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

ANNUAL REPORT
2007/2008

MONTE-CARLO
S·B·M
HOTELS · CASINOS

SOCIETE ANONYME DES BAINS DE MER

ET DU CERCLE DES ETRANGERS A MONACO

ANNUAL GENERAL MEETING

SEPTEMBER 19, 2008

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

2007 - 2008

BOARD OF DIRECTORS

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

GENERAL MANAGEMENT

Chief Executive Officer	Mr.	Bernard LAMBERT

STATUTORY AUDITORS

Permanent Members	Messrs.	Jean BOERI (†) - Louis VIALE
		André GARINO
Substitute Member	Mrs.	Simone DUMOLLARD

AUDITOR

DELOITTE & ASSOCIES

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MESSAGE FROM THE CHAIRMAN

Ladies,

Gentlemen,

Shareholders,

Your Company produced exceptional results for the fiscal year 2007/2008, for the fourth year in a row.

In a highly favorable worldwide economic environment, your Company saw the combination of growth in its traditional activities and its more recent investments such as the Monte-Carlo Bay Hotel & Resort, the Sporting Residences and the complete renovation of the slot machines beginning to bear fruit.

All sectors of your Company reported record profits. The gaming business, whose revenues over the last two fiscal years have been equally divided between slot machines and table games, and the hotel business which recorded strong increases in operating income.

Amid these excellent performances, we should not forget that the economic environment in our main markets (Western Europe and the United States) has recently deteriorated. The current fiscal year already shows some slowdown which should remind us to remain particularly vigilant in terms of cost management.

2007/2008 saw a slowdown in capital expenditures. The two largest completed projects were the renovation of the Excelsior wing of the Hotel Hermitage, and the opening of Moods, which offers our clients a new social venue dedicated to live music.

This break will be short as we are already in the midst of preparing significant investsments for the coming years.

First, in striving to continue to stay ahead of changes in our clienteles' tastes, we will undertake the complete refurbishment of the Monte-Carlo Beach Hotel, which we have entrusted to Ms. India Mahdavi, a worldwide renowned interior designer, and of the Cabaret which we will convert into two distinct spaces with separate feels: a lounge that will host new shows and an Asian restaurant. Asian food is under represented in our portfolio and this new restaurant will enhance our offering.

In the long term, we are studying a significant overhaul of the Casino and the Sporting Monte-Carlo.

Various other projects will enable us to pursue a systematic enhancement of your Company's existing real estate assets and create new assets to improve its performance. Due to the recently signed amendment of the Sovereign Order concerning the "Quartier des Spélugues" we plan to build high-end apartments with hotel services to replace the current Hotel Balmoral which we acquired in 2005, as well as a new development to replace the Sporting d'Hiver. This will create more space for international brand name retail and office space, as well as luxury apartments which will benefit from the services of the nearby Hotel de Paris.

Finally, we continue to think proactively about the ways in which your Company could become a major player in the online gaming sector which we believe should undergo increasing liberalization in upcoming years.

The performance of your Company would not have been possible without the work and daily efforts of all our employees, whom I would like to sincerely thank. In recognition of their efforts, the Board of Directors has decided to grant two free shares in the Company to all members of staff.

Jean-Luc Biamonti

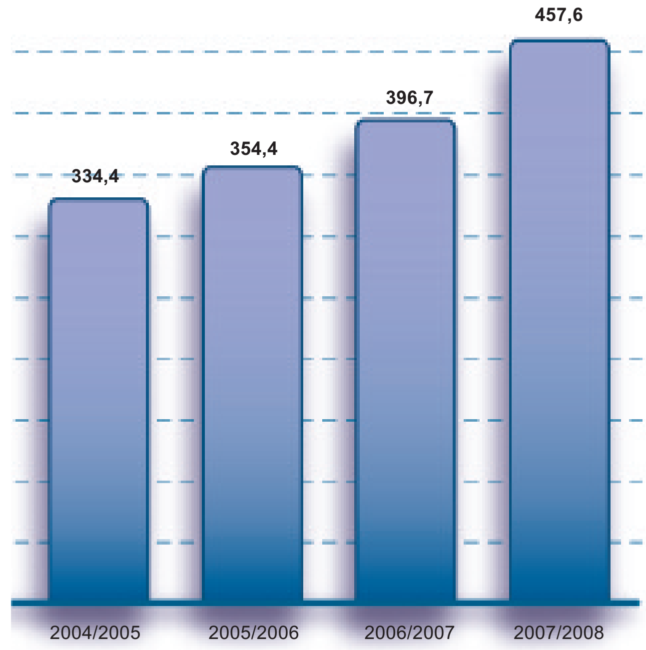
Chairman of the Board of Directors

KEY FIGURES

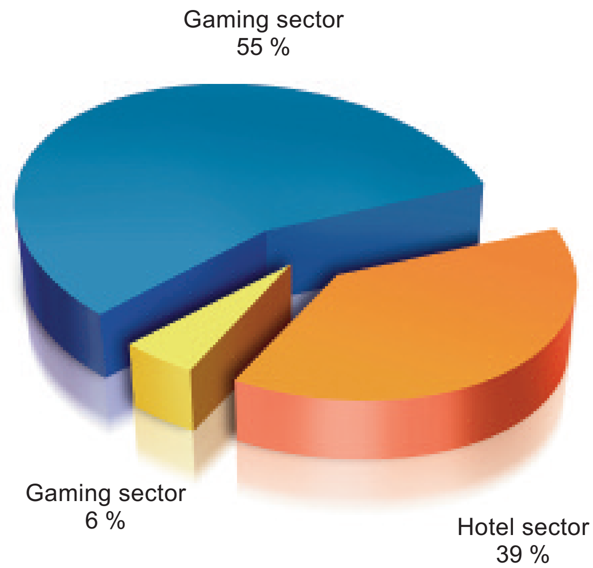
The following information relates to the group comprising the Société des Bains de Mer and its subsidiaries.

CONSOLIDATED REVENUES

in millions of euros

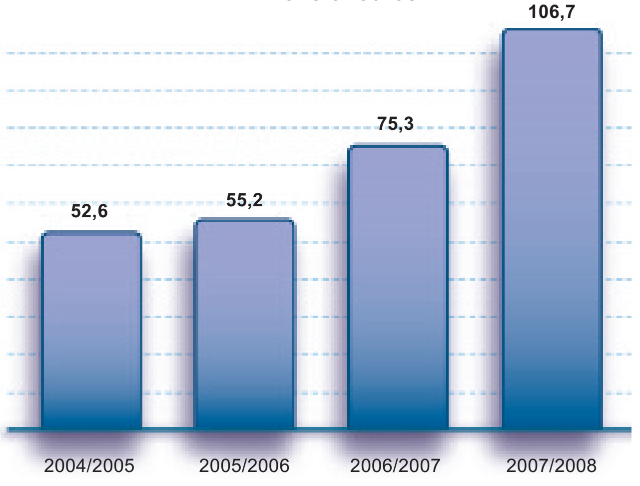


BREAKDOWN OF ACTIVITIES



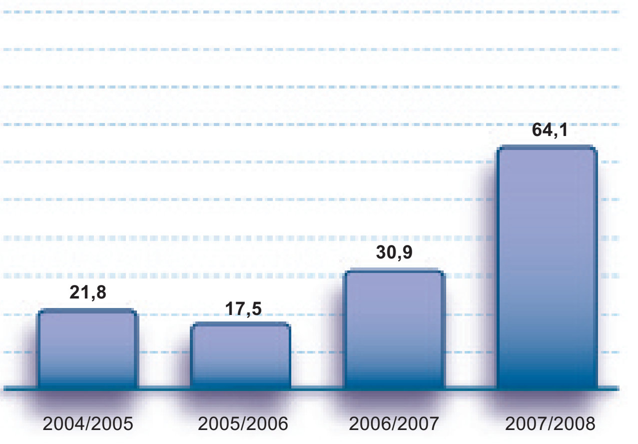
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

in millions of euros



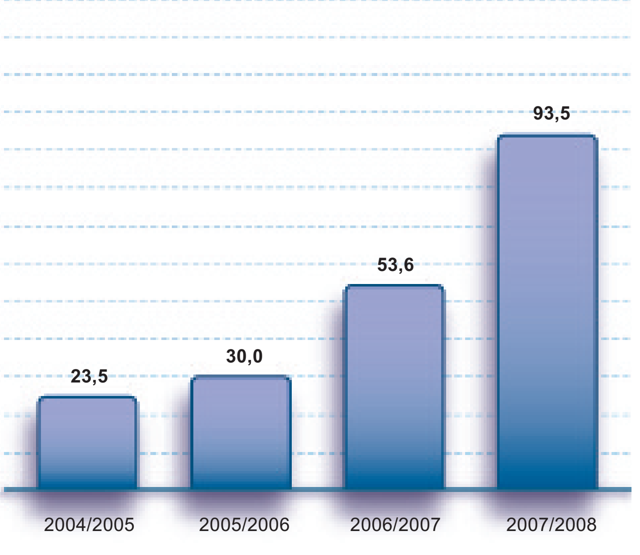
OPERATING INCOME

in millions of euros



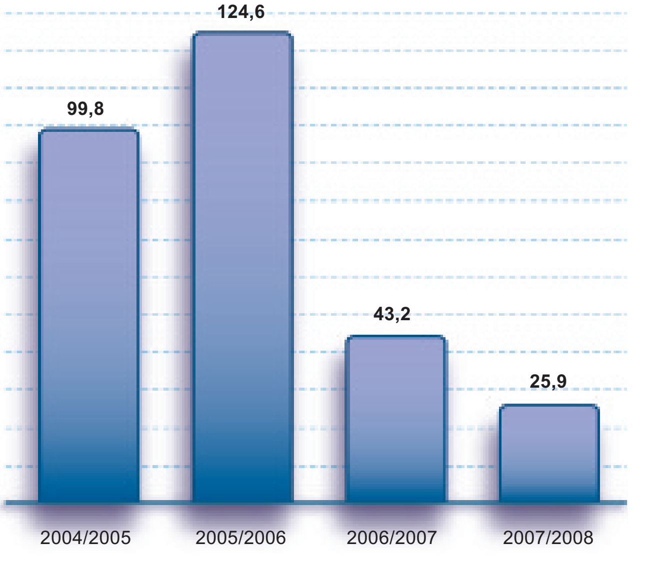
INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

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

Société des Bains de Mer and its subsidiaries continued the trend of recent years, generating substantial growth for the 2007/2008 fiscal year ended on March 31.

Accordingly, revenue for the entire Group stood at €457.6 million, compared to €396.7 million in 2006/2007, for an increase of 15%.

The increase, which was even greater than that recorded during fiscal year 2006/2007, is the result of an outstanding year for the gaming sector and the continued development of hotel activities.

The favorable trend in the activity has substantially improved Group operating income, which stood at €64.1 million, compared to €30.9 million the previous year.

Taking into account positive financial income of €29.5 million, compared to €22.7 million the preceding year, as a result of the sale of 300,000 Wynn Resorts, Limited shares and the investment income received in connection with the latter's distributions, consolidated net income attributable to equity holders of the parent totaled €93.5 million, compared to €53.6 million for 2006/2007.

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


PLAY BET
Before the Flop
After the Flop
On the River

GAMING SECTOR

Renewing with last year's success, the gaming sector again posted record revenue, standing at €259.6 million for fiscal year 2007/2008, compared to €222.9 million for the preceding year, an increase of 16%. This performance is primarily the result of a recovery in table games following the initiatives undertaken and new growth in the automatic machines activity.

With receipts rising by 23%, to €127.8 million, compared to €104.0 million in 2006/2007, **table games** generated revenue that approximated the record years of the past, thus reaping the benefits of marketing, advertising and promotional programs. The steady rate of client frequentation observed throughout the year and particularly during the summer season, as well as uncertain cyclical factors that proved more favorable than expected, explain an improvement that was of particular benefit to European games.

Whereas European games had recorded a 41% decline in receipts in 2006/2007, the segment grew by 56% in 2007/2008. European games again represent the most significant segment in table games, accounting for nearly 60% of receipts, compared to 46% the previous year. European Roulette, which remains the game most appreciated by customers, understandably generated the lion's share of the increase in receipts. Significant improvements in revenue were also posted with English Roulette and, specifically, Punto Banco, the success of which continues to grow each year.

Conversely, the trend for the American games segment is one of overall stability, with a renewal of the outstanding performance posted in fiscal year 2006/2007, primarily due to Black Jack. Poker games in their various forms - Stud Poker, Three Card Poker and as of this year, Texas hold'em – are attracting new customers.

With revenue of €131.7 million, compared to €118.9 million the previous year, **automatic machines** again had a very satisfactory year. The performance, up by 11%, represents the best revenue ever recorded by this sector.

The active policy to replace the automatic machine pool pursued over the last four years has translated into an exceptional pool of over a thousand state-of-the-art, user-friendly and highly enjoyable machines, for which the Group often holds the exclusive European rights. The installation of this cutting-edge equipment and the step-up in communication or promotional efforts, as well as the introduction of innovative machines offering jackpots that can exceed a million euros, have added to the offering's appeal.

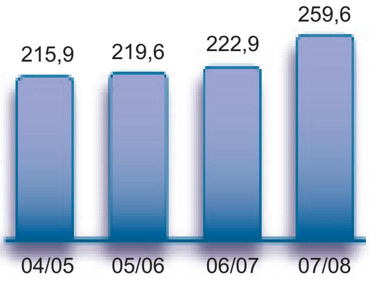
Lastly, with the complete refurbishment of the Café de Paris Casino, providing clients with a ground-breaking concept and infrastructures, the gaming sector now has five establishments - Casino, Café de Paris, Sun Casino, Bay Casino and the Casino d'été at the Sporting Monte-Carlo - with each one having a very distinctive ambiance.

For the entire gaming sector, fiscal year 2007/2008 operating income before depreciation and amortization stood at €73.1 million, compared to €53.8 million for the previous year. The €19.3 million improvement stems in equal measures from the growth in the automatic machines segment and the rise in table game receipts, which, although more significant, required sizeable expenditure in terms of invitations, promotions and artistic events.

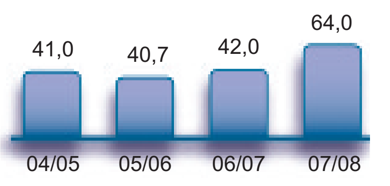
After taking into account a depreciation and amortization charge that declined by €2.7 million, operating income for the gaming sector amounted to €64.0 million in 2007/2008, compared to €42.0 million the previous year.

REVENUE (in M€)		06/07	07/08	%
49 %	Table games	104,0	127,8	+23
51 %	Automatic games	118,9	131,7	+11
100 %	**Total gaming sector**	**222,9**	**259,6**	**+16**

GAMING REVENUE (in M€)



OPERATING INCOME FROM GAMES (in M€)



HOTEL SECTOR

With revenue up by 13% to €185.1 million, compared to €164.3 million in 2006/2007, the hotel sector had an excellent year and extended the growth posted in previous years. The Group's hotel operations are part of a general trend observed for all Monaco tourism activities, where there was growth for the fourth consecutive year.

As expected, activity for the Monte-Carlo Bay Hotel & Resort continued to develop with its second full-year of operation, while the other establishments also contributed to this solid performance, with steady activity throughout the period and revenue growth in the various areas: accommodation, catering, and seaside and thermal activities.

The **accommodation** activity posted the most promising growth, with revenue of €70.1 million for fiscal year 2007/2008, compared to €61.3 million for the previous year, due to the favorable trend in both the occupancy rate and average prices.

The 14% rise in receipts stems from a higher number of overnight stays sold, which was evidently stronger for the Hôtel Hermitage establishments, with the refurbished rooms of the Excelsior wing and the Monte Carlo Beach Hotel available once again, but the trend was also true for the Hôtel de Paris and the Monte-Carlo Bay Hotel & Resort. The cumulative occupancy rate for the four hotel establishments increased, standing at 63.8% compared to 60.7% previously

The higher occupancy rate was accompanied by a 9% increase in average revenue, thus justifying the Group's unrelenting effort to renovate its property assets and provide its hotels with equipment of the highest standard in terms of quality and comfort.

The rise in average revenue also benefited from an optimized rate management policy and a change in the client mix. For the four aforementioned establishments combined, the breakdown between "private individuals" and "business clients" is approaching a 61% / 39% ratio compared to 58% / 42% the previous year. Although growth was also observed in the private individuals segment for the Monte-Carlo Bay Hotel & Resort, business clients accounted for 58% of the establishment's occupancy.

In terms of segmentation by geographical origin, the situation is relatively stable. Although the figure declined slightly over the period, the Italian clientele is still the top nationality for our establishments with an occupancy rate of just over 17%, of which more than a third had casino invitations. Next in line were customers from the US, despite a weaker dollar, and France, each group representing approximately 15% of stays, with British customers accounting for 13%.

The **catering** activity generated revenue of €90.6 million, up 11% over the previous period. A total of 982,000 meals were served over the entire year, for a 2% increase covering all restaurants. Among the most remarkable performances, we may cite the Sea Lounge at the Monte Carlo Beach Hotel, the Salle Empire at the Hôtel de Paris and the Salle Belle Epoque at the Hôtel Hermitage, as well as the Salle des Etoiles and Jimmy'z at the Sporting - Monte-Carlo. With nearly 370,000 meals served, the Café de Paris remains the most popular establishment.

This increase in volumes was accompanied by a favorable trend in average prices for all establishments.

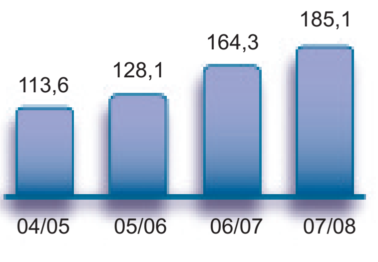
Revenue from the Group's **other activities** in the hotel sector rose by 14%, amounting to €24.3 million for the 2007-2008 fiscal year, compared to €21.3 million in 2006/2007. This favorable trend primarily stems from a boost in activity at the Centre des Thermes Marins de Monte-Carlo and in seaside activities at the Beach complex.

Operating income before depreciation and amortization for the entire hotel sector totaled €40.4 million for fiscal year 2007/2008, compared to €29.1 million the previous year. The increase reflects an improvement for all establishments.

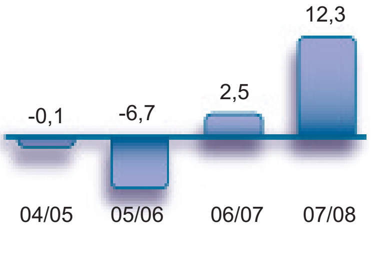
After taking into account a €0.9 million increase in depreciation and amortization charges over the period, following the Hôtel Hermitage investments, operating income for the hotel sector stood at €12.8 million in 2007/2008, compared to €2.5 million the previous year.

REVENUE (in M€)		06/07	07/08	%
38 %	Accomodation	61,3	70,1	+14
49 %	Catering	81,6	90,6	+11
13 %	Other	21,3	24,3	+14
100 %	**Total hotel sector**	**164,3**	**185,1**	**+ 13**

HOTEL REVENUE (in M€)



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



tournage du film "Coco" de Gad Elmaleh

ANNUAL FINANCIAL STATEMENTS

Société des Bains de Mer and its subsidiaries again posted a significant improvement in results for fiscal year 2007/2008, benefiting from a fourth consecutive year of growth in the Principality of Monaco's luxury tourism and hotel industry, as well as development in the casino activity observed throughout the year.

Revenue

The Group reported consolidated revenue of €457.6 million for fiscal year 2007/2008, up by 15% or €60.9 million compared to the result recorded the previous year.

The improvement stems from satisfactory activity growth for all Group establishments.

Operating income and depreciation and amortization

Operating income before depreciation and amortization rose by 42% to €106.7 million, compared to €75.3 million in 2006/2007. This performance stems from a solid level of activity recorded for all operations and sound cost management ensuring that over half the revenue growth was converted into earnings.

In addition, the depreciation and amortization charge decreased to €42.6 million for 2007/2008, compared to €44.4 million the preceding year.

Group operating income amounted to €64.1 million, compared to €30.9 million the previous year, for an increase of 107%. The gaming sector contributed significantly to this improvement, with a €22.0 million increase in profitability. Earnings also improved for the hotel sector, for an increase of €10.3 million.

Financial income

Financial income rose, totaling €29.5 million compared to €22.7 million in 2006/2007. The result includes a capital gain of €17.6 million on the sale of 300,000 Wynn Resorts, Limited shares, the Group maintaining an interest of 2,000,000 shares, equivalent to nearly 1.8% of the share capital. The Group also received financial income of €8.3 million in connection with Wynn Resorts, Limited distributions.

Lastly, the improvement in available cash generated growth in financial income from investment transactions, which represented €3.5 million in 2007/2008, compared to €0.9 million the previous year.

Consolidated net income

Consolidated net income attributable to the equity holders of Société des Bains de Mer and its subsidiaries thus totaled €93.5 million for 2007/2008, compared to €53.6 million the previous year.

Cash from operations and cash flows

Cash from operations rose substantially, standing at €117.9 million, compared to €80.3 million the previous year. Due to the favorable trend in the working capital requirement, particularly with the reduction in trade receivables, net cash flows from operations amounted to €137.5 million, compared to €97.7 million in 2006/2007.

Financial resources allocated to capital expenditure totaled €25.9 million, compared to €43.2 million for 2006/2007. Following several years marked by an exceptional investment effort, the Group has returned to a normal maintenance and renovation level with respect to company assets. Taking into account the proceeds from the disposal of property, plant and equipment and financial assets for €21.6 million, net cash used in investing activities totaled €4.4 million, compared to €24.2 million for fiscal year 2006/2007.

There was therefore a sharp increase in net cash available, amounting to €183.4 million for the period ended March 31, 2008, compared to €60.8 million for the previous period-end.

Parent company financial statements and dividends

For the period ended March 31, 2008, the financial statements of Société des Bains de Mer, the parent company, reported revenue of €451.2 million and net income of €90.5 million, compared to €51.5 million in 2006/2007.

Given these favorable results, the Board of Directors wishes to propose the payment of a dividend increased to €11 per share, including the statutory dividend, compared to €7 the previous year.

CAPITAL EXPENDITURE AND FUTURE OUTLOOK

Capital expenditure

Following an investment of nearly €400 million over the last five years, primarily in such major projects as the construction of the Monte Carlo Bay Hotel & Resort, the elevation of the Hôtel Hermitage, the refurbishment of the Salle Garnier, the acquisition of the Hôtel Balmoral with a view to its restoration, the renewal of the Group's automatic machines, and the constant effort regarding maintenance with respect to real estate assets or innovation with the inauguration of new establishments, the Group suspended its capital expenditure program during fiscal year 2007/2008.

For the period ended March 31, 2008, purchases of property, plant and equipment and intangible assets totaled €25.9 million.

In the hotel sector, the refurbishment of the Hôtel Hermitage's Excelsior wing accounted for the largest investment, amounting to €4 million. This refurbishment will allow the Excelsior wing to provide special services to clients who have come for stays/treatments at the Monte-Carlo thermal baths.

With the opening of Moods in March 2008, the Group launched a new bar-lounge concept. This 700 m^2 space over three levels which open on to the Café de Paris gardens is destined to become a focal point for live music in Monaco, a hub for the Monte Carlo Jazz Festival, and a monthly gathering place for fans of seventies rock. With its chimney, inviting nooks and corners, and the latest in entertainment technologies, Moods: Studio & Music Bar represents an investment of €3.3 million over the year.

In the gaming sector, the ongoing effort to renew the automatic machine pool over the past four years was pursued, and almost all rooms now have innovative and often exclusive slot machines, with more widespread availability of bill acceptors, an extended cashless system and the development of advanced machines offering attractive jackpots.

Finally, the Group has continued to develop its properties and has expanded several boutiques leased to major luxury retailers.

Brand value and protection policy

Since its inception, Société des Bains de Mer has created some of the most prestigious brands in the luxury hotel industry and the gaming world. These brands symbolize not only the Group's name and history, but also an image and reputation embodying the excellence of its establishments, some of which now represent a considerable value based on their renown.

These brands have been grouped under the name "Monte-Carlo SBM" and are presented in a new graphic charter. However, like all famous brands, those created by Société des Bains de Mer have been subject to illegal use, which has multiplied with the inception and development of the Internet.

Fully determined to preserve its image, the Group has set up an organization dedicated to its protection. A permanent monitoring system has been introduced and, as needed, the necessary actions are initiated with the international arbitration bodies concerned and the competent legal authorities. Carried out persistently over several years, this protection policy has been the success that was anticipated. Aware of the communicative power and strategic importance of its brands, the Group intends to pursue the actions implemented so as to transform them into future growth factors in an increasingly globalized market.

Competitive environment and outlook

In order to confront increasingly fierce international competition, Société des Bains de Mer and its subsidiaries must continue the vigorous and undeniably successful investment policy engaged in recent years.

As of the current year, major projects are scheduled, including the complete renovation of the Monte Carlo Beach Hotel, the demolition of the Hôtel Balmoral and its reconstruction into an upscale hotel residence, the start-up, from the winter of 2008, of work consistent with the Hôtel Hermitage and the renovation of the Eiffel hall and the Costa wing, the elevation of the Midi wing and the creation of a large conference room with a capacity of 500 persons. This ambitious program for the Hôtel Hermitage is scheduled to be completed by the end of 2010.

In the Casino, it was decided to restructure the Cabaret area to open an Asian restaurant and a contemporary style event-driven lounge.

As well, discussions are under way regarding application of anti-smoking legislation, which comes into force on November 1. For the Casino and all Group establishments, the restrictions imposed by the law will require the implementation of appropriate measures, in order to limit the impact on activity growth.


"Cyrano de Bergerac, copyright Opéra de Monte-Carlo"

In addition, the Group is exploring the idea of developing beyond the Principality and its neighboring districts, in order to better capitalize on its acknowledged know-how in the luxury hotel business and thus add to its reputation and that of its most emblematic establishments. Specific opportunities are being examined in several major European cities or destinations in the Mediterranean Basin, which could result in one or more hotel management contracts with the potential for investment.

Lastly, the work initiated by the Group to develop an on-line casino has been revised on a regular basis, the operational start-up being conditional to the introduction of appropriate legislative and regulatory frameworks. The trend in European legislation and the economic reality already represented by this activity make it possible to foresee an opening in the on-line gambling market in the near future.

SUSTAINABLE DEVELOPMENT

In its wish to align itself with the environmental protection policy implemented by the Principality of Monaco under the impetus of His Serene Highness, Prince Albert II, the Company is hoping to gear its activity and investment strategy towards a sustainable development goal, which is defined as "a development that does not compromise the ability of future generations to provide for their own growth". In addition to the obvious obligation of ensuring the Company's viability through rigorous management and a far-seeing economic vision, the Group's undertaking in this area essentially breaks down as follows:

Environment

Hoping to contribute to the preservation of the Principality's green areas, the Group works constantly to restore and maintain its gardens, which are integral to a lifestyle that is agreeable and consistent with environmental protection and which some, such as the *Jardins du Casino*, are inseparable from the Monte-Carlo image.

The wish to fully commit to these issues has been materialized through the creation of an "Environment and Quality" Committee within the Board of Directors. The Group has employed a number of electric vehicles for several years and, as part of a policy aimed at promoting renewable energies, has participated in the Cleanova project with the Principality Government. The project's objective is to encourage the use of this mode of transport across the Principality.

In the same spirit, the Company has generalized the use of renewable indirect materials, such as recycled paper. It is also converting paper documents to an electronic format, including supplier invoices and contracts that were in the process of finalization for 2008/2009. The Group is also working closely with its partners, local authorities and suppliers, to extend waste treatment, either through a reduction at source, or an enhanced recovery of household waste. Lastly, the Group has conducted an extensive energy savings awareness campaign, backed up by appropriate training, in order to inform all personnel regarding environmental issues.

Elsewhere, with respect to the cultural environment, the Company continues to play an active role in the Principality's artistic and sporting life. Throughout the year, the Group participates in numerous artistic events – symposiums, exhibitions, shows – which contribute to the event-driven energy that characterizes Monaco. Among other cultural institutions, the Company provides funding to the Monte Carlo Opera, Choruses, Philharmonic Orchestra and Ballet and the Monte Carlo Tennis Masters Series Tournament. As to the Summer

Festival, its success from year to year cannot be denied: Rod Stewart, Michel Polnareff, Lionel Richie, Peter Gabriel, Tom Jones, and Patrick Bruel were among the renowned artists who appeared during the year at the Salle des Etoiles. The Group also organized the second edition of the Monte Carlo Jazz Festival in 2007/2008, and provides support for Monaco's time-honored automobile competitions and football matches.

The workplace

In terms of personnel, the Company endeavors to provide a stimulating activity that respects employee aspirations and maintain an atmosphere of understanding and dialogue for all staff.

Aside from direct relations within the various departments, the Group's internal communication is officially structured as follows:

- Information and cooperation committee with personnel;
- Joint personnel committees;
- Half-yearly management information meetings;
- Annual personnel meetings;
- Monthly meals with Management for the direct expression of manager and employee viewpoints;
- Monthly communiqués on the Group's operation;
- Quarterly distribution of a company newsletter.

The organization of annual evaluation meetings is also vital to ensuring that executives play a larger role in the Company's management.

By means of a dynamic and voluntary internal training policy in both the hotel and gaming sectors, the Group hopes to enhance employee competencies, so as to foster personnel development and maintain customer relations at a level of excellence consistent with the Société des Bains de Mer image.

Finally, the association of staff with the Company's operation was reinforced over the last two years through the employee share ownership program.

BOARD OF DIRECTORS

You are requested to discharge all Directors from any liabilities with respect to the performance of their mandate for the 2007/2008 fiscal year.

We would also bring to your attention the expiration, on this date, of the terms of office as Director of Messrs. Jean-Luc Biamonti and Jean-François Prat, which we would ask you to renew.

In accordance with Article 12 of the Bylaws, the terms of office of Messrs. Jean-Luc Biamonti and Jean-François Prat will end at the Annual General Meeting that will approve the financial statements for the 2013/2014 financial year.

ARTICLE 23 OF THE ORDER OF MARCH 5, 1895

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

- transactions involving the subsidiaries of your Company:
    - la Société Anonyme Monégasque d'Entreprise de Spectacles (S.A.M.E.S.)
    - la Société Anonyme Monégasque des Thermes Marins Monte-Carlo (S.T.M.)
    - la Société Anonyme Monégasque Générale d'Hôtellerie (SOGETEL)
    - la Société Financière et d'Encaissement (S.F.E.)
    - la Société Civile Particulière Soleil du Midi
    - la Société Civile Immobilière de l'Hermitage
    - la Société S.B.M./U.S.A. Inc.

- and:
    - bank transactions conducted with the following establishments:
      - Compagnie Monégasque de Banque
      - Banque J. Safra (Monaco) S.A.
    - business relations with Société Monégasque pour l'Exploitation du Tournoi de Tennis (S.M.E.T.T.) and A.S. MONACO FC SA.

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

STATUTORY AUDITORS AND AUDITOR

You are asked to appoint Messrs. André Garino and Louis Viale as principal statutory auditors.

The mandate of Messrs. André Garino and Louis Viale will end at the Annual General Meeting held to review the financial statements for the 2010/2011 fiscal year.

Mrs. Simone Dumollard and Mrs. Bettina Ragazzoni are appointed as deputy statutory auditors, also for a three-year term.

The fees paid to the statutory auditors and the auditor in respect of fiscal year 2007/2008 break down as follows:

	Deloitte & Associés				Statutory auditors			
	Amount excluding taxes		%		Amount excluding taxes		%	
in euros	2007/2008	2006/2007	07/08	06/07	2007/2008	2006/2007	07/08	06/07
Audit								
• Statutory audit, certification, review of company and consolidated financial statements - Issuer - Fully consolidated subsidiaries	300,000	270,000	97	92	64,300	62,800	100	100
• Other procedures and services directly related to the statutory audit - Issuer - Fully consolidated subsidiaries	8,000	23,890	3	8				
Sub-total	**308,000**	**293,890**	**100**	**100**	**64,300**	**62,800**	**100**	**100**
Other services rendered by the networks for the fully consolidated subsidiaries • Legal, tax, emplyee-related • Other								
Sub-total								
TOTAL FEES PAID	**308,000**	**293,890**	**100**	**100**	**64,300**	**62,800**	**100**	**100**

RISK MANAGEMENT

The Group pursues a risk management policy in order to best protect the interests of its shareholders, customers and the environment. The risks described below are the most significant in terms of their potential financial impact.

Economic risks

The Group's activities are particularly vulnerable to economic cycles and international economic trends. Any downturn has a negative impact on tourism and leisure activities in general and the travel industry in particular.

As all the establishments are currently located in the Principality of Monaco or neighboring districts with a very international clientele in terms of origin, these economic fluctuations can trigger significant variations in the level of activity.

However the growing use of local markets can limit the Group's exposure to such fluctuations.

Environmental risks

Although its activities do not generate any risks specific to the environment, the Group is actively involved in several environmental protection initiatives as part of the policy implemented by the Principality of Monaco.

Legal risks

The Group's activities can give rise to operational difficulties and potential litigation with suppliers, personnel and any third parties with whom the Group has a business relation.

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

To the best of the Group's knowledge, there is no litigation that could have an impact on its financial position, activity or earnings.

Financial risk management

(See also Note 24 to the consolidated financial statements).

In the course of its business, the Group is exposed to various market risks such as liquidity, interest rate and foreign exchange.

The Group may use derivative instruments to limit these risks but prohibits itself from any speculation.

- ***Liquidity risk***

  The Group's financing policy calls for a constant level of available liquidity at least cost in order to fund its assets, short-term cash requirements and development, regardless of the term or amount.

  The Group has a credit facility with a pool of financial institutions. Concluded for a term of 10 years and four months as of December 1, 2004, this credit facility for a maximum principal amount of €160 million can be used in the form of draw-downs at floating rates. The maximum amount of draws-down is subject to the following successive increases:

  - March 31, 2011: €20 million
  - March 31, 2012: €20 million
  - March 31, 2013: €40 million
  - March 31, 2014: €40 million
  - March 31, 2015: €40 million

  The credit facility is primarily used to finance the Group's general investment requirements, without restriction as to the use of capital.

  Lastly, the Group has a significant amount of readily available short-term investments with a maximum term of three months, totaling €144 million as of March 31, 2008, and confirmed overdraft authorizations for €5 million.

  With total liquidity of €309 million for the 2007/2008 fiscal year, the Group has no liquidity risk exposure.

- ***Interest rate risk***

  As the aforementioned credit facility can be drawn down at floating rates, an interest rate management mechanism was subscribed for a term of six years beginning April 1, 2005. This instrument caps the interest rate at a maximum of 4.19% and the hedged notional amount, which has increased over the first year to a maximum of €117 million, is gradually amortized until April 1, 2011, the contract's final maturity date. As of March 31, 2008, the notional amount hedged stands at €93 million.

Cash assets bear interest at short-term market rates.

• ***Foreign exchange risk***

There are two types of risk:

- Transaction foreign exchange risk relating to commercial and operating activities;
- Balance sheet foreign exchange risk relating to foreign investments.

As virtually all the Group's operations are conducted in euros, there is little foreign exchange risk. However, commercial activities originating from issuer markets in the dollar zone (United States and Canada) remain vulnerable to exchange rate fluctuations.

Balance sheet foreign exchange risk is primarily represented by the investment in Wynn Resorts, Limited, a US company listed on the NASDAQ. As of March 31, 2008, the Group held 2 million shares at a share price of $100.64. This financial asset is no longer subject to foreign exchange hedging.

• ***Risk on portfolio shares***

As indicated in the previous paragraph, the Group holds an interest in the US company Wynn Resorts, Limited and is thus exposed to fluctuations in the company's share price.

The Group wished to continue its hedging policy regarding share price fluctuations for a portion of its stake, and in August 2007 subscribed to zero cost collar derivatives for a total lot of 200,000 shares. Upon maturity of the contract, scheduled for February 2009, these derivatives guarantee a minimum share price of $110 and a maximum price that varies between $133.99 for the first half of the aforementioned lot and $135.23 for the other half. These instruments can be settled upon their maturity through payment and/or transfer of the corresponding shares.

• ***Credit and counterparty risk***

Most of the commercial activities are conducted with customers who pay in advance or without settlement periods, and therefore the Group has little credit risk exposure in terms of commercial operations.

The Group also wishes to limit its counterparty exposure. A diversified range of derivatives and financing instruments are contracted with leading counterparties. Likewise, cash surpluses are invested in certificates of deposit or money market mutual funds with leading financial institutions.

• ***Loan guarantees and security***

The Group has not pledged any security for its commitments for the 2007/2008 period-end.

Insurance - Risk coverage

As its risks are characterized by a strong geographical concentration, the Group is subject to disasters that could affect several of its facilities simultaneously.

An insurance plan covers most of the Group's risks, particularly for damage (fire, lightning, earthquake and/or subsequent tidal wave, etc.) / operating losses and civil liability, based on an "all risks except" principle of guarantee. This risk management is accompanied by a highly developed prevention policy with the necessary equipment and a permanent training effort for personnel. With the help of its insurers and experts, the Group conducts regular risk audits and assessments in order to reduce risk and secure the most suitable coverage according to the insurance and reinsurance markets.

Risks are covered by leading and internationally recognized insurers and reinsurers.

Share ownership structure – provisions of the Bylaws restricting the exercise of voting rights and the transfer of shares

Following the share capital increase authorized by the Extraordinary General Meeting of September 21, 2007, which led to the issue of 3,294 new shares, the common stock of Société des Bains de Mer comprises 1,806,214 shares with a nominal value of €10:

- 1,206,214 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.

Direct or indirect participating interests in the Company's common stock

The Monegasque state, which owned 69.5% of common stock as of March 31, 2008, is the sole stockholder of record with a participating interest exceeding the 5% cap. Whereas in a notice dated April 13, 2007, Richelieu Finance had stated that it owned 93,412 shares, representing 5.19% of common stock, it declared having returned below the 5% cap on January 31, 2008 and only owning 85,806 shares at that date, representing 4.75% of common stock and voting rights. Similarly, Fidelity International Limited, which had stated that it owned 97,318 shares in February 2002, representing 5.41% of common stock, declared having returned below the 5% cap on April 5, 2007, with 87,716 shares owned at that date, then representing 4.88% of common stock.

Rules applicable to the appointment and replacement of members of the Board of Directors and to amendments to the Bylaws

Article 12 of the Bylaws:

"The Board of Directors has a minimum of seven members and a maximum of eleven members. Six among them are appointed among stockholders in a Stockholders' General Meeting, for a six-year term. One third of Directors is renewable every two years. Incumbent members may be reelected. With respect to replacement dates, any newly appointed Director carries out his predecessor's remaining term of office. In between General Meetings, the Board may modify the number of its members, within the limits provided for at the beginning of this paragraph, either to replace a deceased or terminating Director or to gain one or more new member(s). Any Board appointment shall subsequently be ratified by the following General Meeting.

The term of office of a Director appointed by the Stockholders' General Meeting or whose appointment by the Board of Directors has been ratified by the General Meeting comes to an end at the General Meeting following the date on which the appointee reaches the age of seventy-two.

Five members of the Board of Directors are appointed by the Government of HSH the Prince of Monaco, whom they represent within the Board. They are appointed for a renewable term of six years and can only be dismissed by the Government of HSH the Prince of Monaco.

The Directors appointed by the Company shall own a hundred shares that may not be assigned or sold during their term of office".

Article 21 of the Bylaws:

"The Board of Directors appoints a Chairman among its members. The Chairman shall be certified in this capacity by the Government of HSH the Prince of Monaco, who shall decide the duration of this certification within the limits of Article 12.

The Chairman may be reelected".

Article 31 of the Bylaws:

"Prior to any General Meeting, the agenda thereof shall be submitted to the Government of HSH the Prince of Monaco, as shall any proposed resolutions pertaining to the appointment of the members of the Board of Directors.

The appointment of the members of the Board of Directors is valid per se and irrespective of any ratification, unless the Government of HSH the Prince of Monaco vetoes either all the appointments or one of them".

Powers of the Board of Directors, including share issuance or share buy-backs

Article 19 of the Bylaws:

"The Board of Directors defines and approves Company policy and determines its implementation. It has wider powers in order to manage, control and oversee the Company's business.

It enters into any agreement, acquisition, transaction or undertaking with any natural or legal person in public or private law under the terms and conditions that it deems necessary for the best interest of the Company. However, it may not decide any assignment or sale of property without having been authorized to do so by a detailed and well-founded resolution of the General Meeting.

It decides the application of the funds available.

It appoints and dismisses Managers. It decides the personnel's wages, salaries and bonuses.

It approves the financial statements to be submitted to the Stockholders' General Meeting and reports every year to said Meeting on the accounts and the employee-related issues while outlining the program it intends to implement.

Without prejudice to the provisions of Articles 25 and 26 (Managing Director-Chief Executive Officer), the Board of Directors may designate some of its members to form an Executive Committee. If it does so, it specifies the scope of the powers it confers thereon, the duration of their term of office and the possible compensation attaching to the office as defined, which it may terminate should it deem it necessary to do so.

The Board of Directors may also entrust one or several of its members with special assignments or duties. It decides both subject matter and duration thereof and determines the attaching compensation, if applicable. It may terminate such assignments or duties should it deem it necessary to do so".

Pursuant to Article 39 of the Bylaws, the Extraordinary General Meeting is responsible for deciding to increase or decrease the share capital, via any means: cash, contributions in kind, capitalization of any available reserves, share buy-back, reduction in capital contributions, exchange of securities with or without balancing cash adjustments.

Table summarizing the powers having continuing effect conferred on the Board of Directors in terms of capital increases

The table below summarizes the powers having continuing effect conferred by the General Meeting to the Board of Directors and the powers exercised during the fiscal year:

Subject matter	Date of the General Meeting	Maximum nominal amount (€)	Powers exercised during fiscal year 2007/2008	Residual amount at the year-end (in €)
Share capital increase (with waiver of preferential subscription right) reserved for employees of the Company and those of the Group companies included in the same consolidation scope	09/21/2007	40,000	March 27, 2008: €32,940 share capital increase via the issuance of 3,294 new shares with a nominal value of €10 each (1)	7,060

(1) The 3,294 new shares were listed on the Eurolist market of Euronext Paris (Compartment B) as of April 21, 2008.


Marlboro
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Marlboro

PARENT COMPANY FINANCIAL STATEMENTS

OF THE SOCIETE DES BAINS DE MER ET DU CERCLE DES ETRANGERS A MONACO

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BALANCE SHEET AS OF MARCH 31, 2008 IN ACCORDANCE WITH

IN THOUSANDS

ASSETS	2007/2008 FISCAL YEAR GROSS	2007/2008 FISCAL YEAR Depreciation amortization provisions	2007/2008 FISCAL YEAR NET	2006/2007 FISCAL YEAR NET
CURRENT ASSETS OR ASSETS RECOVERABLE IN LESS THAN 1 YEAR	**240,123**	**46,095**	**194,028**	**84,611**
Cash in hand	16,396		16,396	14,742
Banks: deposit on demand	19,375		19,375	19,510
Other assets on demand	23		23	
Banks: time deposits	70,000		70,000	
Marketable securities	68,770		68,770	22,154
Operating receivables	9,666	2,543	7,123	7,832
Various receivables	5,214	1,528	3,686	2,879
Investment accounts				
Affiliate accounts	49,020	42,025	6,995	17,325
Assets withheld	1,659		1,659	169
INVENTORY	**13,020**	**156**	**12,865**	**12,381**
ADVANCE PAYMENTS OR GUARANTEES	**2,228**		**2,228**	**2,127**
Payments on account on orders	2,228		2,228	2,127
ASSETS TO MATURE IN OVER 1 YEAR	**11**		**11**	**8**
Loans	11		11	8
NON-CURRENT ASSETS	**129**		**129**	**113**
Deposits and guarantees paid	129		129	113
PARTICIPATING INTERESTS	**68,819**	**3,062**	**65,757**	**68,634**
Affiliates	43,313	2,993	40,320	39,374
Other participating interests	25,506	69	25,437	29,260
FIXED ASSETS	**976,644**	**522,371**	**454,273**	**474,179**
Intangible assets:				
- Concessions, patents & similar	18,647	17,387	1,260	1,463
- Leasehold rights	18	18		
- Assets in process	95		95	234
Property, plant & equipment:				
- Land	80,378		80,378	80,378
- Revaluation reserves as of 03/31/1979	35,616	35,616		
- Land development	2,491	2,491		
- Buildings	606,641	323,169	283,472	295,512
- Industrial and technical plant	169,969	106,873	63,096	65,566
- Other PP&E	53,631	36,817	16,814	18,893
- PP&E under construction	9,158		9,158	12,133
TOTAL ASSETS	**1,300,975**	**571,684**	**729,291**	**642,052**
DEPRECIATION & AMORTIZATION CHARGES				
ACCRUED INCOME & DEFERRED CHARGES	**5,398**		**5,398**	**5,156**
Prepaid expenses	4,693		4,693	4,737
Other suspense accounts	678		678	420
Foreign exchange differences	27		27	
GRAND TOTAL	**1,306,373**	**571,684**	**734,689**	**647,208**
CLEARING ACCOUNTS				
Directors' shares held as management guarantees			5	5
Deposits received			2,425	2,327
Accounts payable			21,619	22,924
Third-party receivables for bank guarantees			97	97
Forward currencies				14,861
Opening of credit facility and confirmed unused overdrafts			165,000	165,000
Variable-rate hedge			93,000	109,000
			282,146	**314,214**

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN MONACO
OF EUROS

LIABILITIES & STOCKHOLDERS' EQUITY	2007/2008 FISCAL YEAR	2006/2007 FISCAL YEAR
LIABILITIES PAYABLE IN LESS THAN 1 YEAR	**111,674**	**97,197**
Bills payable	2,709	2,870
Operating liabilities	53,002	50,377
Affiliate accounts	594	632
Employee accounts	35,022	28,449
Borrowings	204	331
Other liabilities	4,697	3,426
Liabilities withheld	15,445	11,111
ADVANCE COLLECTIONS OR GUARANTEES	**17,358**	**17,772**
Advances received	13,123	13,570
Deposits and guarantees received	4,235	4,202
LIABILITIES TO MATURE IN OVER 1 YEAR	**23,253**	**23,827**
Operating liabilities		
Liabilities withheld	23,253	23,827
PROVISIONS FOR CONTINGENCIES	**4,068**	**3,527**
ACCRUED LIABILITIES & DEFERRED INCOME	**23,316**	**26,263**
Revenues to be recorded in future fiscal years	6,563	6,167
Other accrued liabilities and deferred income	2,016	4,225
Foreign exchange differences		15
Investment grant:		
- gross	17,535	17,535
- amortization	(2,799)	(1,680)
STOCKHOLDERS' EQUITY		
Common stock, additional paid-in capital and reserves	**215,075**	**215,042**
Common stock: 1,806,214 shares of EUR 10	18,062	18,029
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:	**98,186**	**97,156**
- Statutory reserve	1,800	1,800
- Optional reserve	88,799	88,799
- Contingency reserve	7,587	6,557
- Long-term capital gains		
Results:	**241,760**	**166,425**
- Retained earnings	151,232	114,917
- Net income for the period	90,528	51,508
TOTAL STOCKHOLDERS' EQUITY	**555,021**	**478,623**
GRAND TOTAL	**734,689**	**647,208**
CLEARING ACCOUNTS		
Director payables for deposited shares	5	5
Third-party payables for bank guarantees	2,425	2,327
Trade payables	21,619	22,924
Bank guarantees given	97	97
Forward currencies		14,861
Opening of credit facility and confirmed unused overdrafts	165,000	165,000
Variable-rate hedge	93,000	109,000
	282,146	**314,214**

STATEMENT OF INCOME

in accordance with generally accepted accounting principles in Monaco

in thousands of euros	2007/2008 FISCAL YEAR	2006/2007 FISCAL YEAR
MAIN ACTIVITY		
Gaming receipts	270,302	229,837
Services rendered	171,575	151,703
Sales of bought-in goods	6,187	4,052
Other receipts	1,973	1,530
Less: intra-group transfers	(12,337)	(11,203)
Total income from main activity	**437,699**	**375,920**
To be deducted:		
- Cost of purchase of bought-in goods	(4,104)	(2,981)
- Purchases of raw materials and supplies	(131,764)	(117,578)
- License fees, duties and taxes other than income tax	(35,400)	(30,100)
- Wages and salaries	(153,367)	(141,452)
- Other operating expenses	(14,954)	(20,094)
- Depreciation and amortization charges	(41,259)	(43,206)
Provisions:		
- Charges	(14,600)	(12,761)
- Write-backs	13,353	20,735
Total expenses from main activity	**(382,094)**	**(347,438)**
Share in proceeds from joint ventures		
NET INCOME/(LOSS) FROM MAIN ACTIVITY	**55,605**	**28,482**
RELATED ACTIVITIES		
Financial net income/(loss)	3,328	(327)
Revenues from participating interests	8,529	7,315
Provisions :		
- Charges	(37)	(49)
- Write-backs		34
NET INCOME/(LOSS) FROM RELATED ACTIVITIES	**11,820**	**6,974**
EXCEPTIONAL INCOME/(EXPENSES)		
Various exceptional expenses	18,932	15,915
Provisions:		
- Charges	(295)	(2,813)
- Write-backs	4,103	2,984
NET EXCEPTIONAL ITEMS	**22,741**	**16,086**
LOSSES FROM PRIOR YEARS	**362**	**(34)**
NET INCOME/(LOSS) FOR THE PERIOD	**90,528**	**51,508**

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, pursuant to Article 8 of the same Law, we hereby submit our report on the financial statements for the year ended March 31, 2008.

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, 2008 and the statement of income for the year 2007-2008.

Total assets amounted to €734,689 thousand. The statement of income shows a net income for the year of €90,528 thousand. Stockholders' equity amounted to €555,021 thousand.

These documents were prepared in accordance with legal guidelines, in the same format and by applying the same valuation 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, 2008 and income statement for the year 2007-2008 presented for your approval give a true and fair view of the financial position of the Company as of March 31, 2008 and the results of its operations for the twelve months then ended, in accordance with legal guidelines and professional practices.

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

Monaco, July 25, 2008

THE STATUTORY AUDITORS

André GARINO

For M. Jean BOERI
Louis Viale, Deputy

This report was signed by Mr. Louis Viale, Deputy Statutory Auditor, due to the passing of our lamented colleague Mr. Jean Boeri on July 2, 2008.

STATUTORY AUDITORS' SPECIAL REPORT

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

Ladies,

Gentlemen,

Stockholders,

In accordance with Article 24 of Law 408 of January 20, 1945, we herby 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 2007-2008 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 2007-2008 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' MEETINGS HELD DURING THE FINANCIAL YEAR

During the year, the following General Stockholders' Meetings were called:

- on September 21, 2007, the Annual General Meeting to approve the financial statements for the year ended March 31, 2007.
- on September 21, 2007, the Extraordinary General Meeting to verify and recognize the fairness of the notarized declaration of subscription and payment relating to the share capital increase performed pursuant to the resolutions adopted by the Extraordinary General Meeting of September 22, 2006 and the entitlement to the attribution of the dividend on new shares, amend Article 5 of the bylaws as a result of this share capital increase, approve amendment no. 1 of the Terms of Reference and amend Article 2 of the bylaws and the new share capital increase and subsequent amendment to Article 5 of the bylaws.

With respect to these meetings, we verified that:

- the legal guidelines and the provisions of the bylaws governing the proceedings were respected;
- the resolutions adopted at the Meeting were duly implemented.

Monaco, July 25, 2008

THE STATUTORY AUDITORS

André GARINO

For M. Jean BOERI

Louis Viale, Deputy

This report was signed by Mr. Louis Viale, Deputy Statutory Auditor, due to the passing of our lamented colleague Mr. Jean Boeri on July 2, 2008.

BALANCE SHEET AS OF MARCH 31, 2008 IN ACCORDANCE WITH

IN THOUSANDS

ASSETS		2007/2008 FISCAL YEAR			2006/2007 FISCAL YEAR
		GROSS	Depreciation amortization provisions	NET	NET
NON-CURRENT ASSETS					
Intangible assets	Note 3	**18,761**	**17,405**	**1,355**	**1,697**
Concessions, patents & similar		18,647	17,387	1,260	1,463
Leasehold rights		18	18		
Intangible assets in progress		95		95	234
Property, plant & equipment	Note 4	**957,883**	**504,965**	**452,918**	**472,482**
Land		118,484	38,106	80,378	80,378
Buildings		606,641	323,169	283,472	295,512
Industrial and technical plant		169,969	106,873	63,096	65,566
Other PP&E		53,631	36,817	16,814	18,893
PP&E under construction		8,477		8,477	9,986
Payments on account		681		681	2,147
Long-term investments	Note 5	**69,464**	**3,372**	**66,091**	**68,924**
Participating interests		43,313	2,993	40,320	39,374
Other equity investments		25,410	8	25,402	29,213
Loans		515	310	205	177
Other long-term investments		225	61	164	160
TOTAL NON-CURRENT ASSETS		**1,046,107**	**525,743**	**520,364**	**543,103**
CURRENT ASSETS					
Inventory		13,020	156	12,865	12,381
Payments on account - advances paid		2,228		2,228	2,127
Operating receivables		11,030	2,543	8,487	8,001
Other operating receivables		2,891		2,891	2,282
Other receivables		51,517	43,242	8,274	18,172
Cash at bank & in hand and marketable securities		174,860		174,860	56,406
Prepaid expenses		4,693		4,693	4,737
TOTAL CURRENT ASSETS		**260,238**	**45,941**	**214,297**	**104,105**
DEFFERED CHARGES & UNREALIZED FOREIGN EXCHANGE LOSSES		**27**		**27**	
TOTAL ASSETS		**1,306,373**	**571,684**	**734,689**	**647,208**

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN FRANCE
OF EUROS

LIABILITIES & STOCKHOLDERS' EQUITY		2007/2008 FISCAL YEAR	2006/2007 FISCAL YEAR
STOCKHOLDERS' EQUITY			
Common stock		18,062	18,029
Additional paid-in capital		5,374	5,374
Revaluation reserves		191,638	191,638
Statutory reserve		1,800	1,800
Long-term net capital gains reserve			
Contingency reserve		7,587	6,557
Optional reserve		88,799	88,799
Retained earnings		151,232	114,917
Net income /(loss)	Note 8	90,528	51,508
Investment grants	Note 9	14,736	15,856
TOTAL STOCKHOLDERS' EQUITY	Note 7	**569,757**	**494,478**
PROVISIONS FOR CONTINGENCIES & LOSSES			
Provisions for contingencies		4,068	3,527
Provisions for losses		25,576	26,159
TOTAL PROVISIONS FOR CONTINGENCIES & LOSSES	Note 10	**29,644**	**29,686**
LIABILITIES			
Bank borrowings		204	331
Other borrowings		4,235	4,202
Payments on account - advances received		13,123	13,570
Accounts payable and related accounts		25,476	15,799
Tax and employee-related liabilities		70,419	64,927
Other operating liabilities		3,907	2,909
Amounts payable on PP&E		4,053	6,841
Other liabilities		7,308	8,283
Prepaid income		6,563	6,167
TOTAL LIABILITIES	Notes 11 & 12	**135,288**	**123,029**
UNREALIZED FOREIGN EXCHANGE GAINS			**15**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY		**734,689**	**647,208**

STATEMENT OF INCOME

in accordance with generally accepted accounting principles in France

in thousands of euros		2007/2008 FISCAL YEAR	2006/2007 FISCAL YEAR
OPERATING INCOME			
Net revenues		435,690	374,474
Write-back of depreciation, amortization and provisions	Note 15	13,353	20,735
Expense reclassifications		132	431
Other income		1,988	1,630
TOTAL OPERATING INCOME		**451,163**	**397,269**
OPERATING EXPENSES			
Purchases of bought-in goods		(4,184)	(3,222)
Changes in inventory of bought-in goods		80	241
Purchases of raw materials and other supplies		(22,496)	(20,205)
Changes in inventory of raw materials and other supplies		499	185
Other purchases and external charges		(109,515)	(98,286)
Share in proceeds from joint ventures			
Duties and taxes other than income tax		(35,411)	(30,092)
Wages and salaries		(104,582)	(95,338)
Employee welfare contributions and similar charges		(48,752)	(46,007)
Depreciation and amortization on fixed assets		(41,259)	(43,206)
Charges to provisions on current assets		(11,913)	(10,516)
Charges to provisions for contingencies and losses		(2,687)	(2,245)
Other charges	Note 15	(14,976)	(20,129)
TOTAL OPERATING EXPENSES		**(395,196)**	**(368,821)**
INCOME/(LOSS) FROM OPERATIONS		**55,967**	**28,448**
FINANCIAL INCOME			
From participating interests and marketable securities		9,043	7,318
Other interest and similar income		1,885	75
Foreign exchange gains		60	77
Net proceeds from sale of short-term investment securities		1,435	871
Write-back of provisions			34
TOTAL FINANCIAL INCOME		**12,424**	**8,375**
FINANCIAL EXPENSES			
Interest and similar charges		(542)	(1,332)
Foreign exchange losses		(25)	(21)
Net charges on sales of short-term investment securities			
Charges to provisions		(37)	(49)
TOTAL FINANCIAL EXPENSES		**(604)**	**(1,401)**
NET INCOME/(LOSS) FROM FINANCIAL ITEMS	Note 16	**11,820**	**6,974**
EXCEPTIONAL INCOME			
From non-capital transactions		2,635	31
From capital transactions		22,677	20,118
Write-back of provisions		4,103	2,984
TOTAL EXCEPTIONAL INCOME		**29,416**	**23,133**
EXCEPTIONAL EXPENSES			
On non-capital transactions		(1)	(29)
On capital transactions		(6,380)	(4,205)
Charges to provisions		(295)	(2,813)
TOTAL EXCEPTIONAL EXPENSES		**(6,675)**	**(7,047)**
NET EXCEPTIONAL ITEMS	Note 17	**22,741**	**16,086**
CORPORATE INCOME TAX			
NET INCOME FOR THE PERIOD		**90,528**	**51,508**

STATEMENT OF CASH FLOWS

in thousands of euros	2007/2008 FISCAL YEAR	2006/2007 FISCAL YEAR
OPERATING ACTIVITIES		
Cash flow before disposal of fixed assets	109,707	77,778
Changes in working capital requirements	26,459	11,594
CASH FLOW FROM OPERATING ACTIVITIES	**136,166**	**89,372**
INVESTING ACTIVITIES		
Purchases of PP&E and intangible assets	(22,203)	(29,756)
Investment grants		
Changes in long-term investments and deferred charges	(55)	(611)
Proceeds from disposal of assets	21,557	19,013
Changes in amounts payable on PP&E	(2,788)	(8,859)
CASH FLOW USED IN INVESTING ACTIVITIES	**(3,488)**	**(20,213)**
FINANCING ACTIVITIES		
Draw-downs on credit facility		
Credit line repayments	(127)	(40,105)
Dividends paid	(14,163)	(9,583)
Share capital increase	33	29
Changes in stable financing activities	34	2,303
CASH FLOW (USED IN) FINANCING ACTIVITIES	**(14,224)**	**(47,355)**
CHANGE IN CASH AND CASH EQUIVALENTS	**118,454**	**21,804**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**56,406**	**34,602**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**174,860**	**56,406**

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, 2008, which totaled €734,689,000 and the statement of income for the period ended March 31, 2008 which recorded a profit of €90,528,000.

The 12-month fiscal year covers the period from April 1, 2007 to March 31, 2008.

NOTE 1 - ACCOUNTING RULES AND METHODS

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

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

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

1.1 - Change in accounting method

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

1.2 - Accounting policies

• ***Intangible assets***

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

Amortization is calculated according to the straight-line method:

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

• ***Property, plant & equipment***

a - Gross value

Property, plant & equipment are stated at their historical cost excluding interest expense. Land 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

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

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

In these terms of reference, it is stated that at the end of the current gaming rights concession, or in the event of further renewals at the end of the last extension, Société des Bains de Mer will hand over free of charge to the concession granting authority the Monte-Carlo Casino including its terraces and Square. Based on capitalized assets as of March 31, 2008, the estimated residual value of these properties upon expiry of the current concession would be around €4.5 million.

It is also specified that at the end of the current gaming rights concession or in the event of further renewals, 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 15 years
- other fixed assets	3 to 10 years

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

- ***Long-term investments***

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

- ***Inventory***

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

- ***Receivables and liabilities***

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

- ***Marketable securities***

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

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

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

Retirement, termination and long-service benefit commitments:

The benefits offered by the Company to its employees and retirees are valued and recognized in accordance with CNC recommendation 2003-R01 and IAS 19 Employee benefits.

Payments to defined benefit contribution plans are expensed when due.

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

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

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

- ***Investment grants***

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

- ***Financial instruments***

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

NOTE 2 - HIGHLIGHTS OF THE YEAR AND SUBSEQUENT EVENTS

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

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

  Following the disposal of 700,000 shares in fiscal years 2005/2006 and 2006/2007, which covered the initial investment of €38.1 million and generated a capital gain of €29.5 million, the Company carried out new transactions in fiscal year 2007/2008, with the sale of 100,000 shares in June 2007 and the settlement in March 2008 of forward sales derivatives on 200,000 shares set up in December 2006. These two transactions, involving a total of 300,000 shares, resulted in the collection of $28.9 million or €21.4 million, and generated a capital gain of €17.6 million in the 2007/2008 financial statements.

  These disposals in no way challenge the strategic partnership, which includes the exchange of expertise in areas that are common to the two groups and the development of specific sales and marketing initiatives. Société des Bains de Mer still holds 2,000,000 shares in Wynn Resorts, Limited, equivalent to approximately 1.8% of the share capital.

  In addition, the Company obtained from the US tax authorities the partial repayment of the withholding tax applied to the exceptional dividend payment made by Wynn Resorts, Limited in December 2006. This repayment generated income of €3.1 million recorded in the 2007/2008 financial statements.

  Furthermore, the Company wished to pursue its equity risk hedging policy for a fraction of its investment in Wynn Resorts, and subscribed, in 2007, zero cost collar derivatives covering a total of 200,000 shares, thus securing, upon expiry of the contract in February 2009, a minimum share price of $110 and a maximum share price varying between $133.99 for the first half of the shares and $135.23 for the second half. These instruments may be settled at maturity through payment and/or transfer of the corresponding shares.

  Finally, Wynn Resorts, Limited paid an exceptional dividend of $6 per share to shareholders registered on November 30, 2007. This dividend distribution generated financial income, net of withholding tax, of €5.2 million recorded in 2007/2008 net income. Following the communication received from Wynn Resorts subsequent to the year-end, specifying the nature of the distribution, the Company was able to request the partial repayment of the withholding tax in June 2008 from the US tax authorities. This repayment will be recorded as income in fiscal 2008/2009.

NOTE 3 - INTANGIBLE ASSETS

in thousands of euros	March 31, 2007	Increases	Decreases	March 31, 2008
GROSS VALUES				
Concessions and similar rights	17 988	659		18 647
Other	18			18
Assets under development	234	(139)		95
TOTAL GROSS VALUES	18 240	521		18 761
AMORTIZATION AND PROVISIONS	16 543	862		17 405
TOTAL NET VALUES	**1 697**	**(342)**		**1 355**

NOTE 4 - PROPERTY, PLANT & EQUIPMENT

in thousands of euros	March 31, 2007	Increases	Decreases	March 31, 2008
GROSS VALUES				
Land	118 484			118 484
Buildings	603 998	8 097	(5 455)	606 641
Industrial and technical plant	159 126	13 976	(3 134)	169 969
Other property, plant & equipment	53 758	2 583	(2 710)	53 631
Payments on account on PP&E under construction (1)	12 133	(2 975)		9 158
TOTAL GROSS VALUES	947 500	21 682	(11 299)	957 883
DEPRECIATION AND PROVISIONS				
Land	38 106			38 106
Buildings	308 486	19 782	(5 099)	323 169
Industrial and technical plant	93 560	16 175	(2 863)	106 873
Other property, plant & equipment	34 865	4 440	(2 488)	36 817
TOTAL DEPRECIATION AND PROVISIONS	475 018	40 397	(10 450)	504 965
TOTAL NET VALUES	**472 482**	**(18 715)**	**(849)**	**452 918**

(1) of which €3,334,000 for the opening of the new Moods building.

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, 2008.

- 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 €83,847,000 as of March 31, 2008 and the annual charge totaled €1,524,000.

NOTE 5 - LONG-TERM INVESTMENTS

in thousands of euros	Net value March 31, 2007	Gross value March 31, 2008	Write-down March 31, 2008	Net value March 31, 2008
LONG-TERM INVESTMENTS				
Participating interests & related receivables	39,374	43,313	2,993	40,320
Other equity investments	29,213	25,410	8	25,402
Loans	177	515	310	205
Other long-term investments	160	225	61	164
TOTAL	**68,924**	**69,464**	**3,372**	**66,091**

Detailed financial information on the subsidiaries and investments is provided in Note 21.

The heading “Other equity investments” comprises the acquisition cost of the Wynn Resorts securities in the amount of €25,402,000 (counter-value as of March 31,2008 of $30,000,000 for the 2.0 million shares at $15). The Wynn Resorts share is listed on the Nasdaq and its closing price as of March 31, 2008 was $100.64 (code: WYNN).

NOTE 6 - ACCRUED INCOME

Accrued income is included in the following balance sheet items:

in thousands of euros	March 31, 2007	March 31, 2008
RECEIVABLES		
Operating receivables	169	1,364
Sundry receivables		335
MARKETABLE SECURITIES & CASH AT BANK AND IN HAND		
Marketable securities		51
Cash at bank and in hand		245
TOTAL	**169**	**1,994**

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, 2007	**18,029**	**5,374**	**191,638**	**212,073**	**51,508**	**15,856**	**494,478**
Prior year appropriation				51,508	(51,508)		
Dividends & bonus percentage of profits				(14,163)			(14,163)
Share capital increase	33						33
Net income for the period					90,528		90,528
Other changes						(1,120)	(1,120)
AS OF MARCH 31, 2008	**18,062**	**5,374**	**191,638**	**249,418**	**90,528**	**14,736**	**569,757**

The common stock of Société des Bains de Mer comprises 1,806,214 shares each with a par value of €10:

- 1,206,214 shares are listed on the Eurolist market of Euronext Paris, compartment B (Euroclear code MC0000031187 - BAIN);
- 600,000 Monegasque stated-owned shares may not be assigned or sold pursuant to Monegasque law no. 807 of June 23, 1966.

The Monegasque State owned 69.5% of common stock as of March 31, 2008.

Even though Richelieu Finance had stated in a notice dated April 13, 2007 that it held 93,412 shares, representing 5.19% of the share capital, the company declared that it had fallen below the 5% threshold on January 31, 2008, holding only 85,806 shares on this date representing 4.75% of share capital and voting rights. Likewise, Fidelity International Limited, which had stated in February 2002 that it held 97,318 shares, representing 5.41% of the capital, declared that it had fallen below the 5% threshold on April 5, 2007, holding 87,716 shares on this date representing 4.88% of share capital.

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

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

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

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

NOTE 8 - PROPOSED APPROPRIATION OF EARNINGS

in thousands of euros		2007/2008 FISCAL YEAR
ORIGINAL APPROPRIATION		
Net income for the year		90,528
Retained earnings		151,232
TOTAL TO BE APPROPRIATED		**241,760**
PROPOSED APPROPRIATION		
Cumulative preferred dividend	€ 0.05 x 1,806,214 shares	90
Statutory reserve		6
Contingency reserve		1,811
Optional reserve		60,000
Dividends	€ 10,95 x 1,806,214 shares	19,778
Board of Directors		2,713
Retained earnings		157,361
TOTAL PROPOSED APPROPRIATION		**241,760**

NOTE 9 - INVESTMENT GRANTS

in thousands of euros	Net value March 31, 2007	Grants received	Added back to profit or loss	Net value March 31, 2008
TOTAL	**15,856**		**(1,120)**	**14,736**

As part of the refurbishment of the Salle Garnier of the Monte-Carlo Opera, completed in September 2005 for €26,126,000, the Group received financing aid from the Principality Government in the form of an investment grant for a total of €17,535,000. Since the grant was added back to profit or loss at the same rate as the depreciation of the assets it was used to finance, an income of €1,120,000 was recognized in exceptional items for fiscal year 2007/2008.

NOTE 10 - PROVISIONS FOR CONTINGENCIES AND LOSSES

in thousands of euros	March 31 2007	Increases	Write-back used	Write-back not used	March 31 2008
PROVISIONS FOR CONTINGENCIES AND LOSSES					
Provisions for litigations	1,406	320	(24)	(116)	1,586
Other contingency provisions	2,121	867	(443)	(63)	2,481
Pension commitments and related commitments (1)	26,152	1,740	(2,322)		25,570
Other loss provisions	7				7
TOTAL	**29,686**	**2,927**	**(2,789)**	**(180)**	**29,644**

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

The actuarial assumptions adopted as of March 31, 2008 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 (5.07% at 15 years)
- life expectancy tables: TVTD 88/90 for retirement termination payments – TPRV 93 for pension commitments

These obligations are valued at €25.0 million as of March 31, 2008. 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 €37,000 for fiscal year 2007/2008.

NOTE 11 - BORROWINGS

in thousands of euros	March 31, 2007	March 31, 2008
ANALYSIS BY REPAYMENT DUE DATES		
Due date less than 1 year	930	1,834
Due date more than 1 year	3,603	2,605
TOTAL	**4,533**	**4,439**

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

NOTE 12 - OTHER LIABILITIES

in thousands of euros	March 31, 2007	March 31, 2008
ANALYSIS BY REPAYMENT DUE DATES		
Due date less than 1 year	114,222	127,231
Due date more than 1 year	4,274	3,618
TOTAL	**118,496**	**130,849**

NOTE 13 - ACCRUED EXPENSES

Accrued expenses are included in the following balance sheet items:

in thousands of euros	March 31, 2007	March 31, 2008
Accounts payable and related accounts	7,400	11,972
Tax and employee-related liabilities	24,416	26,423
Other liabilities	1,885	2,103
Amounts payable on PP&E and related accounts	1,379	1,150
TOTAL	**35,080**	**41,648**

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 Société des Bains de Mer has an interest.

in thousands of euros	Amount relating to: Related undertakings	Companies in which SBM has an interest
Participating interests (net)	40,320	
Various receivables	48,888	132
Other liabilities	629	

NOTE 15 - REVERSALS OF PROVISIONS / OTHER OPERATING EXPENSES

Irrecoverable trade receivables were recognized in fiscal year 2007/2008 under "Other expenses" for €2.4 million, compared to €11.4 million in the previous year. The provisions previously set aside in the same amounts were written back.

NOTE 16 - NET INCOME FROM FINANCIAL ITEMS

Net income from financial items includes the exceptional dividend of $6 per share paid by Wynn Resorts, Limited in December 2007. This distribution generated financial income of €5.2 million, net of withholding tax.

Furthermore, the partial repayment of the withholding tax applied to the previous distribution performed by Wynn Resorts, Limited in December 2006 generated income of €3.1 million.

NOTE 17 - EXCEPTIONAL ITEMS

Exceptional items include the sale of 300,000 Wynn Resorts shares during fiscal 2007/2008 for $28.9 million or €21.4 million, generating a €17.6 million capital gain.

NOTE 18 - HUMAN RESOURCES

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

	March 31, 2007	March 31, 2008
Managers	460	467
Supervisors	132	139
Employees	2,464	2,539
TOTAL	**3,056**	**3,145**

NOTE 19 - FINANCIAL INSTRUMENTS

• ***Foreign exchange instruments***

As the Company's operating and capital expenditure flows are primarily denominated in euros and the investment in Wynn Resorts is denominated in US dollars, exposing it to fluctuations in the parity of these currencies, forward sales transactions were performed in December 2006 in the amount of $20 million and settled at maturity in March 2008. These instruments, associated with the equity instruments presented below, were qualified as fair value hedging instruments for the 200,000 Wynn Resorts shares concerned.

• ***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 caps the interest rate at 4.19%. The hedged notional amount increases over the first year up to a maximum amount of €117 million, and is amortized over the period to maturity. As of March 31, 2008, the hedged notional amount was €93 million.

- ***Equity instruments***

Finally, the Company wished to hedge a portion of its investment in the US company, Wynn Resorts, against equity risk as follows:

- subscription in August 2007 of collar derivatives covering a total of 200,000 shares, thus securing at the expiry of the contract in February 2009, a minimum share price of $110 and a maximum share price varying between $133.99 for the first half of the shares and $135.23 for the second half.

These instruments may be settled at maturity through payment and/or transfer of the corresponding shares and are qualified as fair value hedging instruments for the 200,000 Wynn Resorts shares concerned.

The forward sales derivatives contracted in December 2006 for 200,000 shares in order to secure a share price of around $100 were settled at maturity on March 31, 2008, with transfer of the shares.

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

The fair value of the financial instruments contracted by the Company as of March 31, 2008 breaks down as follows:

in thousands of euros	March 31, 2007	March 31, 2008
Foreign exchange instruments	(7)	
Interest rate instruments	931	1,217
Equity instruments	221	1,893
TOTAL	**1,145**	**3,110**

NOTE 20 - OFF-BALANCE SHEET COMMITMENTS

in thousands of euros	March 31, 2007	March 31, 2008
COMMITMENTS GIVEN		
Deposits and guarantees	97	97
COMMITMENTS RECEIVED		
Shares deposited by Directors	5	5
Deposits and guarantees (1)	2,327	2,425
RECIPROCAL COMMITMENTS		
Firm capital expenditure orders (2)	14,062	12,386
Other firm orders (3)	8,863	9,233
Opening of credit facility and confirmed unused overdrafts	165,000	165,000

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

(2) Primarily comprises commitments entered into as part of investment and renovation projects including the Café de Paris (€1,722,000), the Hôtel Hermitage (€1,875,000) and the Balmoral building (€2,683,000).

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

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

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

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

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

Finally, Société des Bains de Mer was granted exclusive gaming rights subject to the reserves, terms and conditions and obligations of the terms of reference.
These obligations, in consideration of the monopoly conceded, are defined in the concession agreement and mainly focus on the following areas:
- annual licensing fee on gross gaming receipts;
- contribution to artistic, cultural and sporting events in Monaco;
- the Company's real estate with the provisions defined in Note 1.2. Accounting policies - paragraph b - Legal regime for certain real-estate assets
- recruitment, training and promotion of its personnel.

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

NOTE 21 - SUBSIDIARIES AND INVESTMENTS

Detailed financial information on subsidiaries and affiliates (in thousands of euros)	Common stock	Other share-holders' equity (before appropriation of earnings)	% of common stock held	Net income or loss from prior year	Gross value of investments	Net book value of investments	Loans & related receivables	Deposits & guarantees	Dividends paid
Société Anonyme Monégasque des Thermes Marins Monte-Carlo (S.T.M.) - Monaco	2,000	(5,349)	97.00	1,709	2,352				
Société Anonyme Monégasque d'Entreprise de Spectacles (S.A.M.E.S.) - Monaco	150	244	99.20	152	38	38			57
Société Anonyme Monégasque Générale d'Hôtellerie (SOGETEL) - Monaco	1,000	(2,174)	97.00	3,886	955	955			
Société Financière et d'Encaissement (S.F.E.) - Monaco	1,000	187	97.00	1	822	822			
S.B.M. Incorporated New York (Etats-Unis)	641	(775)	100.00	(63)	641				
Société Civile Particulière Soleil du Midi - Monaco	2		99.00		13,360	13,360	149		
Société Civile Immobilière de l'Hermitage - Monaco	150	41	1.00	10	138	138	24,849		

AUDITOR'S AND STATUTORY AUDITORS' REPORT ON THE 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' assessmentof 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 out 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, 2008.

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 international accounting standards. 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, by means of tests or other selection methods, 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 we have gathered sufficient and appropriate evidence on which to base 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, 2008 and the results of its operations for the year then ended, in accordance with French accounting regulations.

Neuilly-sur-Seine and Monaco, July 28, 2008

The Auditor

Deloitte & Associés

Didier NOVELLA

The Statutory Auditors

Louis VIALE (*)

André GARINO

(*) Mr. Louis Viale in replacement of Mr. Jean Boéri

COMPANY RESULTS OVER THE LAST FIVE FISCAL YEARS

	2007/2008	2006/2007	2005/2006	2004/2005	2003/2004
Stockholder's equity					
Common stock (in thousands of euros)	18,062	18,029	18,000	18,000	18,000
Number of ordinary shares	1,806,214	1,802,920	1,800,000	1,800,000	1,800,000
Operations and income for the year (in thousands of euros)					
Revenues before income tax	435,690	374,474	352,776	344,254	316,284
Net income/(loss) after income tax, but before depreciation, amortization & provisions	129,262	86,583	70,928	30,082	46,022
Net income/(loss) after income tax, depreciation, amortization & provisions	90,528	51,508	34,517	25,333	8,273
Dividends paid to stockholders	19,868	12,620	8,550	6,750	3,240
Per share data (in euros)					
Net income/(loss) after income tax, but before depreciation, amortization & provisions	71.57	48.02	39.40	16.71	25.57
Net income/(loss) after income tax, depreciation, amortization & provisions	50.12	28.57	19.18	14.07	4.60
Dividend per share	11.00	7.00	4.75	3.75	1.80
Employees					
Number of employees as of March 31	2,982	2,877	2,844	2,864	2,822
Total payroll for the year (1) (in thousands of euros)	104,582	95,338	92,644	90,913	88,701
Employees benefits for the year (social security, social welfare, etc.) (2) (in thousands of euros)	48,752	46,007	44,544	42,591	40,607

(1) excluding funds and pools

(2) including retirement expenses

GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2008

IN THOUSANDS OF EUROS

ASSETS		2007/2008	2006/2007
Goodwills	Note 4		
Intangible assets	Note 4	**1,372**	**1,730**
Property, plant & equipment	Note 5	**493,436**	**513,389**
Available-for-sale financial assets		127,305	163,831
Other financial assets		312	277
Non-current financial assets	Note 6	**127,616**	**164,107**
NON-CURRENT ASSETS		**622,424**	**679,227**
Inventory	Note 7	13,556	13,034
Trade receivables	Note 8	22,512	30,116
Other receivables	Note 9	13,077	11,313
Other current financial assets	Note 10	3,169	1,216
Cash and cash equivalents	Note 11	183,373	60,798
CURRENT ASSETS		**235,688**	**116,478**
Assets held for sale	Note 6		
TOTAL ASSETS		**858,112**	**795,705**

LIABILITIES & EQUITY		2007/2008	2006/2007
Common stock		18,062	18,029
Additional paid-in capital		5,374	5,374
Reserves		441,322	401,917
Reserves related to the change in fair value of financial assets registred in equity		103,990	134,731
Consolidated net income for the period		93,483	53,568
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**662,231**	**613,619**
Minority interests		121	39
EQUITY		**662,353**	**613,658**
Financial liabilities and borrowings	Note 12	1,782	2,358
Employee benefits	Note 13	25,624	26,200
Provisions	Note 14	1,454	1,396
Other non-current liabilities	Note 15	17,279	19,027
TOTAL NON-CURRENT LIABILITIES		**708,491**	**662,638**
Trade payables	Note 16	28,298	18,480
Other payables	Note 17	118,103	112,598
Provisions	Note 14	1,128	854
Financial liabilities	Note 12	2,092	1,124
Bank	Notes 11 & 12		11
TOTAL CURRENT LIABILITIES		**149,620**	**133,067**
TOTAL LIABILITIES & EQUITY		**858,112**	**795,705**

CONSOLIDATED STATEMENT OF INCOME

IN THOUSANDS OF EUROS

		2007/2008	2006/2007
Revenue	Note 18	**457,574**	**396,717**
Cost of goods sold, raw materials & other supplies		(42,029)	(38,341)
Other external charges		(102,222)	(90,663)
Taxes and similar payments		(35,411)	(30,092)
Wages and salaries	Note 19	(170,498)	(159,543)
Depreciation and amortization	Notes 4 & 5	(42,609)	(44,425)
Other operating income and expenses	Note 20	(664)	(2,736)
Operating income	Note 21	**64,140**	**30,917**
Income from cash and cash equivalents		3,491	950
Gross finance costs		162	(672)
Net finance costs	Note 22	**3,654**	**278**
Other financial income and expenses	Note 22	25,876	22,393
Income tax expense			
CONSOLIDATED NET INCOME		**93,669**	**53,588**
Minority interest share		(186)	(20)
CONSOLIDATED NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**93,483**	**53,568**
Number of shares issued		**1,806,214**	**1,802,920**
Net earnings per share (in euros)		**51,76**	**29,71**
Net diluted earnings per share (in euros)		**51,76**	**29,71**

CONSOLIDATED STATEMENT OF CASH FLOWS

IN THOUSANDS OF EUROS

	2007/2008	2006/2007
OPERATING ACTIVITIES		
Consolidated net income attributable to equity holders of the parent	93,483	53,568
Minority interest share	186	20
Amortization	42,609	44,425
Portion of investment grant recorded in profit or loss	(1,120)	(1,105)
Changes in provisions	(244)	(1,059)
Gains and losses on changes in fair value	(202)	(773)
Other income and expenses calculated	32	14
Capital gains and losses on disposal	(16,883)	(14,809)
Cash generated from operations	**117,862**	**80,281**
Net finance costs (excluding change in fair value) and income tax expense	(3,155)	403
Cash generated from operations before net finance costs and income tax expense	**114,707**	**80,684**
Tax paid		
Decrease/(increase) in WCR relating to operations	22,775	17,061
CASH FLOW FROM OPERATING ACTIVITIES	**137,482**	**97,745**
INVESTING ACTIVITIES		
Purchase of PP&E and intangible assets	(25,910)	(43,240)
Gains on disposal of PP&E and intangible assets	21,563	19,026
Impact of changes in scope of consolidation		
Change in loans and advances granted	(81)	(30)
CASH FLOW USED IN INVESTING ACTIVITIES	**(4,428)**	**(24,244)**
FINANCING ACTIVITIES		
Dividends paid	(14,163)	(9,583)
Minority contributions and changes in scope of consolidation	(104)	(18)
Share capital increase	33	29
Changes in stable financing activities (including credit line) Note 12	399	(39,732)
Net interest received (paid) Note 22	3,155	(403)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**(10,679)**	**(49,708)**
CHANGE IN CASH AND CASH EQUIVALENTS	**122,374**	**23,794**
Cash and cash equivalents at beginning of period	**60,787**	**36,961**
Cash restated at fair value	212	33
Cash and cash equivalents at end of period	**183,373**	**60,787**
Cash and cash equivalents - Assets	183,373	60,798
Bank - Liabilities		(11)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN THOUSANDS OF EUROS

	Common stock	Addt'l paid-in capital	Items recognised directly in equity	Reserves and retained earning	Equity attributable to equity holders of the parent	Minority interests	Equity
April 01, 2005	**18,000**	**5,374**	**118,678**	**388,996**	**531,049**	**37**	**531,086**
Dividend paid				(7,507)	(7,507)		(7,508)
Change in fair value of financial assets			13,377		13,377		13,377
Net income for the period				30,010	30,010	1	30,011
March 31, 2006	**18,000**	**5,374**	**132,055**	**411,500**	**566,929**	**38**	**566,966**
Dividend paid				(9,583)	(9,583)		(9,584)
Share capital increase	29				29		29
Change in fair value of financial assets			2,676		2,676		2,676
Net income for the period				53,568	53,568	2	53,570
March 31, 2007	**18,029**	**5,374**	**134,731**	**455,484**	**613,619**	**39**	**613,658**
Dividend paid				(14,163)	(14,163)		(14,163)
Share capital increase	33				33		33
Change in fair value of financial assets			(30,741)		(30,741)		(30,741)
Net income for the period				93,483	93,483	83	93,566
March 31, 2008	**18,062**	**5,374**	**103,990**	**534,804**	**662,231**	**121**	**662,353**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

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

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

Following the share capital increase authorized by the Extraordinary General Meeting of September 21, 2007, which led to the issue of 3,294 new shares, the share capital of Société des Bains de Mer comprises 1,806,214 shares with a nominal value of €10:

- 1,206,214 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 State of Monaco, which holds 69.5% of the share capital as of March 31, 2008, is the sole declared shareholder with an interest exceeding the 5% threshold.

Even though Richelieu Finance had stated in a notice dated April 13, 2007 that it held 93,412 shares, representing 5.19% of the share capital, the company declared that it had fallen below the 5% threshold on January 31, 2008, holding only 85,806 shares on this date representing 4.75% of share capital and voting rights. Likewise, Fidelity International Limited, which had stated in February 2002 that it held 97,318 shares, representing 5.41% of the share capital, declared that it had fallen below the 5% threshold on April 5, 2007, holding 87,716 shares on this date representing 4.88% of the share capital.

Voting rights (article 30 of the bylaws):

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

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

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

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

The financial statements presented for fiscal year 2007/2008 were approved by the Board of Directors at its meeting held on June 20, 2008.

NOTE 2 - ACCOUNTING RULES AND METHODS

2.1 - Accounting framework

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

For the presentation of the consolidated financial statements for the year ended March 31, 2008, the Group adopted for the first time IFRS 7 on financial instruments and the amendment to IAS 1 on financial statement presentation and capital disclosures.

The Group did not opt for the early adoption of IFRS 8 Operating segments, applicable no later than January 1, 2009 and IFRIC 11 Group and treasury share transactions, applicable to fiscal periods beginning on or after March 1, 2007. To date, the Group has not estimated the potential impacts of these measures on the consolidated financial statements of future years.

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

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

2.2 - Method of consolidation

• 2.2.1. Scope and method of consolidation

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

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

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

The list of subsidiaries included in the scope of consolidation as of March 31, 2008 is as follows:

• 2.2.2. Companies consolidated as of March 31, 2008

NAME	HEAD OFFICE	% INTEREST	METHOD
Société Anonyme Monégasque des Thermes Marins Monte-Carlo (S.T.M.)	2, avenue de Monte-Carlo MC 98000 – MONACO	96,00 %	Fully consolidated
Société Anonyme Monégasque d'Entreprise de Spectacles (S.A.M.E.S.)	Les Terrasses du Casino MC 98000 – MONACO	99,20 %	Fully consolidated
Société Anonyme Monégasque Générale d'Hôtellerie (SOGETEL)	38, avenue Princesse Grace MC 98000 – MONACO	97,00 %	Fully consolidated
Société Financière et d'Encaissement (S.F.E.)	Sporting d'Hiver – Place du Casino MC 98000 – MONACO	97,00 %	Fully consolidated
Société Civile Particulière Soleil du Midi	Sporting d'Hiver – Place du Casino MC 98000 – MONACO	100,00 %	Fully consolidated
Société Civile Immobilière de l'Hermitage	Sporting d'Hiver – Place du Casino MC 98000 – MONACO	100,00 %	Fully consolidated

• 2.2.3. Accounting period-end

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

• 2.2.4. Management estimates

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

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

• 2.2.5. Goodwills

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

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

• 2.2.6. Internal transactions

Inter-company accounts and transactions are eliminated on consolidation.

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

• 2.2.7. Translation of financial statements denominated in foreign currencies

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

The Group conducts virtually all its transactions in euros.

2.3 - Accounting policies

• *2.3.1. Intangible assets*

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

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

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

There are no intangible assets with indefinite lives

• *2.3.2. Property, plant & equipment*

a - Gross value

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

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

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

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

b - Leases

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

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

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

c - Depreciation

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

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

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

• *2.3.3. Impairment of assets*

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

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

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

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

• 2.3.4. Available-for-sale financial assets

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

• 2.3.5. Other financial assets

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

• 2.3.6. Assets and liabilities held for sale

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

• 2.3.7. Inventory

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

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

• 2.3.8. Trade receivables

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

• 2.3.9. Cash and cash equivalents

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

• 2.3.10. Provisions

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

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

• 2.3.11. Employee benefits

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

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

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

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

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

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

• 2.3.12. Investment grants

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

• 2.3.13. Financial instruments

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

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

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

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

• *2.3.14. Revenue*

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

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

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

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

• *2.3.15. Deferred taxes and tax regime*

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

NOTE 3 - HIGHLIGHTS OF THE YEAR AND SUBSEQUENT EVENTS

• *Investment in Wynn Resorts, Limited*

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

Following the disposal of 700,000 shares in fiscal years 2005/2006 and 2006/2007, which covered the initial investment of €38.1 million and generated a capital gain of €29.5 million, the Group carried out new transactions in fiscal year 2007/2008, with the sale of 100,000 shares in June 2007 and the settlement in March 2008 of forward sales derivatives on 200,000 shares set up in December 2006. These two transactions, involving a total of 300,000 shares, resulted in the collection of $28.9 million or €21.4 million, and generated a capital gain of €17.6 million in the 2007/2008 financial statements.

These disposals in no way challenge the strategic partnership, which includes the exchange of expertise in areas that are common to the two groups and the development of specific sales and marketing initiatives. Société des Bains de Mer still holds 2,000,000 shares in Wynn Resorts, Limited, equivalent to approximately 1.8% of the share capital.

In addition, the Group obtained from the US tax authorities the partial repayment of the withholding tax applied to the exceptional dividend payment made by Wynn Resorts, Limited in December 2006. This repayment generated income of €3.1 million recorded in the 2007/2008 financial statements.

Furthermore, the Group wished to pursue its equity risk hedging policy for a fraction of its investment in Wynn Resorts, and subscribed, in 2007, zero cost collar derivatives covering a total of 200,000 shares, thus securing, upon expiry of the contract in February 2009, a minimum share price of $110 and a maximum share price varying between $133.99 for the first half of the shares and $135.23 for the second half. These instruments may be settled at maturity through payment and/or transfer of the corresponding shares.

Finally, Wynn Resorts, Limited paid an exceptional dividend of $6 per share to shareholders registered on November 30, 2007. This dividend distribution generated financial income, net of withholding tax, of €5.2 million recorded in 2007/2008 net income. Following the communication received from Wynn Resorts subsequent to the year-end, specifying the nature of the distribution, the Group was able to request the partial repayment of the withholding tax in June 2008 from the US tax authorities. This repayment will be recorded as income in fiscal 2008/2009.

NOTES TO THE CONSOLIDATED BALANCE SHEET

NOTE 4 - GOODWILLS AND INTANGIBLE ASSETS

in thousands of euros	Goodwills	Concessions and similar rights	Other	Assets in progress	Total intangible assets
Gross values as of April 1, 2006	20	21 583	128	269	21 979
Acquisitions		1 290			1 290
Asset disposals / removals		(63)		(35)	(99)
Gross values as of March 31, 2007	20	22 810	128	234	23 171
AmortiAmortization / impairment as of April 1, 2006		19 691	128		19 818
Amortization / impairment	20	1 686			1 686
Asset disposals / removals		(63)			(63)
Amortization as of March 31, 2007	20	21 313	128	0	21 441
NET VALUES AS OF MARCH 31, 2007	**0**	**1 496**	**0**	**234**	**1 730**
Gross values as of March 31, 2007	20	22 810	128	234	23 171
Acquisitions		659		(139)	521
Asset disposals / removals					
Gross values as of March 31, 2008	20	23 469	128	95	23 692
Amortization / impairment as of March 31, 2007	20	21 313	128		21 441
Amortization / impairment		879			879
Asset disposals / removals					
Amortization / impairment as of March 31, 2008	20	22 192	128	0	22 320
NET VALUES AS OF MARCH 31, 2008	**0**	**1 276**	**0**	**95**	**1 372**

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

"Intangible assets" primarily comprises:

- Compensation for the acquisition of rights to profits paid to S.A.M. Loews Hotels Monaco for €10,671,000 following transfer of the full management of Sun Casino to Société des Bains de Mer in July 1995. This compensation, recognized under "Concessions and similar rights", was fully amortized over the period to March 31, 2007.
- Software and IT development.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

in thousands of euros	Land	Buildings	Industrial and technical plant	Other property plant & equipment	Payments on account PP&E under construction	Total
Gross values as of April 1, 2006	156,834	590,553	155,289	55,053	14,266	971,995
Acquisitions	150	15,303	10,987	4,666	(2,133)	28,973
Asset disposals / removals		(1,711)	(4,355)	(2,709)		(8,776)
Gross values as of March 31, 2007	**156,984**	**604,145**	**161,921**	**57,009**	**12,133**	**992,192**
Amortization as of April 1, 2006	38,106	288,114	83,334	34,976		444,530
Amortization charges		22,054	15,705	4,883		42,642
Asset disposals / removals		(1,636)	(4,058)	(2,674)		(8,369)
Amortization as of March 31, 2007	38,106	308,531	94,980	37,185		478,803
NET VALUES AS OF MARCH 31, 2007	**118,878**	**295,614**	**66,940**	**19,825**	**12,133**	**513,389**
Gross values as of March 31, 2007	156,984	604,145	161,921	57,009	12,133	992,192
Acquisitions		8,182	14,105	3,300	(2,961)	22,627
Asset disposals / removals		(5,455)	(3,177)	(3,385)		(12,017)
Gross values as of March 31, 2008	156,984	606,872	172,848	56,925	9,172	1,002,801
Amortization as of March 31, 2007	38,106	308,531	94,980	37,185		478,803
Amortization charges		19,800	16,915	5,015		41,730
Asset disposals / removals		(5,099)	(2,906)	(3,162)		(11,168)
Amortization as of March 31, 2008	38,106	323,232	108,990	39,038		509,366
NET VALUES AS OF MARCH 31, 2008	**118,878**	**283,640**	**63,859**	**17,887**	**9,172**	**493,436**

a - Legal regime for certain real-estate assets

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

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

In these terms of reference, it is stated that at the end of the current gaming rights concession, or in the event of further renewals at the end of the last extension, Société des Bains de Mer will hand over free of charge to the concession granting authority the Monte-Carlo Casino including its terraces and Square. Based on capitalized assets as of March 31, 2008, the estimated residual value of these properties upon expiry of the current concession would be around €4.5 million.

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

- Café de Paris - Hôtel de Paris and gardens
- 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 held under finance leases

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

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

in thousands of euros	Available-for sale financial assets	Long term loans	Other financial assets	Total non current financial assets	Assets held for sale
Gross values as of April 1, 2006	146,688	308	207	147,203	19,047
Acquisitions		40	5	44	
Disposals		(10)	(1)	(12)	(18,825)
Reclassifications					
Changes in value	17,792			17,792	(222)
Gross values as of March 31, 2007	164,480	338	210	165,027	
Impairment as of April 1, 2006	649	217	71	937	
Impairment/reversal of impairment		5	(22)	(17)	
Impairment as of March 31, 2007	649	222	49	919	
NET VALUES AS OF MARCH 31, 2007	**163,831**	**115**	**161**	**164,108**	
Gross values as of March 31, 2007	164,480	338	210	165,027	
Acquisitions		49	16	65	
Disposals	(21,419)			(21,419)	
Reclassifications					
Changes in value	(15,107)			(15,107)	
Gross values as of March 31, 2008	127,953	386	226	128,566	
Impairment as of March 31, 2007	649	222	49	919	
Impairment/reversal of impairment		18	13	30	
Impairment as of March 31, 2008	649	240	61	950	
NET VALUES AS OF MARCH 31, 2008	**127,305**	**147**	**165**	**127,616**	

"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, 2008
- the recording of 2,000,000 Wynn Resorts shares at their fair value, i.e. €127,296,000, the Wynn Resorts share, listed on the Nasdaq, trading at $100.64 as of March 31, 2008, whereas the unit purchase price was $15 in June 2003. The 2,000,000 shares represent approximately 1.8% of the Wynn Resorts share capital.

Furthermore, changes in the fair value of the investment in Wynn Resorts during the year gave rise to a €30,741,000 loss recognized directly in equity and a €1,975,000 loss recorded in "Other financial income and expenses" corresponding to the changes in the value of the hedged securities described in Notes 3 and 24.

NOTE 7 - INVENTORY

in thousands of euros	Inventory
Gross value as of March 31, 2007	13,101
Write-down as of March 31, 2007	67
NET VALUE AS OF MARCH 31, 2007	**13,034**
Gross value as of March 31, 2008	13,730
Write-down as of March 31, 2008	174
NET VALUE AS OF MARCH 31, 2008	**13,556**

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

NOTE 8 - TRADE RECEIVABLES

in thousands of euros	Trade receivables
Gross value as of March 31, 2007	72,858
Write-down as of March 31, 2007	42,742
NET VALUE AS OF MARCH 31, 2007	**30,116**
Gross value as of March 31, 2008	66,960
Write-down as of March 31, 2008	44,448
NET VALUE AS OF MARCH 31, 2008	**22,512**

Trade receivables primarily involve the Gaming Sector.

NOTE 9 - OTHER RECEIVABLES

in thousands of euros	Payments on account	Other operating receivables (1)	Sundry receivables	Prepaid expenses	Total
Gross value as of March 31, 2007	2,142	3,194	2,455	5,058	12,849
Write-down as of March 31, 2007			1,536		1,536
NET VALUE AS OF MARCH 31, 2007	**2,142**	**3,194**	**919**	**5,058**	**11,313**
Gross value as of March 31, 2008	2,263	3,561	2,643	6,027	14,494
Write-down as of March 31, 2008			1,416		1,416
NET VALUE AS OF MARCH 31, 2008	**2,263**	**3,561**	**1,227**	**6,027**	**13,077**

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

NOTE 10 - OTHER CURRENT FINANCIAL ASSETS

in thousands of euros	Loans	Other financial assets	Fair value of derivative instruments (1)	Total
Gross value as of March 31, 2007	133		1,152	1,285
Write-down as of March 31, 2007	68			68
NET VALUE AS OF MARCH 31, 2007	**65**		**1,152**	**1,216**
Gross value as of March 31, 2008	129		3,110	3,239
Write-down as of March 31, 2008	70			70
NET VALUE AS OF MARCH 31, 2008	**59**		**3,110**	**3,169**

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

NOTE 11 - CASH AND CASH EQUIVALENTS

in thousands of euros	March 31, 2007	March 31, 2008
MARKETABLE SECURITIES, CASH AT BANK AND IN HAND AND NET CASH POSITION		
Marketable securities (1)	22,188	73,834
Term and sight deposits	38,611	109,540
TOTAL CASH ASSETS	**60,798**	**183,373**
Creditor banks	(11)	
CASH POSITION	**60,787**	**183,373**
(1) including gain (loss) in fair value	34	246

NOTE 12 - BORROWINGS, FINANCIAL LIABILITIES AND CREDITOR BANKS

in thousands of euros	March 31, 2007	March 31, 2008
ANALYSIS BY CATEGORY		
Borrowings with credit institutions	331	204
Borrowings relating to finance leases	441	697
Other liabilities and deposits	2,702	2,973
Fair value of derivative instruments (1)	7	
Bank accounts showing a credit balance	11	
TOTAL	**3,493**	**3,874**
ANALYSIS BY REPAYMENT DUE DATES		
Due date less than 1 year	1,135	2,092
Due date of between 1 and 5 years	2,358	1,782
Due date more than 5 years		
TOTAL	**3,493**	**3,874**

(1) See Note 24 Financial instruments

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

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

Confirmed credit lines and overdrafts as of March 31, 2008 break down as follows:

in thousands of euros	Available	Used	Not used
Floating-rate revolving credit facility	160,000		160,000
Confirmed overdrafts	5,000		5,000
TOTAL	**165,000**		**165,000**
ANALYSIS BY REPAYMENT DUE DATES			
Due date less than 1 year	5,000		5,000
Due date of between 1 and 5 years	80,000		80,000
Due date more than 5 years	80,000		80,000

NOTE 13 - EMPLOYEE BENEFITS

in thousands of euros	March 31 2007	Expense for the year	Payments	Other changes	March 31 2008
Termination benefits	9,189	1,094	(1,051)		9,232
Retirement benefits	16,841	633	(1,253)		16,221
Long-service benefits	170	21	(20)		171
TOTAL	**26,200**	**1,749**	**(2,325)**		**25,624**

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, 2008 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 (5,07% at 15 years)
- life expectancy tables: TVTD 88/90 for retirement termination payments – TPRV 93 for pension commitments.

The actuarial obligation breaks down as follows:

in thousands of euros	Fiscal year 2007/2008
ACTUARIAL OBLIGATION OPENING BALANCE	26,857
Cost of services rendered	570
Interest expense	1,217
Actuarial (gains)/losses	(1,327)
Benefits paid	(2,325)
ACTUARIAL OBLIGATION CLOSING BALANCE	24,992
Actuarial obligation closing balance	24,992
Unrecognized actuarial gains/(losses)	632
PROVISION PRESENTED ON THE BALANCE SHEET	25,624

The expense for the year breaks down as follows:

in thousands of euros	Fiscal year 2007/2008
Cost of services rendered	570
Interest expenset	1,217
Amortization of actuarial (gains)/losses	(38)
EXPENSE FOR THE YEAR	1,749

NOTE 14 - PROVISIONS

The change in non-current provisions for the period from March 31, 2007 to March 31, 2008 breaks down as follows:

in thousands of euros	March 31, 2007	Charge	Write-back used	Write-back non used	March 31, 2008
NON-CURRENT PROVISIONS					
Litigations	950				950
Other contingency	446	180	(60)	(62)	504
Losses					
TOTAL	**1,396**	**180**	**(60)**	**(62)**	**1,454**

The change in current provisions for the period from March 31, 2007 to March 31, 2008 breaks down as follows:

in thousands of euros	March 31, 2007	Charge	Write-back used	Write-back non used	March 31, 2008
CURRENT PROVISIONS					
Litigations	456	320	(24)	(116)	636
Other contingency	391	480	(385)	(1)	485
Losses	7				7
TOTAL	**854**	**800**	**(409)**	**(118)**	**1,128**

NOTE 15 - OTHER NON-CURRENT LIABILITIES

in thousands of euros	March 31, 2007	March 31, 2008
Deferred income due in more than one year	4,291	3,663
Investment grant	14,736	13,616
TOTAL	**19,027**	**17,279**

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

In addition, as part of the refurbishment of the Salle Garnier of the Monte-Carlo Opera, completed in September 2005 for €26,126,000, the Group received financing aid from the Principality Government in the form of an investment grant for a total of €17,535,000. Since the grant was added back to profit or loss at the same rate as the depreciation of the assets it was used to finance, an income of €1,120,000 was recognized in profit or loss for fiscal year 2007/2008.

The grant balance to be recognized in future fiscal years, i.e. €14,736,000 breaks down as follows:

- €1,119,000 to be recognized in fiscal year 2008/2009, presented under "Other liabilities – Accruals and deferred income"
- €13,617,000 to be recognized in 2009/2010 and subsequent fiscal years ("Other non-current liabilities").

NOTE 16 - TRADE PAYABLES

in thousands of euros	March 31, 2007	March 31, 2008
Trade payables	10,340	15,670
Purchase invoice accruals	8,140	12,627
TOTAL	**18,480**	**28,298**

NOTE 17 - OTHER PAYABLES

in thousands of euros	March 31, 2007	March 31, 2008
Payments on account	22,196	22,852
Tax and employee-related liabilities	68,680	74,529
Other operating liabilities	2,953	4,108
Amounts payable on PP&E	6,926	4,163
Other liabilities	7,976	7,521
Accruals and deferred income (1)	3,867	4,930
TOTAL	**112,598**	**118,103**

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

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

NOTE 18 - REVENUE

in thousands of euros	March 31, 2007	March 31, 2008
ANALYSIS BY BUSINESS SEGMENT		
Games	222,918	259,562
Hotels	164,331	185,104
Other	21,921	26,698
Internal transfers	(12,453)	(13,791)
TOTAL	**396,717**	**457,574**

NOTE 19 - WAGES AND SALARIES

in thousands of euros	March 31, 2007	March 31, 2008
WAGES AND SALARIES		
Wages and salaries	108,526	116,359
Social security contributions and other related charges	49,231	52,390
Employee benefits (termination benefits, retirement obligations, long-service awards),	1,786	1,749
TOTAL	**159,543**	**170,498**

NOTE 20 - OTHER OPERATING INCOME AND EXPENSES

in thousands of euros	March 31, 2007	March 31, 2008
COST NET OF IMPAIRMENT OF CURRENT ASSETS		
Losses on uncollectible receivables	(11,419)	(2,381)
Write-back of previously recognized provisions	16,091	7,771
Provisions for impairment for the year	(9,014)	(8,770)
TOTAL COST NET OF IMPAIRMENT OF CURRENT ASSETS	(4,342)	(3,379)
GAIN (LOSS) ON DISPOSALS AND RETIREMENTS OF PP&E AND INTANGIBLE ASSETS		
Gains on disposal	201	281
Net values of asset disposals and retirements	(407)	(883)
GAIN (LOSS) ON DISPOSALS AND RETIREMENTS OF PP&E AND INTANGIBLE ASSETS	(206)	(603)
PORTION OF INVESTMENT GRANT RECORDED IN PROFIT OR LOSS	1,105	1,120
OTHER INCOME	2,644	4,833
OTHER EXPENSES	(1,937)	(2,635)
TOTAL OTHER OPERATING INCOME AND EXPENSES	**(2,736)**	**(664)**

NOTE 21 - OPERATING INCOME

in thousands of euros	March 31, 2007	March 31, 2008
ANALYSIS BY BUSINESS SEGMENT		
Games	41,999	63,988
Hotels	2,503	12,831
Other (including central costs not allocated to operational sectors)	(13,585)	(12,679)
TOTAL	**30,917**	**64,140**

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

NOTE 22 - FINANCIAL INCOME AND EXPENSES

in thousands of euros	March 31, 2007	March 31, 2008
Income received	917	3,279
Change in fair value of marketable securities	33	212
TOTAL INCOME FROM CASH AND CASH EQUIVALENTS	**950**	**3,491**
Expenses and interest paid	(1,321)	(124)
Change in fair value of interest rate derivative instruments	649	286
TOTAL GROSS FINANCE COSTS	**(672)**	**162**
Exchange differences	75	50
Gain or loss on foreign exchange derivatives		
Change in fair value of foreign exchange derivatives	(7)	7
Capital gains on disposal of available-for-sale financial assets	15,015	17,609
Dividends collected	7,258	8,287
Changes in fair value of financial assets and equity derivatives	99	(303)
Other	(47)	227
TOTAL OTHER FINANCIAL INCOME/EXPENSES	**22,393**	**25,876**

ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23 - HUMAN RESOURCES

The average number of employees of the consolidated companies as of March 31, 2008 breaks down as follows:

	March 31, 2007	March 31, 2008
Managers	499	506
Supervisors	170	179
Employees	2,894	2,974
TOTAL	**3,563**	**3,658**

NOTE 24 - FINANCIAL INSTRUMENTS

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

• *Foreign exchange instruments*

As the Group's operating and capital expenditure flows are primarily denominated in euros and the investment in Wynn Resorts is denominated in US dollars, exposing the Group to fluctuations in the parity of these currencies, forward sales transactions were entered into in December 2006 in the amount of $20 million and settled at maturity in March 2008. These instruments, associated with the equity instruments presented below, were qualified as fair value hedging instruments for the 200,000 Wynn Resorts shares concerned.

• *Interest rate instruments*

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

This instrument covers a period of six years as from April 1, 2005 and caps the interest rate at 4.19%. The hedged notional amount, which increased over the first year up to a maximum amount of €117 million, is amortized over the period to maturity. As of March 31, 2008, the hedged notional amount was €93 million.

• *Equity instruments*

Finally, the Group wished to hedge a portion of its investment in the US company, Wynn Resorts, against equity risk as follows:

- subscription in August 2007 of collar derivatives covering 200,000 shares, thus securing at the expiry of the contract in February 2009, a minimum share price of $110 and a maximum share price varying between $133.99 for the first half of the shares and $135.23 for the second half.

These instruments may be settled at maturity through payment and/or transfer of the corresponding shares and are qualified as fair value hedging instruments for the 200,000 Wynn Resorts shares concerned.

The forward sales derivatives contracted in December 2006 for 200,000 shares in order to secure a share price of around $100 were settled at maturity on March 31, 2008, with transfer of the shares.

• *Fair value of financial instruments*

The fair value of the financial instruments contracted by the Company as of March 31, 2008 breaks down as follows:

in thousands of euros	March 31, 2007	March 31, 2008
Exchange rate instruments	(7)	
Interest rate instruments	931	1,217
Equity instruments	221	1,893
TOTAL	**1,145**	**3,110**

NOTE 25 - SEGMENT REPORTING

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

The Group has identified three activity segments:

- The Gaming segment combines the Group’s gaming table (European and US games) and automatic machine operations at the Monte-Carlo Casino, the Café de Paris Casino, the Sun Casino, the Sporting d'Été on the Larvotto peninsula and, since October 2005, the Bay Casino. All of these establishments are located in the Principality of Monaco.
- The Hotel segment, which includes all the accommodation and catering activities, the thalassotherapy and spa-center and all the related hotel services provided in the following establishments: Hôtel de Paris, Hôtel Hermitage, Monte-Carlo Bay Hotel, Café de Paris, Sporting d'Été, Sporting d'Hiver, Thermes Marins de Monte-Carlo, Monte-Carlo Casino and Monte-Carlo Beach, all of which are located in the Principality of Monaco except for the Monte-Carlo Beach, located in French territory.
- The Other activities segment, which includes all the leasing activities (boutiques, office space, Bay hotel complex) and the Café de Paris drugstore.

• *Revenue by segment*

in thousands of euros		Games	Hotels	Other	Total
REVENUE					
2006/2007 fiscal year	Income before intragroup eliminations	222,918	164,331	21,921	409,170
	Intragroup transactions		(12,363)	(89)	(12,453)
	Revenue	222,918	151,968	21,831	396,717
2007/2008 fiscal year	Income before intragroup eliminations	259,562	185,104	26,698	471,365
	Intragroup transactions		(13,681)	(110)	(13,791)
	Revenue	259,562	171,424	26,587	457,574
y/y-1 change	amount	36,644	19,456	4,756	60,857
y/y-1 change	%	16.4%	12.8%	21.8%	15.3%

• *Income by segment*

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

in thousands of euros	Games	Hotels	Other	Undistributed earning	Total
OPERATING INCOME/(LOSS) BEFORE AMORTIZATION AND DEPRECIATION					
2006/2007 fiscal year	53,786	29,138	13,095	(20,677)	75,342
2007/2008 fiscal year	73,116	40,361	16,283	(23,011)	106,749
y/y-1 change amount	19,330	11,224	3,188	(2,334)	31,407
AMORTIZATION AND DEPRECIATION					
2006/2007 fiscal year	(11,787)	(26,635)	(3,775)	(2,228)	(44,424)
2007/2008 fiscal year	(9,128)	(27,530)	(3,972)	(1,978)	(42,609)
y/y-1 change amount	2,659	(895)	(198)	249	1,815
OPERATING INCOME/(LOSS)					
2006/2007 fiscal year	41,999	2,503	9,321	(22,905)	30,917
2007/2008 fiscal year	63,988	12,831	12,311	(24,990)	64,140
y/y-1 change amount	21,989	10,328	2,990	(2,085)	33,222

• 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, 2007	51,953	355,713	95,124	12,329	515,120
As of March 31, 2008	48,595	339,634	95,378	11,201	494,808
y/y-1 change amount	(3,359)	(16,080)	254	(1,127)	(20,312)
INVESTMENTS					
2006/2007 fiscal year	7,785	15,591	5,462	1,467	30,305
2007/2008 fiscal year	6,418	11,537	4,369	823	23,147

NOTE 26 - PER SHARE EARNINGS AND DIVIDENDS

	March 31, 2007	March 31, 2008
Number of shares issued at the year-end	1,802,920	1,806,214
Net earnings per share (in €)	29,71	51,76
Diluted net earnings per share (in €)	29,71	51,76
Dividend paid during the year, including any interim dividends (in €)	4,75	7,00
Dividend proposed for the year, including any interim dividends (in €)		11,00

NOTE 27 - RELATED PARTIES

The information with respect to related parties concerns relations with the State of Monaco, which holds 69.5% of the share capital of Société des Bains de Mer as of March 31, 2008, 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. €26,694,000 for fiscal year 2007/2008;
- 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 €7,826,000 for fiscal year 2007/2008;
- 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 pour l'Exploitation du Tournoi de Tennis, A.S. MONACO FC SA, Banque J.Safra (Monaco) S.A and Compagnie Monégasque de Banque.

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

• Remuneration of company executive officers and management bodies

The overall remuneration and benefits of any nature paid to parent company executive officers and management bodies, by the parent company and all group companies, amounted to €2,597,000 during fiscal 2007/2008, compared to €2,335,000 in the previous period.

in thousands of euros	March 31, 2007	March 31, 2008
Remuneration, benefits and special allowances	1,176	936
Share of profits	1,033	1,543
Directors' fees	125	118
TOTAL	**2,335**	**2,597**

Employer contributions on remuneration paid is estimated at €101,000 with respect to fiscal year 2007/2008

NOTE 28 - CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

in thousands of euros	March 31, 2007	March 31, 2008
COMMITMENTS GIVEN		
Deposits and guarantees	97	97
COMMITMENTS RECEIVED		
Shares deposited by directors	146	146
Deposits and guarantees (1)	3,307	3,805
RECIPROCAL COMMITMENTS		
Firm capital expenditure orders (2)	14,082	12,433
Other firm orders (3)	12,570	12,262
Opening of credit facility and authorized unused overdrafts	164,989	165,000

(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 after extension	01/31/1985	02/25/2043
- Société Civile Immobilière Belle Epoque	10/30/1995	10/29/2035

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

NOTE 29 - MATURITY SCHEDULE OF OBLIGATIONS AND COMMITMENTS

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

a - Contractual obligations

in thousands of euros	Total	Less than 1 year	From 1 to 5 years	Over 5 years
PAYMENTS DUE BY PERIOD				
Irrevocable purchase obligations	24,696	19,397	5,177	121
TOTAL	**24,696**	**19,397**	**5,177**	**121**

b - Other commitments

in thousands of euros	Total	Less than 1 year	From 1 to 5 years	Over 5 years
COMMITMENTS GIVEN				
Guarantees given	97		97	
TOTAL COMMITMENTS GIVEN	**97**		**97**	
COMMITMENTS RECEIVED				
Guarantees received	3,951	2,983	754	215
TOTAL COMMITMENTS RECEIVED	**3,951**	**2,983**	**754**	**215**
INTERCOMPANY COMMITMENTS				
Opening of credit facility and confirmed unused overdrafts	165,000	5,000	80,000	80,000
TOTAL INTERCOMPANY COMMITMENTS	**165,000**	**5,000**	**80,000**	**80,000**

NOTE 30 - LEASE COMMITMENTS

• *Assets held under finance leases*

As of March 31, 2008, assets held under finance leases and restated in the balance sheet totaled €672,000 in net value, compared to €546,000 in the previous year. These are mainly finance leases for office and IT equipment.

The discounted payment schedule relating to finance leases breaks down as follows as of March 31, 2008:

- due in less than 1 year	€257,000
- due between 1 and 5 years	€439,000
- due in more than 5 years	none
- total discounted payments	€697,000

• *Operating leases*

As of March 31, 2008, the discounted minimum future payments of operating leases are as follows:

- due in less than 1 year	€10,863,000
- due between 1 and 5 years	€27,037,000
- due in more than 5 years	€43,855,000
- total discounted payments	€81,756,000

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

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

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

Ladies,

Gentlemen,

Stockholders,

We have audited the accompanying consolidated financial statements of Société des Bains de Mer et du Cercle des Etrangers à Monaco for the year ended March 31, 2008.

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

We conducted our audit in accordance with international audit standards. 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, by means of tests or other selection methods, evidence supporting the amounts and disclosures in the consolidated 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 we have gathered sufficient and appropriate evidence on which to base our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and the financial position of the Group as of March 31, 2008 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. We have no matters to report as to its fair presentation and consistency with the consolidated financial statements.

Neuilly-sur-Seine and Monaco, July 28, 2008

The Auditor	The Statutory Auditors	
Deloitte & Associés		
Didier NOVELLA	Louis VIALE (*)	André GARINO

(*) Mr. Louis Viale in replacement of Mr. Jean Boéri

DECLARATION BY THE PERSON RESPONSIBLE FOR THE ANNUAL REPORT

"I hereby certify, after having taken all reasonable measures to this effect, that the information contained in this annual report is, to my knowledge, in accordance with the facts and makes no omission likely to affect its scope.

I certify, to my knowledge, that the accounts have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities and financial position and profit or loss of the Company and all the undertakings included in the consolidation, and that the management report presents a fair review of the development and performance of the business and financial position of the Company and all the undertakings included in the consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

I have received a completion letter from the Statutory Auditors stating that they have audited the information contained in this annual report regarding the financial position and accounts and that they have read this document in its entirety."

Monaco, July 25, 2008

Jean-Luc Biamonti

Chairman of the Board of Directors

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

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

This report was reviewed by the Board of Directors during its meeting on July 24 and 25, 2008. It has been prepared in line with the Internal Control Framework established by the market working group under the aegis of the AMF, whose plan has been included in its description of the internal control procedures.

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 oversee the Company's business.

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

Organization and activities of the Board of Directors

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

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

As of March 31, 2008, the Board of Directors comprised five Directors appointed by the General Meeting and four government Directors.

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

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

- appointment, supervision and dismissal of the Managing Director or the Chief Executive Officer;
- approval of the annual and half-yearly financial statements;
- assessment of the consistency and appropriateness of management;
- general supervision of the management of employee-related issues;
- respect of the equality and rights of Stockholders under the Bylaws, 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 compliance with the Company's terms of reference and Bylaws and the application of gaming regulations.

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

Gaming control

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

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

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

Review of the Board of Directors' activity during the fiscal year ended March 31, 2008

The Board of Directors met seven times during the fiscal year ended March 31, 2008. 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

To ensure more effective control, the Board of Directors has set up three committees: a Finance and Audit Committee, a Human Resources Committee and an Environment and Quality Committee.

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

  This committee, comprising three Board members, met seven times during the fiscal year ended March 31, 2008 and had discussions, in particular, with the Chief Executive Officer, the Chief Financial Officer, the Internal Audit Manager and the Group's auditor and statutory auditors during its meetings.
- **The Human Resources Committee** comprising three Directors, is responsible for assisting the Board of Directors and General Management with employee-related and remuneration issues. It met twelve times during the fiscal year ended March 31, 2008 and heard reports from the Chief Executive Officer and the Human Resources Manager during its meetings.

- **The Environment and Quality Committee,** comprising three Directors, is responsible for dealing with environmental issues, and proposing to the Board of Directors the actions to be undertaken in order to actively contribute to the environmental protection policy initiated by the Principality of Monaco. Created in January 2006, the committee met six times during the 2007/2008 fiscal year.

INTERNAL CONTROL PROCEDURES

Procedures underlying the preparation of the report

The Finance and Audit Directors' Committee has been consulted for the preparation of this report, with a view to compiling the descriptive items below.

In the context of these regular meetings and as provided for in the section of this report entitled "Organization and activities of the Board of Directors", the Finance and Audit Committee has had the opportunity to hear the major internal control players during the course of its work.

These hearings resulted in the validation of the descriptions presented in this report.

Objectives of the Company in respect of internal control procedures

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

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

This system is based on a set of organizational rules, policies, procedures and practices, designed to anticipate and control risks resulting from the Company's activity and risks of error or fraud, particularly with respect to finance and accounting.

However, it cannot provide absolute assurance that these have been totally removed, the level of assurance being related to the limits inherent to any internal control system, e.g. the cost/benefit ratio regarding the implementation of new controls or the risk of collusion that could impede controls.

Summary description of the internal control procedures implemented

1 - Overall control organization

Internal reference documents

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

• **The code of ethics**

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

• **Company internal regulations**

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

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

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

In view of 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 in 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 and operating rules**

The purpose of the procedures and operating rules prevailing within the Company is to:

- ensure that acts of management, the conduct of operations and personnel behavior are in line with the directions given to the Company's business by its corporate bodies;
- verify that the accounting, financial and management information disclosed to the Company's corporate bodies is a true and fair translation of the Company's business and position.

To achieve these objectives, the Company has set up general and operational databases that provide employees with the information necessary to properly discharge their assigned duties.

Some of these databases are accessible via the Group's Intranet and include operational information, user manuals and data pertaining to the preparation of the accounting and financial information.

In addition, an action plan has been undertaken to improve the documentation of procedures via the creation of a common framework making available consistent and standardized procedures whose communication to users and update will be optimized.

Major players

- **General Management**

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

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

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

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

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

- **Finance Department**

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

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

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

- **Internal audit**

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

- identification of risks that could affect the Company and the internal control system;
- coordination of audit procedures with the auditor and the statutory auditors;
- completion of selected tasks initiated by the Chief Executive Officer or the Finance Department;
- preparation of the annual audit plan.

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

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.

In addition, the accounting and financial information system rolled out within the Group is intended to meet data requirements in terms of security, reliability, availability and traceability.

Functional user-friendly manuals have been documented and distributed to ensure the proper use of these tools, and hence the relevance of the information.

2 - Communication of information within the Group

The Group has processes that provide for the communication of relevant and reliable information to the players concerned so they may discharge their responsibilities.

These processes specifically include a reporting procedure that analyzes business and earnings mix data.

This procedure offers a detailed view of earnings trends so as to support management and measure organizational efficiency.

3 - Risk assessment

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.

In addition, a global risk mapping approach encompassing all internal and external risk factors has been initiated and will be pursued during the 2008/2009 fiscal year.

This approach, carried out through a consultation between all operational Managers and supporting departments, is intended to identify the Group's level of exposure on the basis of a Group-wide tool and prepare the required action plans.

4 - Control activities

Controls are present at all level of the organization, whether they are prevention or detection controls, manual or computer controls or hierarchical controls.

They are backed up by various internal audit assignments.

These control activities include the following procedures among others:

• **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.

• **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.

5 - Internal control system coordination

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

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

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

AUDITOR'S AND STATUTORY AUDITORS' REPORT

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

Dear Chairman,

As Auditor and Statutory Auditors of Société des Bains de Mer et du Cercle des Etrangers à Monaco, and at your request, we hereby present you with our report on the report you prepared with respect to the internal control procedures for the year ended March 31, 2008.

In his report, the Chairman reports, in particular, on the conditions for the preparation and organization of the Board of Directors' work and the internal control procedures implemented by the Company in accordance with paragraph 2 of Article 221-6 of the General Regulations of the Autorité des Marchés Financiers. It is our responsibility to report to you our observations on the information and assertions set out in the Chairman's report on the internal control procedures relating to the preparation and treatment of financial and accounting information.

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

- obtaining an understanding of the internal control procedures relating to the preparation and treatment of financial and accounting information, as set out in the Chairman's report and in the existing documentation;
- obtaining an understanding of the underlying work performed to support the information given in the report and the existing documentation;
- determining whether major internal control deficiencies relating to the preparation and treatment of financial and accounting information that we may have identified as part of our audit are appropriately disclosed in the Chairman's report.

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

Neuilly-sur-Seine and Monaco, July 28, 2008

The Auditor

Deloitte & Associés

Didier NOVELLA

The Statutory Auditors

Louis VIALE (*)

André GARINO

(*) Mr. Louis Viale in replacement of Mr. Jean Boéri

RESOLUTIONS
SUBMITTED TO THE ANNUAL GENERAL MEETING

FIRST RESOLUTION

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

- the balance sheet as of March 31, 2008, and the statement of income for the year then ended, which shows a net income of €90,528,097.93
- the transacations reflected in the balance sheet or summarized in the reports of the Board of Directors or the Statutory Auditors.

SECOND RESOLUTION

The Stockholders discharge all directors from any liabilities with respect to the performance of their mandate for the period ended as of this date

THIRD RESOLUTION

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

• note that the net income for fiscal year 2007/2008 amounts to	€90,528,097.93
• note that retained earnings amount to	€151,231,526.78
hence, net income available for appropriation amounts to	€241,759,624.71
• decide to appropriate the total to:	
◆ the cumulative preferred dividend of €0.05 x 1,806,214 shares	€90,310.70
◆ the statutory reserve	€6,214.00
◆ the contingency reserve fund, i.e., 2% of net income for the year	€1,810,561.96
◆ the optional reserve fund	€60,000,000.00
◆ the payment of the year's dividend, at €10.95 per share	€19,778,043.30
◆ the Board of Directors	€2,713,133.62
◆ retained earnings	€157,361,361.13

The rights to this dividend and the cumulative preferred dividend will be paid by the Company's Securities Department starting from October 10, 2008, with the last trading day for dividends being set at September 30, 2008.

FOURTH RESOLUTION

The Stockholders renew the term of office as director of Mr. Jean-Luc Biamonti.

Pursuant to Article 12 of the Bylaws, the term of office of Mr. Jean-Luc Biamonti will come to an end at the Annual General Meeting held to approve the financial statements for fiscal year 2013/2014.

FIFTH RESOLUTION

The Stockholders renew the term of office as director of Mr. Jean-François Prat.

Pursuant to Article 12 of the Bylaws, the term of office of Mr. Jean-François Prat will come to an end at the Annual General Meeting held to approve the financial statements for fiscal year 2013/2014.

SIXTH RESOLUTION

The Stockholders approve the appointments of:

- ◆ Mr. André Garino and Mr. Louis Viale as Principal Statutory Auditors, and
- ◆ Mrs. Simone Dumollard and Mrs. Bettina Ragazzoni as Deputy Statutory Auditors.

Their mandates will come to an end at the Annual General Meeting held to review the financial statements for fiscal year 2010/2011.

SEVENTH RESOLUTION

The Stockholders approve the transactions performed during fiscal year 2007/2008 that are governed by Article 23 of the Order of March 5, 1895 and Article 20 of the Bylaws.

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

Société Anonyme des Bains de Mer
et du Cercle des Etrangers à Monaco
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MONTE·CARLO
S·B·M
HOTELS · CASINOS

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

Hôtel Hermitage
Le Vistamar
Salle Belle Epoque
Limun Bar

Monte-Carlo Beach Hotel
La Vigie
La Salle à Manger

Monte-Carlo Beach Club
Le Deck
Sea Lounge
Monte-Carlo Spa Beach Club
Bambou Bar
Cabanas
La Gelateria
Sports nautiques

Le Sporting d'Hiver

Monte-Carlo Bay Hotel & Resort
Blue Bay
Las Brisas
Il Baretto
L'Orange Verte
L'Hippocampe
Bay Casino
Jeux américains
Appareils automatiques
Bar Le Slot
Spa Cinq Mondes
Sports nautiques

Le Café de Paris
La Brasserie
Salon Bellevue
La Boutique
Casino
Jeux américains
Appareils automatiques
Bar des jeux

Les Thermes Marins de Monte-Carlo
L'Hirondelle
Bar L'Atlantide

Le Sporting - Monte-Carlo
Salle des Etoiles
Bar Boeuf & Co
Fuji
Jimmy'z
Casino d'Eté
Jeux européens
Jeux américains
Bar des Palmiers

Le Casino de Monte-Carlo
Jeux européens
Jeux américains
Appareils automatiques
Le Train Bleu
Les Privés
Mosaïk
Bar Renaissance
Bar des Privés
Le Moods

Sun Casino
Jeux américains
Appareils automatiques
Le Circus
Bar des Jeux

La Salle Garnier
Opéra de Monte-Carlo

Societe des Bains de Mer
et du Cercle des Etrangers a Monaco

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