ANNUAL REPORT 2005/2006

SOCIÉTÉ DES BAINS DE MER
ET DU CERCLE DES ETRANGERS A MONACO

SOCIÉTÉ ANONYME DES BAINS DE MER
ET DU CERCLE DES ÉTRANGERS À MONACO

ANNUAL GENERAL MEETING
SEPTEMBER 22, 2006

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

2005 - 2006

BOARD OF DIRECTORS

Chairman	Mr.	Jean-Luc BIAMONTI
Directors	Messrs.	Alexandre KEUSSEOGLOU
		Patrick LECLERCQ
		Jean-Louis MASUREL
		Yves PIAGET
		Marco PICCININI
		Jean-François PRAT
		Michel REY
		Michel SOSSO
		Thierry LACOSTE (start of term of office 7/27/2006)

GENERAL MANAGEMENT

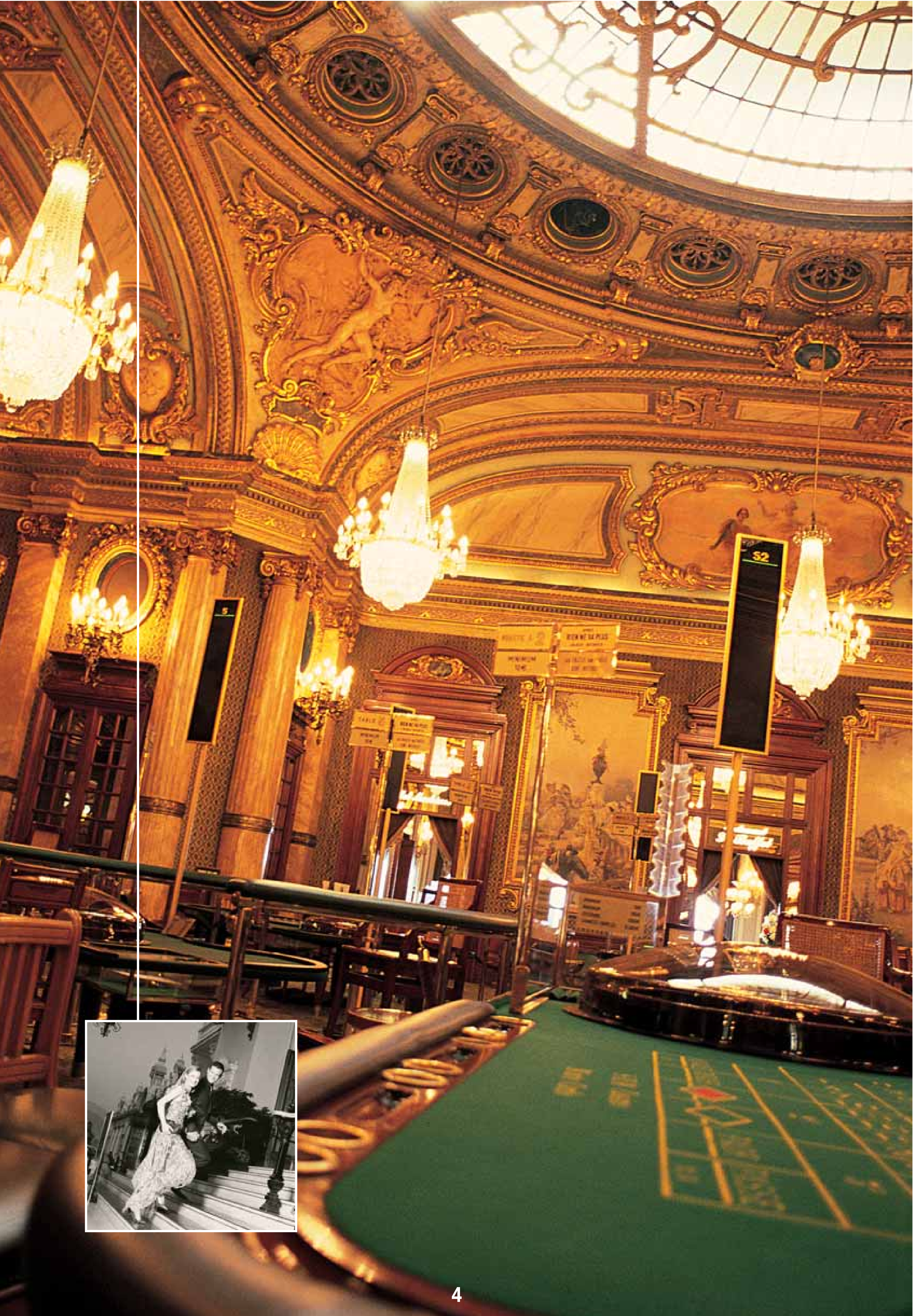
Chief Executive Officer	Mr.	Bernard LAMBERT

STATUTORY AUDITORS

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

AUDITOR

DELOITTE & ASSOCIES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MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

Fiscal year 2005/2006 is the first to close under the reign of our Sovereign, H.S.H. Prince Albert II, who did us the honor of choosing our establishments and, in particular, the Opera of the completely renovated Salle Garnier to hold part of His Enthronement ceremonies.

This year was marked by new improvements in the Company's performances both in terms of revenue and net income.

Furthermore, the initial months of business of the Monte-Carlo Bay Hotel & Resort have exceeded our expectations and confirmed that this hotel could be the growth engine that we were waiting for. It adds an additional line to our product offering and attracts clients with more contemporary tastes who are not used to staying in our establishments.

However, we have witnessed a gradual change in "business mix" in our two main activities.

In the gaming sector, the significance of the slot machines has kept on increasing and represent now 40% of total gaming revenue.

Yet, we must not overlook the contribution from table games, which are going to be promoted through a more dynamic marketing policy, especially, in the countries surrounding the Principality.

In the hotel sector, the inauguration of the Monte-Carlo Bay Hotel & Resort in October 2005 should increase the percentage of "business" clients in relation to our total clientele.

The international competition, which has become even more intense due to the globalization of the economy, has led us to remain vigilant with regard to the Company's cost structure and constantly innovative in our product offering, while staying true to the image that has made Monte-Carlo famous.

The success of our capital expenditure projects in recent years:

- Monte-Carlo Beach Sea Lounge;
- replacement of automatic machines;
- heightening of the Hôtel Hermitage and continued renovation of the Hôtel de Paris;
- construction of the Monte-Carlo Bay Hotel & Resort;

has encouraged us to continue analyzing new investment opportunities in Monaco, such as the restructuring of the Hôtel Balmoral and the refurbishment of the Café de Paris casino, and also to examine the possibility of developing outside of the Principality with projects that have considerable synergy with our present activities.

In July 2006, the Principality Government has appointed to the Board of Directors Mr. Thierry Lacoste, whom we would like to welcome, as government director in replacement of Mr. Michel Sosso, whose term of office has expired and to whom we pay tribute today in thanking him for these six years of close cooperation during which he shared his professional experience and actively contributed to developing the activities of the Company.

Finally, along with the actions of the Board of Directors, I would also like to mention the personnel of the Société des Bains de Mer Group, whose contribution we wish to acknowledge by offering each employee a share – this allotment is today the subject of an Extraordinary General Meeting – and whom we wish to thank for their hard work and daily efforts over the past years.

Jean-Luc Biamonti

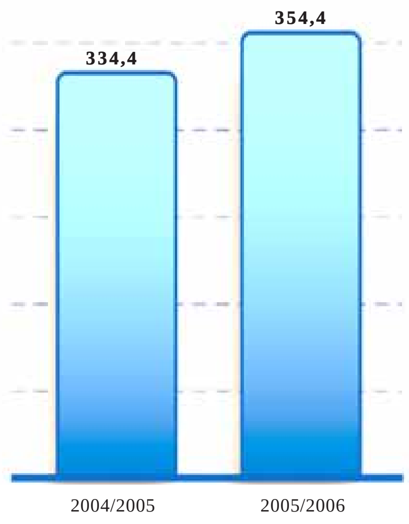
Chairman of the Board of Directors

KEY FIGURES

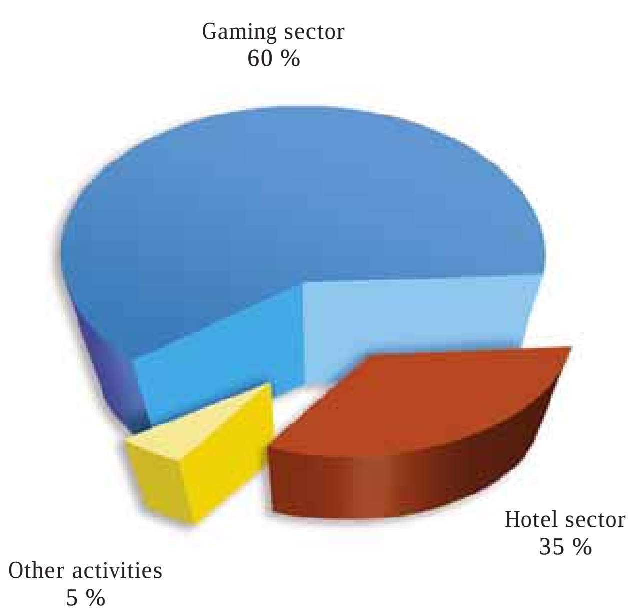
The following information relates to the group comprising the Société des Bains de Mer and its subsidiaries.

CONSOLIDATED REVENUES

in millions of euros

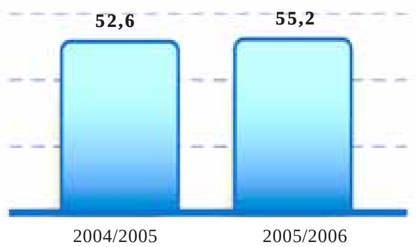


BREAKDOWN OF ACTIVITIES



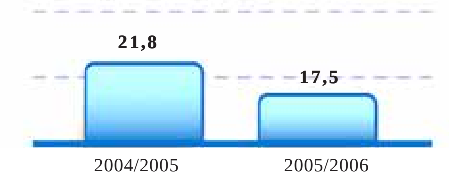
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

in millions of euros



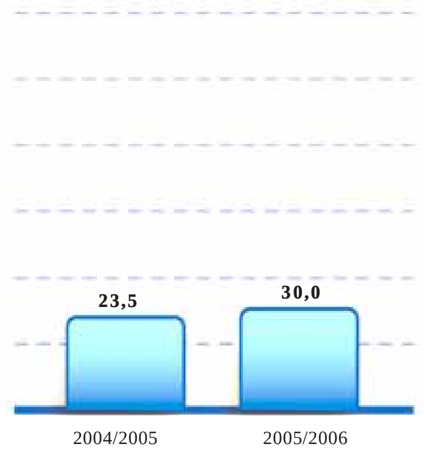
OPERATING INCOME

in millions of euros



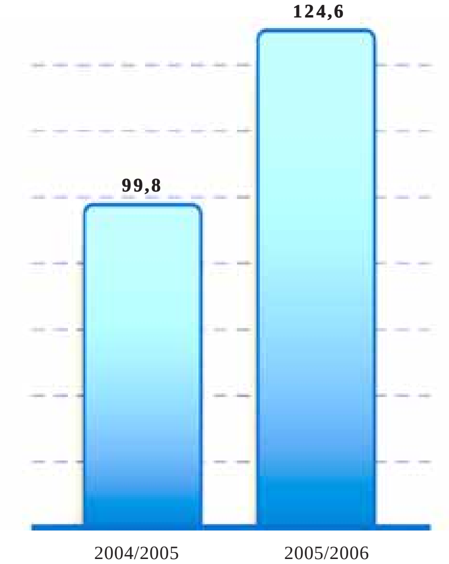
INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

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

Benefiting from a more positive economic climate, the Société des Bains de Mer and its subsidiaries have continued to develop their activities during 2005/2006. This growth was furthered by the inauguration of the Monte-Carlo Bay Hotel & Resort at the beginning of October 2005 that enjoyed satisfactory initial months of business.

Hence, Group revenue totaled €354.4 million in 2005/2006, compared to €334.4 million in 2004/2005, up 6%. Excluding the business generated by the new establishment, revenue rose by 3%.

Even though this improvement in activity led to a 5% increase in operating income before depreciation and amortization to €55.2 million, compared to €52.6 million in 2004/2005, the Group reported an operating income of €17.5 million, compared to €21.8 million in the previous period, mainly due to the depreciation and amortization charges and costs relating to the pre-opening and opening of the Monte-Carlo Bay Hotel & Resort.

Consolidated net income attributable to equity holders of the parent totaled €30 million, compared to €23.5 million for 2004/2005, due to the recognition of financial income totaling €12.5 million. This financial income was mainly generated by the disposal of 400,000 shares of the US company, Wynn Resorts, Limited, in the closing months of 2005/2006, and the resulting €14.5 million capital gain.

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


CARDS
MONTE
CARLO

GAMING SECTOR

During fiscal year 2005/2006, the gaming sector reported revenue of €219.6 million, compared to €215.9 million in the previous year. This improvement is even more satisfactory than the activity recorded in 2004/2005, representing the highest level attained in this sector by the Company mainly due to excellent table game receipts.

Even though the performance of table games fell short of the exceptional result achieved last year, the dynamism recorded in the automatic machine sector enabled the gaming sector to sustain its growth as a whole.

With a first half-year marked by particularly good fortune for certain clients, the **table games** activity reported revenue of €123.0 million for fiscal year 2005/2006, compared to €133.7 million in 2004/2005, even though numerous actions were undertaken to bolster activity and ensure a satisfactory attendance throughout the fiscal year.

European games, which still represent nearly two-thirds of table game receipts, witnessed a 10% decline in revenue compared to 2004/2005. This situation mainly results from the receipts of European Roulette, which nevertheless remains the game most coveted by clients. Most other games have improved, notably Punto Banco which attracts an increasing number of clients.

With a 9% decrease in receipts, *American games* did not attain the level of previous best years. Hindered by the unfavorable conditions during the summer season, this sector aims to renew its clientele. Although Craps and, to a lesser extent, Stud Poker reported an increase in revenue, this could not offset the less favorable development of Black Jack and American Roulette.

With revenue of €96.6 million, compared to €82.2 million in the previous year, **automatic machines** once again experienced a very commendable year. This performance, up 18%, gave rise to the highest amount of revenue ever recorded by this sector.

The program to replace the automatic machines, initiated last year for a portion of the machines installed at the Café de Paris, was gradually extended to the entire room in addition to the Sun Casino.

The installation of equipment boasting the latest innovations and bill acceptors, the set-up of a cashless system and the continuation of communications and promotional campaigns contributed the most to the growth of this sector.

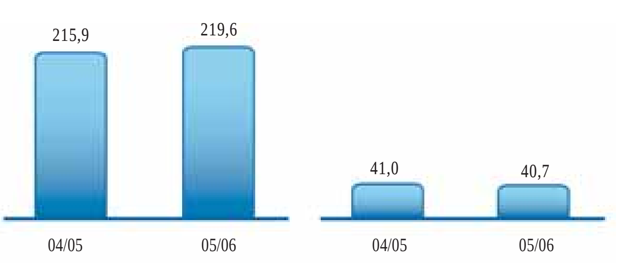
It is also important to note the inauguration in October 2005 of the Bay Casino, which helped boost gaming receipts.

For the gaming sector as a whole, operating income before depreciation and amortization for fiscal year 2005/2006 totaled €51.1 million, compared to €50.2 million in the previous year. As previously mentioned, this improvement was attributable to the excellent performance recorded by the automatic machines. In the table games sector, the initiatives undertaken to boost activity, such as invitations and other marketing and promotional measures, were maintained and even reinforced.

After taking into account the €0.9 million increase in depreciation and amortization charges during the period, on account of the capital injected into the automatic machines sector, the operating income generated by the primary operations during fiscal year 2005/2006 totaled €40.7 million, compared to €41.0 million in the previous year.

REVENUE (in M€)		04/05	05/06	%
56 %	Table games	133,7	123,0	– 8
44 %	Automatic games	82,2	96,7	18
100 %	**Total gaming sector**	**215,9**	**219,6**	**2**

GAMING REVENUE (in M€) OPERATING INCOME FROM GAMES (in M€)



HOTEL SECTOR

The revenue generated by the Group's hotels rose significantly during fiscal year 2005/2006. With a 6% increase in receipts compared to the previous year, the business trend for the first half of the year was encouraging, with a particularly busy summer season.

This improvement was bolstered with the opening of the *Monte-Carlo Bay Hotel & Resort* at the beginning of October 2005.

With 334 rooms and suites, a spa and a sand-bedded lagoon, three restaurants and a casino, this new establishment meets the contemporary expectations of leisure clientele and the requirements of business tourism. With revenue of €9.5 million in the first six months of business, it has largely exceeded the forecasts made for its opening.

While offering new products and services, the opening of the Monte-Carlo Bay Hotel & Resort had no impact on the business of the Group's other hotels. On the contrary, as this complementary offer attracts new clients, there were numerous positive repercussions for the Group's traditional hotels.

For the entire fiscal year 2005/2006, *the hotel sector under its former structure* reported revenue of €118.6 million, compared to €113.6 million in the previous year, up 4%.

The various sectors - accommodation, catering, seaside and thermal activities - experienced very similar trends.

With revenue of €38.8 million for 2005/2006, excluding the contribution of the Monte-Carlo Bay Hotel & Resort, compared to €37.7 million in the previous year, the **accommodation** activity showed considerable improvement, exceeding the best performances of previous years.

This 4% rise in receipts is a result of improved sales and marketing techniques for the rooms proposed to the clientele at the Hôtel de Paris, the Hôtel Hermitage and the Monte-Carlo Beach Hotel. The occupancy rate for all three establishments rose slightly from 61.6% to 62.1%.

The increase in attendance was accompanied by a 2% growth in average receipts, thus promoting the Group's constant efforts to renovate its real estate assets and equip its hotels with facilities that meet the growing expectations of clients who are increasingly enticed by international competition.

Considering the performance of the Company's three traditional hotels as a whole, there was no significant change in the client mix during the period. The breakdown between "private individuals" and "business clients" remains stable with a 68%/32% ratio, compared to 67%/33% in the previous year. Taking into account the clients of the Monte-Carlo Bay Hotel & Resort in this ratio calculation, the percentage of "business clients" received in the Group's four establishments exceeds 37%.

Regarding the breakdown of clients by geographical origin, the French market has bolstered its position as worldwide leader with more than 20% of stays for 2005/2006. It currently remains ahead of the North American market, although the latter has continued to enjoy the turnaround that began in fiscal year 2004/2005 and now represents almost 16% of business, followed by the British and Italian markets.

With a more European clientele in its first six months of business, the inclusion of the Monte-Carlo Bay Hotel & Resort dramatically changes this breakdown at the Group level. Even though the French market has consolidated its leading position with almost 24%, the three other markets are all very close to one another at around 14%.

On a constant structure basis, the **catering sector** reported revenue of €62.7 million, up 6% on the previous year. The 3% increase in the number of meals served to 746,000, compared to 724,000 in the previous year, confirms the success of the Sea Lounge and the Deck at the Beach and reflects the high attendance of gaming clients in the Casino's restaurants. The appeal of Jimmy'z discotheque, the flourishing business of the Salle Empire at the Hôtel de Paris and the increasing popularity of the Café de Paris completes this positive picture. With a total of 352,000 meals served, the Café de Paris again reported a 4% increase in business.

Finally, for the second year running, average catering prices remained unchanged overall throughout the hotel sector.

Taking into account the contribution of the Monte-Carlo Bay Hotel & Resort in the second half of the year, the Group's catering receipts increased by 12% to €66.2 million for almost 830,000 meals served.

The revenue from **other** activities in the hotel sector rose by 10% to €18.2 million.

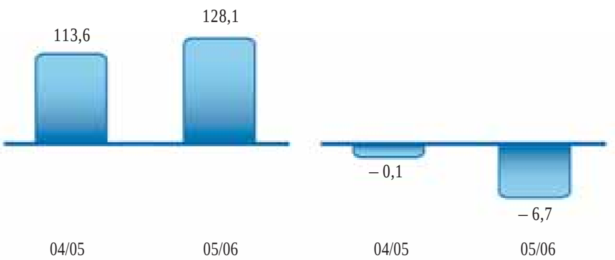
The Group's hotel sector reported revenue of €128.1 million in 2005/2006, up 13% compared to the previous year.

However, the improvement in the revenue of the Monte-Carlo Bay Hotel & Resort is still not reflected in the Group's earnings. In accordance with the forecasts, taking into account the industry's common practices and as is always the case for the first months of business of new hotels, the opening of this hotel weighed heavily on the hotel sector earnings. The operations deficit and, specifically, the additional depreciation and amortization charges in the first six months, represent an expense of €8.2 million allocated to hotel operating income.

As a result, the hotel sector reported an operating loss of €6.7 million in 2005/2006.

REVENUE (in M€)		04/05	05/06	%
34 %	Accomodations	37,7	43,7	16
52 %	Catering	59,3	66,2	12
14 %	Other	16,6	18,2	10
100 %	**Total hotel sector**	**113,6**	**128,1**	**13**

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



ANNUAL FINANCIAL STATEMENTS

Adoption of the new IFRS accounting framework

In accordance with the EU regulation of July 19, 2002, the Group's consolidated financial statements have been prepared in accordance with IAS/IFRS applicable as from January 1, 2005.

The first annual financial statements published under these standards are those for the 2005/2006 fiscal year and they include a comparison with the 2004/2005 fiscal year.

Detailed information on the adoption of IFRS is presented in the notes to the consolidated financial statements.

Revenue

The Group reported consolidated revenue of €354.4 million for fiscal year 2005/2006, compared to €334.4 million in the previous year, up 6%.

Even though a slight decline in revenue was witnessed in the first six months of the year, mainly due to a difficult first quarter, the Group regained a favorable level of activity during the second half of the year.

This improvement was firstly due to the opening of the Monte-Carlo Bay Hotel & Resort at the beginning of October 2005. The new establishment reported revenue of €11.4 million in its first six months of business during the low season and the performances of both the hotel and the casino are in line with expectations. As the work on the hotel residence was only completed at the start of 2006, its contribution to the Group's revenue is immaterial for the period under review.

It is also important to note the sound performance of the Group's other establishments, which reported a 3% growth in revenue for the fiscal year as a whole.

Operating income and depreciation and amortization

Operating income before depreciation and amortization rose by 5% to €55.2 million, compared to €52.6 million in 2004/2005, despite the negative €4.0 million impact for the first months of business of the Monte-Carlo Bay Hotel & Resort. As is often the case in this sector, all the pre-opening costs and the operating loss inherent to these initial months were taken in account.

The opening of this new establishment in early October 2005 also led to a €7.1 million increase in depreciation and amortization charges.

Hence, although the Monte-Carlo Bay Hotel & Resort is one of the future growth engines, its initial months of business had, as expected, a negative impact of €11.1 million on the Group's operating income, which totaled €17.5 million, compared to €21.8 million in the previous year.

Financial income, cash from operations and cash flow

Financial income totaled €12.5 million, compared to €1.7 million in 2004/2005, mainly due to the disposal of 400,000 shares of the US company, Wynn Resorts, Limited, in the closing months of 2005/2006, and the resulting €14.5 million capital gain.

In connection with the investment in Wynn Resorts, Limited, derivative transactions were concluded in order to reduce exposure to the exchange rate fluctuations of this US dollar-denominated investment. These transactions were settled in June 2005 for a net gain of €1.5 million. However, the adoption of IFRS led to the recognition of a financial expense of €1.8 million in

2005/2006, corresponding to this gain adjusted for the changes in the fair value of the financial instruments since March 31, 2005. Since the Group recovered its initial investment following a partial disposal of its shares, which was extended until April 2006, these foreign exchange hedging transactions have not been renewed. At the end of April 2006, the Société des Bains de Mer still held 2,300,000 shares, equivalent to around 2.3% of the capital of Wynn Resorts, Limited, with whom it maintains a strategic partnership.

Consolidated net income

The consolidated net income attributable to the equity holders of Société des Bains de Mer and its subsidiaries totaled €30.0 million for fiscal year 2005/2006, compared to €23.5 million in the previous year.

Cash from operations and cash flows

Cash from operations decreased slightly to €48.1 million, compared to €52.7 million in the previous year. Due to the decline in the working capital requirement, mainly through the reduction in outstanding trade receivables, the net cash generated by operations amounted to €59.2 million, compared to €43.7 million in 2004/2005.

Furthermore, the financial resources allocated to the capital expenditure policy significantly increased during the fiscal year. The completion of the Monte-Carlo Bay Hotel & Resort, the renovation of the Salle Garnier and the continuation of numerous capital expenditure projects therefore represent construction work and acquisitions totaling €124.6 million for 2005/2006. Taking into account the exceptional receipts of €28 million for the previous fiscal year, in respect of the grant awarded by the government of Monaco for the Salle Garnier and the proceeds from the disposal of property, plant and equipment and financial assets, net cash used in investing activities totaled €96.6 million, compared to €102.8 million for 2004/2005.

The Group was therefore required to use the revolving credit facility arranged in December 2004, with draw-downs for the period ended March 31, 2006 totaling €40.0 million in order to have sufficient cash for the initial due dates in the current fiscal year.

Parent company financial statements and dividends

Due to the introduction of the new IFRS framework and in accordance with CNC recommendation 2003-R01, the decision was made to harmonize the method of measuring provisions for retirement and other obligations in the Société des Bains de Mer parent company financial statements with that adopted for the consolidated financial statements. This change resulted in the partial reversal of the provision previously set aside in the parent company financial statements. In accordance with accounting regulations, the €7.0 million impact of this change in method was recognized in equity as of April 1, 2005.

For the period ended March 31, 2006, the financial statements of the Société des Bains de Mer, the parent company, reported a revenue of €352.8 million and net income of €34.5 million, compared to €25.3 million in 2004/2005.

As this performance takes into account the €14.5 million capital gain realized, the Board of Directors proposes a dividend, including the cumulative preferred dividend, of €4.75, compared to €3.75 in the previous year.

CAPITAL EXPENDITURE AND FUTURE OUTLOOK

Capital expenditure

As in previous years, the Group pursued an aggressive capital expenditure policy during the period ended March 31, 2006. Purchases of property, plant and equipment and intangible assets totaled €124.6 million, compared to €99.8 million in the previous year.

The now completed construction of the Monte-Carlo Bay Hotel & Resort on the Larvotto peninsula was the Group's main achievement, with expenditure of €69.6 million for fiscal year 2005/2006. Hence, the total cost of the entire project at completion was €205 million, in line with the budget.

The success achieved by this new establishment has exceeded expectations and it should continue to be very popular during the fiscal year beginning April 1, 2006.

Furthermore, with additional expenditure of 10.6 million during fiscal year 2005/2006, the refurbishment and compliance work on the Salle Garnier de l'Opéra located in the Casino de Monte-Carlo was completed. The Principality Government contributed €17.5 million to this renovation for a total project cost of €26.1 million. After two years of work, the refurbished Salle Garnier was inaugurated on November 19, 2005 at the time of the enthronement of HSH Prince Albert II.

At the Casino de Monte-Carlo, the Salle des Amériques was subject to a major overhaul. The nature of the decor designed by Charles Garnier in 1888 was restored in the architectural style and ambiance of the Casino.

In addition, as in the previous two years, considerable expenditure was incurred to accelerate the replacement of the automatic machines with more appealing and innovative equipment. The expansion of bill acceptors and the gradual installation of a cashless system are illustrations of this ongoing strategy of constant innovation.

Finally, the Group continued the program to embellish the hotel installations open to clients. This mainly concerned the Hôtel de Paris, with the complete renovation of 11 rooms and 3 junior suites in the Alice wing. These refurbished areas were made available to clients at the 2006 Monaco Grand Prix.

In the Hôtel Hermitage, the Group now has permanent use of a 1,600m^2 terrace with a view over the harbor, located on the roof of the Centre de Médecine Sportive building. In addition to having an area of 1,150m^2 for organizing events, especially during the Grand Prix, 9 rooms of the Midi wing were equipped with individual terraces, and 5 with a jacuzzi.

Regarding the strategic partnership with Wynn Resorts, Limited, the disposal of 400,000 shares in 2005/2006 was completed by the sale of 300,000 additional Wynn Resorts, Limited, shares in April 2006, the Group having decided to hedge the initial investment of €38.1 million. This second transaction gave rise to a capital gain of €15.0 million which will be recorded in the financial statements for the fiscal year beginning April 1, 2006.

Under no circumstances do these various disposals undermine the strategic partnership in place, since the Société des Bains de Mer still holds 2,300,000 shares in Wynn Resorts, Limited after hedging its initial investment, equivalent to approximately 2.3% of share capital.

Overall, the Group has the financial resources to successfully complete its capital expenditure and development projects. The construction of a prestigious hotel residence on the site of the Hôtel Balmoral – acquired in November 2004 and likely to benefit from the services of the Hôtel Hermitage, is one of the most significant projects to be undertaken in the coming months.

Beginning in September, the Café de Paris casino will be totally renovated, based on an innovative theme, while the replacement of the automatic machines will continue to enable clients to benefit from the latest technologies at all times.

Competitive environment and outlook

The sales and marketing initiatives undertaken in the hotel sector enabled Société des Bains de Mer to capitalize on the improved worldwide economic climate in the prestigious hotel business.

Nevertheless, the Company's business sectors are subject to increasingly intense international competition.

In the last several months, several new hotel and casino projects have been announced in various European countries, while new and more remote destinations are attracting clients.

To tackle this particularly stiff competitive environment, the Société des Bains de Mer must maintain its ever rigorous management approach combined with an ambitious investment policy. Based on the excellent results of fiscal year 2005/2006, the Company can be confident in pursuing this strategy.

SUSTAINABLE DEVELOPMENT

Eager to extend its support to the environmental protection policy that the Principality of Monaco plans to develop at the instigation of HSH Prince Albert II, the Group wishes to develop its activity and capital expenditure strategy fully within a framework of sustainable development, i.e. “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

In addition to the need to ensure the Company’s sustainability through rigorous management and a forward-looking economic outlook, the Group’s commitment to sustainable development mainly involves the following areas:économique anticipatrice, l'engagement du Groupe en cette matière se décline essentiellement dans les domaines suivants :

The environment

Concerned with helping to maintain green and wooded areas in the Principality of Monaco, the Group ensures the renewal and upkeep of the gardens located within its boundaries that form an integral part of the pleasant surroundings that are in harmony with the protection of the environment, of which certain, such as the Jardins du Casino, are inextricably linked to the image of Monte-Carlo. Numerous trees were also planted on the Larvotto peninsula to brighten up the new gardens of the Monte-Carlo Bay Hotel & Resort.

The creation within the Board of Directors of a new “Environment committee” reaffirms this desire to be actively involved in environmental issues.

For several years, the Group has also used electric vehicles and, as part of a policy to promote renewable energies, the Société des Bains de Mer has undertaken with the Principality Government to participate in the Cleanova project, which aims to promote the use of this type of transport in the Principality. Tests on electric hybrid prototypes will be carried out within the Group as from September 2006.

In the same vein, the Company intends to promote the use of recyclable consumables, such as recycled paper, and continues to work in cooperation with local authorities and suppliers to make progress in the waste treatment sector, either by reducing waste at the source, or by improving the recovery of household waste.

With respect to the “cultural environment”, the Company has confirmed its significant contribution to the artistic and sport activities of the Principality. Throughout the year, the Group is involved in numerous artistic events – seminars, exhibitions, shows – which add to the event-driven energy that characterizes Monaco. It also financially supports the Opera, Choirs, Philharmonic Orchestra and Ballets of Monte-Carlo, the summer artistic season, as well as the Monte-Carlo Tennis Masters Series tournament. Finally, it sponsors the traditional Monegasque automobile competitions.

The workplace

With respect to the workplace, the Group strives to make work rewarding for its employees at the level of their aspirations and maintain a framework of listening and dialogue for all.

In addition to the direct relations within the various departments, the Group’s internal communications are organized in a more institutional manner as follows:

- Employee Cooperation and Information Committee,
- joint staff committees,
- half-yearly information meetings for executives,
- annual staff meetings,
- monthly lunches with management allowing direct discussions between executives and employees,
- monthly reports on the Group’s operations,
- quarterly distribution of a Corporate Newsletter.

In addition, the organization of annual assessment meetings is essential in developing the contribution of executives in company management.

Based on a dynamic and voluntarist internal training policy, the Group is also committed in the long-term to developing the skills of its employees through continuous training and learning both in the hotel industry and the gaming sector. Accordingly, a training scheme was launched in June 2006 for recently promoted executives and a new initiative was undertaken in order to facilitate the access for all employees to the Company’s shares.

BOARD OF DIRECTORS

You are requested to discharge all directors from any liabilities with respect to the performance of their mandate for the 2005/2006 fiscal 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:

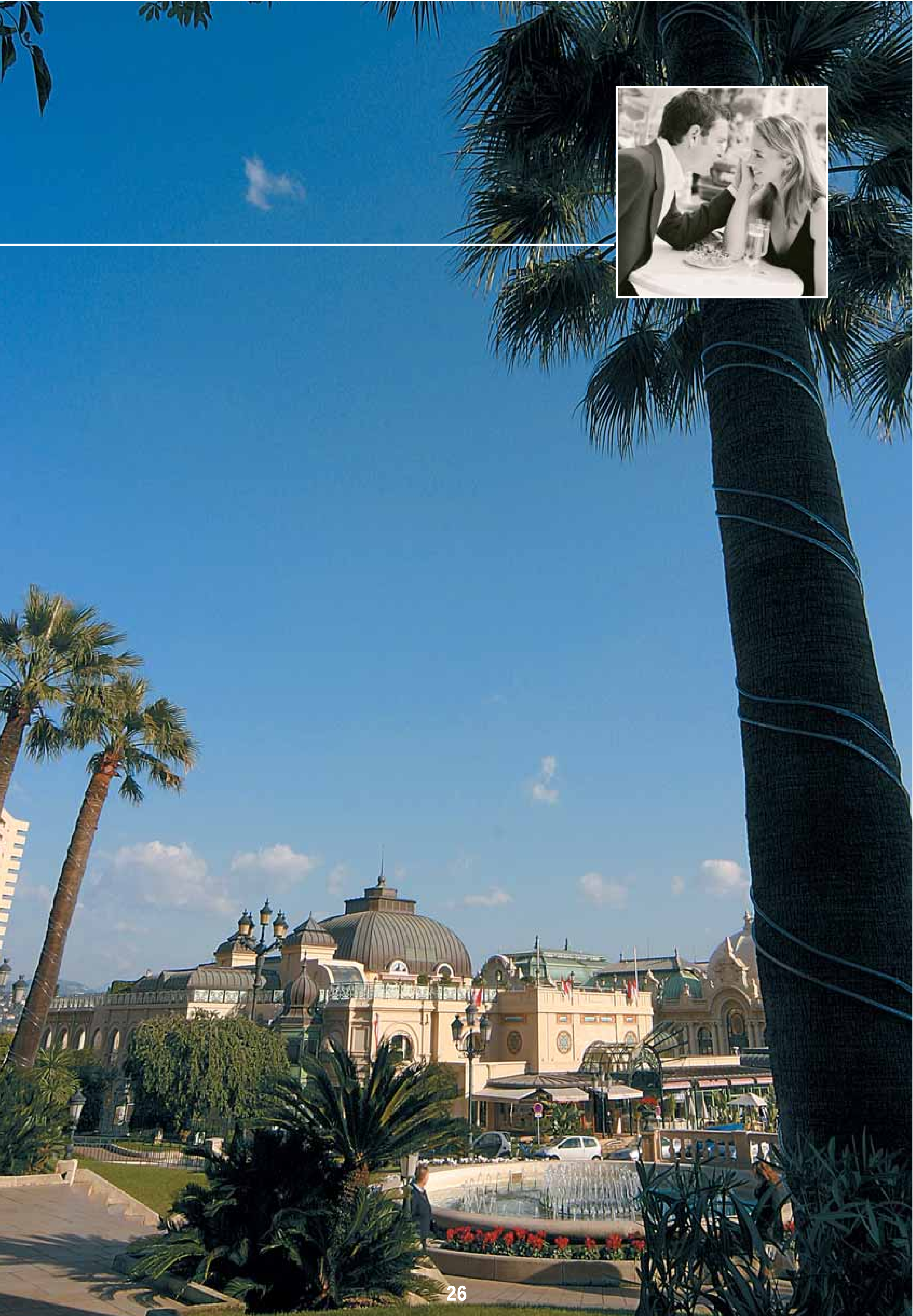
- transactions involving the subsidiaries of your company:
    - Société Anonyme Monégasque d'Entreprise de Spectacles (S.A.M.E.S.)
    - Société Anonyme Monégasque des Thermes Marins Monte-Carlo (S.T.M.)
    - Société Anonyme Monégasque Générale d'Hôtellerie (SOGETEL)
    - Société Financière et d'Encaissement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

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 2005/2006 break down as follows:

In EUR thousands	Statutory auditors	Deloitte & Associés
AUDIT		
Statutory auditorship & certification	60	250
Related engagements		40
S/TOTAL AUDIT	60	290
OTHER SERVICES		
Legal, tax, employee-related, IT, internal audit		
Other		6
S/TOTAL OTHER SERVICES		6
TOTAL FEES PAID	**60**	**296**



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.

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 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, 2005, the Board of Directors comprised five directors appointed by 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 of 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's activity during the fiscal year ended March 31, 2006

The Board of Directors met six times during the fiscal year ended March 31, 2006. 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 & Audit committee, a Human Resources committee and an Environment committee.

The Finance & Audit Committee is responsible for clarifying 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, 2006 and had discussions, in particular, with the Chief Executive Officer, the Chief Financial Officer, the Internal Audit Manager and the Group's statutory and deputy 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 twenty-two times during the fiscal year ended March 31, 2006 and heard, in particular, the Chief Executive Officer and the Human Resources Manager during its meetings.

The Environment 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 once during the fiscal year ended March 31, 2006.

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/profit ratio of the implementation of new controls or the risk of collusion that could impede the controls.

Internal reference documents

The internal reference documents distributed to the various managers and their teams are in particular:

- **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's 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,
  - Finance and Administration Departments,
  - Technical Department,
  - Information Systems Department,
  - Human Resources Department,
  - Sales and Marketing Department,
  - Artistic 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 statutory and deputy auditors,
  - Completion of selective 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 procedures: internal control culture**

  - 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 monitored particularly through engagements conducted by Internal Audit, and the Group's statutory and deputy auditors. The possible weaknesses identified during these engagements 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.

FINANCIAL STATEMENTS


TICKET-IN
EZ
PAY
TICKET-OUT
TARASCO
AME KING

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, 2006 IN ACCORDANCE WITH

IN THOUSANDS

ASSETS	2005/2006 FISCAL YEAR GROSS	Depreciation amortization provisions	NET	2004/2005 FISCAL YEAR NET
CURRENT ASSETS OR ASSETS RECOVERABLE IN LESS THAN 1 YEAR	**120,379**	**52,839**	**67,541**	**85,044**
Cash in hand	10,207		10,207	7,257
Banks: deposit on demand	19,579		19,579	23,215
Other assets on demand				
Banks: time deposits				1,500
Marketable securities	4,817		4,817	8,555
Operating receivables	8,818	1,974	6,844	8,987
Various receivables	11,172	1,352	9,820	10,783
Investment accounts				
Affiliate accounts	65,511	49,512	15,999	24,480
Assets withheld	276		276	267
INVENTORY	**12,016**	**61**	**11,955**	**12,150**
ADVANCE PAYMENTS OR GUARANTEES	**2,140**		**2,140**	**1,975**
Payments on account on orders	2,140		2,140	1,975
ASSETS TO MATURE IN OVER 1 YEAR	**15**		**15**	**26**
Loans	15		15	26
NON-CURRENT ASSETS	**109**		**109**	**124**
Deposits and guarantees paid	109		109	124
PARTICIPATING INTERESTS	**75,886**	**5,851**	**70,035**	**69,474**
Affiliates	42,759	5,772	36,987	31,346
Other participating interests	33,127	79	33,048	38,128
FIXED ASSETS	**944,686**	**456,662**	**488,024**	**417,968**
Intangible assets:				
- Concessions, patents & similar	16,804	14,919	1,885	2,487
- Leasehold rights	18	18		
- Assets in process	248		248	248
Property, plant & equipment:				
- Land	80,228		80,228	80,228
- Revaluation reserves as of 03/31/1979	35,616	35,616		
- Land development	2,491	2,491		
- Buildings	590,414	288,083	302,331	132,489
- Industrial and technical plant	152,760	82,582	70,178	35,265
- Other PP&E	51,865	32,954	18,912	10,633
- PP&E under construction	14,243		14,243	156,616
TOTAL ASSETS	**1,155,231**	**515,413**	**639,819**	**586,760**
DEPRECIATION & AMORTIZATION CHARGES				
ACCRUED INCOME & DEFERRED CHARGES	**6,157**		**6,157**	**5,570**
Prepaid expenses	3,896		3,896	3,671
Other suspense accounts	2,261		2,261	1,899
Foreign exchange differences				
GRAND TOTAL	**1,161,388**	**515,413**	**645,976**	**592,330**
CLEARING ACCOUNTS				
Directors' shares held as management guarantees			5	5
Deposits received			13,505	23,425
Accounts payable			17,433	65,503
Third-party receivables for bank guarantees			97	97
Forward currencies				41,670
Opening of credit facility and confirmed unused overdrafts			125,000	164,967
Variable-rate hedge			117,000	117,000
			273,041	**412,667**

The parent company financial statements

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN MONACO

OF EUROS

LIABILITIES & STOCKHOLDERS' EQUITY	2005/2006 FISCAL YEAR	2004/2005 FISCAL YEAR
LIABILITIES PAYABLE IN LESS THAN 1 YEAR	**141,084**	**124,384**
Bills payable	261	502
Operating liabilities	57,325	77,239
Affiliate accounts	425	530
Employee accounts	26,624	27,624
Borrowings	40,436	
Other liabilities	2,896	3,223
Liabilities withheld	13,116	15,265
ADVANCE COLLECTIONS OR GUARANTEES	**12,658**	**9,215**
Advances received	10,759	8,277
Deposits and guarantees received	1,898	939
LIABILITIES TO MATURE IN OVER 1 YEAR	**24,375**	**29,314**
Operating liabilities		2,800
Liabilities withheld	24,375	26,514
PROVISIONS FOR CONTINGENCIES	**4,259**	**8,372**
ACCRUED LIABILITIES & DEFERRED INCOME	**26,932**	**18,416**
Revenues to be recorded in future fiscal years	6,170	5,961
Other accrued liabilities and deferred income	3,768	3,102
Foreign exchange differences	34	23
Investment grant		
• gross	17,535	9,331
• amortization	(575)	
STOCKHOLDERS' EQUITY		
Common stock, additional paid-in capital and reserves	**215,013**	**215,013**
Common stock: 1,800,000 shares of EUR 10	18,000	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:	**96,446**	**96,032**
- Statutory reserve	1,800	1,800
- Optional reserve	88,799	79,129
- Contingency reserve	5,867	5,360
- Long-term capital gains		9,744
Results:	**125,190**	**91,583**
- Retained earnings	90,673	66,250
- Net income for the period	34,517	25,333
TOTAL STOCKHOLDERS' EQUITY	**436,669**	**402,628**
GRAND TOTAL	**645,976**	**592,330**
CLEARING ACCOUNTS		
Director payables for deposited shares	5	5
Third-party payables for bank guarantees	13,505	23,425
Accounts payable	17,433	65,503
Bank guarantees given	97	97
Forward currencies		41,670
Opening of credit facility and confirmed unused overdrafts	125,000	164,967
Variable-rate hedge	117,000	117,000
	273,041	**412,667**

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

In thousands of euros	2005/2006 FISCAL YEAR	2004/2005 FISCAL YEAR
MAIN ACTIVITY		
Gaming receipts	229,011	228,415
Services rendered	131,109	123,972
Sales of bought-in goods	4,170	3,534
Other receipts	1,160	1,257
Less: intra-group transfers	(11,530)	(11,735)
Total income from main activity	**353,920**	**345,443**
To be deducted:		
- Cost of purchase of bought-in goods	(3,248)	(2,805)
- Purchases of raw materials and supplies	(112,916)	(107,736)
- License fees, duties and taxes other than income tax	(29,979)	(29,991)
- Wages and salaries	(137,443)	(133,636)
- Other operating expenses	(13,759)	(41,933)
- Depreciation and amortization charges	(36,740)	(29,704)
Provisions:		
- Charges	(14,628)	(16,954)
- Write-backs	13,582	40,866
Total expenses from main activity	**(335,132)**	**(321,893)**
Share in proceeds from joint ventures		
NET INCOME/(LOSS) FROM MAIN ACTIVITY	**18,788**	**23,550**
RELATED ACTIVITIES		
Financial net income/(loss)	89	2,118
Revenues from participating interests	57	57
Provisions :		
- Charges	(20)	(31)
- Write-backs	12	64
NET INCOME/(LOSS) FROM RELATED ACTIVITIES	**137**	**2,208**
EXCEPTIONAL INCOME/(EXPENSES)		
Various exceptional expenses	13,572	(1,827)
Provisions:		
- Charges	(3,672)	(764)
- Write-backs	5,056	1,837
NET EXCEPTIONAL ITEMS	**14,957**	**(754)**
LOSSES FROM PRIOR YEARS	**635**	**329**
NET INCOME/(LOSS) FOR THE PERIOD	**34,517**	**25,333**

STATUTORY AUDITORS' GENERAL REPORT

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

Ladies,

Gentlemen,

Stockholders,

In accordance with Article 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, 2006.

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, 2006 and the statement of income for the year then ended.

Total assets amounted €645,976 thousand. The statement of income shows a net income for the year of €34,517 thousand. Stockholders' equity amounted to €436,669 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, 2006 and income statement for the year 2005-2006 presented for your approval give a true and fair view of the financial position of the Company as of March 31, 2006 and the results of its operations for the twelve months then ended, in accordance with legal guidelines and professional practices.

Without qualifying the above opinion, we would draw your attention to the following point made in Note 1-1 to the parent company financial statements for the year ended March 31, 2006 in respect of the change in the method used to account for the Company's commitments as regards pensions, termination payments on retirement and long-service benefits. This change is reflected by a €7,030 thousand release of the provision previously raised. This release was recorded in equity as of April 1, 2005.

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 28, 2006

French original signed by

THE STATUTORY AUDITORS

André GARINO — Jean BOERI

STATUTORY AUDITORS' SPECIAL REPORT

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

To the 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 2005-2006 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 2005-2006 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 23, 2005, the Annual General Meeting to approve the financial statements for the year ended March 31, 2005.

We verified that:

- the legal guidelines and the provisions of the by-laws 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 28, 2006

French original signed by
THE STATUTORY AUDITORS

André GARINO

Jean BOERI

BALANCE SHEET AS OF MARCH 31, 2006 IN ACCORDANCE WITH

IN THOUSANDS

ASSETS		2005/2006 FISCAL YEAR GROSS	Depreciation amortization provisions	NET	2004/2005 FISCAL YEAR NET
NON-CURRENT ASSETS					
Intangible assets	Note 3	**17,070**	**14,937**	**2,133**	**2,736**
Concessions, patents & similar		16,804	14,919	1,885	2,487
Leasehold rights		18	18		
Intangible assets in progress		248		248	248
Property, plant & equipment	Note 4	**927,616**	**441,725**	**485,891**	**415,232**
Land		118,334	38,106	80,228	80,228
Buildings		590,414	288,083	302,331	132,489
Industrial and technical plant		152,760	82,582	70,178	35,265
Other PP&E		51,865	32,954	18,912	10,633
PP&E under construction		12,841		12,841	151,576
Payments on account		1,402		1,402	5,041
Long-term investments	Note 5	**76,439**	**6,104**	**70,335**	**69,825**
Participating interests		42,759	5,772	36,987	31,346
Other equity investments		33,031	8	33,023	38,103
Loans		444	254	190	227
Other long-term investments		205	71	134	149
TOTAL NON-CURRENT ASSETS		**1,021,125**	**462,766**	**558,359**	**487,792**
CURRENT ASSETS					
Inventory		12,016	61	11,955	12,150
Payments on account - advances paid		2,140		2,140	1,975
Operating receivables		9,094	1,974	7,120	9,252
Other operating receivables		3,880		3,880	9,451
Other receivables		74,635	50,611	24,024	27,510
Cash at bank & in hand and marketable securities		34,602		34,602	40,529
Prepaid expenses		3,896		3,896	3,671
TOTAL CURRENT ASSETS		**140,263**	**52,646**	**87,617**	**104,538**
DEFFERED CHARGES & UNREALIZED FOREIGN EXCHANGE LOSSES					
TOTAL ASSETS		**1,161,388**	**515,413**	**645,976**	**592,330**

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN FRANCE

OF EUROS

LIABILITIES & STOCKHOLDERS' EQUITY		2005/2006 FISCAL YEAR	2004/2005 FISCAL YEAR
STOCKHOLDERS' EQUITY			
Common stock		18,000	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			9,744
Contingency reserve		5,867	5,360
Optional reserve		88,799	79,129
Retained earnings		90,673	66,250
Net income /(loss)	Note 8	34,517	25,333
Investment grants	Note 9	16,960	9,331
TOTAL STOCKHOLDERS' EQUITY	Note 7	**453,629**	**411,959**
PROVISIONS FOR CONTINGENCIES & LOSSES			
Provisions for contingencies		4,259	8,372
Provisions for losses		26,604	36,492
TOTAL PROVISIONS FOR CONTINGENCIES & LOSSES	Note 10	**30,863**	**44,864**
LIABILITIES			
Bank borrowings		40,436	33
Other borrowings		1,898	939
Payments on account - advances received		10,759	8,277
Accounts payable and related accounts		13,190	18,402
Tax and employee-related liabilities		63,435	65,853
Other operating liabilities		2,771	2,685
Amounts payable on PP&E		15,701	26,515
Other liabilities		7,089	6,822
Prepaid income		6,170	5,961
TOTAL LIABILITIES	Notes 11 & 12	**161,450**	**135,484**
UNREALIZED FOREIGN EXCHANGE GAINS		**34**	**23**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY		**645,976**	**592,330**

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

In thousands of euros		2005/2006 FISCAL YEAR	2004/2005 FISCAL YEAR
OPERATING INCOME			
Net revenues		352,776	344,254
Write-back of depreciation, amortization and provisions	Note 15	13,582	40,995
Expense reclassifications		667	1,606
Other income		1,209	1,379
TOTAL OPERATING INCOME		**368,234**	**388,234**
OPERATING EXPENSES			
Purchases of bought-in goods		(3,247)	(2,821)
Changes in inventory of bought-in goods		2	16
Purchases of raw materials and other supplies		(18,055)	(17,875)
Changes in inventory of raw materials and other supplies		(199)	619
Other purchases and external charges		(95,302)	(92,017)
Share in proceeds from joint ventures			
Duties and taxes other than income tax		(29,665)	(29,965)
Wages and salaries		(92,644)	(90,913)
Employee welfare contributions and similar charges		(44,544)	(42,591)
Depreciation and amortization on fixed assets		(36,740)	(29,833)
Charges to provisions on current assets		(12,220)	(15,192)
Charges to provisions for contingencies and losses		(2,408)	(1,762)
Other charges	Note 15	(13,788)	(42,004)
TOTAL OPERATING EXPENSES		**(348,811)**	**(364,336)**
INCOME/(LOSS) FROM OPERATIONS		**19,423**	**23,898**
FINANCIAL INCOME			
From participating interests and marketable securities		57	229
Other interest and similar income		44	389
Foreign exchange gains		1,968	185
Net proceeds from sale of short-term investment securities		329	2,012
Write-back of provisions		12	127
TOTAL FINANCIAL INCOME		**2,409**	**2,942**
FINANCIAL EXPENSES			
Interest and similar charges		(1,865)	(521)
Foreign exchange losses		(386)	(181)
Net charges on sales of short-term investment securities			
Charges to provisions		(20)	(31)
TOTAL FINANCIAL EXPENSES		**(2,272)**	**(733)**
INCOME/(LOSS) FROM FINANCIAL ITEMS		**137**	**2,208**
EXCEPTIONAL INCOME			
From non-capital transactions		92	38
From capital transactions		20,335	520
Write-back of provisions		5,056	1,837
TOTAL EXCEPTIONAL INCOME		**25,483**	**2,395**
EXCEPTIONAL EXPENSES			
On non-capital transactions		(1,531)	(1,536)
On capital transactions		(5,324)	(850)
Charges to provisions		(3,672)	(764)
TOTAL EXCEPTIONAL EXPENSES		**(10,526)**	**(3,149)**
NET EXCEPTIONAL ITEMS	Note 16	**14,957**	**(754)**
CORPORATE INCOME TAX			**(19)**
NET INCOME FOR THE PERIOD		**34,517**	**25,333**

STATEMENT OF CASH FLOWS

In thousands of euros	2005/2006 FISCAL YEAR	2004/2005 FISCAL YEAR
OPERATING ACTIVITIES		
Cash flow before disposal of fixed assets	51,883	51,990
Changes in working capital requirements	6,422	6,713
CASH FLOW FROM OPERATING ACTIVITIES	**58,305**	**58,704**
INVESTING ACTIVITIES		
Purchases of PP&E and intangible assets	(107,020)	(103,885)
Investment grants	8,204	9,331
Changes in long-term investments and deferred charges	(8,218)	(30,343)
Proceeds from disposal of assets	19,760	512
Changes in amounts payable on PP&E	(10,814)	8,392
CASH FLOW USED IN INVESTING ACTIVITIES	**(98,088)**	**(115,993)**
FINANCING ACTIVITIES		
Draw-downs on credit facility	40,436	
Dividends paid	(7,507)	(3,485)
Changes in stable financing activities	960	75
CASH FLOW USED IN FINANCING ACTIVITIES	**33,889**	**(3,410)**
CHANGE IN CASH AND CASH EQUIVALENTS	**(5,894)**	**(60,700)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**40,496**	**101,196**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**34,602**	**40,496**

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, 2006, which totaled €645,976,000 and the statement of income for the period ended March 31, 2006 which recorded a profit of €34,517,000.

The 12-month fiscal year covers the period from April 1, 2005 to March 31, 2006

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. The first-time adoption of CRC regulations 2004-06, 2003-07 and 2002-10 (§3) covering assets had no material impact on the financial statements.

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, subject to the change in accounting method explained as follows:

1.1 - Change in accounting method

Until March 31, 2005, the Company's obligations with respect to retirement, termination and long-service benefits were recognized in provisions for contingencies on the basis of rights vested at the balance sheet date.

Beginning in the 2005/2006 fiscal year, 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*, based on an actuarial valuation of the potential rights acquired by employees and retirees, using the projected unit credit method.

The change gave rise to the partial reversal of the provision previously recognized. In accordance with CRC regulation 99-03, the impact of this change in method, i.e. €7,030,000, was recognized in equity as of April 1, 2005.

The impact of the change breaks down as follows:

In thousands of euros	published 2004/2005 data	pro forma 2004/2005 data	published 2005/2006 data
Equity	411,959	418,990	453,629
Provisions for contingencies and losses	44,864	37,834	30,863
Charges to provisions for contingencies and losses	1,762	3,006	2,408
Operating income	23,898	22,654	19,423
Net income	25,333	24,089	34,517

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, 2006, the estimated residual value of these properties upon expiry of the current concession would be around €4.4 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***

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

Retirement termination benefit and long-service medal commitments:

As of fiscal year 2005/2006, 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.

As indicated in Note 1.1 Change in accounting method, plan obligations were previously provided for on the basis of rights vested at the balance sheet date.

- ***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 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***

The Group opened the Monte-Carlo Bay Hotel & Resort as planned in early October 2005. This new establishment, located on the Larvotto peninsula, comprises a hotel with 334 rooms and suites, a spa and a sand-bottom outside lagoon, restaurants, a casino with 154 new generation automatic machines, and a hotel residence with 24 apartments. Although the casino and the hotel complex are managed by Société des Bains de Mer, all of the site's other activities (hotel, restaurants, bars, spa and lagoon) are operated by one of the subsidiaries, Société Anonyme Monégasque Générale d'Hôtellerie (SOGETEL).

Responding fully to the wishes of a leisure clientele and the needs of business tourism, this opening has proven to be a commercial success with financial spin-offs that are benefiting the entire Group representing Société des Bains de Mer and its affiliates. The project represents an essential springboard to future growth, even though the start-up had a negative impact on the results of Société des Bains de Mer, the parent company, in line with sector trends.

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

As part of the June 2003 strategic alliance signed with Wynn Resorts, Limited, a US company that has opened a hotel casino in Las Vegas and is preparing to inaugurate the same type of operation in Macao in September 2006, Société des Bains de Mer acquired 3,000,000 Wynn Resorts shares for $45 million, or €38.1 million.

As the trend in the Wynn Resorts share price has been favorable since the June 2003 acquisition, a portion of the interest was sold on the market, in order to cover the initial €38.1 million investment.

A first tranche of 400,000 shares was sold in the last quarter of fiscal year 2005/2006 for $23.7 million or €19.6 million, 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 parent company financial statements as of April 1, 2006.

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.

NOTE 3 – INTANGIBLE ASSETS

In thousands of euros	March 31, 2005	Increases	Decreases	March 31, 2006
GROSS VALUES				
Concessions and similar rights	16,194	697	(87)	16,804
Other	18			18
Assets in progress	248			248
TOTAL GROSS VALUES	16,461	696	(87)	17,070
AMORTIZATION AND PROVISIONS	13,725	1,299	(87)	14,937
TOTAL NET VALUES	**2,736**	**(603)**		**2,133**

NOTE 4 – PROPERTY, PLANT & EQUIPMENT

In thousands of euros	March 31, 2005	Increases	Decreases	March 31, 2006
GROSS VALUES				
Land	118,334			118,334
Buildings	402,625	189,792	(2,003)	590,414
Industrial and technical plant	109,537	47,169	(3,946)	152,760
Other property, plant & equipment	41,667	11,736	(1,538)	51,865
Payments on account on PP&E under construction (1)	156,616	(142,373)		14,243
TOTAL GROSS VALUES	**828,780**	**106,323**	**(7,487)**	**927,616**
DEPRECIATION AND PROVISIONS				
Land	38,106			38,106
Buildings	270,135	19,861	(1,913)	288,083
Industrial and technical plant	74,272	12,155	(3,845)	82,582
Other property, plant & equipment	31,034	3,425	(1,505)	32,954
TOTAL DEPRECIATION AND PROVISIONS	413,548	35,441	(7,264)	441,725
TOTAL NET VALUES	**415,232**	**70,883**	**(223)**	**485,891**

(1) Of which €1,817,000 in respect of the room refurbishment for the Alice wing of the Hôtel de Paris.

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, 2006

- 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 €77,749,000 as of March 31, 2006 and the annual charge totaled €4,573,000.

NOTE 5 – LONG-TERM INVESTMENTS

In thousands of euros	Net value March 31, 2005	Gross value March 31, 2006	Write-down March 31, 2006	Net value March 31, 2006
LONG-TERM INVESTMENTS				
Participating interests & related receivables	31,346	42,759	5,772	36,987
Other equity investments	38,103	33,031	8	33,023
Loans	227	444	254	190
Other long-term investments	149	205	71	134
TOTAL	**69,825**	**76,439**	**6,104**	**70,335**

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 €33,023,000 (counter-value as of March 31,2006 of $39,000,000 for the 2.6 million shares at $15). The Wynn Resorts share is listed on the Nasdaq and its closing price as of March 31, 2006 was $76.85 (code: WYNN).

NOTE 6 – ACCRUED INCOME

Accrued income is included in the following balance sheet items:

In thousands of euros	March 31, 2005	March 31, 2006
RECEIVABLES		
Operating receivables	265	276
MARKETABLE SECURITIES & CASH AT BANK AND IN HAND		
Marketable securities		
Cash at bank and in hand	1	
TOTAL	**267**	**276**

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, 2005	**18,000**	**5,374**	**191,638**	**162,282**	**25,333**	**9331**	**411,959**
Prior year appropriation				25,333	(25,333)		
Dividends & bonus percentage of profits				(7,507)			(7,507)
Net income for the period					34,517		34,517
Impact of change in method				7,030			7,030
Other changes						7,629	7,629
AS OF MARCH 31, 2006	**18,000**	**5,374**	**191,638**	**187,139**	**34,517**	**16,960**	**453,629**

The common stock of the Société des Bains de Mer comprises 1,800,000 shares each with a par value of €10:

- 1,200,000 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 69.6% of common stock as of March 31, 2006.

In a notice dated February 20, 2002, Fidelity International Limited stated that it owned 97,318 shares, representing 5.41% of common stock.

Voting rights (article 30 of the bylaws):

"Stockholders' meetings, whether annual or extraordinary, are composed of all bearers of a least one hundred shares, for whom the transfer of ownership took place at least ten days prior to the date of the meeting. Powers of proxy should be filed two days prior to the date of the meeting.

Stockholders who do not hold an adequate number of shares to have individual access to stockholders' meetings can form a group and be represented at stockholders' meetings by a person from that group or another stockholder who is a member. Stockholders who attend the stockholders' meetings have one vote for every one hundred shares held or represented by proxy. No stockholder may, however, have more than one hundred votes in his own name and by proxy.

Stockholders, who are not themselves members, either as the bearer of the required number of shares, or as the proxy for a group of stockholders as mentioned above, may not participate in the deliberations of stockholders' meeting.

However, the provisions of the article do not apply to the proxy appointed by the Government of HSH the Prince of Monaco, who is not limited to a maximum number of votes for the shares acquired by the Government, pursuant to articles 1 and 5 of Law no. 807 of June 23, 1966."

NOTE 8 – PROPOSED APPROPRIATION OF EARNINGS

In thousands of euros		2005/2006 FISCAL YEAR
ORIGINAL APPROPRIATION		
Net income for the year		34,517
Retained earnings		90,673
TOTAL TO BE APPROPRIATED		**125,190**
PROPOSED APPROPRIATION		
Cumulative preferred dividend	€ 0,05 x 1,800,000 shares	90
Contingency reserve		690
Optional reserve		
Dividends	€ 4,70 x 1,800,000 shares	8,460
Board of Directors		1,033
Retained earnings		114,917
TOTAL PROPOSED APPROPRIATION		**125,190**

NOTE 9 – INVESTMENT GRANT

In thousands of euros	Net value March 31, 2005	Grants received	Added back to profit or loss	Net value March 31, 2006
TOTAL	**9,331**	**8,204**	**(575)**	**16,960**

As part of the refurbishment of the Salle Garnier of the Opéra de Monte-Carlo, 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 for impairment of the assets it was used to finance, a revenue of €575,000 was recognized in exceptional items for fiscal year 2005/2006.

NOTE 10 – PROVISIONS FOR CONTINGENCIES AND LOSSES

In thousands of euros	March 31, 2005	Increases	Write-back used	Write-back not used	March 31, 2006
PROVISIONS FOR CONTINGENCIES AND LOSSES					
Provisions for litigations	6,499	291	(1,395)	(3,578)	1,817
Other contingency provisions	1,874	901	(123)	(210)	2,442
Pension commitments and related commitments (1)	33,941	1,731	(2,074)	(7,030)	26,568
Other loss provisions	2,551		(1,357)	(1,158)	36
TOTAL	**44,864**	**2,923**	**(4,949)**	**(11,976)**	**30,863**

(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 medal commitments, which are calculated according to the applicable collective bargaining agreements. The change in accounting method applied to the provision for retirement and similar benefits is described in Note 1.1

The actuarial assumptions adopted as of March 31, 2006 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 (4.40% at 15 years)
- life expectancy tables: TVTD 88/90 for the retirement termination payments – TPRV 93 for pension commitments

These obligations are valued at €27.2 million as of March 31, 2006. 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 €0.6 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 €43,000 for fiscal year 2005/2006.

NOTE 11 - BORROWINGS

In thousands of euros	March 31, 2005	March 31, 2006
ANALYSIS BY REPAYMENT DUE DATES		
Due date less than 1 year	158	41,440
Due date more than 1 year	813	895
TOTAL	**971**	**42,335**

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 18, Financial instruments.
Other “Borrowings and financial liabilities” concern guarantees received form third parties.

NOTE 12 – OTHER LIABILITIES

In thousands of euros	March 31, 2005	March 31, 2006
ANALYSIS BY REPAYMENT DUE DATES		
Due date less than 1 year	125,949	114,122
Due date more than 1 year	8,563	4,994
TOTAL	**134,513**	**119,115**

NOTE 13 – ACCRUED EXPENSES

Accrued expenses are included in the following balance sheet items:

In thousands of euros	March 31, 2005	March 31, 2006
Accounts payable and related accounts	4,884	5,096
Tax and employee-related liabilities	22,283	22,448
Other liabilities	1,166	1,513
Amounts payable on PP&E and related accounts	404	5,791
TOTAL	**28,737**	**34,849**

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)	36,987	
Various receivables	65,359	152
Other liabilities	425	

NOTE 15 – REVERSALS OF PROVISIONS / OTHER OPERATING EXPENSES

As various trade receivables over several fiscal years were recognized as definitively irrecoverable during fiscal year 2004/2005 under the line item “Other expenses” for €23.8 million, the provisions previously recognized were reversed for the same amount.

NOTE 16 – EXCEPTIONAL ITEMS

Exceptional items includes the sale of 400,000 Wynn Resorts shares in the last quarter of fiscal year 2005/2006 for $23.7 million or €19.6 million, generating a €14.5 million capital gain.

NOTE 17 – PERSONNEL

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

	March 31, 2005	March 31, 2006
Managers	436	447
Supervisors	122	134
Employees	2,466	2,449
TOTAL	**3,024**	**3,030**

NOTE 18 – FINANCIAL INSTRUMENTS

• *Foreign exchange instruments*

Since the Company's operating and capital expenditure flows, primarily denominated in euros, and the investment in Wynn Resorts, denominated in US dollars, exposed the Company to fluctuations in the parity of these currencies, hedging transactions (forward sales and options) maturing in September 2005 and March 2006 were performed in the amount of $45 million. These transactions were fully settled in June 2005, with a positive balance of €1.5 million. As the Company recovered the amount of its initial investment through a partial disposal, these foreign exchange transactions were not renewed.

• *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

• *Fair value of financial instruments*

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

In thousands of euros	March 31, 2005	March 31, 2006
Foreign exchange instruments	3,221	
Interest rate instruments	(975)	283
TOTAL	**2,246**	**283**

NOTE 19 – OFF-BALANCE SHEET COMMITMENTS

In thousands of euros	March 31, 2005	March 31, 2006
COMMITMENTS GIVEN		
Deposits and guarantees	97	97
COMMITMENTS RECEIVED		
Shares deposited by Directors	5	5
Deposits and guarantees (1)	23,425	13,505
RECIPROCAL COMMITMENTS		
Firm capital expenditure orders (2)	58,232	10,335
Other firm orders (3)	7,271	7,099
Opening of credit facility and confirmed unused overdrafts	164,967	125,000

(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 Alice wing of the Hôtel de Paris (€1,616,000) and the New Beach building (€2,873,000).
(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 Fairmont Monte-Carlo (Monegasque limited liability company) 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, 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 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. 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 20 – 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	(3,904)	97.00	(781)	2,372				
Société Anonyme Monégasque d'Entreprise de Spectacles (S.A.M.E.S) - Monaco	150	224	99.20	17	38	38			57
Société Anonyme Monégasque Générale d'Hôtellerie (SOGETEL) - Monaco	200	(263)	97.00	(2,517)	179		4,200		
Société Financière et d'Encaissement (S.F.E.) - Monaco	1,000	130	97.00	28	822	822			
S.B.M. Incorporated New York (Etats-Unis)	641	(712)	100.00		641				
SCP Soleil du Midi - Monaco	2		99.00		13,360	13,360	149		
Société Civile Immobilière Tindim - Monaco	150	36	1.00	5	138	138	20,851		

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

(This is a free translation into English of the statutory auditors' report signed and issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessment of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements of the company taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. This report 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 financial statements of Société des Bains de Mer et du Cercle des Etrangers à Monaco for the year ended March 31, 2006.

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, 2006 and the results of its operations for the year then ended, in accordance with French accounting regulations.

Without qualifying the above opinion, we would draw your attention to the following point made in Note 1 to the financial statements in respect of the change in the method used to account for the Company's commitments as regards pensions, termination payments on retirement and long-service benefits. The €7,030 thousand impact of this change in method was recorded in equity as of April 1, 2005.

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 28, 2006

French original signed by

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

COMPANY RESULTS OVER THE LAST FIVE FISCAL YEARS

	2005/2006	2004/2005	2003/2004	2002/2003	2001/2002
Stockholder's equity					
Common stock (in thousands of euros)	18,000	18,000	18,000	18,000	18,000
Number of ordinary shares	1,800,000	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	352,776	344,254	316,284	317,975	296,733
Net income/(loss) after income tax, but before depreciation, amortization & provisions	70,928	30,082	46,022	42,606	12,978
Net income/(loss) after income tax, depreciation, amortization & provisions	34,517	25,333	8,273	13,243	20,831
Dividends paid to stockholders	8,550	6,750	3,240	4,050	4,050
Per share data (in euros)					
Net income/(loss) after income tax, but before depreciation, amortization & provisions	39.40	16.71	25.57	23.67	7.21
Net income/(loss) after income tax, depreciation, amortization & provisions	19.18	14.07	4.60	7.36	11.57
Dividend per share	4.75	3.75	1.80	2.25	2.25
Employees					
Number of employees as of March 31	2,844	2,864	2,822	2,829	2,879
Total payroll for the year(1) (in thousands of euros)	92,644	90,913	88,701	86,679	82,632
Employees benefits for the year (social security, social welfare, etc.) (2) (in thousands of euros)	44,544	42,591	40,607	42,515	41,010

(1) excluding funds and pools

(2) including retirement expenses

GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2006

IN THOUSANDS OF EUROS

ASSETS		2005/2006	2004/2005
Goodwill	Note 4	**20**	
Intangible assets	Note 4	**2,161**	**2,770**
Property, plant & equipment	Note 5	**527,465**	**454,822**
Available-for-sale financial assets		146,039	156,781
Long-term loans		91	111
Other financial assets		136	149
Non-current financial assets	Note 6	**146,266**	**157,041**
NON-CURRENT ASSETS		**675,912**	**614,632**
Held-for-sale assets	Note 6	19,047	
Inventory	Note 7	12,538	12,365
Trade receivables	Note 8	28,679	36,446
Other receivables	Note 9	19,325	18,786
Other short-term financial assets	Note 10	381	3,344
Cash and cash equivalents	Note 11	36,961	42,165
CURRENT ASSETS		**116,933**	**113,107**
TOTAL ASSETS		**792,845**	**727,740**

LIABILITIES & EQUITY		2005/2006	2004/2005
Common stock		18,000	18,000
Additional paid-in capital		5,374	5,374
Reserves		381,489	365,502
Reserves related to the change in fair value of financial assets		132,055	118,678
Consolidated net income for the period		30,010	23,495
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**566,929**	**531,049**
Minority interests		38	37
EQUITY		**566,966**	**531,086**
Long-term financial liabilities and borrowings	Note 12	1,297	1,221
Employee benefits	Note 13	26,601	26,938
Non-current provisions	Note 14	1,311	7,059
Other non-current liabilities	Note 15	20,831	14,373
TOTAL NON-CURRENT LIABILITIES		**617,007**	**580,677**
Trade payables		15,704	19,510
Other payables	Note 16	116,629	123,231
Current provisions	Note 14	1,596	2,662
Short-term financial liabilities	Note 12	41,910	1,628
Bank	Notes 11 & 12		33
TOTAL CURRENT LIABILITIES		**175,839**	**147,063**
TOTAL LIABILITIES & EQUITY		**792,845**	**727,740**

CONSOLIDATED STATEMENT OF INCOME

IN THOUSANDS OF EUROS

		2005/2006	2004/2005
Revenue	Note 17	**354,403**	**334,363**
Cost of goods sold, raw materials & other supplies		(34,163)	(29,741)
Other external charges		(85,984)	(80,157)
Taxes and similar payments		(29,666)	(30,039)
Wages and salaries		(149,152)	(139,920)
Depreciation and amortization	Notes 4-5	(37,656)	(30,769)
Provisions	Note 14	6,814	2,705
Other operating income and expenses	Note 18	(7,070)	(4,616)
Operating income	Note 19	**17,525**	**21,826**
Income from cash and cash equivalents		334	1,366
Gross finance costs		(658)	(1,562)
Net finance costs	Note 20	**(324)**	**(196)**
Other financial income and expenses	Note 20	12,811	1,875
Income tax expense			(19)
CONSOLIDATED NET INCOME		**30,011**	**23,486**
Minority interest share		(1)	9
CONSOLIDATED NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**30,010**	**23,495**
Number of shares issued		**1,800,000**	**1,800,000**
Net earnings per share (in euros)		**16.67**	**13.05**
Net diluted earnings per share (in euros)		**16.67**	**13.05**

CONSOLIDATED STATEMENT OF CASH FLOWS

IN THOUSANDS OF EUROS

	2005/2006	2004/2005
OPERATING ACTIVITIES		
Consolidated net income attributable to equity holders of the parent	30,010	23,495
Minority interest share	1	(9)
Amortization	37,656	30,769
Changes in provisions	(7,150)	(1,325)
Gains and losses on changes in fair value	1,965	318
Other income and expenses calculated	8	(129)
Capital gains and losses on disposal	(14,436)	(443)
Cash generated from operations	**48,055**	**52,677**
Net finance costs (excluding change in fair value) and income tax expense	1,581	(1,948)
Cash generated from operations before net finance costs and income tax expense	**49,636**	**50,729**
Tax paid		(19)
Decrease/(increase) in WCR relating to operations	9,582	(7,036)
CASH FLOW FROM OPERATING ACTIVITIES	**59,217**	**43,674**
INVESTING ACTIVITIES		
Purchase of PP&E and intangible assets	(124,616)	(99,790)
Gains on disposal of PP&E and intangible assets	19,760	512
Impact of changes in scope of consolidation		(12,983)
Change in loans and advances granted	20	151
Investment grant	8,204	9,331
CASH FLOW USED IN INVESTING ACTIVITIES	**(96,632)**	**(102,779)**
FINANCING ACTIVITIES		
Dividends paid	(7,508)	(3,486)
Minority contributions and changes in scope of consolidation		(11)
Changes in stable financing activities	41,333	(524)
Net interest received (paid)	(1,581)	1,966
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**32,244**	**(2,054)**
CHANGE IN CASH AND CASH EQUIVALENTS	**(5,170)**	**(61,159)**
Cash and cash equivalents at beginning of period	**42,133**	**104,479**
Cash restated at fair value	(1)	(1,188)
Cash and cash equivalents at end of period	**36,961**	**42,133**
Cash and cash equivalents - Assets	36,961	42,165
Bank - Liabilities		(33)

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, 2004	**18,000**	**5,374**	**47,793**	**369,051**	**440,218**	**58**	**440,276**
Dividend paid				(3,485)	(3,485)		(3,486)
Reversal of revaluation difference				(63)	(63)		(63)
Change in group structure						(11)	(11)
Change in fair value of financial assets			70,885		70,885		70,885
Net income for the period				23,495	23,495	(9)	23,486
March 31, 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**

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 Monaco 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.

The common stock of Société des Bains de Mer comprises 1,800,000 shares with a nominal value of €10:

- 1,200,000 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 69.6% of common stock as of March 31, 2006.

In a notice dated February 20, 2002, Fidelity International Limited stated that it owned 97,318 shares, representing 5.41% of common stock.

Voting rights (article 30 of the bylaws):

"Stockholders' meetings, whether annual or extraordinary, are composed of all bearers of a least one hundred shares, for whom the transfer of ownership took place at least ten days prior to the date of the meeting. Powers of proxy should be filed two days prior to the date of the meeting.

Stockholders who do not hold an adequate number of shares to have individual access to stockholders' meetings can form a group and be represented at stockholders' meetings by a person from that group or another stockholder who is a member. Stockholders who attend the stockholders' meetings have one vote for every one hundred shares held or represented by proxy. No stockholder may, however, have more than one hundred votes in his own name and by proxy.

Stockholders, who are not themselves members, either as the bearer of the required number of shares, or as the proxy for a group of stockholders as mentioned above, may not participate in the deliberations of stockholders' meetings.

However, the provisions of the article do not apply to the proxy appointed by the Government of HSH the Prince of Monaco, who is not limited to a maximum number of votes for the shares acquired by the Government, pursuant to articles 1 and 5 of Law no. 807 of June 23, 1966."

The financial statements presented for fiscal year 2005/2006 were approved by the Board of Directors at its meeting held on June 30, 2006.

NOTE 2 – ACCOUNTING RULES AND METHODS

2.1 – Accounting framework and consolidation principles

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).

With a view to the publication of its financial statements, the Group has drawn up a balance sheet as of April 1, 2004, prepared in accordance with the provisions stipulated in IFRS 1 *First-time adoption of International Financial Reporting Standards* and financial statements for fiscal year 2004/2005 also prepared in accordance with IFRS, including application of IAS 32 and 39. Note 27 describes the main impacts observed for the IFRS opening balance sheet as of April 1, 2004, and the divergences form the French GAAP previously applied, as well as their quantified impacts on the opening balance sheet and net income for fiscal year 2004/2005.

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

  The comparative 2004/2005 information was restated in accordance with the IFRS prevailing at the time the financial statements were prepared.

  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.

- ***Scope and method of consolidation***

  The financial statements of the companies over which the 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, 2006 is as follows:

- ***Companies consolidated as of March 31, 2006***

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)	Sporting d'Hiver – Place du Casino 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 TINDIM	Sporting d'Hiver – Place du Casino MC 98000 – MONACO	100.00 %	Fully consolidated

- ***Accounting period-end***

All the 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. Tindim which draw up their financial statements to December 31.

- ***Management estimates***

Pursuant to the 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.

- ***Goodwill***

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.

- ***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 - Accounting policies

- ***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.

- ***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.

- ***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 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.

- ***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.

- ***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.

- ***Held-for-sale assets and liabilities***

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. Held-for-sale assets are measured at the lower of the net carrying amount and fair value less disposal costs.

- ***Inventory***

Raw material inventory for restaurants and supplies is valued at the lower of cost and the 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.

- ***Trade receivables***

Trade receivables are valued at fair value on initial recognition. Impairment losses are recognized in the income statement when there is an objective indication of impairment.

- ***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.

- ***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.

- ***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 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.

In connection with the IFRS transition on April 1, 2004, all actuarial gains and losses were offset in equity in accordance with the IFRS 1 option.

- ***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.

- ***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. Derivative instruments that are not designated as hedging instruments are valued at fair value and changes in fair value are recognized in profit or loss in the period in which they occur.

Derivative instruments qualifying as hedging instruments are valued in accordance with the hedge accounting criteria of IAS 39.

- ***Revenue***

Revenue shall be 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 ownership;
  - 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.

- ***Deferred taxes and tax regime***

As the 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

- ***Application of the IFRS accounting framework***

Pursuant to European Regulation 1606/2002 of July 19, 2002, the Group consolidated financial statements were prepared in accordance with international financial reporting standards (IAS/IFRS) applicable as of January 1, 2005. The 2005/2006 annual financial statements are the first to be published and include a comparison with fiscal year 2004/2005.

The IFRS transition date is April 1, 2004.

The application of the IFRS accounting framework is detailed in Note 27.

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

The Group opened the Monte-Carlo Bay Hotel & Resort as planned in early October 2005. This new establishment, located on the Larvotto peninsula, comprises a hotel with 334 rooms and suites, a spa and a sand-bottom outside lagoon, restaurants, a casino with 154 new generation automatic machines, and a hotel residence with 24 apartments.

Responding fully to the wishes of a leisure clientele and the needs of business tourism, this opening has proven to be a commercial success with financial spin-offs that are benefiting the entire Group. The project represents an essential springboard to future growth, even though the start-up had a negative impact on Group consolidated results, in line with sector trends. The Group incurred pre-opening costs totaling €3.3 million.

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

As part of the June 2003 strategic alliance signed with Wynn Resorts, Limited, a US company that has opened a hotel casino in Las Vegas and is preparing to inaugurate the same type of operation in Macao, Société des Bains de Mer acquired 3,000,000 Wynn Resorts shares for $45 million, or €38.1 million.

As the trend in the Wynn Resorts share price has been favorable since the June 2003 acquisition, a portion of the interest was sold on the market, in order to cover the initial €38.1 million investment.

A first tranche of 400,000 shares was sold in the last quarter of fiscal year 2005/2006 for $23.7 million or €19.6 million, 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 parent company financial statements as of April 1, 2006.

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.

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, 2004	480	20,293	128	186	20,606
Acquisitions		748		96	844
Asset disposals / removals		(75)			(75)
Gross values as of March 31, 2005	480	20,966	128	282	21,376
Amortization as of April 1, 2004	480	17,238	128		17,365
Amortization charges		1,316			1,316
Asset disposals / removals		(75)			(75)
Amortization as of March 31, 2005	480	18,478	128		18,606
NET VALUES AS OF MARCH 31, 2005		**2,487**		**282**	**2,770**
Gross values as of March 31, 2005	480	20,966	128	282	21,376
Acquisitions	20	704		(13)	691
Asset disposals / removals		(87)			(87)
Gross values as of March 31, 2006	500	21,583	128	269	21,979
Amortization as of March 31, 2005	480	18,478	128		18,606
Amortization charges		1,300			1,300
Asset disposals / removals		(87)			(87)
Amortization as of March 31, 2006	480	19,691	128		19,818
NET VALUES AS OF MARCH 31, 2006	**20**	**1,892**		**269**	**2,161**

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. Goodwill was almost fully written down as of March 31, 2006.

“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 net carrying amount totaled €889,000 as of March 31, 2006.
- 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, 2004	117,447	377,085	95,146	41,485	106,557	737,720
Acquisitions	39,484	27,248	19,722	5,327	50,076	141,856
Asset disposals / removals	(97)	(1,661)	(4,815)	(1,600)		(8,174)
Gross values as of March 31, 2005	156,834	402,671	110,052	45,212	156,633	871,403
Amortization as of April 1, 2004	38,106	256,520	69,247	31,230	128	395,232
Amortization charges		15,274	10,166	4,014		29,454
Asset disposals / removals		(1,637)	(4,778)	(1,561)	(128)	(8,104)
Amortization as of March 31, 2005	38,106	270,157	74,635	33,683		416,581
NET VALUES AS OF MARCH 31, 2005	**118,728**	**132,514**	**35,417**	**11,529**	**156,633**	**454,822**
Gross values as of March 31, 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 March 31, 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**

a - 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, 2006, the estimated residual value of these properties upon expiry of the current concession would be around €4.4 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, 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
- 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

As of March 31, 2006, assets under finance lease restated in the balance sheet stood at €866,000 in net value, compared to €753,000 at the previous year-end. Such assets primarily represent office and computer equipment.

The schedule of discounted payments for finance leases is as follows as of March 31, 2006:

- debt maturing in less than one year €469,000
- debt maturing in more than five years nil
- debt maturing in one to five years €403,000
- total discounted payments €872,000

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

In thousands of euros	Net value March 31, 2005	Gross value March 31, 2006	Write-down March 31, 2006	Net value March 31, 2006
NON-CURRENT FINANCIAL ASSETS				
Available-for-sale financial assets	156,781	146,688	649	146,039
Long-term loans	111	308	217	91
Other financial assets	149	207	71	136
TOTAL	**157,041**	**147,203**	**937**	**146,266**
ASSETS HELD FOR SALE				
TOTAL		**19,047**		**19,047**

"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, 2006.
- the recording of 2,300,000 Wynn Resorts shares at their fair value, i.e. €146,030,000, the Wynn Resorts share, listed on the Nasdaq, trading at $76.85 as of March 31, 2006, 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.

"Assets held for sale" represents the recording of 300,000 Wynn Resorts shares, valued at fair value under the same terms and conditions as those presented for available-for-sale financial assets, for which a decision to sell was taken prior to March 31, 2006. The disposal of these shares became effective in April 2006, and the impact in terms of profit or loss will have a bearing on the 2006/2007 financial statements.

The sale of the 400,000 Wynn Resorts shares at the closing price of the last quarter of fiscal year 2005/2006 generated a capital gain of €14.5 million recognized in profit or loss for the year. In addition, the change in fair value of the Wynn Resorts shares during the year gave rise to the direct recognition of a €13,377,000 gain in equity.

NOTE 7 - INVENTORY

In thousands of euros	Net value March 31, 2005	Gross value March 31, 2006	Write-down March 31, 2006	Net value March 31, 2006
TOTAL	**12,365**	**12,605**	**67**	**12,538**

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

NOTE 8 – ACCOUNTS RECEIVABLE

In thousands of euros	Net value March 31, 2005	Gross value March 31, 2006	Write-down March 31, 2006	Net value March 31, 2006
TOTAL	**36,446**	**78,824**	**50,144**	**28,679**

Accounts receivable primarily include gaming client receivables.

NOTE 9 – OTHER RECEIVABLES

In thousands of euros	Net value March 31, 2005	Gross value March 31, 2006	Write-down March 31, 2006	Net value March 31, 2006
Payments on account	1,979	2,145		2,145
Other operating receivables (1)	9,558	4,686		4,686
Sundry receivables	3,139	9,333	1,169	8,164
Prepaid expenses	4,111	4,330		4,330
TOTAL	**18,786**	**20,495**	**1,169**	**19,325**

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

NOTE 10 – OTHER SHORT-TERM FINANCIAL ASSETS

In thousands of euros	Net value March 31, 2005	Gross value March 31, 2006	Write-down March 31, 2006	Net value March 31, 2006
Loans	116	136	37	99
Other financial assets	7			
Fair value of derivative instruments (1)	3,221	283		283
TOTAL	**3,344**	**418**	**37**	**381**

(1) corresponds to the differences in fair value of derivative instrument assets (see Note 22 Financial instruments).

NOTE 11 – CASH AND CASH EQUIVALENTS

In thousands of euros	Net value March 31, 2005	Gross value March 31, 2006	Write-down March 31, 2006	Net value March 31, 2006
MARKETABLE SECURITIES, CASH AT BANK AND IN HAND				
Marketable securities (1)	8,557	4,818		4,818
Term and sight deposits	33,608	32,143		32,143
TOTAL CASH ASSETS	**42,165**	**36,961**		**36,961**
Creditor banks	(33)			
CASH POSITION	**42,133**	**36,961**		**36,961**
(1) including gain (loss) in fair value	2	1		1

NOTE 12 – BORROWINGS, FINANCIAL LIABILITIES AND CREDITOR BANKS

In thousands of euros	March 31, 2005	March 31, 2006
ANALYSIS BY CATEGORY		
Borrowings with credit institutions		40,436
Other liabilities and deposits	1,874	2,770
Fair value of derivative instruments (1)	975	
Bank accounts showing a credit balance	33	
TOTAL	**2,882**	**43,207**
ANALYSIS BY REPAYMENT DUE DATES		
Due date less than 1 year	1,661	41,910
Due date of between 1 and 5 years	1,221	1,297
Due date more than 5 years		
TOTAL	**2,882**	**43,207**

(1) See Note 22, 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 22, Financial instruments.

Confirmed credit lines and overdrafts as of March 31, 2006 break down as follows:

In thousands of euros	Available	Used	Not used
Floating-rate revolving credit facility	160,000	40,000	120,000
Confirmed overdrafts	5,000		5,000
TOTAL	**165,000**	**40,000**	**125,000**
ANALYSIS BY REPAYMENT DUE DATES			
Due date less than 1 year	5,000		5,000
Due date of between 1 and 5 years			
Due date more than 5 years	160,000	40,000	120,000

NOTE 13 – EMPLOYEE BENEFITS

In thousands of euros	March 31, 2005	Expense for the year	Payments	Other changes	March 31,2006
Termination benefits	9,032	938	(938)		9,032
Retirement benefits	17,746	782	(1,120)		17,408
Long-service benefits	160	17	(16)		162
TOTAL	**26,938**	**1,737**	**(2,074)**		**26,601**

In 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, 2006 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 (4.40% 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 2005/2006
ACTUARIAL OBLIGATION OPENING BALANCE	26,938
Cost of services rendered	521
Interest expense	1,174
Actuarial (gains)/losses	641
Benefits paid	(2,074)
ACTUARIAL OBLIGATION CLOSING BALANCE	27,200
Actuarial obligation closing balance	27,200
Unrecognized actuarial gains/(losses)	(599)
PROVISION PRESENTED ON THE BALANCE SHEET	26,601

The expense for the year breaks down as follows:

In thousands of euros	Fiscal year 2005/2006
Cost of services rendered	521
Interest expense	1,174
Amortization of actuarial (gains)/losses	43
EXPENSE FOR THE YEAR	1,737

NOTE 14 - PROVISIONS

The change in non-current provisions for contingencies and losses for the period from March 31, 2005 to March 31, 2006 breaks down as follows:

In thousands of euros	March 31, 2005	Charge	Write-back used	Write-back non used	March 31, 2006
NON-CURRENT PROVISIONS					
Provisions for litigations	5,578		(1,200)	(3,428)	950
Other contingency provisions	323	123		(85)	361
Provisions for losses	1,158			(1,158)	
TOTAL	**7,059**	**123**	**(1,200)**	**(4,670)**	**1,311**

The change in current provisions for contingencies and losses for the period from March 31, 2005 to March 31, 2006 breaks down as follows:

In thousands of euros	March 31, 2005	Charge	Write-back used	Write-back non used	March 31, 2006
NON-CURRENT PROVISIONS					
Provisions for litigations	921	291	(195)	(150)	867
Other contingency provisions	348	531	(123)	(63)	694
Provisions for losses	1,393		(1,357)		36
TOTAL	**2,662**	**822**	**(1,675)**	**(213)**	**1,596**

NOTE 15 – OTHER NON-CURRENT LIABILITIES

In thousands of euros	March 31, 2005	March 31, 2006
Deferred income due in more than one year	5,042	5,020
Investment grant	9,331	15,810
TOTAL	**14,373**	**20,831**

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

In addition, as part of the refurbishment of the Salle Garnier of the Opéra de Monte-Carlo, 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 for impairment of the assets it was used to finance, an income of €575,000 was recognized in profit or loss for fiscal year 2005/2006.

The grant balance to be recognized in future fiscal years, i.e. €16,960,000 breaks down as follows:

- € 1,150,000 to be recognized in fiscal year 2006/2007, presented under "Other liabilities – Accruals and deferred income"
- €15,810,000 to be recognized in 2007/2008 and subsequent fiscal years ("Other non-current liabilities").

NOTE 16 – OTHER PAYABLES

In thousands of euros	March 31, 2005	March 31, 2006
Payments on account	11,233	17,099
Tax and employee-related liabilities	66,858	66,825
Other operating liabilities	2,708	2,823
Amounts payable on PP&E	34,543	19,861
Other liabilities	6,326	6,948
Accruals and deferred income (1)	1,563	3,073
TOTAL	**123,231**	**116,629**

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

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

NOTE 17 – REVENUE

In thousands of euros	March 31, 2005	March 31, 2006
ANALYSIS BY BUSINESS SEGMENT		
Games	215,873	219,640
Hotels	113,589	128,123
Other	16,936	18,570
Internal transfers	(12,035)	(11,930)
TOTAL	**334,363**	**354,403**

NOTE 18 – OTHER OPERATING INCOME AND EXPENSES

In thousands of euros	March 31, 2005	March 31, 2006
COST NET OF IMPAIRMENT OF CURRENT ASSETS		
Losses on uncollectible receivables	(24,171)	(1,284)
Write-back of previously recognized provisions	31,092	5,487
Provisions for impairment for the year	(11,699)	(10,134)
TOTAL COST NET OF IMPAIRMENT OF CURRENT ASSETS	(4,778)	(5,931)
GAIN (LOSS) ON DISPOSALS AND RETIREMENTS OF PP&E AND INTANGIBLE ASSETS		
Gains on disposal	532	167
Net values of asset disposals and retirements	(206)	(223)
GAIN (LOSS) ON RETIREMENTS OF PP&E AND INTANGIBLE ASSETS	325	(56)
PORTION OF INVESTMENT GRANT RECORDED IN PROFIT OR LOSS		575
OTHER INCOME	1,874	1,655
OTHER EXPENSES	(2,036)	(3,313)
TOTAL OTHER OPERATING INCOME AND EXPENSES	**(4,616)**	**(7,070)**

NOTE 19 – OPERATING INCOME

In thousands of euros	March 31, 2005	March 31, 2006
ANALYSIS BY BUSINESS SEGMENT		
Games	40,971	40,652
Hotels	(99)	(6,687)
Other (including central costs not allocated to operational sectors)	(19,046)	(16,440)
TOTAL	**21,826**	**17,525**

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 20 – FINANCIAL INCOME AND EXPENSES

In thousands of euros	March 31, 2005	March 31, 2006
Income received	2,553	335
Change in fair value of marketable securities	(1,188)	(1)
TOTAL INCOME FROM CASH AND CASH EQUIVALENTS	**1,366**	**334**
Expenses and interest paid	(587)	(1,915)
Change in fair value of interest rate derivative instruments	(975)	1,258
TOTAL GROSS FINANCE COSTS	**(1,562)**	**(658)**
Exchange differences	(9)	(248)
Gain or loss on foreign exchange derivatives		1,798
Change in fair value of foreign exchange derivatives	1,845	(3,221)
Capital gains on disposal of available-for-sale financial assets		14,492
Other	39	(10)
TOTAL OTHER FINANCIAL INCOME/EXPENSES	**1,875**	**12,811**

ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 - EFFECTIFS

The average number of employees of the consolidated companies as of March 31, 2006 breaks down as follows:

	March 31, 2005	March 31, 2006
Managers	446	474
Supervisors	122	157
Employees	2,601	2,725
TOTAL	**3,169**	**3,356**

The increase in the average number of employees is related to the opening of the Monte-Carlo Bay Hotel & Resort establishment.

NOTE 22 – FINANCIAL INSTRUMENTS

• *Foreign exchange instruments*

Since the Company's operating and capital expenditure flows, primarily denominated in euros, and the investment in Wynn Resorts, denominated in US dollars, exposed the Company to fluctuations in the parity of these currencies, forward sales and options transactions maturing in September 2005 and March 2006 were performed in the amount of USD 45 million. These transactions were fully settled in June 2005, with a positive balance of €1.5 million. These transactions were fully settled in June 2005, with a positive balance of €1.5 million. As the Group recovered the amount of its initial investment through a partial disposal, these foreign exchange transactions were not renewed.

• *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.

• *Fair value of financial instruments*

The fair value of the financial instruments contracted by the Company breaks down as follows:

	March 31, 2005	March 31, 2006
Exchange rate instruments	3,221	
Interest rate instruments	(975)	283
TOTAL	**2,246**	**283**

These financial instruments are recognized under "Other short-term financial assets" and "Other short-term financial liabilities". These instruments cannot be qualified as hedging instruments and their changes in fair value are recognized in profit or loss in the corresponding period.

NOTE 23 – 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 operation at the Casino de Monte-Carlo, Casino du Café de Paris, 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 & Resort, Café de Paris, Sporting d'Été, Sporting d'Hiver, Thermes Marins de Monte-Carlo, Casino de Monte-Carlo 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.

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- ***Revenue by segment***

In the following table, segment revenue is presented strictly by segment, as inter-segment services are cancelled out in the "Internal transfers" column.

In thousands of euros	Games	Hotels	Other	internal transfers	Total
REVENUE					
2004/2005 fiscal year	215,873	113,589	16,935	(12,035)	334,362
2005/2006 fiscal year	219,640	128,123	18,570	(11,930)	354,403
y/y-1 change amount	3,767	14,534	1,635	105	20,041
y/y-1 change %	1.7%	12.8%	9.7%	- 0.9%	6.0%

- ***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 earnings	Total
OPERATING INCOME/(LOSS) BEFORE AMORTIZATION AND DEPRECIATION					
2004/2005 fiscal year	50,163	15,049	6,574	(19,191)	52,595
2005/2006 fiscal year	51,079	13,836	8,353	(18,087)	55,181
y/y-1 change amount	916	(1,213)	1,779	1,104	2,586
AMORTIZATION AND DEPRECIATION					
2004/2005 fiscal year	(9,192)	(15,148)	(2,613)	(3,816)	(30,769)
2005/2006 fiscal year	(10,427)	(20,523)	(4,146)	(2,560)	(37,656)
y/y-1 change amount	(1,235)	(5,375)	(1,533)	1,256	(6,887)
OPERATING INCOME/(LOSS)					
2004/2005 fiscal year	40,971	(99)	3,961	(23,007)	21,826
2005/2006 fiscal year	40,652	(6,687)	4,207	(20,647)	17,525
y/y-1 change amount	(319)	(6,588)	246	2,360	(4,301)

- ***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, 2005	54,476	310,812	77,483	14,821	457,591
As of March 31, 2006	56,241	366,695	93,594	13,097	529,626
y/y-1 change amount	1,765	55,883	16,111	(1,724)	72,035
INVESTMENTS					
Fiscal year 2005/2006	12,333	76,450	20,278	873	109,934

NOTE 24 – RELATED PARTIES

The information with respect to related parties concerns relations with the State of Monaco, which holds 69.6% of the share capital of Société des Bains de Mer as of March 31, 2006, 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. €29,356,000 for fiscal year 2005/2006;
- 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 €7,476,000 for fiscal year 2005/2006;
- 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 €1,569,000 during fiscal 2005/2006, compared to €1,025,000 in the previous period.

In thousands of euros	March 31, 2005	March 31, 2006
Remuneration, benefits and special allowances	706	708
Share of profits	245	757
Directors' fees	73	104
TOTAL	**1,025**	**1,569**

Employer contributions on remuneration paid is estimated at €100,000 with respect to fiscal year 2005/2006.

NOTE 25 – OFF-BALANCE SHEET COMMITMENTS

In thousands of euros	March 31, 2005	March 31, 2006
COMMITMENTS GIVEN		
Deposits and guarantees	97	97
COMMITMENTS RECEIVED		
Shares deposited by directors	122	122
Deposits and guarantees (1)	23,805	14,485
RECIPROCAL COMMITMENTS		
Firm capital expenditure orders (2)	58,232	10,335
Other firm orders (3)	7,442	7,323
Opening of credit facility and authorized unused overdrafts	164,967	125,000

(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 après prorogation	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 26 – MATURITY SCHEDULE OF OBLIGATIONS AND COMMITMENTS

The nature of the main commitments below is presented in Note 25.

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	17,657	16,675	982	
TOTAL	**17,657**	**16,675**	**982**	

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	14,608	13,806	608	193
TOTAL COMMITMENTS RECEIVED	**14,608**	**13,806**	**608**	**193**
INTERCOMPANY COMMITMENTS				
Opening of credit facility and confirmed unused overdrafts	125,000	5,000		120,000
TOTAL INTERCOMPANY COMMITMENTS	**125,000**	**5,000**		**120,000**

NOTE 27 – IFRS TRANSITION

27.1 - Context of the publication

Pursuant to European Regulation 1606/2002 of July 19, 2002, the consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards (IFRS), applicable as of January 1, 2005. The 2005/2006 annual financial statements are the first to be published and include a comparison with fiscal year 2004/2005.

The IFRS transition date is April 1, 2004.

For purposes of comparison, and in accordance with the recommendation of the Autorité des Marchés Financiers (French securities regulator) regarding financial reporting during the period of transition, the Group presents on the following pages the impacts of the change in accounting framework and their quantification with respect to:

- the balance sheet as of the transition date, i.e. April 1, 2004, the date on which the impacts are recorded in equity;
- the March 31, 2005 balance sheet and income statement.

These impacts were established by applying the IFRS standards and interpretations the Group adopted for the accounts closing as of March 31, 2006 to the 2004/2005 data.

27.2 - Organization of the transition project

A Group assessment revealed the main divergences between the IFRS and current practices, thereby enabling an analysis of the various accounting options and an evaluation of the organizational, functional and IT implications arising from the implementation of these new standards.

The assessment enabled the roll-out of the new framework through:

- creation of IFRS project committees according to a three-step procedure: impact assessment/analysis, simulations/arbitrations, and implementation;
- adaptation of the Group's financial and accounting information systems;
- awareness raising and training for financial teams as to the implications of the new standards.

The members of the Board of Directors and the Finance & Audit Commission were informed of the various options adopted and approved their implementation.

27.3 - Presentation of standards and options adopted

A. Presentation of standards adopted

The 2004/2005 financial statements were drawn up in accordance with IFRS 1 *First-time adoption of IFRS*, pursuant to the IFRS/IAS standards applicable as of March 31, 2006.

In addition, the Group opted for the early adoption as of April 1, 2004 of IAS 32 and IAS 39 revised on financial instruments.

B. Description of the accounting options relating to the first-time adoption of IFRS

In order to prepare its April 1, 2004 opening balance sheet, the Group applied the first-time adoption principles of the new framework as defined by IFRS 1.

IFRS 1 requires the consistent and retrospective application of all IFRS standards prevailing at the balance sheet date for all periods presented. However, the standard provides for certain mandatory exceptions as well as a few optional exemptions.

Among the latter, the Group has adopted the principle of recognizing in equity and as of the transition date all actuarial gains and losses relating to employee benefits that were previously unrecognized.

The Group has decided not to adopt:

- the retrospective restatement of business combinations that took place prior to the transition date in accordance with IFRS 3 *Business combinations*;
- the option of remeasuring property, plant and equipment at fair value at the transition date.

27.4 Description of IFRS adjustments

IAS 1 - Presentation of financial statements

- ***Income statement***

The income statement aggregates were reclassified so as to harmonize their presentation with the IFRS rules. As the notion of “exceptional items” is not recognized in the new framework, the heading has been eliminated from the new income statement format. In addition, pursuant to IAS 18, the term “sales” has been expanded to the notion of “Revenue.” Finally, financial income or expense is distinguished according to “Net finance costs” and “Other financial income and expenses.”

- ***Balance sheet***

Whereas under French GAAP balance sheet items were presented according to the order of liquidity, they are henceforth presented by distinguishing current and non-current items. The notion of current assets and liabilities is understood as assets and liabilities that are expected to be settled in the entity's normal operating cycle or within twelve months after the balance sheet date.

IAS 18 - Revenue

IAS 18 specifies that revenue generated by a sale shall be recognized when the risks and rewards inherent to ownership of the asset are transferred from the seller to the buyer. Revenue relating to the rendering of a service shall be recognized by reference to the stage of completion of the transaction. Lastly, revenue is systematically measured at the fair value of the consideration received or receivable (consideration of payment terms, rebates, credit notes, etc.).

The IFRS impact in this regard is limited to the reclassification of rebates granted as part of gaming operations as a decrease in revenue. Rebates were previously part of operating expenses.

The IAS 18 impacts on the financial statements are as follows:

In thousands of euros	IAS 18
Impact on equity as of April 1, 2004	nil
Impact on revenue as of March 31, 2005	(12,542)
Impact on net income as of March 31, 2005	nil

IAS 38 - Intangible assets

Historical accounting policies: Certain costs, relating to the set-up of software and internet sites for example, were expensed.

IFRS: These expenses are capitalized when they can be matched with an asset, provided they are identifiable and measurable.

The Group therefore capitalized the external and internal costs incurred for the set-up of structural software and internet sites.

The IAS 38 impacts on the financial statements are as follows:

In thousands of euros	**IAS 38**
Impact on equity as of April 1, 2004	99
Impact on net income as of March 31, 2005	(99)

IAS 16 – Property, plant and equipment

Historical accounting policies: Property, plant and equipment were stated at their acquisition cost or cost price and depreciated over the useful life.

IFRS: The Group decided not to apply the options proposed under IFRS 1 *First-time adoption of IFRS* and IAS 16, consisting in the respective remeasurement of assets at the date of transition or the balance sheet date. Property, plant and equipment will therefore be recognized at the acquisition cost less accumulated depreciation and impairment losses. However, in accordance with IFRS 1.17, the Group has decided to consider the prior remeasurements performed under the previous accounting framework as the deemed cost at the remeasurement date. The recognition of assets by component, already the practice in the previous framework, complies with IAS 16.

The IAS 16 impacts on the financial statements are as follows:

In thousands of euros	**IAS 16**
Impact on equity as of April 1, 2004	nil
Impact on net income as of March 31, 2005	nil

IAS 17 - Leases

IAS 17 distinguishes between two types of lease based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee:

- A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred;
- An operating lease is a lease other than a finance lease.

Assets under finance lease are capitalized and offset by the recognition of a financial liability. Operating leases are not restated.

Historical accounting policies: The Group recorded all of its rental contracts as operating leases and charged only rents to expenses.

IFRS: The Group reviewed all leases in effect at the end of March 2004. The review identified the contracts to be qualified as finance leases according to IAS 17, pursuant to the economic analysis of the sharing of the risks and rewards incidental to ownership between the lessor and the lessee.

The impact, calculated retrospectively from the initial lease signature date, was recognized under equity in the April 1, 2004 opening balance sheet. Impacts in subsequent years will be recorded in profit or loss.

The IAS 17 impacts on the financial statements are as follows:

In thousands of euros	**IAS 17**
Impact on equity as of April 1, 2004	(180)
Impact on net income as of March 31, 2005	(2)

IAS 36 – Impairment of assets

Historical accounting policies: The Group did not systematically conduct asset revaluations on an annual basis.

IFRS: Pursuant to the adoption of IAS 36, the Group revalues its assets to ensure that the net carrying amount does not exceed the value in use or market value. Assets are revalued by Cash-Generating Unit (CGU), the impairment of a Unit resulting in the impairment of all its component assets.

The IAS 36 impacts on the financial statements are as follows:

In thousands of euros	IAS 36
Impact on equity as of April 1, 2004	nil
Impact on net income as of March 31, 2005	nil

IAS 19 - Employee benefits

Historical accounting policies: Obligations with respect to retirement and termination benefits were recognized on the basis of an actuarial calculation essentially based on the rights vested at the balance sheet date. The period during which employees rendered services was not taken into account.

IFRS: Group obligations are recognized on the basis of an actuarial valuation of rights, using the projected unit credit method. These estimates take into account life expectancy, employee turnover and salary adjustment assumptions as well as the discounting of amounts payable.

The IAS 19 and IFRS 1 impacts on the financial statements are as follows:

In thousands of euros	IAS 19
Impact on equity as of April 1, 2004	8,256
Impact on net income as of March 31, 2005	(1,252)

IAS 32/39 - Financial instruments

Historical accounting policies: Financial assets and liabilities were recognized at their nominal value and recorded in the balance sheet, with the exception of derivative instruments. Marketable securities were recorded in the balance sheet at the lower of acquisition cost and market value.

IFRS: Derivative instruments are recorded in the balance sheet at market value, and changes in market value are recorded in profit or loss.

Equity investments considered as “available-for-sale financial assets” are recognized at fair value, and unrealized gains and losses are recognized under a separate equity line item.

Marketable securities are valued at fair value and changes in value are recognized in the income statement.

The IAS 32/39 impacts on the financial statements are as follows:

In thousands of euros	IAS 32/39
Impact on equity as of April 1, 2004	50,360
Impact on net income as of March 31, 2005	(318)
Impact on equity as of March 31, 2005	120,927

27. 5 Reconciliation of financial statements under French GAAP and IFRS

Below are the various documents enabling a reconciliation between the IFRS financial statements and the information prepared under French GAAP previously transmitted:

- Conversion table for the April 1, 2004 opening balance sheet (Assets - Liabilities)
- Conversion table for the March 31, 2005 balance sheet (Assets - Liabilities)
- Conversion table for the March 31, 2005 income statement
- Conversion table for 2004/2005 statement of changes in equity

Transition from Regulation 99-02 to IFRS – Balance sheet as of April 1, 2004

In thousands of euros **ASSETS**	99-02 standards reclassified in IFRS format	IAS 38 Intangible assets	IAS 17 Capitalization of leases	IAS 19 Employee benefits	IAS 32/39 Wynn investment	IAS 32/39 Financial instruments	IFRS
Intangible assets	**3,142**	**99**					**3,241**
Property, plant & equipment	**341,164**		**1,325**				**342,488**
Available-for-sale financial assets	38,185				47,793		85,978
Long-term loans	120						120
Other financial assets	133						133
Non-current financial assets	**38,438**				**47,793**		**86,231**
Other non-current assets							
NON-CURRENT ASSETS	**382,743**	**99**	**1,325**		**47,793**		**431,960**
Inventory	11,665						11,665
Trade receivables	46,070						46,070
Other receivables	15,978						15,978
Other short-term financial assets	134					1,377	1,511
Cash and cash equivalents	107,682					1,190	108,872
CURRENT ASSETS	**181,528**					**2,567**	**184,095**
TOTAL ASSETS	**564,272**	**99**	**1,325**		**47,793**	**2,567**	**616,055**

In thousands of euros **LIABILITIES AND EQUITY**	99-02 standards reclassified in IFRS format	IAS 38 Intangible assets	IAS 17 Capitalization of leases	IAS 19 Employee benefits	IAS 32/39 Wynn investment	IAS 32/39 Financial instruments	IFRS
Common stock	18,000						18,000
Additional paid-in capital	5,374						5,374
Reserves and net income for the period	358,309	99	(180)	8,256	47,793	2,567	416,844
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**381,684**	**99**	**(180)**	**8,256**	**47,793**	**2,567**	**440,218**
Minority interests	58						58
EQUITY	**381,741**	**99**	**(180)**	**8,256**	**47,793**	**2,567**	**440,276**
Long-term loans and financial liabilities	738		825				1,563
Employee benefits	33,813			(8,256)			25,557
Non-current provisions	7,999						7,999
Other non-current liabilities	3,780						3,780
TOTAL NON-CURRENT LIABILITIES	**428,071**	**99**	**645**		**47,793**	**2,567**	**479,175**
Trade payables	13,949						13,949
Other payables	113,306						113,306
Current provisions	4,427						4,427
Short-term financial liabilities	125		680				805
Bank	4,393						4,393
TOTAL CURRENT LIABILITIES	**136,200**		**680**				**136,880**
TOTAL LIABILITIES AND EQUITY	**564,272**	**99**	**1,325**		**47,793**	**2,567**	**616,055**

Transition from Regulation 99-02 to IFRS – Balance sheet as of March 31, 2005

In thousands of euros **ASSETS**	99-02 standards reclassified in IFRS format	IAS 38 Intangible assets	IAS 17 Capitalization of leases	IAS 19 Employee benefits	IAS 32/39 Wynn investment	IAS 32/39 Financial instruments	IFRS
Intangible assets	**2,770**						**2,770**
Property, plant & equipment	**454,068**		**754**				**454,822**
Available-for-sale financial assets	38,103				118,678		156,781
Long-term loans	111						111
Other financial assets	149						149
Non-current financial assets	**38,363**				**118,678**		**157,041**
Other non-current assets							
NON-CURRENT ASSETS	**495,201**		**754**		**118,678**		**614,632**
NON-CURRENT ASSETS	12,365						12,365
Trade receivables	36,446						36,446
Other receivables	18,786						18,786
Other short-term financial assets	123					3,221	3,344
Cash and cash equivalents	42,163					2	42,165
CURRENT ASSETS	**109,884**					**3,223**	**113,107**
TOTAL ASSETS	**605,085**		**754**		**118,678**	**3,223**	**727,740**

In thousands of euros **LIABILITIES AND EQUITY**	99-02 standards reclassified in IFRS format	IAS 38 Intangible assets	IAS 17 Capitalization of leases	IAS 19 Employee benefits	IAS 32/39 Wynn investment	IAS 32/39 Financial instruments	IFRS
Common stock	18,000						18,000
Additional paid-in capital	5,374						5,374
Reserves	354,761	99	(180)	8,256	118,678	2,567	484,180
Net income for the period	25,166	(99)	(2)	(1,252)		(318)	23,495
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**403,300**		**(182)**	**7,003**	**118,678**	**2,249**	**531,049**
Minority interests	37						37
EQUITY	**403,338**		**(182)**	**7,003**	**118,678**	**2,249**	**531,086**
Long-term loans and financial liabilities	813		408				1,221
Employee benefits	33,941			(7,003)			26,938
Non-current provisions	7,059						7,059
Other non-current liabilities	14,373						14,373
TOTAL NON-CURRENT LIABILITIES	**459,524**		**226**		**118,678**	**2,249**	**580,677**
Trade payables	19,510						19,510
Other payables	123,231						123,231
Current provisions	2,662						2,662
Short-term financial liabilities	126		528			975	1,628
Bank	33						33
TOTAL CURRENT LIABILITIES	**145,561**		**528**			**975**	**147,063**
TOTAL LIABILITIES AND EQUITY	**605,085**		**754**		**118,678**	**3,223**	**727,740**

Transition from Regulation 99-02 to IFRS – Income statement for the period ended March 31, 2005

In thousands of euros	99-02 standards reclassified in IFRS format	IAS 18 Revenue	IAS 38 Intangible assets	IAS 17 Capitalization of leases	IAS 19 Employee benefits	IAS 32/39 Financial instruments	IFRS
Revenue	**346,904**	**(12,542)**					**334,363**
Cost of goods sold, raw materials & other supplies	(29,741)						(29,741)
Other external charges	(80,977)			820			(80,157)
Taxes and similar payments	(30,039)						(30,039)
Wages and salaries	(138,539)				(1,380)		(139,920)
Amortization	(29,979)		(99)	(691)			(30,769)
Provisions	2,705						2,705
Other operating income and expenses	(17,285)	12,542			128		(4,616)
Operating income	**23,048**		**(99)**	**130**	**(1,252)**		**21,826**
Income from cash and cash equivalents	2,553					(1,188)	1,366
Gross finance costs	(456)			(131)		(975)	(1,562)
Net finance costs	**2,098**			**(131)**		**(2,163)**	**(196)**
Other financial income and expenses	30					1,845	1,875
Tax expense	(19)						(19)
CONSOLIDATED NET INCOME/(LOSS)	**25,157**		**(99)**	**(2)**	**(1,252)**	**(318)**	**23,486**
Minority interest share	9						9
CONSOLIDATED NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**25,166**		**(99)**	**(2)**	**(1,252)**	**(318)**	**23,495**

Transition from Regulation 99-02 to IFRS – Changes in equity for the period ended March 31, 2005

In thousands of euros

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**As of April 1, 2004**	2004/2005 Net income	Dividends paid	Capital transactions	Other changes	**As of March 31, 2005**
French GAAP	**381,684**	**25,166**	**(3,485)**	**(63)**		**403,300**
IAS 38 - Intangible assets	99	(99)				
IAS 17 - Capitalization of leases	(180)	(2)				(182)
IAS 19 - Employee benefits	8,256	(1,252)				7,003
IAS 32/39 - Wynn investment	47,793				70,885	118,678
IAS 32/39 - Derivative instruments	1,377	870				2,246
IAS 32/39 - Marketable securities	1,190	(1,188)				2
IFRS	**440,218**	**23,495**	**(3,485)**	**(63)**	**70,885**	**531,049**

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, 2006.

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. These financial statements have been prepared for the first time in accordance with IFRSs as adopted in the European Union. They include comparative information restated in accordance with the same standards in respect of the financial year ended March 31, 2006.

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, 2006 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 28, 2006

French original signed by

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

RESOLUTIONS

PRESENTED AT THE ANNUAL GENERAL MEETING OF SEPTEMBER 22, 2006

FIRST RESOLUTION

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

- the balance sheet as of March 31, 2006, and the statement of income for the year then ended, which shows a net income of €34,517,424.51;
- the transactions reflected in the balance sheet or summarized in the reports of the Board of Directors or the 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.

THIRD RESOLUTION

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

• note that the net income for fiscal 2005/2006 amounts to	€34,517,424.51
• note that retained earnings amount to	€90,672,702.44

The amount of €7,030,093.00 was allocated to these retained earnings at the beginning of the fiscal year, corresponding to the impact of the change in method for valuing retirement and similar benefits described in the notes to the annual financial statements and its recognition in equity as of April 1, 2005.

Hence, net income available for appropriation amounts to	€125,190,126.95

• decide to appropriate the total to:

◆ the cumulative preferred dividend of €0.05 x 1,800,000 shares	€90,000.00
◆ the contingency reserve fund, i.e., 2% of net income for the year	€690,348.49
◆ the payment of the year's dividend, at €4.70 per share	€8,460,000.00
◆ the Board of Directors	€1,032,822.74
◆ retained earnings	€114,916,955.72

The rights to this dividend and the cumulative preferred dividend will be open to company stockholders as of September 30, 2006 and will be paid up as of November 6, 2006 by the company's share trading department.

FOURTH RESOLUTION

The Stockholders approve the transactions performed during the 2005/2006 fiscal year 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 personally or in an official capacity, in accordance with the terms and conditions of the aforementioned articles.

Société des Bains de Mer

MONTE-CARLO

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Hôtel de Paris
Le Louis XV-Alain Ducasse
Le Grill
La Salle Empire
Le Côté Jardin

Hôtel Hermitage
Le Vistamar
La Salle Belle Epoque

Monte-Carlo Beach Hotel
La Vigie
La Salle à Manger

Monte-Carlo Beach Club
Le Deck
Le Sea Lounge

Monte-Carlo Bay Hotel & Resort
le Blue Bay
Las Brisas
Le Blue Gin
le Baretto
l'Orange Verte
Spa Cinq-Mondes
Le Lagon

Le Sporting Monte-Carlo
Salle des Etoiles
Casino d'Été
Jeux européens
Jeux américains
Bar & Bœuf
Fuji
Jimmy'z

Le Sporting d'Hiver
Salles d'expositions
et de conférences

Les Thermes Marins de Monte-Carlo
Thérapies marines et de relaxation
Fitness-Beauté
Restaurant L'Hirondelle

Le Café de Paris
Brasserie
Casino
Jeux américains
Appareils automatiques

Le Casino de Monte-Carlo
Jeux européens
Jeux américains
Appareils automatiques
Le Train Bleu
Les Privés
Le Cabaret
Mosaïk

Sun Casino
Jeux américains
Appareils automatiques
Le Circus

La Salle Garnier

Société des Bains de Mer
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