and treatment of financial and accounting information

Dear Chairman,

As Auditor and Statutory Auditors of Société des Bains de Mer et du Cercle des Etrangers à Monaco, and at your request, we hereby present you with our report on the report you prepared with respect to the internal control procedures for the year ended March 31, 2007.

In his report, the Chairman reports, in particular, on the conditions for the preparation and organization of the Board of Directors' work and the internal control procedures implemented by the Company in accordance with paragraph 2 of Article 221-6 of the General Regulations of the Autorité des Marchés Financiers.

It is our responsibility to report to you our observations on the information and assertions set out in the Chairman's report on the internal control procedures relating to the preparation and treatment of financial and accounting information.

We performed our procedures in accordance with the guidelines set forth by the French National Institute of Statutory Auditors (CNCC). These require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and treatment of financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and treatment of financial and accounting information, as set out in the Chairman's report;

- obtaining an understanding of the underlying work performed to support the information given in the report.

On the basis of our procedures, we have no comment to make on the information given in respect of the internal control procedures relating to the preparation and treatment of financial and accounting information, set forth in the report of the Chairman of the Board of Directors

Neuilly-sur-Seine and Monaco, July 27, 2007

The Auditor

Deloitte & Associés

Didier NOVELLA

The Statutory Auditors

Jean BOERI

André GARINO

FINANCIAL STATEMENTS

THE PARENT COMPANY FINANCIAL STATEMENTS

OF THE SOCIÉTÉ DES BAINS DE MER ET DU CERCLE DES ETRANGERS À MONACO

Annual financial statements in accordance with Monegasque accounting standards

Annual financial statements in accordance with French accounting standards

BALANCE SHEET AS OF MARCH 31, 2007 IN ACCORDANCE WITH

IN THOUSANDS

ASSETS	2006/2007 FISCAL YEAR			2005/2006 FISCAL YEAR
	GROSS	Depreciation amortization provisions	NET	NET
CURRENT ASSETS OR ASSETS RECOVERABLE IN LESS THAN 1 YEAR	**132,322**	**47,711**	**84,611**	**67,541**
Cash in hand	14,742		14,742	10,207
Banks: deposit on demand	19,510		19,510	19,579
Other assets on demand				
Banks: time deposits				
Marketable securities	22,154		22,154	4,817
Operating receivables	10,095	2,263	7,832	6,844
Various receivables	4,566	1,687	2,879	9,820
Investment accounts				
Affiliate accounts	61,086	43,760	17,325	15,999
Assets withheld	169		169	276
INVENTORY	**12,442**	**61**	**12,381**	**11,955**
ADVANCE PAYMENTS OR GUARANTEES	**2,127**		**2,127**	**2,140**
Payments on account on orders	2,127		2,127	2,140
ASSETS TO MATURE IN OVER 1 YEAR	**8**		**8**	**15**
Loans	8		8	15
NON-CURRENT ASSETS	**113**		**113**	**109**
Deposits and guarantees paid	113		113	109
PARTICIPATING INTERESTS	**72,659**	**4,025**	**68,634**	**70,035**
Affiliates	43,343	3,968	39,374	36,987
Other participating interests	29,316	56	29,260	33,048
FIXED ASSETS	**965,740**	**491,561**	**474,179**	**488,024**
Intangible assets:				
- Concessions, patents & similar	17,988	16,525	1,463	1,885
- Leasehold rights	18	18		
- Assets in process	234		234	248
Property, plant & equipment:				
- Land	80,378		80,378	80,228
- Revaluation reserves as of 03/31/1979	35,616	35,616		
- Land development	2,491	2,491		
- Buildings	603,998	308,486	295,512	302,331
- Industrial and technical plant	159,126	93,560	65,566	70,178
- Other PP&E	53,758	34,865	18,893	18,912
- PP&E under construction	12,133		12,133	14,243
TOTAL ASSETS	**1,185,411**	**543,358**	**642,052**	**639,819**
DEPRECIATION & AMORTIZATION CHARGES				
ACCRUED INCOME & DEFERRED CHARGES	**5,156**		**5,156**	**6,157**
Prepaid expenses	4,737		4,737	3,896
Other suspense accounts	420		420	2,261
Foreign exchange differences				
GRAND TOTAL	**1,190,567**	**543,358**	**647,208**	**645,976**
CLEARING ACCOUNTS				
Directors' shares held as management guarantees			5	5
Deposits received			2,327	13,505
Accounts payable			22,924	17,433
Third-party receivables for bank guarantees			97	97
Forward currencies			14,861	
Opening of credit facility and confirmed unused overdrafts			165,000	125,000
Variable-rate hedge			109,000	117,000
			314,214	**273,041**

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN MONACO
OF EUROS

LIABILITIES & STOCKHOLDERS' EQUITY	2006/2007 FISCAL YEAR	2005/2006 FISCAL YEAR
LIABILITIES PAYABLE IN LESS THAN 1 YEAR	**97,197**	**141,084**
Bills payable	2,870	261
Operating liabilities	50,377	57,325
Affiliate accounts	632	425
Employee accounts	28,449	26,624
Borrowings	331	40,436
Other liabilities	3,426	2,896
Liabilities withheld	11,111	13,116
ADVANCE COLLECTIONS OR GUARANTEES	**17,772**	**12,658**
Advances received	13,570	10,759
Deposits and guarantees received	4,202	1,898
LIABILITIES TO MATURE IN OVER 1 YEAR	**23,827**	**24,375**
Operating liabilities		
Liabilities withheld	23,827	24,375
PROVISIONS FOR CONTINGENCIES	**3,527**	**4,259**
ACCRUED LIABILITIES & DEFERRED INCOME	**26,263**	**26,932**
Revenues to be recorded in future fiscal years	6,167	6,170
Other accrued liabilities and deferred income	4,225	3,768
Foreign exchange differences	15	34
Investment grant		
• gross	17,535	17,535
• amortization	(1,680)	(575)
STOCKHOLDERS' EQUITY		
Common stock, additional paid-in capital and reserves	**215,042**	**215,013**
Common stock: 1,802,290 shares of EUR 10	18,029	18,000
Additional paid-in capital on shares	5,374	5,374
Revaluation reserves:		
- Revaluation surplus 03/31/1990	167,694	167,694
- Revaluation reserve 03/31/1979	23,945	23,945
Reserves:	**97,156**	**96,466**
- Statutory reserve	1,800	1,800
- Optional reserve	88,799	88,799
- Contingency reserve	6,557	5,867
- Long-term capital gains		
Results:	**166,425**	**125,190**
- Retained earnings	114,917	90,673
- Net income for the period	51,508	34,517
TOTAL STOCKHOLDERS' EQUITY	**478,623**	**436,669**
GRAND TOTAL	**647,208**	**645,976**
CLEARING ACCOUNTS		
Director payables for deposited shares	5	5
Third-party payables for bank guarantees	2,327	13,505
Trade payables	22,924	17,433
Bank guarantees given	97	97
Forward currencies	14,861	
Opening of credit facility and confirmed unused overdrafts	165,000	125,000
Variable-rate hedge	109,000	117,000
	314,214	**273,041**

STATEMENT OF INCOME
in accordance with generally accepted accounting principles in Monaco

In thousands of euros	2006/2007 FISCAL YEAR	2005/2006 FISCAL YEAR
MAIN ACTIVITY		
Gaming receipts	229,837	229,011
Services rendered	151,703	131,109
Sales of bought-in goods	4,052	4,170
Other receipts	1,530	1,160
Less: intra-group transfers	(11,203)	(11,530)
Total income from main activity	**375,920**	**353,920**
To be deducted:		
- Cost of purchase of bought-in goods	(2,981)	(3,248)
- Purchases of raw materials and supplies	(117,578)	(112,916)
- License fees, duties and taxes other than income tax	(30,100)	(29,979)
- Wages and salaries	(141,452)	(137,443)
- Other operating expenses	(20,094)	(13,759)
- Depreciation and amortization charges	(43,206)	(36,740)
Provisions:		
- Charges	(12,761)	(14,628)
- Write-backs	20,735	13,582
Total expenses from main activity	**(347,438)**	**(335,132)**
Share in proceeds from joint ventures		
NET INCOME/(LOSS) FROM MAIN ACTIVITY	**28,482**	**18,788**
RELATED ACTIVITIES		
Financial net income/(loss)	(327)	89
Revenues from participating interests	7,315	57
Provisions :		
- Charges	(49)	(20)
- Write-backs	34	12
NET INCOME/(LOSS) FROM RELATED ACTIVITIES	**6,974**	**137**
EXCEPTIONAL INCOME/(EXPENSES)		
Various exceptional expenses	15,915	13,572
Provisions:		
- Charges	(2,813)	(3,672)
- Write-backs	2,984	5,056
NET EXCEPTIONAL ITEMS	**16,086**	**14,957**
LOSSES FROM PRIOR YEARS	**(34)**	**635**
NET INCOME/(LOSS) FOR THE PERIOD	**51,508**	**34,517**

The parent company financial statements

STATUTORY AUDITORS' GENERAL REPORT

(This is a free translation of the original French text for information purposes only.)

Ladies,

Gentlemen,

Stockholders,

In accordance with Articles 8 and 25 of Law 408 of January 20, 1945 and the terms of our three-year appointment for the financial years 2005-2006, 2006-2007 and 2007-2008 at the Annual General Meeting of September 23, 2005, we submit our report on the financial statements for the year ended March 31, 2007.

The financial statements and other corporate documents approved by the Board of Directors have been made available for our audit on a timely basis.

Our audit, which was designed to enable us to express an opinion on these financial statements, was performed in accordance with professional standards and included an examination of the balance sheet as of March 31, 2007 and the statement of income for the year then ended.

Total assets amounted to €647,208 thousand. The statement of income shows a net income for the year of €51,508 thousand. Stockholders' equity amounted to €478,623 thousand.

These documents were prepared in accordance with legal guidelines, in the same format and by applying the same evaluation methods as in the previous year.

We examined the various components of assets and liabilities, together with the methods used for their evaluation and the separate recognition of income and expenses.

We conducted our audit in accordance with applicable professional standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the accompanying balance sheet as of March 31, 2007 and income statement for the year 2006-2007 presented for your approval give a true and fair view of the financial position of the Company as of March 31, 2007 and the results of its operations for the twelve months then ended, in accordance with legal guidelines and professional practices.

We have also verified the financial information given in the Board of Directors' report, the proposed appropriation of net income and compliance with legal provisions and by-laws governing the operations of your Company. We have no matters to report.

Monaco, July 27, 2007

French original signed by

THE STATUTORY AUDITORS

André GARINO

Jean BOERI

STATUTORY AUDITORS' SPECIAL REPORT

This is a free translation of the original text in French for information purposes only.
It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

Ladies,

Gentlemen,

Stockholders,

In accordance with Article 24 of Law 408 of January 20, 1945, we submit our report on the transactions governed by Article 23 of the Sovereign Order dated March 5, 1895, that were performed during the financial year 2006-2007 and on the General Stockholders' Meetings held in that same period

TRANSACTIONS GOVERNED BY ARTICLE 23 OF THE SOVEREIGN ORDER DATED MARCH 5, 1895

The provisions of this Article apply to any undertakings or transactions involving a series of consecutive services (supplies, work, etc.), with similar or identical characteristics, performed with the Company or on its behalf, in which one of its Directors has a direct or indirect interest.

The transactions governed by this Article that were performed during the 2006-2007 financial year are described in the Board of Directors' special report. We have examined the information contained in this report and have no matter to bring to your attention.

GENERAL STOCKHOLDERS' MEETING HELD DURING THE YEAR

During the year, the following General Stockholder's Meetings was called:

- on September 22, 2006, the Annual General Meeting to approve the financial statements for the year ended March 31, 2006;
- on September 22, 2006, the Extraordinary General Meeting to partially amend Article 39 of the bylaws regarding the terms and conditions governing share capital increases, to authorize the Board of Directors to raise share capital currently set at €18,000,000 up to a maximum of €18,040,000 by issuing new shares in cash each with a par value of €10 reserved for employees of the Company and its consolidated subsidiaries, following the waiver by the Monegasque State of its preferential subscription right; to provide for the concomitant amendment of Article 5; and to amend Article 30 of the bylaws regarding the terms and conditions for stockholder involvement in the deliberations of general meetings.

We ascertained that the Board of Directors' meeting of March 22, 2007 took note of the subscription and payment in full of this share capital increase in the amount of €29,200, thus raising total share capital from €18,000,000 to €18,029,200. This transaction will be approved at the next stockholders' meeting.

We verified that:

- the legal guidelines and the provisions of the bylaws governing the proceedings had been complied with;
- the resolutions adopted at the Meeting had been duly implemented.

We did not identify any irregularities.

Monaco, July 27, 2007

French original signed by

THE STATUTORY AUDITORS

André GARINO

Jean BOERI

BALANCE SHEET AS OF MARCH 31, 2007 IN ACCORDANCE WITH

IN THOUSANDS

ASSETS		2006/2007 FISCAL YEAR GROSS	2006/2007 FISCAL YEAR Depreciation amortization provisions	2006/2007 FISCAL YEAR NET	2005/2006 FISCAL YEAR NET
NON-CURRENT ASSETS					
Intangible assets	Note 3	**18,240**	**16,543**	**1,697**	**2,133**
Concessions, patents & similar		17,988	16,525	1,463	1,885
Leasehold rights		18	18		
Intangible assets in progress		234		234	248
Property, plant & equipment	Note 4	**947,500**	**475,018**	**472,482**	**485,891**
Land		118,484	38,106	80,378	80,228
Buildings		603,998	308,486	295,512	302,331
Industrial and technical plant		159,126	93,560	65,566	70,178
Other PP&E		53,758	34,865	18,893	18,912
PP&E under construction		9,986		9,986	12,841
Payments on account		2,147		2,147	1,402
Long-term investments	Note 5	**73,239**	**4,316**	**68,924**	**70,335**
Participating interests		43,343	3,968	39,374	36,987
Other equity investments		29,220	8	29,213	33,023
Loans		468	291	177	190
Other long-term investments		209	49	160	134
TOTAL NON-CURRENT ASSETS		**1,038,980**	**495,877**	**543,103**	**558,359**
CURRENT ASSETS					
Inventory		12,442	61	12,381	11,955
Payments on account - advances paid		2,127		2,127	2,140
Operating receivables		10,265	2,263	8,001	7,120
Other operating receivables		2,282		2,282	3,880
Other receivables		63,329	45,157	18,172	24,024
Cash at bank & in hand and marketable securities		56,406		56,406	34,602
Prepaid expenses		4,737		4,737	3,896
TOTAL CURRENT ASSETS		**151,587**	**47,482**	**104,105**	**87,617**
DEFFERED CHARGES & UNREALIZED FOREIGN EXCHANGE LOSSES					
TOTAL ASSETS		**1,190,567**	**543,358**	**647,208**	**645,976**

OF EUROS

LIABILITIES & STOCKHOLDERS' EQUITY		2006/2007 FISCAL YEAR	2005/2006 FISCAL YEAR
STOCKHOLDERS' EQUITY			
Common stock		18,029	18,000
Additional paid-in capital		5,374	5,374
Revaluation reserves		191,638	191,638
Statutory reserve		1,800	1,800
Long-term net capital gains reserve			
Contingency reserve		6,557	5,867
Optional reserve		88,799	88,799
Retained earnings		114,917	90,673
Net income /(loss)	Note 8	51,508	34,517
Investment grants	Note 9	15,856	16,960
TOTAL STOCKHOLDERS' EQUITY	Note 7	**494,478**	**453,629**
PROVISIONS FOR CONTINGENCIES & LOSSES			
Provisions for contingencies		3,527	4,259
Provisions for losses		26,159	26,604
TOTAL PROVISIONS FOR CONTINGENCIES & LOSSES	Note 10	**29,686**	**30,863**
LIABILITIES			
Bank borrowings		331	40,436
Other borrowings		4,202	1,898
Payments on account - advances received		13,570	10,759
Accounts payable and related accounts		15,799	13,190
Tax and employee-related liabilities		64,927	63,435
Other operating liabilities		2,909	2,771
Amounts payable on PP&E		6,841	15,701
Other liabilities		8,283	7,089
Prepaid income		6,167	6,170
TOTAL LIABILITIES	Notes 11 & 12	**123,029**	**161,450**
UNREALIZED FOREIGN EXCHANGE GAINS		**15**	**34**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY		**647,208**	**645,976**

STATEMENT OF INCOME

in accordance with generally accepted accounting principles in France

In thousands of euros		2006/2007 FISCAL YEAR	2005/2006 FISCAL YEAR
OPERATING INCOME			
Net revenues		374,474	352,776
Write-back of depreciation, amortization and provisions	Note 15	20,735	13,582
Expense reclassifications		431	667
Other income		1,630	1,209
TOTAL OPERATING INCOME		**397,269**	**368,234**
OPERATING EXPENSES			
Purchases of bought-in goods		(3,222)	(3,247)
Changes in inventory of bought-in goods		241	2
Purchases of raw materials and other supplies		(20,205)	(18,055)
Changes in inventory of raw materials and other supplies		185	(199)
Other purchases and external charges		(98,286)	(95,302)
Share in proceeds from joint ventures			
Duties and taxes other than income tax		(30,092)	(29,665)
Wages and salaries		(95,338)	(92,644)
Employee welfare contributions and similar charges		(46,007)	(44,544)
Depreciation and amortization on fixed assets		(43,206)	(36,740)
Charges to provisions on current assets		(10,516)	(12,220)
Charges to provisions for contingencies and losses		(2,245)	(2,408)
Other charges	Note 15	(20,129)	(13,788)
TOTAL OPERATING EXPENSES		**(368,821)**	**(348,811)**
INCOME/(LOSS) FROM OPERATIONS		**28,448**	**19,423**
FINANCIAL INCOME			
From participating interests and marketable securities		7,318	57
Other interest and similar income		75	44
Foreign exchange gains		77	1,968
Net proceeds from sale of short-term investment securities		871	329
Write-back of provisions		34	12
TOTAL FINANCIAL INCOME		**8,375**	**2,409**
FINANCIAL EXPENSES			
Interest and similar charges		(1,332)	(1,865)
Foreign exchange losses		(21)	(386)
Net charges on sales of short-term investment securities			
Charges to provisions		(49)	(20)
TOTAL FINANCIAL EXPENSES		**(1,401)**	**(2,272)**
INCOME/(LOSS) FROM FINANCIAL ITEMS	Note 16	**6,974**	**137**
EXCEPTIONAL INCOME			
From non-capital transactions		31	92
From capital transactions		20,118	20,335
Write-back of provisions		2,984	5,056
TOTAL EXCEPTIONAL INCOME		**23,133**	**25,483**
EXCEPTIONAL EXPENSES			
On non-capital transactions		(29)	(1,531)
On capital transactions		(4,205)	(5,324)
Charges to provisions		(2,813)	(3,672)
TOTAL EXCEPTIONAL EXPENSES		**(7,047)**	**(10,526)**
NET EXCEPTIONAL ITEMS	Note 17	**16,086**	**14,957**
CORPORATE INCOME TAX			
NET INCOME FOR THE PERIOD		**51,508**	**34,517**

STATEMENT OF CASH FLOWS

In thousands of euros	2006/2007 FISCAL YEAR	2005/2006 FISCAL YEAR
OPERATING ACTIVITIES		
Cash flow before disposal of fixed assets	77,778	51,883
Changes in working capital requirements	11,594	6,422
CASH FLOW FROM OPERATING ACTIVITIES	**89,372**	**58,305**
INVESTING ACTIVITIES		
Purchases of PP&E and intangible assets	(29,756)	(107,020)
Investment grants		8,204
Changes in long-term investments and deferred charges	(611)	(8,218)
Proceeds from disposal of assets	19,013	19,760
Changes in amounts payable on PP&E	(8,859)	(10,814)
CASH FLOW USED IN INVESTING ACTIVITIES	**(20,213)**	**(98,088)**
FINANCING ACTIVITIES		
Draw-downs on credit facility		40,436
Credit line repayments	(40,105)	
Dividends paid	(9,583)	(7,507)
Share capital increase	29	
Changes in stable financing activities	2,303	960
CASH FLOW USED IN FINANCING ACTIVITIES	**(47,355)**	**33,889**
CHANGE IN CASH AND CASH EQUIVALENTS	**21,804**	**(5,894)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**34,602**	**40,496**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**56,406**	**34,602**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The following information comprises the Notes to the balance sheet before appropriation of earnings for the fiscal year ended March 31, 2007, which totaled €647,208,000 and the statement of income for the period ended March 31, 2007 which recorded a profit of €51,508,000.

The 12-month fiscal year covers the period from April 1, 2006 to March 31, 2007.

NOTE 1 - ACCOUNTING RULES AND METHODS

The annual financial statements were prepared in accordance with the provisions of CRC regulation 99-03 of April 29, 1999, relating to the new Chart of Accounts, and any legislation that has led to its amendment or completion (particularly CRC regulations 2004-06, 2003-07 and 2002-10(§3)).

General accounting standards were applied in respect of the prudence principle, in accordance with the general accounting rules for the preparation and presentation of annual financial statements, and in accordance with the following basic assumptions:

- going concern,
- cut-off,
- consistency from one fiscal year to another.

1.1 - Change in accounting method

There were no changes in accounting method during the fiscal year.

1.2 - Accounting policies

- ***Intangible assets***

Intangible assets are stated at their historical cost in the balance sheet.

Amortization is calculated according to the straight-line method:

- software	amortized over 3 to 6 years
- concessions	operating term, covered by a write-down provision in the event of adverse developments compared to the initial profitability forecasts.

- ***Property, plant & equipment***

a - Gross value

Property, plant & equipment are stated at their historical cost excluding interest expense. Lands and buildings are however subject to revaluations which are treated in the parent company financial statements as follows:

- during the 1978/79 fiscal year, the revaluation was performed in accordance with French law,
- during the 1989/90 fiscal year, the corresponding entry of the revaluation was taken to a revaluation reserve account in equity.

b - Legal regime for certain real-estate assets

The Société des Bains de Mer was granted exclusive gaming rights subject to the reserves, terms and conditions and obligations of the terms of reference. These rights, originally granted for a period of fifty years as from April 2, 1863, have been renewed several times. Certain provisions with regard to the legal regime for certain real-estate assets were laid down during the penultimate renewal on March 17, 1987.

A new Concession Agreement signed on March 21, 2003 with the Principality Government, renewing gaming rights until March 31, 2027, upon approval by the Extraordinary General Meeting of January 17, 2003 and the concession granting authority on March 13, 2003, incorporated similar provisions, as defined below.

In these terms of reference, it is stated that at the end of the current gaming rights concession, or in the event of further renewals at the end of the last extension, the Société des Bains de Mer will hand over free of charge to the concession granting authority the Casino de Monte-Carlo including its terraces and Square. Based on capitalized assets as of March 31, 2007, the estimated residual value of these properties upon expiry of the current concession would be around €4.5 million.

It is also specified that at the end of the current gaming rights concession or in the event of further renewals, the Société des Bains de Mer undertakes to sell to the Principality Government the following properties, for which the governmental concession granting authority will have requested the return:

- Café de Paris
- Sporting - Monte-Carlo
- Hôtel de Paris and gardens
- Hôtel Hermitage.

If the Principality Government requested such a return, these assets would be sold at their market value calculated on the day of this request, the sale price being determined according to expert opinion in the event of a disagreement between the parties.

c - Depreciation

Depreciation is calculated according to the straight-line method based on the following useful lives:

- buildings	17 to 50 years
- industrial and technical plant	3 to 10 years
- other fixed assets	5 to 10 years

The assets defined in the previous paragraph (b) are normally depreciated over their economic life and not over the term of the concession.

- ***Long-term investments***

Participating interests and other long-term investments are stated at their acquisition cost. If required, write-down provisions are recorded when their balance sheet carrying value is lower than their acquisition cost.

- ***Inventory***

Raw material inventory for restaurants and supplies is valued according to the average weighted price method. A write-down provision is recorded when the probable net realizable value is lower than the cost price.

- ***Receivables and liabilities***

Receivables and liabilities are stated at their nominal value. If required, receivables are written down by a provision, based on an individual or statistical evaluation, to cover the risk of non-recovery.

- ***Marketable securities***

Marketable securities are stated at the lower of acquisition cost and market value.

- ***Provisions for contingencies and losses***

These provisions are clearly identified in terms of their purpose and recognized at the year-end to cover contingencies or losses rendered probable by past or current events.

Retirement, termination and long-service benefit commitments:

As of fiscal year 2006/2007, the benefits offered by the Company to its employees and retirees are valued and recognized in accordance with CNC recommendation 2003-R01 and IAS 19 Employee benefits.

Payments to defined benefit contribution plans are expensed when due.

Group obligations in terms of retirement and similar benefits for defined benefit contribution plans are recognized on the basis of an actuarial valuation of potential rights vested by employees and retirees, using the projected unit credit method.

These estimates, made at each balance sheet date, take into account life expectancy, employee turnover and salary adjustment assumptions as well as the discounting of amounts payable.

Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized at each estimate. They are recorded in profit or loss on a straight-line basis over the average remaining life of obligations.

- ***Investment grants***

The grants allocated to the Company in order to finance investments are classified in equity. They are added back to net exceptional items at the same rate as the provisions for the write-down of the financed assets.

- ***Financial instruments***

The Group uses financial instruments in order to manage and reduce its exposure to exchange rate fluctuations and interest rate or equity risk. If these instruments are deemed as hedging instruments, the corresponding gains and losses are recognized in the same period as the hedged item. Otherwise, the fluctuations in their market value are recognized in net income for the period.

NOTE 2 - HIGHLIGHTS OF THE YEAR AND SUBSEQUENT EVENTS

- ***Opening of Monte-Carlo Bay Hotel & Resort***

  Inaugurated at the start of October 2005, the Monte-Carlo Bay Hotel & Resort recently completed its first full year of operations. The steady increase in its activity is in line with forecasts and the performance for the year then ended has met Group expectations. This new hotel, located on the Larvotto peninsula, has 334 rooms and suites, a spa and sand-bedded lagoon, restaurants, a casino equipped with 154 state-of-the-art automatic machines and a residence with 24 apartments.

- ***Investment in Wynn Resorts, Limited***

  As part of the strategic partnership entered into in June 2003 with Wynn Resorts, Limited, a US company which opened hotel casinos in Las Vegas and Macao, Société des Bains de Mer acquired 3,000,000 Wynn Resorts shares for $45 million or €38.1 million.

  As Wynn Resorts share prices improved after the June 2003 acquisition, the decision was made during fiscal year 2005/2006 to sell a portion of the interest on the market in order to cover the initial €38.1 million investment.

  Following the disposal of 400,000 shares in the last quarter of fiscal year 2005/2006, generating a €14.5 million capital gain for the year, a new tranche of 300,000 shares was sold in April 2006 for $23.1 million or €18.8 million, generating a €15.0 million capital gain that was recorded in the 2006/2007 financial statements.

  These disposals in no way challenge the strategic partnership, which includes the exchange of expertise in areas that are common to the two Groups and the development of specific sales and marketing initiatives. Société des Bains de Mer still holds 2,300,000 shares in Wynn Resorts, Limited, equivalent to approximately 2.3% of the capital.

  Furthermore, in December 2006, Wynn Resorts, Limited paid an exceptional dividend of $6 per share to holders of shares registered on November 23, 2006. This distribution generated financial income of €7.3 million, net of a 30% withholding tax, which had a positive impact on the financial statements for the period ended March 31, 2007. Further to the communication received from Wynn Resorts subsequent to closing, specifying the nature of the distribution, the Group was able to request a partial reimbursement of the withholding tax from the US tax authorities in May 2007. This reimbursement, amounting to €3.1 million, will be recorded in income for fiscal year 2007/2008.

  Finally, the Group wished to hedge a portion of this investment amounting to 200,000 shares against the risk of share price fluctuations by contracting forward sale derivatives, which guarantee a share price of around $100 for the aforementioned portion at maturity, i.e. March 31, 2008. This mechanism, implemented in December 2006, could be settled at maturity through payment and/or transfer of the corresponding shares.

NOTE 3 – INTANGIBLE ASSETS

In thousands of euros	March 31, 2006	Increases	Decreases	March 31, 2007
GROSS VALUES				
Concessions and similar rights	16,804	1,248	(63)	17,988
Other	18			18
Assets under development	248	(14)		234
TOTAL GROSS VALUES	17,070	1,234	(63)	18,240
AMORTIZATION AND PROVISIONS	14,937	1,669	(63)	16,543
TOTAL NET VALUES	**2,133**	**(436)**		**1,697**

NOTE 4 – PROPERTY, PLANT & EQUIPMENT

In thousands of euros	March 31, 2006	Increases	Decreases	March 31, 2007
GROSS VALUES				
Land	118,334	150		118,484
Buildings	590,414	15,296	(1,711)	603,998
Industrial and technical plant	152,760	10,680	(4,313)	159,126
Other property, plant & equipment	51,865	4,507	(2,614)	53,758
Payments on account on PP&E under construction (1)	14,243	(2,110)		12,133
TOTAL GROSS VALUES	**927,616**	**28,522**	**(8,639)**	**947,500**
DEPRECIATION AND PROVISIONS				
Land	38,106			38,106
Buildings	288,083	22,040	(1,636)	308,486
Industrial and technical plant	82,582	15,000	(4,021)	93,560
Other property, plant & equipment	32,954	4,497	(2,586)	34,865
TOTAL DEPRECIATION AND PROVISIONS	441,725	41,537	(8,243)	475,018
TOTAL NET VALUES	**485,891**	**(13,014)**	**(395)**	**472,482**

(1) of which €4,635,000 for the renovation of the rooms in the Excelsior Wing of the Hôtel Hermitage and €4,143,000 for the Café de Paris Casino and its new state-of-the-art automatic machines.

Property, plant & equipment were subject to revaluations:

- during the 1978/1979 fiscal year, in the amount of €77,655,000 (statutory revaluation).

  The corresponding entry for this revaluation was recorded in equity under "revaluation reserves". Only the part of the revaluation in respect of land, which amounted to €23,945,000, was maintained in this account as of March 31, 2007

- during the 1989/1990 fiscal year, in the amount of €167,694,000, which breaks down as follows:
  - land € 36,588,000
  - buildings €131,106,000

  The corresponding entry of this non-statutory revaluation is recorded in equity under the heading "revaluation reserves". The accumulated depreciation in respect of this revaluation amounted to €82,322,000 as of March 31, 2007 and the annual charge totaled €4,573,000.

NOTE 5 – LONG-TERM INVESTMENTS

In thousands of euros	Net value March 31, 2006	Gross value March 31, 2007	Write-down March 31, 2007	Net value March 31, 2007
LONG-TERM INVESTMENTS				
Participating interests & related receivables	36,987	43,343	3,968	39,374
Other equity investments	33,023	29,220	8	29,213
Loans	190	468	291	177
Other long-term investments	134	209	49	160
TOTAL	**70,335**	**73,239**	**4,316**	**68,924**

Detailed financial information on the subsidiaries and investments is provided in Note 20.

The heading "Other equity investments" comprises the acquisition cost of the Wynn Resorts securities in the amount of €29,213,000 (counter-value as of March 31,2007 of $34,500,000 for the 2,3 million shares at $15). The Wynn Resorts share is listed on the Nasdaq and its closing price as of March 31, 2007 was $94,86 (code: WYNN).

NOTE 6 – ACCRUED INCOME

Accrued income is included in the following balance sheet items:

In thousands of euros	March 31, 2006	March 31, 2007
RECEIVABLES		
Operating receivables	276	169
MARKETABLE SECURITIES & CASH AT BANK AND IN HAND		
Marketable securities		
Cash at bank and in hand		
TOTAL	**276**	**169**

NOTE 7 – CHANGES IN EQUITY

In thousands of euros	Common stock	Addt'l paid-in capital	Revaluation reserves	Reserves & retained earnings	Net Income	Investment grant	Equity
AS OF MARCH 31, 2006	**18,000**	**5,374**	**191,638**	**187,139**	**34,517**	**16,960**	**453,629**
Prior year appropriation				34,517	(34,517)		
Dividends & bonus percentage of profits				(9,583)			(9,583)
Share capital increase	29						29
Net income for the period					51,508		51,508
Other changes						(1,105)	(1,105)
AS OF MARCH 31, 2007	**18,029**	**5,374**	**191,638**	**212,073**	**51,508**	**15,856**	**494,478**

The common stock of the Société des Bains de Mer comprises 1,802,920 shares each with a par value of €10:

- 1,202,920 shares are listed on the Eurolist market of Euronext Paris, compartment B (Euroclear code MC0000031187 - BAIN);
- 600,000 Monegasque stated-owned shares that may not be assigned or sold pursuant to Monegasque law no. 807 of June 23,1966.

The Monegasque State owned 69.5% of common stock as of March 31, 2007.

In a notice dated April 13, 2007, Richelieu Finance stated that it owned 93,412 shares, representing 5.19% of common stock. For the record, Fidelity International Limited had stated that it owned 97,318 shares in February 2002, representing 5.41% of capital.

Article 30 of the bylaws was amended by the Extraordinary General Meeting of September 22, 2006 and now reads as follows:

> *"The General Meeting, ordinary or extraordinary, shall be composed of all holders of a share that was transferred for their benefit at least ten days prior to the date of the meeting.*
>
> *Only a holder possessing on his or her own behalf a share can take part in the deliberations of meetings.*
>
> *Any stockholder may be represented by another stockholder at the General Meeting. The proxy shall be filed two days before the date of the meeting. Each stockholder attending the General Meeting is granted as many votes as he or she holds or represents in shares."*

NOTE 8 – PROPOSED APPROPRIATION OF EARNINGS

In thousands of euros		2006/2007 FISCAL YEAR
ORIGINAL APPROPRIATION		
Net income for the year		51,508
Retained earnings		114,917
TOTAL TO BE APPROPRIATED		**166,425**
PROPOSED APPROPRIATION		
Cumulative preferred dividend	€ 0,05 x 1,802,920 shares	90
Contingency reserve		1,030
Optional reserve		
Dividends	€ 6,95 x 1,802,920 shares	12,530
Board of Directors		1,543
Retained earnings		151,232
TOTAL PROPOSED APPROPRIATION		**166,425**

NOTE 9 – INVESTMENT GRANT

In thousands of euros	Net value March 31, 2006	Grants received	Added back to profit or loss	Net value March 31, 2007
TOTAL	**16,960**		**(1,105)**	**15,856**

As part of the refurbishment of the Salle Garnier of the Monte-Carlo Opera, completed in September 2005 for €26,126,000, the Group received financing aid from the Principality Government in the form of an investment grant for a total of €17,535,000. Since the grant was added back to profit or loss at the same rate as the depreciation of the assets it was used to finance, an income of €1,105,000 was recognized in exceptional items for fiscal year 2006/2007.

NOTE 10 – PROVISIONS FOR CONTINGENCIES AND LOSSES

In thousands of euros	March 31, 2006	Increases	Write-back used	Write-back not used	March 31, 2007
PROVISIONS FOR CONTINGENCIES AND LOSSES					
Provisions for litigations	1,817	171	(9)	(573)	1,406
Other contingency provisions	2,442	326	(81)	(566)	2,121
Pension commitments and related commitments (1)	26,568	1,772	(2,188)		26,152
Other loss provisions	36		(29)		7
TOTAL	**30,863**	**2,269**	**(2,308)**	**(1,138)**	**29,686**

(1) In accordance with CNC recommendation 2003-R01 and IAS 19 (projected unit credit method), the Company provides for all its termination, retirement and long-service commitments, which are calculated according to the applicable collective bargaining agreements.

The actuarial assumptions adopted as of March 31, 2007 are as follows:

The actuarial assumptions adopted as of March 31, 2007 are as follows:

- retirement age: 62
- adjustment rate: salaries 3.0% to 3.50% according to the category – annuities 2.5%
- probability of being present in the Company at retirement age: employee turnover rate by grade
- discounting rate: yield to maturity of private bonds issued by an entity in the public sector with the same term as the average

residual term of the commitments (4.53% at 15 years)

- life expectancy tables: TVTD 88/90 for retirement termination payments – TPRV 93 for pension commitments

These obligations are valued at €26.8 million as of March 31, 2007. As the actuarial gains and losses recognized at each estimate are recorded in profit or loss on a straight-line basis over the average remaining life of obligations, a difference of €0.7 million arose between the valuation and the amount of the provision, representing the balance of actuarial gains and losses to be recognized over future periods. The inclusion of these actuarial gains and losses in profit or loss resulted in an expense of €51,000 for fiscal year 2006/2007.

NOTE 11 - BORROWINGS

In thousands of euros	March 31, 2006	March 31, 2007
ANALYSIS BY REPAYMENT DUE DATES		
Due date less than 1 year	41,440	930
Due date more than 1 year	895	3,603
TOTAL	**42,335**	**4,533**

The "Borrowings" line item includes current bank loans and draw-downs on the opening of the revolving credit facility set up in 2004. With a term of 10 years and four months as of December 1, 2004, this credit facility calls for a maximum principal amount of €160 million to be used in the form of floating-rate draw-downs.
A mechanism for managing interest rate risk was subscribed for a term of 6 years beginning April 1, 2005. This mechanism is described in the second paragraph of Note 19 Financial instruments.
Other "Borrowings and financial liabilities" concern guarantees received form third parties.

NOTE 12 – OTHER LIABILITIES

In thousands of euros	March 31, 2006	March 31, 2007
ANALYSIS BY REPAYMENT DUE DATES		
Due date less than 1 year	114,122	114,222
Due date more than 1 year	4,994	4,274
TOTAL	**119,115**	**118,496**

NOTE 13 – ACCRUED EXPENSES

Accrued expenses are included in the following balance sheet items:

In thousands of euros	March 31, 2006	March 31, 2007
Accounts payable and related accounts	5,096	7,400
Tax and employee-related liabilities	22,448	24,416
Other liabilities	1,513	1,885
Amounts payable on PP&E and related accounts	5,791	1,379
TOTAL	**34,849**	**35,080**

NOTE 14 - BALANCE SHEET ITEMS

Concerning related undertakings, i.e. any subsidiary company, consolidated as a whole;

Concerning companies other than those related, in which the Société des Bains de Mer has an interest.

	Amount relating to	
In thousands of euros	Related undertakings	Companies in which SBM has an interest
Participating interests (net)	39,374	
Various receivables	60,899	156
Other liabilities	807	

NOTE 15 – REVERSALS OF PROVISIONS / OTHER OPERATING EXPENSES

Irrecoverable trade receivables were recognized in fiscal year 2006/2007 under "Other expenses" for €11.4 million, compared to €1.3 million in the previous year. The provisions previously set aside in the same amounts were written back.

NOTE 16 – NET INCOME FROM FINANCIAL ITEMS

Net income from financial items includes the exceptional dividend of $6 per share paid by Wynn Resorts, Limited in December 2006. This distribution generated financial income of €7.3 million, net of withholding tax.

NOTE 17 – EXCEPTIONAL ITEMS

Exceptional items include the sale of 300,000 Wynn Resorts shares in the last quarter of fiscal year 2006/2007 for $23.1 million or €18.8 million, generating a €15.0 million capital gain.

NOTE 18 – PERSONNEL

The average number of employees for the year breaks down as follows:

	March 31, 2006	March 31, 2007
Managers	447	460
Supervisors	134	132
Employees	2,449	2,464
TOTAL	**3,030**	**3,056**

NOTE 19 – FINANCIAL INSTRUMENTS

- ***Foreign exchange instruments***

Since the Group's operating and capital expenditure flows, primarily denominated in euros, and the investment in Wynn Resorts, denominated in US dollars, expose the Group to fluctuations in the parity of these currencies, forward sales transactions maturing in March 2008 were performed in December 2006 in the amount of $20 million. These instruments, associated with the equity instruments presented below, are qualified as fair value hedging instruments for the portion of 200,000 Wynn Resorts shares.

- ***Interest rate instruments***

In addition, considering the expected change in its net indebtedness, the Company set up a structured interest rate derivative in December 2004, used to minimize the cost of its future debt and the fluctuations arising from interest rate volatility.
This instrument covers a period of six years as from April 1, 2005 and limits the interest rate to a maximum of 4.19%. The hedged notional amount increases over the first year up to a maximum amount of €117 million, and is then amortized until maturity.

- ***Equity instruments***

Finally, the Group wished to hedge a portion of its investment in the US company, Wynn Resorts, amounting to 200,000 shares against the risk of share price fluctuations by contracting forward sale derivatives, which guarantee a share price of around $100 for the aforementioned portion at maturity, i.e. March 31, 2008. This mechanism, implemented in December 2006, could be settled at maturity through payment and/or transfer of the corresponding shares. These instruments, associated with the aforementioned foreign exchange instruments, are qualified as fair value hedging instruments for the portion of 200,000 Wynn Resorts shares.

- ***Fair value of financial instruments***

The fair value of the financial instruments contracted by the Company as of March 31, 2007 breaks down as follows:

In thousands of euros	March 31, 2006	March 31, 2007
Foreign exchange instruments		(7)
Interest rate instruments	283	931
Equity instruments		221
TOTAL	**283**	**1,145**

The parent company financial statements

NOTE 20 – OFF-BALANCE SHEET COMMITMENTS

In thousands of euros	March 31, 2006	March 31, 2007
COMMITMENTS GIVEN		
Deposits and guarantees	97	97
COMMITMENTS RECEIVED		
Shares deposited by Directors	5	5
Deposits and guarantees (1)	13,505	2,327
RECIPROCAL COMMITMENTS		
Firm capital expenditure orders (2)	10,335	14,062
Other firm orders (3)	7,099	8,863
Opening of credit facility and confirmed unused overdrafts	125,000	165,000

(1) Guarantees received mainly comprise the completion bonds issued by banks with respect to development operations.
(2) Primarily comprises commitments entered into as part of investment and renovation projects including the Café de Paris (€2,257,000), the Hôtel Hermitage (€3,213,000) and the Balmoral building (€3,191,000).
(3) Orders for the purchase of goods for resale, raw materials, supplies and external services placed with suppliers.

The Company has maintained contractual relations with the Monegasque limited liability company Fairmont Monte-Carlo for the lease for the Sun Casino gaming room and the use of a number of rooms.

In addition, the following leases or long-term lease undertakings were granted:

Third parties concerned	start of lease	end of lease
- Société d'Investissements du Centre Cardio-Thoracique de Monaco after extension	01/31/1985	02/25/2043
- Société Civile Immobilière Belle Epoque	10/30/1995	10/29/2035

Pension and retirement termination payment commitments are recognized in the consolidated balance sheet and income statement.

Finally, Société des Bains de Mer was granted exclusive gaming rights subject to the reserves, terms and conditions and obligations of the terms of reference.

These obligations, in consideration of the monopoly conceded, are defined in the concession agreement and mainly focus on the following areas:

- annual licensing fee on gross gaming receipts;
- contribution to artistic, cultural and sporting events in Monaco;
- the Company's real estate with the provisions defined in Note 1.2. Accounting policies - paragraph b - Legal regime for certain real-estate assets
- recruitment, training and promotion of its personnel.

This Note incorporates all the Company's significant off-balance sheet commitments, in accordance with the applicable accounting standards.

NOTE 21 – SUBSIDIARIES AND INVESTMENTS

Detailed financial information on subsidiaries and affiliates (in thousands of euros)	Common stock	Other share-holders' equity (before appropriation of earnings)	% of common stock held	Net income or loss from prior year	Gross value of investments	Net book value of investments	Loans & related receivables	Deposits & guarantees	Dividends paid
Société Anonyme Monégasque des Thermes Marins Monte-Carlo (S.T.M.) - Monaco	2,000	(4,684)	97.00	(665)	2,372				
Société Anonyme Monégasque d'Entreprise de Spectacles (S.A.M.E.S) - Monaco	150	184	99.20	118	38	38			57
Société Anonyme Monégasque Générale d'Hôtellerie (SOGETEL) - Monaco	1,000	(2,779)	97.00	605	955				
Société Financière et d'Encaissement (S.F.E.) - Monaco	1,000	158	97.00	28	822	822			
S.B.M. Incorporated New York (Etats-Unis)	641	(712)	100.00	(63)	641				
SCP Soleil du Midi - Monaco	2		99.00		13,360	13,360	149		
Société Civile Immobilière de l'Hermitage - Monaco	150	40	1.00	1	138	138	24,859		

AUDITOR'S AND STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

(This is a free translation into English of the Auditor's and Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. This report includes information specifically required by French law in such reports, whether qualified or not and should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.)

Ladies,

Gentlemen,

Stockholders,

We have audited the accompanying financial statements of Société des Bains de Mer et du Cercle des Etrangers à Monaco for the year ended March 31, 2007.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of March 31, 2007 and the results of its operations for the year then ended, in accordance with French accounting regulations.

We have also verified the information on the Group and the Company given in the management report, in accordance with professional standards applicable in France. We have no matters to report as to its fair presentation and its consistency with the financial statements.

Neuilly-sur-Seine and Monaco, July 27, 2007

French original signed by

Auditor	Statutory Auditors	
Deloitte & Associés		
Didier NOVELLA	**Jean BOERI**	**André GARINO**

COMPANY RESULTS OVER THE LAST FIVE FISCAL YEARS

	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
Stockholder's equity					
Common stock **(in thousands of euros)**	18,029	18,000	18,000	18,000	18,000
Number of ordinary shares	1,802,920	1,800,000	1,800,000	1,800,000	1,800,000
Operations and income for the year (in thousands of euros)					
Revenues before income tax	374,474	352,776	344,254	316,284	317,975
Net income/(loss) after income tax, but before depreciation, amortization & provisions	86,583	70,928	30,082	46,022	42,606
Net income/(loss) after income tax, depreciation, amortization & provisions	51,508	34,517	25,333	8,273	13,243
Dividends paid to stockholders	12,620	8,550	6,750	3,240	4,050
Per share data (in euros)					
Net income/(loss) after income tax, but before depreciation, amortization & provisions	48.02	39.40	16.71	25.57	23.67
Net income/(loss) after income tax, depreciation, amortization & provisions	28.57	19.18	14.07	4.60	7.36
Dividend per share	7.00	4.75	3.75	1.80	2.25
Employees					
Number of employees as of March 31	2,877	2,844	2,864	2,822	2,829
Total payroll for the year(1) **(in thousands of euros)**	95,338	92,644	90,913	88,701	86,679
Employees benefits for the year (social security, social welfare, etc.) (2) **(in thousands of euros)**	46,007	44,544	42,591	40,607	42,515

(1) excluding funds and pools

(2) including retirement expenses

GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2007

IN THOUSANDS OF EUROS

ASSETS		2006/2007	2005/2006
Goodwill	Note 4		**20**
Intangible assets	Note 4	**1,730**	**2,161**
Property, plant & equipment	Note 5	**513,389**	**527,465**
Available-for-sale financial assets		163,831	146,039
Other financial assets		277	227
Non-current financial assets	Note 6	**164,107**	**146,266**
NON-CURRENT ASSETS		**679,227**	**675,912**
Inventory	Note 7	13,034	12,538
Trade receivables	Note 8	30,116	28,679
Other receivables	Note 9	11,313	19,325
Other current financial assets	Note 10	1,216	381
Cash and cash equivalents	Note 11	60,798	36,961
CURRENT ASSETS		**116,478**	**97,885**
Assets held for sale	Note 6		19,047
TOTAL ASSETS		**795,705**	**792,845**

LIABILITIES & EQUITY		2006/2007	2005/2006
Common stock		18,029	18,000
Additional paid-in capital		5,374	5,374
Reserves		401,917	381,489
Reserves related to the change in fair value of financial assets registred in equity		134,731	132,055
Consolidated net income for the period		53,568	30,010
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**613,619**	**566,929**
Minority interests		39	38
EQUITY		**613,658**	**566,966**
Financial liabilities and borrowings	Note 12	2,358	1,297
Employee benefits	Note 13	26,200	26,601
Provisions	Note 14	1,396	1,311
Other non-current liabilities	Note 15	19,027	20,831
TOTAL NON-CURRENT LIABILITIES		**662,638**	**617,007**
Trade payables	Note 16	18,480	15,704
Other payables	Note 17	112,598	116,629
Provisions	Note 14	854	1,596
Financial liabilities	Note 12	1,124	41,910
Bank	Notes 11 & 12	11	
TOTAL CURRENT LIABILITIES		**133,067**	**175,839**
TOTAL LIABILITIES & EQUITY		**795,705**	**792,845**

CONSOLIDATED STATEMENT OF INCOME

IN THOUSANDS OF EUROS

		2006/2007	2005/2006
Revenue	Note 18	**396,717**	**354,403**
Cost of goods sold, raw materials & other supplies		(38,341)	(34,163)
Other external charges		(90,663)	(84,430)
Taxes and similar payments		(30,092)	(29,666)
Wages and salaries	Note 19	(159,543)	(149,160)
Depreciation and amortization	Notes 4 & 5	(44,425)	(37,656)
Other operating income and expenses	Note 20	(2,736)	(1,802)
Operating income	Note 21	**30,917**	**17,525**
Income from cash and cash equivalents		950	334
Gross finance costs		(672)	(658)
Net finance costs	Note 22	**278**	**(324)**
Other financial income and expenses	Note 22	22,393	12,811
Income tax expense			
CONSOLIDATED NET INCOME		**53,588**	**30,011**
Minority interest share		(20)	(1)
CONSOLIDATED NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**53,568**	**30,010**
Number of shares issued		**1,802,920**	**1,800,000**
Net earnings per share (in euros)		**29.71**	**16.67**
Net diluted earnings per share (in euros)		**29.71**	**16.67**

CONSOLIDATED STATEMENT OF CASH FLOWS

IN THOUSANDS OF EUROS

	2006/2007	2005/2006
OPERATING ACTIVITIES		
Consolidated net income attributable to equity holders of the parent	53,568	30,010
Minority interest share	20	1
Amortization	44,425	37,656
Portion of investment grant recorded in profit or loss	(1,105)	
Changes in provisions	(1,059)	(7,150)
Gains and losses on changes in fair value	(773)	1,965
Other income and expenses calculated	14	8
Capital gains and losses on disposal	(14,809)	(14,436)
Cash generated from operations	**80,281**	**48,055**
Net finance costs (excluding change in fair value) and income tax expense	403	1,581
Cash generated from operations before net finance costs and income tax expense	**80,684**	**49,636**
Tax paid		
Decrease/(increase) in WCR relating to operations	17,061	9,582
CASH FLOW FROM OPERATING ACTIVITIES	**97,745**	**59,217**
INVESTING ACTIVITIES		
Purchase of PP&E and intangible assets	(43,240)	(124,616)
Gains on disposal of PP&E and intangible assets	19,026	19,760
Impact of changes in scope of consolidation		
Change in loans and advances granted	(30)	20
Investment grant		8,204
CASH FLOW USED IN INVESTING ACTIVITIES	**(24,244)**	**(96,632)**
FINANCING ACTIVITIES		
Dividends paid	(9,583)	(7,508)
Minority contributions and changes in scope of consolidation	(18)	
Share capital increase	29	
Changes in stable financing activities (including credit line) Note 12	(39,732)	41,333
Net interest received (paid) Note 22	(403)	(1,581)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**(49,708)**	**32,244**
CHANGE IN CASH AND CASH EQUIVALENTS	**23,794**	**(5,170)**
Cash and cash equivalents at beginning of period	**36,961**	**42,133**
Cash restated at fair value	33	(1)
Cash and cash equivalents at end of period	**60,787**	**36,961**
Cash and cash equivalents - Assets	60,798	36,961
Bank - Liabilities	(11)	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN THOUSANDS OF EUROS

	Common stock	Addt'l paid-in capital	Items recognised directly in equity	Reserves and retained earning	Equity attributable to equity holders of the parent	Minority interests	Equity
April 01, 2005	**18,000**	**5,374**	**118,678**	**388,996**	**531,049**	**37**	**531,086**
Dividend paid				(7,507)	(7,507)		(7,508)
Change in fair value of financial assets			13,377		13,377		13,377
Net income for the period				30,010	30,010	1	30,011
March 31, 2006	**18,000**	**5,374**	**132,055**	**411,500**	**566,929**	**38**	**566,966**
Dividend paid				(9,583)	(9,583)		(9,584)
Share capital increase	29				29		29
Change in fair value of financial assets			2,676		2,676		2,676
Net income for the period				53,568	53,568	2	53,570
March 31, 2007	**18,029**	**5,374**	**134,731**	**455,484**	**613,619**	**39**	**613,658**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

Société anonyme des Bains de Mer et du Cercle des Etrangers à Monaco is a limited liability company incorporated under Monegasque law. The head office is located at Place du Casino in Monte Carlo (Principality of Monaco).

Incorporated on April 1, 1863, the Company's main purpose is the management of a gaming rights concession granted by Sovereign Order on April 2, 1863. The original fifty-year concession was renewed several times and without interruption. The current concession will expire on April 1, 2027, the date on which the Company will be terminated unless there is an extension.

Following the share capital increase authorized by the Extraordinary General Meeting of September 22, 2006, which led to the issue of 2,920 new shares, the common stock of Société des Bains de Mer comprises 1,802,920 shares with a nominal value of €10:

- 1,202,920 shares are listed on the Eurolist market of Euronext Paris, compartment B (Euroclear code MC0000031187 - BAIN);
- 600,000 Monegasque state-owned shares that may not be assigned or sold pursuant to Monegasque law no. 807 of June 23, 1966.

The Monegasque state owned 69.5% of common stock as of March 31, 2007.

In a notice dated April 13, 2007, Richelieu Finance stated that it owned 93,412 shares, representing 5.19% of common stock. For the record, Fidelity International Limited had stated that it owned 97,318 shares in February 2002, representing 5.41% of capital.

Voting rights (article 30 of the bylaws):

Article 30 of the bylaws was amended by the Extraordinary General Meeting of September 22, 2006 and now reads as follows:

"The General Meeting, ordinary or extraordinary, shall be composed of all holders of a share that was transferred for their benefit at least ten days prior to the date of the meeting.

Only a holder possessing on his or her own behalf a share can take part in the deliberations of meetings.

Any stockholder may be represented by another stockholder at the General Meeting. The proxy shall be filed two days before the date of the meeting. Each stockholder attending the General Meeting is granted as many votes as he or she holds or represents in shares."

The financial statements presented for fiscal year 2006/2007 were approved by the Board of Directors at its meeting held on June 21, 2007.

NOTE 2 – ACCOUNTING RULES AND METHODS

2.1 – Accounting framework

Pursuant to European Regulation 1606/2002 of July 19, 2002, the consolidated financial statements of Société des Bains de Mer and its subsidiaries ("the Group") were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The following standards, amended or applicable during the fiscal year, were adopted but did not have an impact on these financial statements:

- IAS 19: actuarial gains and losses
- IAS 21: the effects of changes in foreign exchange rates (amendment relating to net investments in a foreign operation)
- IAS 39: fair value and intragroup cash flow hedge options
- IFRIC 4: determining whether an arrangement contains a lease

The following standards, already adopted or being adopted by the European Union, were not subject to early adoption:

In terms of new standards:

- IFRS 7: disclosures regarding financial instruments (applicable as of January 1, 2007)

In terms of amendments to existing standards:

- IAS 1: presentation of financial statements: amendments relating to capital disclosures (arising from IFRS 7) (applicable as of January 1, 2007)

In terms of interpretations:

- IFRIC 7: practical approach for the restatement of financial statements in accordance with IAS 29 for hyperinflationary economies (applicable to fiscal years beginning on or after March 1, 2006)
- IFRIC 8: scope of IFRS 2 (applicable as of May 1, 2006)
- IFRIC 9: reassessment of embedded derivatives (applicable as of June 1, 2006)

- IFRIC 10: interim financial reporting and impairment (applicable as of November 1, 2006)
- IFRIC 11: Group and treasury share transactions (applicable as of March 1, 2007)
- IFRIC 12: concession agreements (applicable as of January 1, 2008)

The Group has not yet estimated the potential impacts of these standards, amendments and interpretations on its financial statements.

- ***Principles governing the preparation of financial statements***

The financial statements were drawn up using the historical cost method, with the exception of available-for-sale financial assets, derivative instruments, and certain financial assets measured at fair value.

2.2 – Method of consolidation

• *2.2.1. Scope and method of consolidation*

The financial statements of the companies over which Société des Bains de Mer exercises exclusive control are fully consolidated.

The affiliates which respond to these criteria, but do not have a material impact if consolidated, are not consolidated.

Such is the case for the subsidiary S.B.M. Inc. in the US, which simply serves as a sales office.

The list of subsidiaries included in the scope of consolidation as of March 31, 2007 is as follows:

• *2.2.2. Companies consolidated as of March 31, 2007*

NAME	HEAD OFFICE	% INTEREST	METHOD
Société Anonyme Monégasque des Thermes Marins Monte-Carlo (S.T.M.)	2, avenue de Monte-Carlo MC 98000 – MONACO	97,00 %	Fully consolidated
Société Anonyme Monégasque d'Entreprise de Spectacles (S.A.M.E.S)	Les Terrasses du Casino MC 98000 – MONACO	99,20 %	Fully consolidated
Société Anonyme Monégasque Générale d'Hôtellerie (SOGETEL)	38, avenue Princesse Grace MC 98000 – MONACO	97,00 %	Fully consolidated
Société Financière et d'Encaissement (S.F.E)	Sporting d'Hiver – Place du Casino MC 98000 – MONACO	97,00 %	Fully consolidated
Société Civile Particulière Soleil du Midi	Sporting d'Hiver – Place du Casino MC 98000 – MONACO	100,00 %	Fully consolidated
Société Civile Immobilière de l'Hermitage	Sporting d'Hiver – Place du Casino MC 98000 – MONACO	100,00 %	Fully consolidated

• *2.2.3. Accounting period-end*

All Group subsidiaries draw up their financial statements to March 31 for the year-end closing and to September 30 for the half-yearly closing, except for S.C.P. Soleil du Midi and S.C.I. de l'Hermitage which draw up their financial statements to December 31.

• *2.2.4. Management estimates*

Pursuant to IFRS, the preparation of the consolidated financial statements require management to make a certain number of estimates and adopt certain assumptions that have an impact on the amounts carried in the balance sheet and income statement during the year. These estimates assume that the Company will continue as a going concern and are established based on the information available at the time of their preparation. Estimates may be modified subsequent to a change in underlying circumstances or following new information. Actual results could differ from these estimates.

The main estimates made by management on preparation of the financial statements cover the assumptions used for the calculation of depreciation, amortization and impairment, and the valuation of property, plant and equipment, intangible assets and long-term investments, employee benefits, provisions and certain financial instruments. The information provided with respect to contingent assets and liabilities existing at the balance sheet date is also subject to estimates.

• *2.2.5. Goodwills*

Goodwill represents the difference between the acquisition cost of the shares of subsidiaries and the share in the fair value of net assets on the date of entry in the scope of consolidation. A negative difference is recognized directly in profit or loss.

With respect to the provisions of IFRS 3 Business combinations, goodwill is no longer amortized but instead tested for impairment when there is objective indication of such impairment and on an annual basis at minimum.

• 2.2.6. Internal transactions

Inter-company accounts and transactions are eliminated on consolidation.

The write-down provisions relating to participating interests in or debts held against the consolidated companies are eliminated.

• 2.2.7. Translation of financial statements denominated in foreign currencies

The presentation currency is the euro and balance sheet items denominated in foreign currencies are translated into euros using the exchange rate prevailing at the year-end.

The Group conducts virtually all its transactions in euros.

2.3 - Accounting policies

• 2.3.1. Intangible assets

Intangible assets are stated at their historical cost in the balance sheet.

Amortization is calculated on a straight-line basis for intangible assets with finite lives:

- software	amortized over 3 to 6 years
- concessions	operating term, covered by a write-down provision in the event of adverse developments compared to the initial profitability forecasts

There are no intangible assets with indefinite lives.

• 2.3.2. Property, plant & equipment

a - Gross value

Property, plant and equipment are stated at their acquisition cost or their cost price excluding internal labor costs incurred in the ownership or prime contractorship of building projects, in accordance with IAS 16 Property, plant and equipment. However, in accordance with IFRS 1.17, revaluations performed prior to the IFRS transition date are considered as deemed cost at the date of the revaluation if the revaluation is broadly comparable to fair value.

Property, plant and equipment is recognized using the component approach, under which each component, whose cost in relation to the total cost is material and whose useful life differs from that of the other components, is depreciated separately.

Subsequent costs are not recognized as assets unless it is probable that the related future economic benefits will flow to the Group and they can be reliably measured. Current maintenance costs for property, plant and equipment are recognized in profit or loss in the period in which they are incurred.

Borrowing costs relating to the financing of property, plant and equipment are capitalized in the acquisition cost for the portion incurred during the construction period.

b - Leases

Leases are classified as finance leases when the terms transfer substantially all the risks and rewards incidental to ownership to the lessee. An operating lease is a lease other than a finance lease.

In accordance with IAS 17 Leases, assets held under finance leases are recognized in the balance sheet at fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability owed to the lessor is recorded on the balance sheet as an obligation arising from finance leases. Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability.

c - Depreciation

Depreciation is calculated according to the straight-line method based on the following useful lives:

- buildings	17 to 50 years
- industrial and technical plant	3 to 15 years
- other fixed assets	3 to 10 years

The assets designated in paragraph a "Legal regime for certain real-estate assets" under Note 5 "Property, plant and equipment" are normally depreciated over their economic life and not over the term of the concession.

• 2.3.3. Impairment of assets

In accordance with IAS 36, when circumstances or events indicate that an asset has become impaired, and at least once yearly, the Group shall examine the recoverable amount of said asset or the asset group to which it belongs. The recoverable amount is the higher of the fair value less costs to sell and value in use.

Value in use is determined by discounting the value of future cash flows expected to be derived from the asset or the group of assets to which it belongs.

Fair value less costs to sell is the amount obtainable by the Group in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognized for property, plant and equipment and intangible assets when the recoverable amount of the asset is permanently lower than the net carrying amount.

• 2.3.4. Available-for-sale financial assets

Equity investments in non-consolidated companies are classified as "Available-for-sale financial assets" and recognized at fair value. Unrealized capital gains and losses are recognized under a separate equity line item. A permanent impairment loss is recognized in profit or loss for the period.

• 2.3.5. Other financial assets

Loans and long-term investments are considered as assets issued by the Company and recognized at amortized cost using the effective interest rate method. They are subject to a write-down, recognized in profit or loss, if there is an objective indication of impairment.

• 2.3.6. Assets and liabilities held for sale

In accordance with IFRS 5, assets and liabilities available for immediate sale, and for which the sale is highly probable, are classified in assets and liabilities held for sale. Assets held for sale are measured at the lower of the net carrying amount and fair value less disposal costs.

• 2.3.7. Inventory

Raw material inventory for restaurants and supplies is valued at the lower of cost and net realizable value. Cost corresponds to the purchase cost, calculated using the weighted average cost method.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

• 2.3.8. Trade receivables

Trade receivables are valued at fair value on initial recognition. A write-down is recognized in the income statement when there is an objective indication of impairment, under "Other operating income and expenses."

• 2.3.9 Cash and cash equivalents

These assets comprise highly liquid investments that are readily convertible to cash, subject to a negligible risk of a change in value, with an initial maturity of three months or less. These investments are valued at market value and changes in value are recorded in the income statement under "Income from cash and cash equivalents."

• 2.3.10 Provisions

Provisions are recognized when the Group has a present obligation, arising from a past event, which will probably result in an outflow of resources embodying economic benefits that can be reliably estimated.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provision is discounted where the impact is material.

• 2.3.11 Employee benefits

Benefits offered by the Group to its employees and retirees are recognized in accordance with IAS 19 Employee benefits.

Payments to defined contribution pension plans are expensed as they fall due.

The Group's obligations in terms of retirement and similar benefits for defined benefit pension plans are recognized on the basis of an actuarial valuation of the potential rights vested by employees and pensioners, using the projected unit credit method, and decreased, where necessary, by the valuation of available plan assets.

The estimates, carried out at each balance sheet date, take into account assumptions covering life expectancy, employee turnover, wage increases and the discounting of amounts payable.

Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized at each estimate. They are recorded in profit or loss on a straight-line basis over the average remaining life of obligations, under "Wages and salaries."

The cost of services rendered and the interest expense for the period are also recognized under this income statement heading.

• 2.3.12. Investment grants

The grants allocated to the Group in order to finance capital expenditure are classified in balance sheet liabilities under the heading "Other non-current liabilities." They are added back to income at the same rate as the provisions for the write-down of the financed assets.

- ***2.3.13. Financial instruments***

The Group may make use of financial instruments in order to manage and reduce its exposure to exchange rate fluctuations and interest rate risk.

Derivatives are measured at fair value with changes in fair value recognized in profit or loss for the period in which they occur, and presented in the balance sheet under “Other current financial assets” or “Current financial liabilities”.

Derivatives deemed as hedging instruments in accounting terms are measured in accordance with the hedge accounting criteria set forth in IAS 39. Changes in the value of the hedged items, associated with the fair value hedge, are also recognized in profit or loss for the period.

Note 24 sets out the financial instruments used by the Group to manage its financial risk within the meaning of IAS 39.

- ***2.3.14. Revenue***

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates. Revenue is recognized as follows:

- sales of assets are recognized upon delivery and transfer of risks and rewards;
- transactions involving the rendering of services are recognized over the period in which the services are rendered.

In regard to the Gaming segment, revenue comprises the gross amount of table game and automatic game receipts, in addition to the entrance fees for the gaming rooms and foreign exchange commissions. Licensing fees on gross game receipts are recorded under “Taxes and similar payments”.

Hotel segment revenue corresponds to receipts excluding tax and employee distribution.

- ***2.3.15. Deferred taxes and tax regime***

As Société des Bains de Mer achieves less than 25% of its revenue outside Monaco, current tax on net income is not recorded, except for the tax relating to activities performed on French soil. Accordingly, no deferred tax is recorded for all the timing differences between tax and accounting values of assets and liabilities in the consolidated balance sheet.

NOTE 3 - HIGHLIGHTS OF THE YEAR AND SUBSEQUENT EVENTS

- ***Operation of the Monte-Carlo Bay Hotel & Resort***

Inaugurated at the start of October 2005, the Monte-Carlo Bay Hotel & Resort recently completed its first full year of operations. The steady increase in its activity is in line with forecasts and the performance for the year then ended has met Group expectations. This new hotel, located on the Larvotto peninsula, has 334 rooms and suites, a spa and sand-bedded lagoon, restaurants, a casino equipped with 154 state-of-the-art automatic machines and a residence with 24 apartments.

- ***Investment in Wynn Resorts, Limited***

As part of the strategic partnership entered into in June 2003 with Wynn Resorts, Limited, a US company which opened hotel casinos in Las Vegas and Macao, Société des Bains de Mer acquired 3,000,000 Wynn Resorts shares for $45 million or €38.1 million.

As Wynn Resorts share prices improved after the June 2003 acquisition, the decision was made during fiscal year 2005/2006 to sell a portion of the interest on the market in order to cover the initial €38.1 million investment.

Following the disposal of 400,000 shares in the last quarter of fiscal year 2005/2006, generating a €14.5 million capital gain for the year, a new tranche of 300,000 shares was sold in April 2006 for $23.1 million or €18.8 million, generating a €15.0 million capital gain that was recorded in the 2006/2007 financial statements.

These disposals in no way challenge the strategic partnership, which includes the exchange of expertise in areas that are common to the two Groups and the development of specific sales and marketing initiatives. Société des Bains de Mer still holds 2,300,000 shares in Wynn Resorts, Limited, equivalent to approximately 2.3% of the capital.

Furthermore, in December 2006, Wynn Resorts, Limited paid an exceptional dividend of $6 per share to holders of shares registered on November 23, 2006. This distribution generated financial income of €7.3 million, net of a 30% withholding tax, which had a positive impact on the financial statements for the period ended March 31, 2007. Further to the communication received from Wynn Resorts subsequent to closing, specifying the nature of the distribution, the Group was able to request a partial reimbursement of the withholding tax from the US tax authorities in May 2007. This reimbursement, amounting to €3.1 million, will be recorded in income for fiscal year 2007/2008.

Finally, the Group wished to hedge a portion of this investment amounting to 200,000 shares against the risk of share price fluctuations by contracting forward sale derivatives, which guarantee a share price of around $100 for the aforementioned portion at maturity, i.e. March 31, 2008. This mechanism, implemented in December 2006, could be settled at maturity through payment and/or transfer of the corresponding shares.

NOTE 4 – GOODWILL AND INTANGIBLE ASSETS

In thousands of euros	Goodwill	Concessions and similar rights	Other	Assets in progress	Total intangible assets
Gross values as of April 1, 2005	20	20,966	128	282	21,376
Acquisitions		704		(13)	691
Asset disposals / removals		(87)			(87)
Gross values as of March 31, 2006	20	21,583	128	269	21,979
AmortiAmortization / impairment as of April 1, 2005		18,478	128		18,606
Amortization / impairment		1,300			1,300
Asset disposals / removals		(87)			(87)
Amortization as of March 31, 2006		19,691	128		19,818
NET VALUES AS OF MARCH 31, 2006	**20**	**1,892**		**269**	**2,161**
Gross values as of March 31, 2006	20	21,583	128	269	21,979
Acquisitions		1,290			1,290
Asset disposals / removals		(63)		(35)	(99)
Gross values as of March 31, 2007	20	22,810	128	234	23,171
Amortization / impairment as of March 31, 2006		19,691	128		19,818
Amortization / impairment	20	1,686			1,686
Asset disposals / removals		(63)			(63)
Amortization / impairment as of March 31, 2007	20	21,313	128		21,441
NET VALUES AS OF MARCH 31, 2007		**1,496**		**234**	**1,730**

Goodwill represents the difference between the acquisition price of shares in subsidiaries and the share of the fair value of the net assets of such subsidiaries at the acquisition date.

"Intangible assets" primarily comprises:

- Compensation for the acquisition of rights to profits paid to S.A.M. Loews Hotels Monaco for €10,671,000 following transfer of the full management of Sun Casino to Société des Bains de Mer in July 1995. This compensation, recognized under the "Concessions and similar rights" heading, is amortized over a period extending to March 31, 2007. The residual net carrying amount of this assets was nil as of March 31, 2007.
- Software and IT development.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

In thousands of euros	Land	Buildings	Industrial and technical plant	Other property plant & equipment	Payments on account on PP&E under construction	Total
Gross values as of April 1, 2005	156,834	402,671	110,052	45,212	156,633	871,403
Acquisitions		189,885	49,183	12,522	(142,367)	109,223
Asset disposals / removals		(2,003)	(3,946)	(2,682)		(8,631)
Gross values as of March 31, 2006	156,834	590,553	155,289	55,053	14,266	971,995
Amortization as of April 1, 2005	38,106	270,157	74,635	33,683		416,581
Amortization charges		19,870	12,544	3,943		36,357
Asset disposals / removals		(1,913)	(3,845)	(2,650)		(8,408)
Amortization as of March 31, 2006	38,106	288,114	83,334	34,976		444,530
NET VALUES AS OF MARCH 31, 2006	**118,728**	**302,440**	**71,955**	**20,077**	**14,266**	**527,465**
Gross values as of March 31, 2006	156,834	590,553	155,289	55,053	14,266	971,995
Acquisitions	150	15,303	10,987	4,666	(2,133)	28,973
Asset disposals / removals		(1,711)	(4,355)	(2,709)		(8,776)
Gross values as of March 31, 2007	156,984	604,145	161,921	57,009	12,133	992,192
Amortization as of March 31, 2006	38,106	288,114	83,334	34,976		444,530
Amortization charges		22,054	15,705	4,883		42,642
Asset disposals / removals		(1,636)	(4,058)	(2,674)		(8,369)
Amortization as of March 31, 2007	38,106	308,531	94,980	37,185		478,803
NET VALUES AS OF MARCH 31, 2007	**118,878**	**295,614**	**66,940**	**19,825**	**12,133**	**513,389**

a - Legal regime for certain real-estate assets

Société des Bains de Mer was granted exclusive gaming rights subject to the reserves, terms and conditions and obligations of the terms of reference. These rights, originally granted for a period of fifty years as from April 2, 1863, have been renewed several times. Certain provisions with regard to the legal regime for certain real-estate assets were laid down during the penultimate renewal on March 17, 1987.

A new Concession Agreement signed on March 21, 2003 with the Principality Government, renewing gaming rights until March 31, 2027, upon approval by the Extraordinary General Meeting of January 17, 2003 and the concession granting authority on March 13, 2003, incorporated similar provisions, as defined below.

In these terms of reference, it is stated that at the end of the current gaming rights concession, or in the event of further renewals at the end of the last extension, Société des Bains de Mer will hand over free of charge to the concession granting authority the Monte-Carlo Casino including its terraces and Square. Based on capitalized assets as of March 31, 2007, the estimated residual value of these properties upon expiry of the current concession would be around €4.5 million.

It is also specified that at the end of the current gaming rights concession or in the event of further renewals, at the end of the last extension, Société des Bains de Mer undertakes to sell to the Principality Government the following properties, for which the governmental concession granting authority will have requested the return:

- Café de Paris
- Hôtel de Paris et jardins
- Sporting Monte-Carlo
- Hôtel Hermitage.

If the Principality Government requested such a return, these assets would be sold at their market value calculated on the day of this request, the sale price being determined according to expert opinion in the event of a disagreement between the parties.

b – Assets under finance lease

The information relating to assets held under finance leases is presented in Note 30 – Lease commitments.

NOTE 6 – NON-CURRENT FINANCIAL ASSETS/ ASSETS HELD FOR SALE

In thousands of euros	Available-for sale financial assets	Long term loans	Other financial assets	Total non current financial assets	Assets held for sale
Gross values as of April 1, 2005	157,430	305	227	157,961	
Acquisitions	9	4	5	17	
Disposals	(19,572)		(25)	(19,597)	
Reclassifications	(19,047)			(19,047)	19,047
Changes in value	27,869			27,869	
Gross values as of March 31, 2006	146,688	308	207	147,203	19,047
Impairment as of April 1, 2005	649	213	71	933	
Impairment/reversal of impairment		4		4	
Impairment as of March 31, 2006	649	217	71	937	
NET VALUES AS OF MARCH 31, 2006	**146,039**	**91**	**136**	**146,266**	**19,047**
Gross values as of March 31, 2006	146,688	308	207	147,203	19,047
Acquisitions		40	5	44	
Disposals		(10)	(1)	(12)	(18,825)
Reclassifications					
Changes in value	17,792			17,792	(222)
Gross values as of March 31, 2007	164,480	338	210	165,027	
Impairment as of March 31, 2006	649	217	71	937	
Impairment/reversal of impairment		5	(22)	(17)	
Impairment as of March 31, 2007	649	222	49	919	
NET VALUES AS OF MARCH 31, 2007	**163,831**	**115**	**161**	**164,108**	

“Available-for-sale financial assets” primarily represents:

- the recording of securities and related receivables of the subsidiary S.B.M. U.S.A., incorporated in the United States, for a gross value of €641,000, which was fully written down as of March 31, 2007.
- the recording of 2,300,000 Wynn Resorts shares at their fair value, i.e. €163,822,000, the Wynn Resorts share, listed on the Nasdaq, trading at $94.86 as of March 31, 2007, whereas the unit purchase price was $15 in June 2003. The 2,300,000 shares represent approximately 2.3% of the Wynn Resorts share capital.

As of March 31, 2006, “assets held for sale” included the recognition of 300,000 Wynn Resorts shares, measured at fair value under the same terms and conditions as those presented under available-for-sale financial assets, for which a decision to sell was taken prior to the aforementioned date. The disposal of these shares in April 2006 generated a capital gain of €15 million recognized in fiscal year 2006/2007 under “Other financial income and expenses.”

In addition, the changes in fair value of the investment in Wynn Resorts during the fiscal year led to the recognition of a gain directly in equity for €2,676,000 and a loss of €122,000 recorded in “Other financial income and expenses” corresponding to the changes in the value of the securities hedged by the derivative described in Notes 3 and 24.

NOTE 7 - INVENTORY

In thousands of euros	Inventory
Gross value as of March 31, 2006	12,605
Write-down as of March 31, 2006	67
NET VALUE AS OF MARCH 31, 2006	**12,538**
Gross value as of March 31, 2007	13,101
Write-down as of March 31, 2007	67
NET VALUE AS OF MARCH 31, 2007	**13,034**

Inventory mainly comprises beverages - wines, alcohols, etc. - stored in the cellars of establishments.

NOTE 8 – TRADE RECEIVABLES

In thousands of euros	Trade receivables
Gross value as of March 31, 2006	78,824
Write-down as of March 31, 2006	50,144
NET VALUE AS OF MARCH 31, 2006	**28,679**
Gross value as of March 31, 2007	72,858
Write-down as of March 31, 2007	42,742
NET VALUE AS OF MARCH 31, 2007	**30,116**

Trade receivables primarily include gaming client receivables.

NOTE 9 – OTHER RECEIVABLES

In thousands of euros	Payments on account	Other operating receivables (1)	Sundry receivables	Prepaid expenses	Total
Gross value as of March 31, 2006	2,145	4,686	9,333	4,330	20,495
Write-down as of March 31, 2006			1,169		1,169
NET VALUE AS OF MARCH 31, 2006	**2,145**	**4,686**	**8,164**	**4,330**	**19,325**
Gross value as of March 31, 2007	2,142	3,194	2,455	5,058	12,849
Write-down as of March 31, 2007			1,536		1,536
NET VALUE AS OF MARCH 31, 2007	**2,142**	**3,194**	**919**	**5,058**	**11,313**

(1) primarily comprises employee-related receivables and advances, as well as VAT receivables.

NOTE 10 – OTHER CURRENT FINANCIAL ASSETS

In thousands of euros	Loans	Other financial assets	Fair value of derivative instruments (1)	Total
Gross value as of March 31, 2006	136		283	418
Write-down as of March 31, 2006	37			37
NET VALUE AS OF MARCH 31, 2006	**99**		**283**	**381**
Gross value as of March 31, 2007	133		1,152	1,285
Write-down as of March 31, 2007	68			68
NET VALUE AS OF MARCH 31, 2007	**65**		**1,152**	**1,216**

(1) corresponds to the differences in fair value of derivative instrument assets (see Note 24 Financial instruments).

NOTE 11 – CASH AND CASH EQUIVALENTS

In thousands of euros	March 31, 2006	March 31, 2007
MARKETABLE SECURITIES, CASH AT BANK AND IN HAND AND NET CASH POSITION		
Marketable securities (1)	4,818	22,188
Term and sight deposits	32,143	38,611
TOTAL CASH ASSETS	**36,961**	**60,798**
Creditor banks		(11)
CASH POSITION	**36,961**	**60,787**
(1) including gain (loss) in fair value	1	34

NOTE 12 – BORROWINGS, FINANCIAL LIABILITIES AND CREDITOR BANKS

In thousands of euros	March 31, 2006	March 31, 2007
ANALYSIS BY CATEGORY		
Borrowings with credit institutions	40,436	331
Borrowings relating to finance leases	872	441
Other liabilities and deposits	1,898	2,702
Fair value of derivative instruments (1)		7
Bank accounts showing a credit balance		11
TOTAL	**43,207**	**3,493**
ANALYSIS BY REPAYMENT DUE DATES		
Due date less than 1 year	41,910	1,135
Due date of between 1 and 5 years	1,297	2,358
Due date more than 5 years		
TOTAL	**43,207**	**3,493**

(1) See Note 24 Financial instruments

To ensure its financing, the Group set up a credit facility with a pool of financial institutions. With a term of 10 years and four months as of December 1, 2004, this credit facility calls for a maximum principal amount of €160 million to be used in the form of floating-rate draw-downs.

A mechanism for managing interest rate risk was subscribed for a term of 6 years beginning April 1, 2005. This mechanism is described in the second paragraph of Note 24 Financial instruments.

Confirmed credit lines and overdrafts as of March 31, 2007 break down as follows:

In thousands of euros	Disponibles	Utilisés	Non utilisés
Floating-rate revolving credit facility	160,000		160,000
Confirmed overdrafts	5,000	11	4,989
TOTAL	**165,000**	**11**	**164,989**
ANALYSIS BY REPAYMENT DUE DATES			
Due date less than 1 year	5,000	11	4,989
Due date of between 1 and 5 years	40,000		40,000
Due date more than 5 years	120,000		120,000

NOTE 13 – EMPLOYEE BENEFITS

In thousands of euros	March 31, 2006	Expense for the year	Payments	Other changes	March 31,2007
Termination benefits	9,032	1,040	(884)		9,189
Retirement benefits	17,408	726	(1,293)		16,841
Long-service benefits	162	20	(12)		170
TOTAL	**26,601**	**1,786**	**(2,188)**		**26,200**

IIn accordance with IAS 19 (“unit credit method”), the Group provides for all its termination, retirement and long-service medal commitments, which are calculated according to the applicable collective bargaining agreements. These commitments are not funded by plan assets.

The actuarial assumptions adopted as of March 31, 2007 are as follows:

- retirement age: 62
- adjustment rate: salaries 3.0 to 3.50% according to the category – annuities 2.5%
- probability of being present in the Company at retirement age: employee turnover rate by grade
- discounting rate: yield to maturity of private bonds issued by an entity in the public sector with the same term as the average residual term of the commitments (4.53% at 15 years)
- life expectancy tables: TVTD 88/90 for the retirement termination payments – TPRV 93 for pension commitments.

The actuarial obligation breaks down as follows:

In thousands of euros	Fiscal year 2006/2007
ACTUARIAL OBLIGATION OPENING BALANCE	27,200
Cost of services rendered	538
Interest expense	1,198
Actuarial (gains)/losses	108
Benefits paid	(2,188)
ACTUARIAL OBLIGATION CLOSING BALANCE	26,857
Actuarial obligation closing balance	26,857
Unrecognized actuarial gains/(losses)	(657)
PROVISION PRESENTED ON THE BALANCE SHEET	26,200

The expense for the year breaks down as follows:

In thousands of euros	Fiscal year 2006/2007
Cost of services rendered	538
Interest expenset	1,198
Amortization of actuarial (gains)/losses	50
EXPENSE FOR THE YEAR	1,786

NOTE 14 - PROVISIONS

The change in non-current provisions for contingencies and losses for the period from March 31, 2006 to March 31, 2007 breaks down as follows:

In thousands of euros	March 31, 2006	Charge	Write-back used	Write-back non used	March 31, 2007
NON-CURRENT PROVISIONS					
Litigations	950				950
Other contingency	361	85			446
Losses					
TOTAL	**1,311**	**85**			**1,396**

The change in current provisions for contingencies and losses for the period from March 31, 2006 to March 31, 2007 breaks down as follows:

In thousands of euros	March 31, 2006	Charge	Write-back used	Write-back non used	March 31, 2007
CURRENT PROVISIONS					
Litigations	867	171	(9)	(573)	456
Other contingency	694	241	(81)	(462)	391
Losses	36		(29)		7
TOTAL	**1,596**	**412**	**(119)**	**(1,035)**	**854**

NOTE 15 – OTHER NON-CURRENT LIABILITIES

In thousands of euros	March 31, 2006	March 31, 2007
Deferred income due in more than one year	5,020	4,291
Investment grant	15,810	14,736
TOTAL	**20,831**	**19,027**

"Deferred income due in more than one year" comprises the portion of rents due in more than one year, compensation under leasehold rights and other Group revenue received in advance.

In addition, as part of the refurbishment of the Salle Garnier of the Monte-Carlo Opera, completed in September 2005 for €26,126,000, the Group received financing aid from the Principality Government in the form of an investment grant for a total of €17,535,000. Since the grant was added back to profit or loss at the same rate as the depreciation of the assets it was used to finance, an income of €1,105,000 was recognized in profit or loss for fiscal year 2006/2007.

The grant balance to be recognized in future fiscal years, i.e. €15,856,000 breaks down as follows:

- €1,120,000 to be recognized in fiscal year 2007/2008, presented under "Other liabilities – Accruals and deferred income"
- €14,736,000 to be recognized in 2008/2009 and subsequent fiscal years ("Other non-current liabilities").

NOTE 16 – TRADE PAYABLES

In thousands of euros	March 31, 2006	March 31, 2007
Trade payables	9,751	10,340
Purchase invoice accruals	5,953	8,140
TOTAL	**15,704**	**18,480**

NOTE 17 – OTHER PAYABLES

In thousands of euros	March 31, 2006	March 31, 2007
Payments on account	17,099	22,196
Tax and employee-related liabilities	66,825	68,680
Other operating liabilities	2,823	2,953
Amounts payable on PP&E	19,861	6,926
Other liabilities	6,948	7,976
Accruals and deferred income (1)	3,073	3,867
TOTAL	**116,629**	**112,598**

(1) Primarily comprises deferred income due in less than one year.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

NOTE 18 – REVENUE

In thousands of euros	March 31, 2006	March 31, 2007
ANALYSIS BY BUSINESS SEGMENT		
Games	219,640	222,918
Hotels	128,123	164,331
Other	18,570	21,921
Internal transfers	(11,930)	(12,453)
TOTAL	**354,403**	**396,717**

NOTE 19 – WAGES AND SALARIES

In thousands of euros	March 31, 2006	March 31, 2007
WAGES AND SALARIES		
Wages and salaries	101,283	108,526
Social security contributions and other related charges	46,140	49,231
Employee benefits (termination benefits, retirement obligations, long-service awards),	1,737	1,786
TOTAL	**149,160**	**159,543**

NOTE 20 – OTHER OPERATING INCOME AND EXPENSES

In thousands of euros	March 31, 2006	March 31, 2007
COST NET OF IMPAIRMENT OF CURRENT ASSETS		
Losses on uncollectible receivables	(1,284)	(11,419)
Write-back of previously recognized provisions	5,525	16,091
Provisions for impairment for the year	(10,134)	(9,014)
TOTAL COST NET OF IMPAIRMENT OF CURRENT ASSETS	(5,893)	(4,342)
GAIN (LOSS) ON DISPOSALS AND RETIREMENTS OF PP&E AND INTANGIBLE ASSETS		
Gains on disposal	167	201
Net values of asset disposals and retirements	(223)	(407)
GAIN (LOSS) ON DISPOSALS AND RETIREMENTS OF PP&E AND INTANGIBLE ASSETS	(56)	(206)
PORTION OF INVESTMENT GRANT RECORDED IN PROFIT OR LOSS	575	1,105
OTHER INCOME	7,347	2,644
OTHER EXPENSES	(3,776)	(1,937)
TOTAL OTHER OPERATING INCOME AND EXPENSES	**(1,802)**	**(2,736)**

NOTE 21 – OPERATING INCOME

In thousands of euros	March 31, 2006	March 31, 2007
ANALYSIS BY BUSINESS SEGMENT		
Games	40,652	41,999
Hotels	(6,687)	2,503
Other (including central costs not allocated to operational sectors)	(16,440)	(13,585)
TOTAL	**17,525**	**30,917**

Operating income by business segment is calculated on the basis of the segment's revenue minus directly chargeable expenses, depreciation and amortization. Common costs are not broken down.

NOTE 22 – FINANCIAL INCOME AND EXPENSES

In thousands of euros	March 31, 2006	March 31, 2007
Income received	335	917
Change in fair value of marketable securities	(1)	33
TOTAL INCOME FROM CASH AND CASH EQUIVALENTS	**334**	**950**
Expenses and interest paid	(1,915)	(1,321)
Change in fair value of interest rate derivative instruments	1,258	649
TOTAL GROSS FINANCE COSTS	**(658)**	**(672)**
Exchange differences	(248)	75
Gain or loss on foreign exchange derivatives	1,798	
Change in fair value of foreign exchange derivatives	(3,221)	(7)
Capital gains on disposal of available-for-sale financial assets	14,492	15,015
Dividends collected		7,258
Changes in fair value of financial assets and equity derivatives		99
Other	(10)	(47)
TOTAL OTHER FINANCIAL INCOME/EXPENSES	**12,811**	**22,393**

ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23 – PERSONNEL

The average number of employees of the consolidated companies as of March 31, 2007 breaks down as follows:

	March 31, 2006	March 31, 2007
Managers	474	499
Supervisors	157	170
Employees	2,725	2,894
TOTAL	**3,356**	**3,563**

NOTE 24 – FINANCIAL INSTRUMENTS

Financial instruments are recognized in “Other current financial assets” and “Other current financial liabilities”. The accounting policies governing such instruments are described in Note 2.3.13.

- ***Foreign exchange instruments***

  Since the Group’s operating and capital expenditure flows, primarily denominated in euros, and the investment in Wynn Resorts, denominated in US dollars, expose the Group to fluctuations in the parity of these currencies, forward sales transactions maturing in March 2008 were performed in December 2006 in the amount of $20 million. These instruments, associated with the equity instruments presented below, are qualified as fair value hedging instruments for the portion of 200,000 Wynn Resorts shares.

- ***Interest rate instruments***

  In addition, considering the expected change in its net indebtedness, the Group set up a structured interest rate derivative in December 2004, used to minimize the cost of its future debt and the fluctuations arising from interest rate volatility.

  This instrument covers a period of six years as from April 1, 2005 and limits the interest rate to a maximum of 4.19%. The hedged notional amount increases over the first year up to a maximum amount of €117 million, and is then amortized until maturity.

- ***Equity instruments***

  Finally, the Group wished to hedge a portion of its investment in the US company, Wynn Resorts, amounting to 200,000 shares against the risk of share price fluctuations by contracting forward sale derivatives, which guarantee a share price of around $100 for the aforementioned portion at maturity, i.e. March 31, 2008. This mechanism, implemented in December 2006, could be settled at maturity through payment and/or transfer of the corresponding shares. These instruments, associated with the aforementioned foreign exchange instruments, are qualified as fair value hedging instruments for the portion of 200,000 Wynn Resorts shares.

- ***Fair value of financial instruments***

  The fair value of the financial instruments contracted by the Company as of March 31, 2007 breaks down as follows:

In thousands of euros	March 31, 2006	March 31, 2007
Exchange rate instruments		(7)
Interest rate instruments	283	931
Equity instruments		221
TOTAL	**283**	**1,145**

NOTE 25 – SEGMENT REPORTING

Segment reporting is by segment of activity, with no geographical segmenting as the Group operates solely in the Principality of Monaco and districts bordering French territory.

The Group has identified three activity segments:

- The Gaming segment combines the Group’s gaming table (European and US games) and automatic machine operations at the Monte-Carlo Casino, the Café de Paris Casino, the Sun Casino, the Sporting d'Été on the Larvotto peninsula and, since October 2005, the Bay Casino. All of these establishments are located in the Principality of Monaco.

- The Hotel segment, which includes all the accommodation and catering activities, the thalassotherapy and spa-center and all the related hotel services provided in the following establishments: Hôtel de Paris, Hôtel Hermitage, Monte-Carlo Bay Hotel, Café de Paris, Sporting d'Eté, Sporting d'Hiver, Thermes Marins de Monte-Carlo, Monte-Carlo Casino and Monte-Carlo Beach, all of which are located in the Principality of Monaco except for the Monte-Carlo Beach, located in French territory.
- The Other activities segment, which includes all the leasing activities (boutiques, office space, Bay hotel complex) and the Café de Paris drugstore.

• *Revenue by segment*

In thousands of euros		Games	Hotels	Other	Total
REVENUE					
2005/2006 fiscal year	Income before intragroup eliminations	219,640	128,123	18,570	366,333
	Intragroup transactions		(11,661)	(269)	(11,930)
	Revenue	219,640	116,462	18,301	354,403
2006/2007 fiscal year	Income before intragroup eliminations	222,918	164,331	21,921	409,170
	Intragroup transactions		(12,363)	(89)	(12,453)
	Revenue	222,918	151,968	21,831	396,717
y/y-1 change	amount	3,278	35,506	3,530	42,314
y/y-1 change	%	1.5%	30.5%	19.3%	11.9%

• *Operating income by segment*

Operating income by segment is determined on the basis of segment revenue less directly attributable current operating expenditures. Costs that are common or not directly attributable are presented in “Undistributed earnings”.

In thousands of euros	Games	Hotels	Other	Undistributed earning	Total
OPERATING INCOME/(LOSS) BEFORE AMORTIZATION AND DEPRECIATION					
2005/2006 fiscal year	51,079	13,836	8,353	(18,087)	55,181
2006/2007 fiscal year	53,786	29,138	13,095	(20,677)	75,342
y/y-1 change amount	2,707	15,302	4,742	(2,590)	20,161
AMORTIZATION AND DEPRECIATION					
2005/2006 fiscal year	(10,427)	(20,523)	(4,146)	(2,560)	(37,656)
2006/2007 fiscal year	(11,787)	(26,635)	(3,775)	(2,228)	(44,424)
y/y-1 change amount	(1,360)	(6,112)	371	332	(6,768)
OPERATING INCOME/(LOSS)					
2005/2006 fiscal year	40,652	(6,687)	4,207	(20,647)	17,525
2006/2007 fiscal year	41,999	2,503	9,321	(22,905)	30,917
y/y-1 change amount	1,347	9,190	5,114	(2,258)	13,392

• *PP&E and intangible assets by segment*

In thousands of euros	Games	Hotels	Other	Common services	Total
NET PP&E AND INTANGIBLE ASSETS					
As of March 31, 2006	56,241	366,695	93,594	13,097	529,626
As of March 31, 2007	51,953	355,713	95,124	12,329	515,120
y/y-1 change amount	(4,287)	(10,982)	1,530	(768)	(14,507)
INVESTMENTS					
2005/2006 fiscal year	12,333	76,450	20,278	873	109,934
2006/2007 fiscal year	7,785	15,591	5,462	1,467	30,305

NOTE 26 – PER SHARE EARNINGS AND DIVIDENDS

	March 31, 2006	March 31, 2007
Number of shares issued at the year-end	1,800,000	1,802,920
Net earnings per share (in €)	16.67	29.71
Diluted net earnings per share (in €)	16.67	29.71
Dividend paid during the year, including any interim dividends (in €)	3.75	4.75
Dividend proposed for the year, including any interim dividends (in €)		7.00

NOTE 27 – RELATED PARTIES

The information with respect to related parties concerns relations with the State of Monaco, which holds 69.5% of the share capital of Société des Bains de Mer as of March 31, 2007, affiliates whose executive officers are directors of Société des Bains de Mer and the remuneration of company officers and management bodies of this company.

• *Relations with the State of Monaco*

As indicated in Note 1, General information, Société des Bains de Mer was granted exclusive gaming rights subject to the reserves, terms and conditions and obligations of the terms of reference.

These obligations, in consideration of the monopoly conceded, are defined in the concession agreement and mainly focus on the following areas:

- annual licensing fee on gross gaming receipts, i.e. €29,407,000 for fiscal year 2006/2007;
- contribution to artistic, cultural and sporting events in Monaco and particularly financial support for the expenses generated by the opera and ballet season and the Printemps des Arts, in the amount of €7,661,000 for fiscal year 2006/2007;
- the Company's real estate with the provisions defined in Note 5 Property, plant & equipment - paragraph a - Legal regime for certain real-estate assets;
- recruitment, training and promotion of personnel.

• *Relations with affiliates*

Business relationships are maintained with affiliates whose officers are directors of Société des Bains de Mer, particularly Société Monégasque de l'Electicité et du Gaz, Société Monégasque pour l'Exploitation du Tournoi de Tennis, the Monegasque limited liability company Banque Monégasque de Gestion, and Banque J. Safra (Monaco) S.A (formerly Banque du Gothard Monaco S.A.M.).

Transactions between the parent company, Société des Bains de Mer, and its affiliated subsidiaries, are eliminated on consolidation.

• *Remuneration of company executive officers and management bodies*

The overall remuneration and benefits of any nature paid to parent company executive officers and management bodies, by the parent company and all group companies, amounted to €2,335,000 during fiscal 2006/2007, compared to €1,569,000 in the previous period.

In thousands of euros	March 31, 2006	March 31, 2007
Remuneration, benefits and special allowances	708	1,176
Share of profits	757	1,033
Directors' fees	104	125
TOTAL	**1,569**	**2,335**

Employer contributions on remuneration paid is estimated at €110,000 with respect to fiscal year 2006/2007.

NOTE 28 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The information below does not include the lease commitments, which are clearly outlined in Note 30.

In thousands of euros	March 31, 2006	March 31, 2007
COMMITMENTS GIVEN		
Avals, cautions et garanties	97	97
COMMITMENTS RECEIVED		
Shares deposited by directors	122	146
Deposits and guarantees (1)	14,485	3,307
RECIPROCAL COMMITMENTS		
Firm capital expenditure orders (2)	10,335	14,082
Other firm orders (3)	7,323	12,570
Opening of credit facility and authorized unused overdrafts	125,000	164,989

(1) Guarantees received mainly comprise the completion bonds issued by banks with respect to development operations.

(2) Comprises commitments contracted as part of investment projects.

(3) Orders for the purchase of goods for resale, raw materials, supplies and external services placed with suppliers.

The Group has maintained long-term contractual relations with the Monaco limited liability company Fairmont Monte-Carlo for the lease of the Sun Casino gaming room and the use of a number of rooms.

In addition, the following leases or long-term lease undertakings were granted:

Third parties concerned	start of lease	end of lease
- Société d'Investissements du Centre Cardio-Thoracique de Monaco after extension	01/31/1985	02/25/2043
- Société Civile Immobilière Belle Epoque	10/30/1995	10/29/2035

In accordance with the applicable accounting standards, this Note includes all of the Group's material off-balance sheet commitments.

NOTE 29 – MATURITY SCHEDULE OF CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The nature of the main commitments below is presented in Note 28.

a) Contractual obligations

In thousands of euros	Total	Less than 1 year	From 1 to 5 years	Over 5 years
PAYMENTS DUE BY PERIOD				
Irrevocable purchase obligations	26,652	23,878	2,207	567
TOTAL	**26,652**	**23,878**	**2,207**	**567**

b) Other commitments

In thousands of euros	Total	Less than 1 year	From 1 to 5 years	Over 5 years
COMMITMENTS GIVEN				
Guarantees given	97		97	
TOTAL COMMITMENTS GIVEN	**97**		**97**	
COMMITMENTS RECEIVED				
Guarantees received	3,453	2,789	460	205
TOTAL COMMITMENTS RECEIVED	**3,453**	**2,789**	**460**	**205**
INTERCOMPANY COMMITMENTS				
Opening of credit facility and confirmed unused overdrafts	164,989	4,989	40,000	120,000
TOTAL INTERCOMPANY COMMITMENTS	**164,989**	**4,989**	**40,000**	**120,000**

NOTE 30 – LEASE COMMITMENTS

• *Assets held under finance leases*

As of March 31, 2007, assets held under finance leases and restated in the balance sheet totaled €546,000 in net value, compared to €866,000 in the previous year. These are mainly finance leases for office and IT equipment.

The discounted payment schedule relating to finance leases breaks down as follows as of March 31, 2007:

- due in less than 1 year	€187,000
- due between 1 and 5 years	€254,000
- due in more than 5 years	none
- total discounted payments	€441,000

• *Operating leases*

As of March 31, 2007, the discounted minimum future payments of operating leases are as follows:

- due in less than 1 year	€10,074,000
- due between 1 and 5 years	€26,862,000
- due in more than 5 years	€47,506,000
- total discounted payments	€84,442,000

These leases primarily concern operating equipment, employee housing and, and long-term commitments with the Monaco limited liability company Fairmont Monte-Carlo for the lease of the Sun Casino gaming room and the use of a number of rooms at the Hôtel Fairmont.

AUDITOR'S AND STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(This is a free translation into English of the Auditor's and Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. This report includes information specifically required by French law in such reports, whether qualified or not and should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France).

Ladies,

Gentlemen,

Stockholders,

We have audited the accompanying consolidated financial statements of Société des Bains de Mer et du Cercle des Etrangers à Monaco for the year ended March 31, 2007.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of March 31, 2007 and of the results of its operations for the year then ended in accordance with IFRSs as adopted in the European Union.

We have also verified the information on the Group given in the management report, in accordance with professional standards applicable in France. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Monaco, July 27, 2007

French original signed by

Auditor	Statutory Auditors	
Deloitte & Associés		
Didier NOVELLA	**Jean BOERI**	**André GARINO**

RESOLUTIONS
SUBMITTED TO THE ANNUAL GENERAL MEETING
OF SEPTEMBER 21, 2007

FIRST RESOLUTION

The Stockholders, having heard the reports of the Board of Directors and the Statutory Auditors, approve:

- the balance sheet as of March 31, 2007, and the statement of income for the year then ended, which shows a net income of €51,507,691.24
- the transactions reflected in the balance sheet or summarized in the reports of the Board of Directors or the Statutory Auditors.

SECOND RESOLUTION

The Stockholders discharge all directors from any liabilities with respect to the performance of their mandate for the period ended at this date and give full and final discharge to Mr. Michel Sosso.

THIRD RESOLUTION

The Stockholders, having heard the report of the Board of Directors and the Statutory Auditors:

• note that the net income for fiscal year 2006/2007 amounts to	€51,507,691.24
• note that retained earnings amount to	€114,916,955.72
hence, net income available for appropriation amounts to	€166,424,646.96
• decide to appropriate the total to:	
◆ the cumulative preferred dividend of €0.05 x 1,802,920 shares	€90,146.00
◆ the contingency reserve fund, i.e. 2% of net income for the year	€1,030,153.82
◆ the payment of the year's dividend, at €6.95 per share	€12,530,294.00
◆ the Board of Directors	€1,542,526.36
◆ retained earnings	€151,231,526.78

The rights to this dividend and the cumulative preferred dividend will be open to Company stockholders as of September 30, 2007 and will be paid up as of November 5, 2007 by the Company's Securities Department.

FOURTH RESOLUTION

The Stockholders renew the term of office as director of Mr. Jean-Louis Masurel.

Pursuant to Article 12 of the bylaws, the term of office of Mr. Jean-Louis Masurel will come to an end at the General Meeting held after September 18, 2012.

FIFTH RESOLUTION

The Stockholders renew the term of office as director of Mr. Michel Rey.

Pursuant to Article 12 of the bylaws, the term of office of Mr. Michel Rey will come to an end at the Annual General Meeting held to approve the fiscal year 2012/2013 financial statements.

SIXTH RESOLUTION

The Stockholders approve the transactions performed during fiscal year 2006/2007 that are governed by Article 23 of the Order of March 5, 1895 and Article 20 of the bylaws.

The Stockholders renew the authorization for members of the Board of Directors to deal with the Company in a private capacity or ex officio, in accordance with the terms and conditions of the aforementioned articles.

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et du Cercle des Etrangers à Monaco
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