



**c&c group plc** 

ANNUAL REPORT AND ACCOUNTS 2008

C&C is a leading manufacturer, marketer and distributor of cider, spirits and liqueurs; and a distributor of wines and spirits.

C&C aims to generate shareholder returns by a combination of solid medium term earnings growth and a progressive dividend policy.

The Group will achieve growth through its skills in marketing and brand management; focusing marketing investment on a number of high margin growth categories and markets; and the continuous pursuit of efficiency improvements.

The Group's commitment to a progressive dividend policy will be supported by maintaining a high return on capital employed and a disciplined approach to investment.

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# Our Brands

## Cider



## Spirits & Liqueurs



# Chairman's statement



## Results

The year under review was most disappointing for your Board and all Shareholders. A confluence of events conspired against us, notably atrocious weather and aggressive price driven competition in Great Britain, and as a result profitability declined sharply.

Revenue for the year was €679 million, representing a decline of 8.1% on the previous year. Operating profit before exceptional items at €125.2 million, declined by 37.3%. A share buy back programme was put in place and 5.4% of the Group's shares were purchased for €139.9 million.

During the year, we completed the disposal of our Soft drinks division for €246.6 million. This sale cleared the way for us to concentrate our strategic focus on the higher margin alcohol drinks brands, notably Bulmers, Magners and Tullamore Dew.

Our brands are our most prized assets and in the year under review our portfolio of brands was fortified with a total marketing investment of €101.2 million. A major capital expansion programme for cider manufacture was concluded during the year, providing us with state of the art facilities as well as capacity to meet future needs.

Part of management's remit is to broaden the geographic appeal of cider drinking. In this regard, some positive pioneering work took place in Spain and Germany and valuable learnings were achieved for future action.

## Dividend

It is proposed that we pay a final dividend of 15 cent per share, subject to shareholder approval. If approved, this will bring the Group's full year dividend to 27 cent per share, the same as last year. A scrip dividend alternative will also be available.



### Alcohol Misuse

Alcohol misuse continues to be a major social issue in Ireland and other jurisdictions despite concerted efforts by all interested stakeholders. We continuously promote sensible drinking in our consumer communications and through our industry representative bodies, MEAS and the Alcohol Beverage Federation of Ireland. I share the belief that a united and shared approach by all stakeholders involved in this issue offers the best long-term solution.

### Board of Directors

We have a very dedicated and competent Board of Directors who bring a mix of expertise and independent judgement to the Board table. I wish to express my appreciation for their wholehearted support and wise counsel during the past year.

Brendan Mc Guinness retired from the Board on 1 May last, after thirty-seven years with the Group. His contribution to the success and achievements of C&C was exceptional. Specifically, he transformed cider in Ireland into being a respected, premium and growth category. More recently in Great Britain, he brought about a renaissance in the cider category, creating in a short timeframe a premium power brand, Magners. I thank him and wish him well in his retirement.

James Muldowney retires from the Board in July after nearly seven years with the Group. He was the lead player and a major contributor to the design of our overall strategy and direction. His sharp mind and astute judgement will be missed. I wish James every success in the next phase of his career.

John Holberry joined the Group on 18 March last as Managing Director of Magners Great Britain. He was co-opted to the Board on the same day as an Executive Director. He was previously with Coors Brewers Limited, an established industry player his vast experience will be of great benefit to us.

As provided in the company's Articles of Association, John Holberry is proposed for election at the Annual General Meeting on 11 July 2008. Also in accordance with the Company's Articles of Association and the Combined Code on Corporate Governance, each year at the AGM at least one third of the Directors retire from the Board and submit for re-election at the forthcoming AGM. This year John Burgess, John Hogan, and Philip Lynch will retire from the Board and seek re-election at the Annual General Meeting.

I can confirm that I have conducted a formal evaluation of the performances of all Directors and each of them continues to perform effectively and to demonstrate a high level of commitment to the role. I therefore strongly recommend the re-election of the above Directors.

### People

Regrettably, the downturn in trading caused us to embark on a redundancy and re-organisation programme which resulted in job losses. This down-sizing was a necessary response to re-shape our cost base to reflect the lower level of activity. I wish to record the Board's appreciation to our Group CEO, Maurice Pratt, and all our employees for their co-operation and loyalty during this testing year.

### Strategy and Outlook

The essence of our strategy for 2008/09 is to exploit the opportunities for Magners in Great Britain through significant investment in consumer media advertising: increased emphasis on trade marketing; and enhanced brand presence through widening distribution. Also, we plan to maintain our outperformance in the Irish LAD market and we will continue with our test marketing initiatives in Europe to broaden the brand's geographic reach and to achieve greater internationalisation of Magners. On the assumption of average summer weather, coupled with the benefits of the rationalisation plan and a series of marketing initiatives, we anticipate a return to growth in 2008/09.

Tony O'Brien  
Chairman

strong  
focus

## Chief executive's review

leaner &  
more committed  
than ever





C&C Group faced into exceptionally strong headwinds during 2007/08 and revenues and profitability suffered as a result. However, we responded promptly and effectively. We continued our clear and strong focus on developing Magners, our premium cider product, into a successful international brand, while our whiskey brand, Tullamore Dew, enjoyed another exceptionally good year. We ended the year wiser, leaner and more committed than ever to growing our business across a range of markets.

The effects of a number of factors combined to make 2007/08 an extremely challenging year for us. Great Britain and Ireland endured exceptionally wet and cold weather during the summer months, the peak sales opportunity for Magners and Bulmers. Our competition reacted aggressively to the success of Magners since its launch in Great Britain four years ago. The smoking ban in pubs in Great Britain depressed the on-trade and consumer confidence and spending began to weaken.

We responded promptly and effectively to these developments. We implemented an extensive re-organisation and cost reduction programme that is expected to achieve annualised savings of €10 million. More fundamentally, we completely reconfigured the way we are organised to do business, integrating our head office and cider management structures and moving to a supply and demand business model. This approach sharpened our focus and delivery in key areas of our business, including marketing and support for our customers, as well as establishing more effective linkages between the demand and supply dimensions of our business. Our new streamlined leadership team includes two senior appointments, Aidan Murphy as Managing Director, Supply Chain and John Holberry as Managing Director, Magners - Great Britain.



# Chief executive's review

## continued



### Financial Results

Turning to the financial outcomes, Group Revenue declined by 8.1% to €679 million. A decrease in the volume of sales of cider, allied to an increase in costs, was the main reason for a reduction in our overall Operating Margin from 27% to 18.4%. Operating Profit before exceptional items decreased by 37.3%, from €199.6 million to €125.2 million.

### Cider

Overall volume sales of cider declined by 11%. As a result, cider Revenue on a constant currency basis decreased by 8.2% to €470.5 million. Operating Profit in the division was down by 39.5% on a constant currency basis while Operating Margin declined to 22.8%.

### Magners

Despite all the challenges, at the end of the year Magners had consolidated a solid share of the on-trade market for Long Alcoholic Drinks (LAD) in Great Britain. We are now moving to leverage the strong platform we achieved for premium packaged cider into the broader and larger market for draught cider. In February 2008, we signed a five year contract with Coors under which they will keg, distribute and sell Magners draught to the ontrade in Great Britain. We will provide the brand expertise, marketing direction and investment. This initiative considerably widens our addressable market for cider in Great Britain.

In a clear signal of our intent, we maintained our high marketing spend in Great Britain. The brand was in the top three spenders on consumer marketing within the LAD market. Our overall marketing investment on cider increased from €48.1 million to €67.9 million, an increase of 41%, and it is our intention to maintain a high level of consumer advertising to reinforce the consumer equity the brand has attained.

We continued to develop the presence we have established for Magners in markets in southern Germany and Catalonia, in Spain, based around the cities of Munich and Barcelona. This investment has provided valuable insights. There is definite consumer interest in the Magners proposition and we are extending the tests into a second year, with a greater emphasis on consumer sampling and targeted distribution building.

### Bulmers

Bulmers achieved record volume share in both the on-trade and off-trade in Ireland in a year when the overall trading environment was becoming more difficult. The on-trade volume decline in LAD accelerated and the growth in the off-trade slowed appreciably.

Bulmers increased its share of the on-trade and off-trade. The brand recovered very strongly after the bad weather in the summer period. This outcome underlines the maturity of the Irish cider market and the brand's inherent strength and resilience.



### Spirits & Liqueurs

Revenue, on a constant currency basis, in our spirits & liqueurs business increased by 12.3%, to €87.5 million, mainly driven by the sales volume of Tullamore Dew, which was up 22%. Higher investment in marketing and an increase in raw materials costs for Carolans Irish Cream reduced Operating Profit, on a constant currency basis by 5.4%, to €15.8 million.

Tullamore Dew, our premium whiskey brand, continued to go from strength to strength and consolidated its clear position as the number two Irish whiskey in the world. We continued to invest strongly in marketing this brand in a number of opportunity markets. Up to now, we have enjoyed considerable success in markets right across Europe and now the United States is beginning to respond particularly well and the prospects there look promising.

### Distribution

Our distribution business throughout the island of Ireland saw the loss of a number of wine distribution agreements as a result of Fosters acquisition of the Penfolds and Rosemont brands. Consequently on a constant currency basis Revenue declined by 13% to €121 million. In Northern Ireland, we distribute the Coors brands and they have been performing very well.

### Capital Investment

Supporting our continued drive for expansion is our highly efficient, state-of-the-art and environmentally friendly production and bottling complex at Annerville, near Clonmel, Co. Tipperary. Over the last two years, we have invested approximately €170 million in modern production capacity, increased storage capacity as well as greatly augmented bottling and packaging facilities. The effect of our investment programme to date has been a significant increase in our cider production capacity. This gives us the headroom and freedom to grow the international markets for cider in the medium term and within a cost structure that will readily translate volume growth into profit.

### Workforce

2007/08 was a difficult year for everyone in C&C. We said farewell to many valued employees in circumstances where the business clearly had to take action to make ourselves more efficient, but our actions were also important and necessary to ensure we could continue to provide valuable and secure employment. We re-organised our business to lower costs and sharpen our competitive focus and we reduced total employee headcount by 150. We incurred a once off cost of €15.6 million before taxation to fund the rationalisation and redundancy programme which will deliver €10 million in annualised savings, after taking account of sharply rising input costs.

### Soft Drinks

In August 2007, we completed the sale of our soft drinks business to Britvic plc for a consideration of €246.6 million, achieving a full price. This sale underscored our strategy of focussing on the higher shareholder returns provided by cider and spirits and liqueurs.

### Balance Sheet Management

We re-financed our debt at a very advantageous time in the market as part of our ongoing management of the balance sheet. We actively manage the ratio of debt to shareholders' funds on our balance sheet. In the early part of the year we announced and commenced a share buyback programme. However as the trading environment became much more challenging, we suspended the programme as we deemed it inappropriate in the circumstances. In aggregate we expended €139.9 million in buying back and cancelling 17.7 million shares (5.4% of the Company's share capital) at an average price of €7.84. We will continue to monitor the issue closely particularly in the light of the ongoing uncertainties in financial markets worldwide.

### Dividends

We have made a commitment to our shareholders, subject to approval of the final dividend at the AGM, to pay a total dividend of 27 cent in respect of the 2007/08 fiscal year. The payment also reflects our confidence in how our future cash flows will evolve.

### Currency

As currency markets became more volatile and the Euro strengthened appreciably against Sterling and the Dollar, we managed our currency exposure to ensure we retained value in our translated Euro earnings. As a result we are almost fully hedged for the next fiscal year at overall rates comparable to 2007/08. In closing out surplus hedge contracts during the 2007/08 fiscal year we made an exceptional profit of €9.1 million.

### Outlook and Strategy

Our strategy is to continue to increase Bulmers' share of the LAD market in Ireland. Outside of Ireland, we plan to continue and deepen our focus on establishing Magners as a premium cider not only in Great Britain but in other international markets as well. Even as the LAD market in Great Britain was in decline last year, the total cider market continued to grow. Our belief is that with continued high marketing investment, packaged cider, in particular, will return to growth. We are confident that the embedded nature of the Magners brand in Great Britain will allow us to exploit exciting growth opportunities arising from our partnership with Coors for draught Magners, together with expansion into other products such as Magners Light. On the basis of a return to average summer weather, we expect the premium cider category to return to growth in 2008.

In spirits & liqueurs, we will continue to pursue our successful strategy of investing in marketing and distribution in selected markets in Europe and North America, leveraging the favourable connection that consumers increasingly make between quality whiskey and Ireland.

Aside from the exceptional market headwinds we encountered last year, we recognise that all consumer markets are confronted by rapidly rising raw materials costs and weakening consumer sentiment. Taken together these conditions require us to remain extremely vigilant in managing our cost base and ensuring we deliver shareholder value for money.

**Maurice Pratt**  
Chief Executive Officer

# Operations review

## 2007/08 Overview

C&C is reporting Revenue of €679.0 million and Operating Profit before exceptional items of €125.2 million. The performance of each division is discussed in this review. Comparisons for both Revenue and Operating Profit for each division are shown at constant exchange rates for transactions in relation to the Cider and Spirits & Liqueurs divisions and for translation in relation to the Group's sterling denominated subsidiaries by restating the prior year at 2007/08 effective rates.

	Translation (Actual average rate)		Transaction (Effective rate) <sup>®</sup>	
	2007/08	2006/07	2007/08	2006/07
Euro: Stg	0.70	0.68	0.69	0.69
Euro: \$	-	-	1.31	1.26

The impact of restating currency is as follows:

Revenue					Operating Profit – before exceptional items				
	Previously Reported Year ended 28 Feb 2007 €m	Foreign Currency Translation €m	Foreign Currency Transaction €m	Year ended 28 Feb 2007 Constant currency comparative €m		Previously Reported Year ended 28 Feb 2007 €m	Foreign Currency Translation €m	Foreign Currency Transaction €m	Year ended 28 Feb 2007 Constant currency comparative €m
Cider	517.9	(0.7)	(4.7)	512.5	Cider	178.9	-	(1.2)	177.7
Spirits & Liqueurs	79.1	-	(1.2)	77.9	Spirits & Liqueurs	17.7	-	(1.0)	16.7
Distribution	141.5	(2.4)	-	139.1	Distribution	3.0	-	-	3.0
<b>Total</b>	<b>738.5</b>	<b>(3.1)</b>	<b>(5.9)</b>	<b>729.5</b>	<b>Total</b>	<b>199.6</b>	<b>-</b>	<b>(2.2)</b>	<b>197.4</b>

## Cider

There was more to 2007/08 than headlines about the considerable challenges we faced in the British and Irish markets. Despite those difficulties, Magners retained its firm foothold in the British LAD market, Bulmers increased its share of the Irish LAD market and we started the process of developing new markets. We completely re-organised how we structure our cider business. Our production facility in Annerville, Clonmel, was transformed into a state-of-the-art environmentally friendly production and storage complex.

	Year ended 29 February 2008 €m	Year ended 28 February 2007 €m	Year ended 28 February 2007* €m	Growth Year-on-Year* %
Revenue	470.5	517.9	512.5	(8.2)
Operating Profit	107.5	178.9	177.7	(39.5)
Operating Margin %	22.8	34.5	34.7	

\*constant currency

The effect on our business of the unusually bad summer weather in Ireland and Great Britain in the summer of 2007 has been well documented. Volume sales of Magners declined by 15%.

Nevertheless, our investment in marketing and the awareness of the Magners brand created in the British market over the past four years stood to us as the brand recorded a 1.6% MAT share of the LAD ontrade market. This achievement indicates that we are only seeing the beginning of future potential for Magners.

### Draught

We have built ourselves a robust platform to widen our brand exposure in Great Britain as we now move into draught and begin to create a new category of premium draught cider. We have signed a five year contract with Coors under which they will keg, distribute and sell Magners to the ontrade in Great Britain. After several years of establishing the Magners brand, we believe the time is right to widen its appeal into the draught market. To support this initiative, we will continue an exceptionally high level of marketing 'spend', retaining

Magners place among the top three spending brands in the LAD market. To further leverage the Magners brand, we are launching Magners Light as a premium packaged product into a range of selected outlets.

### Marketing

At the current stage of evolution of our brands, seasonality is a factor that impacts on the performance of Magners in Great Britain. Broadening our product portfolio to include draught and Light is a key part of our response.



# Cider

Our experience of selling draught in the Republic of Ireland and Northern Ireland indicates that it is a less seasonal product. In addition, although in 2007/08 we were underperforming on our volume of sales, we continued to invest in marketing at planned levels. This decision to maintain marketing 'spend' was an unambiguous signal of our clear intent on capitalising on the long term opportunities we see in the British market. In 2008/09 there will be a shift in emphasis towards trade marketing. We are increasing our investment in trade marketing to ensure the closest possible relationship with our key customers and make an impact on consumers at their point of choice.

## Sponsorships

Sponsorships, focused on activities that fit well with our brand, are a key element of our marketing programmes. We sponsor three main activities – rugby, golf and comedy.

We sponsor Edinburgh rugby because it gives us a more personal contact point with our consumers in a very different way to our media advertising. London Wasps, one of the leading teams in England, are another of our sponsorships.

They are both teams of quality and stature and our sponsorship demonstrates our commitment to these markets. We also, of course, sponsor the celebrated Magners League for elite clubs in Scotland, Wales and Ireland. Combined, these sponsorships give quality exposure in all our key markets. They position our brand in association with: a growing, dynamic sport which is hard but fair; has some Irish tradition; and has an age profile that fits well with our brand.

We sponsor club championships in golf at the amateur level in Scotland, Wales and Ireland. This has the practical effect of getting brand presence in a wide network of golf clubs.

Comedy is an important part of our sponsorships portfolio. It helps to lighten the brand image and put us in touch with a slightly different target consumer group. In Glasgow and Dublin, we sponsor the highly successful and popular International Comedy Festivals.

## Award

The British marketing industry has recognised the quality and effectiveness of our marketing programmes. The Marketing Effectiveness Awards are run in conjunction with the Marketing Institute and are well respected. In the 2007 Awards, Magners won the overall Grand Prix Award as well as best in category in New Products and Drinks.

## International

Magners is developing a presence in European markets outside of Great Britain and Northern Ireland. The popularity of the brand both here and in Great Britain has driven demand in European tourist markets where people holiday. Similarly, sales of Magners are developing in the United States based mainly on people who have emigrated there.

In March 2007, we began establishing a presence in two important European markets, Catalonia in Spain and Munich in Germany. We have begun building a good quality base in these markets and we are encouraged by what we have experienced so far. We believe both markets have potential and we will continue to invest in marketing support, advertising, promotions, and tastings, as well as putting country teams in place on the ground. Our aim is to build brand awareness and strengthen distribution. From a strategic point of view, both of these markets have the potential to diversify our sources of revenue over the medium term.

## Cider Ireland

The extremely poor weather in the summer of 2007 impacted negatively on sales of Bulmers in the summer period. However, the brand recovered in the second half and, once again, Bulmers confirmed its status as one of the power consumer brands in Ireland.

The Irish licensed trade experienced mixed fortunes in 2007/08. The off trade grew by 6% while the on-trade declined by 2.5%. Our experience with Bulmers confirmed what we have long known about the brand – its strength and resilience in a mature market. Despite a 4% reduction in volume

of sales, we ended the year with a record share, by volume and value, of the LAD ontrade and off-trade in the Republic of Ireland. Bulmers' share of the Irish LAD market increased slightly to 10.6%. This was an exceptional outcome in what had been a very difficult year.

We do not take Bulmers' pre-eminent position for granted. We continued to invest strongly in maintaining and enhancing the brand through advertising, sponsorships and promotions. In the rapidly growing off-trade, we strengthened our presence through the introduction of new special packs and targeted promotions.

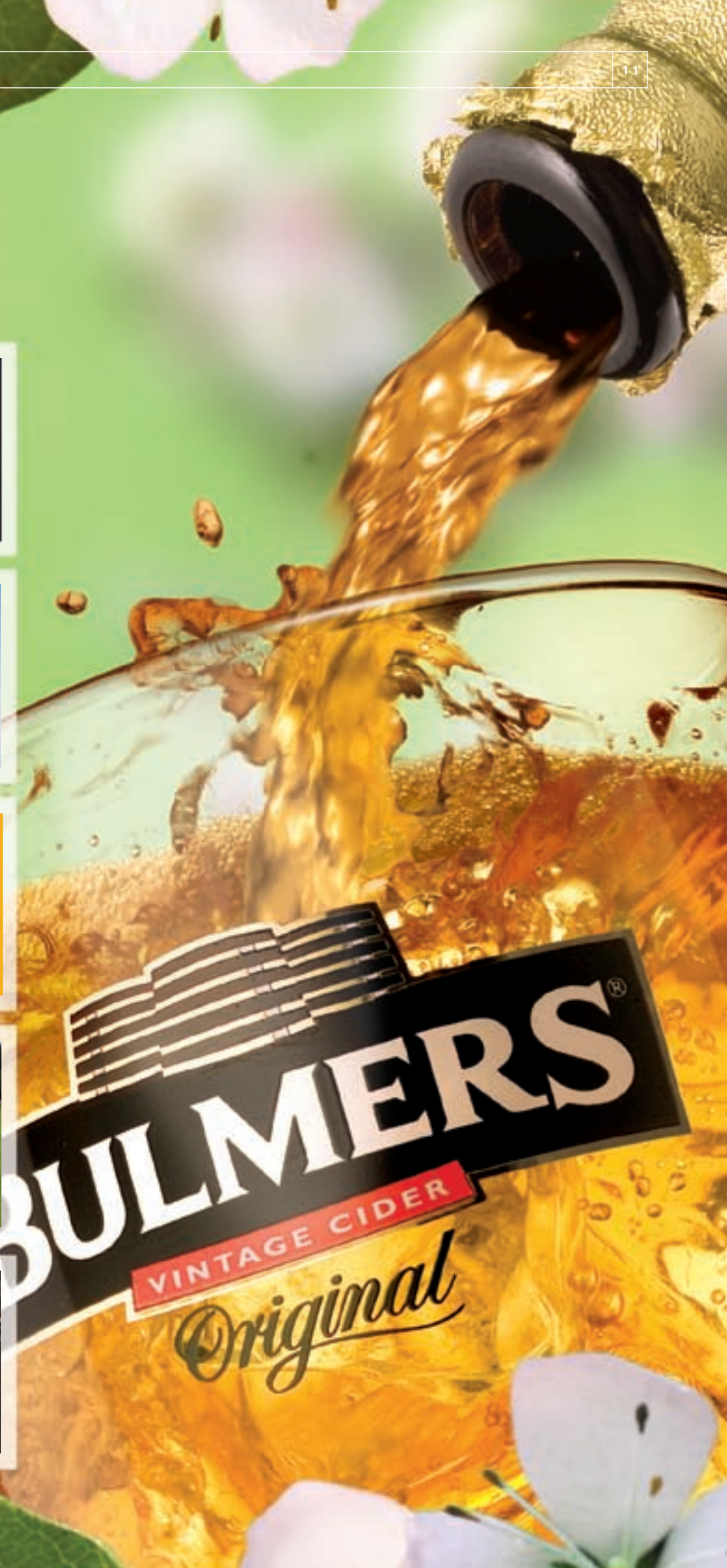
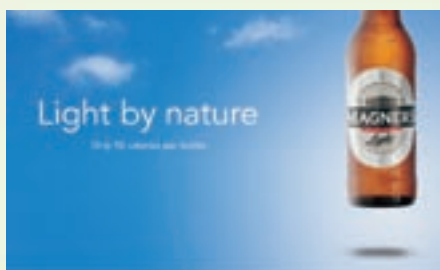
## Costs

Reflecting the high cost environment we operate in, we are being hit by a 15% increase in ingredients costs in 2008/09. Part of this increase is accounted for by growth in the cider category, which led to heavier demand for apples in 2007. We have increased our holdings of apple juice, which will give us the benefit of reduced apple requirements in 2008/09.

## Re-organisation

In the second half of the year, we conducted a root and branch review of our business. On 15 November 2007, we announced a redundancy programme across all levels of the company and, as a result, there was a reduction of 150 in the number of people employed, most of them at the Group's cider plant in Annerville, Clonmel. Annualised savings to the Group resulting from the reduction in the numbers employed amounts to €10 million and there was a once off cost of €15.6 million in implementing the redundancies.

We are now a single management structure within a Group Supply / Demand model. As part of the overall restructuring of our business, we strengthened our management presence and leadership in Great Britain through the appointment of John Holberry as Managing Director, Magners Great Britain. John has extensive experience in the drinks industry in Great Britain.



# Spirits & Liqueurs

Tullamore Dew enjoyed exceptional growth and showed exceptional potential for even further growth in 2008/09. Worldwide, whiskey - especially Irish whiskey - is increasing rapidly in popularity and Tullamore Dew has been moving faster and further than the overall category.

	Year ended 29 February 2008 €m	Year ended 28 February 2007 €m	Year ended 28 February 2007* €m	Growth Year-on-Year* %
Revenue	87.5	79.1	77.9	12.3
Operating Profit	15.8	17.7	16.7	(5.4)
Operating Margin %	18.1	22.4	21.4	

\*constant currency

## Tullamore Dew

Tullamore Dew is a star brand. In 2007/08, shipments volumes to the trade increased by 22% and growth in depletions, or sales into the market, is estimated at 19%. In a strongly developing market for whiskey worldwide, Tullamore Dew is growing even more strongly. It has consolidated a clear position as the number two Irish whiskey globally and number one in Central Europe.

Revenue in Spirits & liqueurs, at €87.5 million, represented a 12.3% increase on 2007. Operating Profit decreased by 5.4% to €15.8 million, while Operating Margin declined by 3.3 percentage points to 18.1%. The main factors influencing the decline in Operating Margin were a higher investment in marketing and an increase in the cost of cream for producing Carolans.

Last year saw a big increase in depletions in the United States where the volume of sales has almost doubled and continued strong growth is in prospect. Tullamore Dew appeals to younger consumers who value its smooth flavour derived from being a grain whiskey, with high malt content. In the American market, the provenance of whiskey is a significant deciding factor in consumer choice and in our advertising and marketing we leveraged the positive features of our Irish origin. For example, in our outdoor and press advertising, we used the catch line 'Born in Ireland, raised everywhere'.

The continued liberalisations of economies worldwide is leading to increased prosperity in many parts of the world outside our traditional markets. The growing middle classes in newly prospering countries are keen to adopt Western ways and products, not least whiskey. As a result, Tullamore Dew has enjoyed exceptional growth in Central and Eastern Europe.

There are many geographies where C&C Spirits & Liqueurs is the market leader in a particular category; for example, Irish whiskey in many parts of Europe and Frangelico in Spain. We believe there is potential to move sales forward through leveraging the success of our leading brand or product in a particular geography to encourage distributors to take on and actively promote the other brands in our portfolio, thus benefiting all of our products.

## Carolans

The cream liqueur sector is doing well. However, Carolans sales declined by 7% last year largely because of the effects of a price increase early in the year ahead of competition. This increase was necessary because the price of cream increased, as part of the worldwide increase in the price of dairy products.

## Frangelico

Frangelico is a premium hazelnut liqueur. It retained strong popularity in some markets, like the United States, Spain and the Canaries, and is growing strongly in Australia, but overall volume of sales was flat compared with the previous year.

## Irish Mist

Our Irish whiskey liqueur retained popularity in its main markets - the United States, Ireland and airport duty free.



*Give every man his Dew*

TULLAMORE DEW  
 ESTABLISHED 1829

**Tullamore Dew**

*The Legendary*

**IRISH WHISKEY**  
 A BLEND

DISTILLED, MATURED AND BOTTLED IN IRELAND

TULLAMORE DEW COMPANY LTD

TULLAMORE, CO. DUBLIN

PRODUCT OF IRELAND

40% ALC/VOL. 750ml  
(80 PROOF)

ESTD 1829

# Finance review

## Results for the year

C&C is reporting Operating Profit of €109.6 million and Basic Earnings per Share of 73.1 cent. Before exceptional items, Operating Profit amounted to €125.2 million, reflecting a decline of 37.3% on the previous period. This decline reflects a reduction in sales volumes in the Group's Cider division; increased marketing investment; and costs associated with the increased cider manufacturing capacity. These results are discussed in more detail and analysed by business sector in the Operations Review on pages 8 to 13.

As the Group has only a limited translation exposure and has a policy of hedging a large proportion of its Sterling and US Dollar net exposures, the sharp decline in the two currencies during 2007/08 did not have a material impact on the Group's reported operating profits. The average hedged rates for 2007/08 were Stg£:euro 0.68:1 (2007: 0.69:1) and USD:euro 1.28:1 (2007: 1.26:1).

## Exceptional items

The Group posted a net credit after tax of €131.6 million in relation to a number of non-recurring items that were classified as exceptional items for reporting purposes. These comprised:-

### Disposal of Soft drinks

On 29 August 2007, the Group completed the disposal of its Soft drinks business and related assets to Britvic plc, for a consideration of €246.6 million giving rise to an exceptional gain after tax of €137.4 million.

### Reorganisation and cost reduction programme

In November 2007, the Group announced a reorganisation and cost reduction programme resulting in a head count reduction of 150 people across the Group at an estimated cost of €15.6 million before taxation.

### Foreign exchange gain

A shortfall in expected Sterling revenues resulted in surplus Sterling forward contracts for 2007/08 and 2008/09, which were effectively cancelled during the financial year, giving rise to a gain of €9.1 million.

## Finance costs, income tax and shareholder returns

The interest rate payable on debt, with the benefit of hedging, averaged 4% for the year, which was in line with the average interest rate achieved for the year ended 28 February 2007.

As a result of the improvement in the Group's credit standing and the favourable conditions pertaining at the time in the syndicated bank lending market, the Group decided to refinance its bank facility during May 2007. The new debt facility is a committed €600 million revolving loan agreement, which is denominated in euro, subject to variable Euribor interest rates and is repayable on the fifth anniversary of the date of the agreement. The unamortised issue costs relating to the previous debt agreement of €1.9 million were written off to the income statement resulting in an increase of 2.7% to net financing costs before exceptional items.

The income tax charge in the year relating to continuing activities amounted to €11.9 million giving an effective tax rate of 10.8%, which compares with a corresponding rate in 2007 of 11.3%. The bulk of the Group's taxable profits arise in the Republic of Ireland, which accounts for the lower effective tax rate.

Subject to shareholder approval, the proposed final dividend of 15 cent per share will be paid on 16 July 2008 to ordinary shareholders registered at the close of business on 23 May 2008. The Group's full year dividend will therefore amount to 27 cent per share, which is unchanged on the prior year. A scrip dividend alternative will be available. The dividend payout represents 84% of profit before tax.

The Group invested €139.9 million in an on-market share buyback programme during the course of the year. The company purchased 17.7 million shares at an average price of €7.84. All shares acquired have been cancelled.

## Retirement benefit obligations

In compliance with IFRS, the net assets and actuarial liabilities of the various defined benefit pension schemes operated by Group companies, computed in accordance with IAS 19, have been included on the face of the Group balance sheet under retirement benefit obligations.

At 29 February 2008, the retirement benefit obligations on the IAS 19 basis amounted to €27.2 million gross and €24.3 million net of deferred tax (2007: €51.5 million gross and €42.8 million net of deferred tax).

The reduction in the retirement benefit obligations deficit predominantly arises as a result of the transferring of defined benefit pension obligations to Britvic plc on the disposal of the Soft drinks business. The positive effect of the increase in bond rates on the valuation of liabilities was offset by lower than expected returns on pension scheme assets and a revision in mortality assumptions, reflecting improved mortality rates.

During the year, the existing defined benefit pension schemes were closed to all new employees and a new hybrid pension arrangement containing both defined benefit and defined contribution elements was introduced with Union approval.



Table 1 – Cash flow summary

	2008	2007
	€m	€m
<b>Inflows</b>		
Operating profit <sup>(i)</sup>	130.8	216.4
Depreciation	20.3	21.4
EBITDA <sup>(i)</sup>	151.1	237.8
<b>Outflows</b>		
Working capital	12.2	(47.3)
Capital expenditure	(102.9)	(93.4)
Property disposals	-	14.0
Net finance costs	(12.6)	(13.9)
Tax paid	(9.2)	(24.4)
Exceptional items paid <sup>(iii)</sup>	(4.7)	-
Other	(1.9)	(1.7)
<b>Free cash flow</b>	<b>32.0</b>	<b>71.1</b>
Proceeds on disposal of subsidiaries	236.5	59.8
Proceeds from exercise of share options	5.9	2.0
Shares purchased under share buyback programme	(139.9)	-
Dividends paid in cash	(81.1)	(54.7)
<b>Reduction in net debt</b>	<b>53.4</b>	<b>78.2</b>
Net debt at beginning of year	305.4	383.1
Translation adjustment	2.1	-
Non cash movement	2.1	0.5
<b>Net debt at end of year</b>	<b>256.2</b>	<b>305.4</b>

- (i) EBITDA: Earnings before exceptional items, interest, tax, depreciation and amortisation
- (ii) Operating profit includes both continuing and discontinued operations and excludes exceptional items
- (iii) Exceptional items paid comprises costs paid on the reorganisation programme and cash received on settlement of a portion of the surplus Sterling forward contracts

### Cash generation

The Group generated Free Cash Flow before the disposal of the Soft drinks business of €32 million representing 21% of EBITDA<sup>(i)</sup> compared with 30% in the prior year. This decrease reflects the decline in Operating Profit, and an increase in net capital expenditure, partially offset by a reduction in working capital. A summary cash flow statement is set out in Table 1.

The cash inflow from working capital (excluding exceptional items) comprises a €24.4 million inflow from continuing operations and an €12.2 million outflow from discontinued operations. The inflow from continuing operations reflects the reduced

level of activity in the year. The outcome includes a significant reduction in finished goods stocks partially offset by an increase in the levels of apple juice stock.

Capital expenditure for the year was €102.9 million. This expenditure included a €97 million investment in the expansion of cider manufacturing capacity in Clonmel, which came on stream in May 2007. Following the expansion, the Group reviewed the expected useful life of production plant and machinery in light of the high specification of equipment installed and the forecast utilisation levels. The useful economic life of the majority

of the plant was increased from 10 to 13 years and the economic life of storage tanks was increased from 20 to 30 years. The effect of these changes on current and future profits is disclosed in note 12 to these financial statements.

Net proceeds from the disposal of the soft drinks business amounted to €236.5 million.

Total dividends declared to ordinary shareholders in the year amounted to €87.3 million of which €81.1 million was paid in cash while €6.2 million (7%) was settled by the issue of new shares.

# Finance review

## continued

### Key liquidity indicators

Although the fall in EBITDA has resulted in a reduction in some of the key liquidity indicators used to measure the financial position of the Group as shown in Table 2 below, the Group remains in a very strong position in relation to both its interest cover and Net debt/EBITDA ratios.

Interest cover remains very comfortable with the 2007/08 EBITDA/Net interest ratio of 11.9 times being more than three times the 3.5 times minimum provided in the Group's banking covenants; and the Net debt/EBITDA ratio of 1.7 times being significantly lower than the 3.5 maximum level specified in the aforementioned banking covenants.

The increased net debt to market capitalisation ratio is principally as a result of the significantly lower market capitalisation of the Group. Net debt reduced by €49.2 million to €256.2 million at the year end.

**Table 2 – Key liquidity indicators**

	2008	2007
	€m	€m
<b>Amounts</b>		
Market capitalisation at year end	<b>1,408</b>	3,820
EBITDA*	<b>151.1</b>	237.8
Net interest paid	<b>12.6</b>	13.9
Net debt	<b>256.2</b>	305.4
<b>Ratios</b>		
EBITDA /net interest	<b>12.0</b>	17.1
Net debt/EBITDA	<b>1.7</b>	1.3
Net debt as percentage of market capitalisation	<b>18.2%</b>	8.0%

\*EBITDA is before exceptional items

### Financial risk management

The financial risks that the Group is exposed to include interest rate movements and foreign currency exchange risks. The Board of Directors set the treasury policies and objectives of the Group, the implementation of which is monitored by the Audit Committee. Details of both the policies and control procedures to manage the financial risks involved are set out in detail in note 22 to the financial statements.

### Interest rate and debt management

The Group's debt is denominated in euro and is based on floating Euribor interest rates. It is Group policy to hedge an appropriate portion of this risk and at 29 February 2008 between 30% and 60% of forecasted net debt for the next 4 years had effectively been converted to fixed rates through the use of interest rate swap agreements.

The Group finished the year in a very strong financial position with undrawn committed facilities available to the Group amounting to €310 million and existing drawn facilities not maturing until May 2012. Under the terms of the banking agreement approximately €180 million, relating to the proceeds from disposals of the Soft drinks business, will be repaid and cancelled unless these proceeds are invested before the end of August 2008, twelve months from the date of disposal.

Also, with the cider capital expansion programme completed, capital expenditure is expected to be low for a number of years which will have a positive impact on free cash flow.

### Currency risk management

The Group has only a limited balance sheet translation exposure to fluctuations in exchange rates as the bulk of its net assets as well as its entire borrowings are denominated in euro. It is Group policy not to hedge this translation exposure. Currency transaction exposures arise mainly on Sterling and US Dollar revenue and the Group policy is to hedge an appropriate portion of this exposure for a period of up to 2 years ahead.

At 29 February 2008, approximately 95% of the forecasted net Sterling and approximately 86% of the forecasted US Dollar exposures have been hedged for the following 16 and 12 months respectively. This substantially insulates C&C from the adverse effect of the deterioration in the Sterling/Euro and USD/Euro exchange rates for the 2008/09 financial year.

The Group seeks to apply the cashflow hedge accounting model in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* to all interest rate swaps and forward currency contracts. The fair value of all outstanding derivatives at 29 February 2008 as calculated by reference to current market value amounted to a net asset of €27.4 million (2007: €1.8 million) and this has been included on the face of the balance sheet under "derivative financial assets" and "derivative financial liabilities". See note 22 of the financial statements for further details.

# Corporate Responsibility

Despite 2007/08 being a challenging year for the Group, we continued to make significant progress in how we react with our various internal and external stakeholders, notably in moving significantly towards a more environmentally sustainable way of operating, as well as strengthening our health and safety culture. This approach makes good business sense, even more so at a time of challenges in our marketplace, but it also underscores our long term fundamental commitment to continuous improvement in these areas of our activities.

## People

Our production facility at Annerville, Clonmel, is the most advanced and integrated cider making plant in the world. This achievement is down to our vision of what our business should be and down to the people who are making that vision happen. Innovation is a key dimension of how we do things. Across the extensive site, we have excellent buildings, efficient layouts, good work flows and great systems. But its success as a facility depends mostly on the quality of our people.

Annerville is more than just a combination of bricks, mortar and metal. The welfare of the people who work here is paramount as well. We have an extremely good track record in reducing our rate of accidents and injuries. Building on that, this year we were accredited to the internationally recognised health and safety standard, OHSAS 18001. This certification took us two years to achieve. It involved not just installing new systems, procedures and practices but – just as importantly – creating a mindset between workforce and managers that constantly puts health and safety at the centre of how we do our business.

Our policy is to achieve and maintain the appropriate internationally recognised standards governing all facets of our business. We have already achieved and are implementing the Quality Assurance standard ISO 9001, the Food Safety standard ISO 22000 and the Environmental Management Systems standard ISO 14001.

2007/08 was a difficult year for us on the employment front because of the circumstances we faced in the cider market. Our headcount was reduced by 150 and

we said farewell to people who had been with us for many years. We implemented a comprehensive support system for all of our employees to help them make the transition and it is a compliment to the way we work at Annerville that many of them have indicated that, should the conditions in the future allow it, they would be more than happy to return to employment with us.

At the same time, while managing our major rationalisation and redundancy programme to equip us to deal with the future challenges in our business, we introduced measures to improve and refine our performance management system. We resourced our new cider operations in Barcelona and Munich. Our business changed considerably during 2007/08 and we are determined to continue to drive change. We are on a journey to create a portfolio of internationally recognised alcoholic beverages and we are bringing our people on board with us. Our strategy is to attract the right people to work for us, people with potential, equip them and give them the support they need to perform and provide an employment environment that makes them wish to remain with us.

## Environment

Caring for our environment in a sustainable manner is common sense. We aim to minimise our impact on the wider environment by implementing carefully planned policies and continuous improvement initiatives. As an IPPC –licensed site we regard compliance with permitted emission levels as a minimum performance indicator. Running our business in ways that help the environment also makes commercial sense because it reduces medium term costs.

There is increasing awareness of the importance of reducing carbon footprints as part of a range of measures to counter climate change. In 2007/08, with external expertise, we measured our current carbon footprint. This exercise has given a base-line against which to plan to reduce our carbon footprint into the future and to help us develop a series of practical plans to achieve this outcome, in areas like orcharding, manufacturing, offices, transport and distribution.

Our facility at Annerville, Clonmel, is the most advanced and integrated cider making plant in the world.

# Corporate Responsibility

## continued

Cider making involves fermentation and CO<sub>2</sub> is a by-product of this process. A significant investment has been made to recover the CO<sub>2</sub> and, this will ultimately be used to carbonate our products. This has two gains: it cuts our purchases of CO<sub>2</sub> and reduces our carbon footprint.

Energy usage reduction is a key element in reducing our carbon footprint. To complete the suite of world-class operational standards that apply at Annerville, we signed an agreement with Sustainable Energy Ireland to work towards the achievement of Energy Standard IS 393. When we achieve this, we will be one of a small number of companies in Ireland certified to that level.

In November 2007, the Minister for the Environment, John Gormley TD, leader of the Green Party, was present at the official opening of the world's first ever 'cradle to grave' carbon neutral industrial building. Our new bottling hall houses three state-of-the-art bottling lines, capable of bottling fifty thousand bottles of cider every hour. The envelope of the building was constructed using carbon neutral materials, all of them traceable from manufacture to end-use and capable of being fully recycled whenever the building is decommissioned. To achieve full carbon neutrality, CO<sub>2</sub> emissions used in manufacturing the building materials were offset by equivalent savings in renewable energy and energy efficient projects elsewhere. These projects have social as well as environmental benefits for local communities in developing countries.

Water is a natural resource, which needs careful management so that supply and quality is sustained into the future for use by businesses and the wider community. In 2007/08, we established a protection programme for the water aquifers supplying Annerville and the wider community. This will help ensure future supply and quality water to all users in the locality.

Reduction of water usage is a key target, the achievement of which will be facilitated by the investment made in 2007/08 in equipment to track water usage throughout operations. Significant investment was also made in best-practice water attenuation systems designed to manage drainage of storm-water from the site.

Our development of the anaerobic wastewater treatment plant at Annerville exemplifies our innovative approach to process improvements. We completed the second part of this project in 2007/08. We recover all the site's wastewater to a single location where it is treated biologically. The resulting clean water eventually makes its way back to the nearby River Suir and an important by-product of the cleansing process is methane biogas, which we now use on site to fuel our boilers. This has resulted in savings on the amount of natural gas we need to purchase externally and has reduced our carbon footprint. Further benefits of the anaerobic technology are reduced operating energy costs and significantly less solid waste generation from the process.

We continue to set and achieve ambitious targets for reducing and recycling solid waste from our manufacturing plant, building on our previous success as a leading national Repak award winner in this sector.

We export millions of glass bottles of Magners, our main format being the pint bottle. In Ireland, our glass bottles have been re-usable for many years, but this is not the case in Great Britain. We looked at ways of reducing the weight of bottles for export and have begun the first phase of a programme to minimise glass weight while retaining robustness. This initiative not only reduces our own costs and carbon footprint but also that of our suppliers by reducing the raw material, energy and transport costs.

### Marketplace

Our marketplace in recent years has become increasingly complex. We sell considerable quantities of cider in diverse export markets and Tullamore Dew is the leading Irish whiskey in many overseas markets. Our strategy is based on reflecting consumers' changing tastes and needs and responding to these through product innovation, new forms of packaging and better marketing.

We export millions of glass bottles of Magners, our main format being the pint bottle.

Our products are made from natural ingredients, brewed or distilled with craft and care and backed by a time honoured heritage and tradition. Every time one of our products is consumed it is judged on its fine taste. They are premium products easily distinguishable by taste from their competition. We, therefore, invest much time and effort into product quality and assurance systems and operate these to world class standards.

Alcohol adds to the enjoyment of life when consumed sensibly. We support a number of public campaigns that encourage drinkers to be sensible. We are members of Mature Enjoyment of Alcohol in Society (MEAS), an independent body that campaigns on the issues of drink driving, under age drinking and binge drinking. We have long been members of the Cider Industry Council, whose main aim is to tackle under age drinking. We also worked closely with the Irish Spirits Association to create a marketing code of practice.

#### Community

At the moment many of our apples come from County Armagh, in Northern Ireland, and we continue to develop our concept of sourcing as much as possible of our apples from the island of Ireland. We do this for sound marketing and business reasons because it emphasises our cider's legitimate claim to naturalness, tradition and a distinctive sense of being original and Irish.

However, we are keen to increase the numbers of apples grown in our hinterland around the plant at Annerville. To encourage local farmers, a few miles from Clonmel, not far from the historic mountain of Slievenamon, we have planted 45 hectares of new orchards at Killurney. We have introduced a new technology for growing apples, called a fruit wall. Instead of using traditional trees, we grow the apples like grapes on a vine. The initial investment cost is higher but we get a crop within three years, compared with the traditional ten years.

Killurney is a way of showcasing to farmers the relative ease with which apples may be grown and harvested. We hope that more farmers in our hinterland, whether full-time or part-time will include apple growing in their enterprises, and thus access the good commercial returns that can be made. We provide long term contracts for growers that give them a greater degree of commercial certainty. Increased growing of apple trees is good for the environment because it reduces our carbon footprint. We are in discussion with the Department of Agriculture, Fisheries and Food about how we can progress this ambition further.

The loss of 140 jobs last year at Annerville was a serious blow to Clonmel and its environs. Bulmers, and increasingly Magners, is synonymous with Clonmel and south Tipperary and through our wage bill, purchasing and payment of taxes we are an enormous boost to the economy of the area. We still are. And the decisive action we took ensures that we will be into the future.

Despite those events, there is still enormous regional pride in our business as well as loyalty. With local support, we have put in place all the statutory planning permissions we require for any future developments under our Site Master Plan. We have invested in finishing the development works on our site to a very high standard and our road frontage at Annerville provides a striking introduction to Clonmel on one of the main roads into the town.

We continued our active involvement in the local community. We support Clonmel Chamber of Commerce, we donate to a number of local charities and our Annerville Awards are a popular and coveted acknowledgment of sporting achievement in County Tipperary.

Our products are made from natural ingredients, brewed or distilled with craft and care and backed by a time honoured heritage and tradition. Every time one of our products is consumed it is judged on its fine taste.

# Board of Directors



**Tony O'Brien\***  
Group Chairman

Tony O'Brien (71) became Group Chairman in January 2002, having been Chief Executive of the Group for the previous 21 years. He is a former non-executive director of CRH plc and is a former chairman of Anglo Irish Bank Corporation plc. He is also a past president of the Irish Business and Employers Confederation. He is currently Chairman of the Review Body on Higher Remuneration in the Public Sector.



**Maurice Pratt**  
Chief Executive Officer

Maurice Pratt (52) was appointed Chief Executive Officer in January 2002. He joined the Group from Tesco (Ireland) Limited where he had been Managing Director. He is a former non-executive director of Eircom Group plc. He is a non-executive director of Brown Thomas Group Limited and non-executive chairman of Bank of Scotland (Ireland) Limited. He is also a past president of the Irish Business and Employers Confederation.



**Brendan Dwan**  
Group Finance Director

Brendan Dwan (61) was appointed Chief Financial Officer in 1980 and Group Finance Director in 1999. A chartered accountant, he has worked for the Group since 1975.



**John Holberry**  
Managing Director – Magners GB

John Holberry (49) joined the Group in March 2008 as Managing Director, Magners GB. He joined the Group from Coors Brewers Limited where he had been Managing Director – Sales Operations. He had previously held a number of senior positions at Coors Brewers, Bass and Courage Limited.



**James Muldowney**  
Strategy & Development Director

James Muldowney (44) joined the Group in 2000 as Strategy and Development Director. Prior to this, he worked for General Electric Company in the US and McKinsey & Co. Inc.



#### John Burgess\*

John Burgess (57) became a non-executive Director of the Group in January 1999 following the leveraged buy-out of the Group by funds advised by BC Partners, and was re-appointed a non-executive director on flotation in April 2004. He joined BC Partners in 1986 as one of the founding partners and was a partner there until his retirement in 2006. Previously, he worked at Candover Investments, F&C Ventures and the Boston Consulting Group.



#### Liam FitzGerald\*

Liam FitzGerald (43) was appointed as a non-executive Director of the Group in April 2004. He has been a director of United Drug plc since 1996 and has served as its Chief Executive since 2000. Prior to this, he held senior marketing positions with Dimension Marketing Limited and Jefferson Smurfit Group plc.



#### John Hogan\*

John Hogan (67) was appointed as a non-executive Director of the Group in April 2004. He was Managing Partner of Ernst & Young in Ireland between 1994 and 2000 and was a member of its global board. He is currently a non-executive director of Abbey plc, Butterfield, Umbrella Funds plc, Prudential International Assurance plc, Sachsen LB Europe plc. and other private companies.



#### Richard Holroyd\*

Richard Holroyd (61) was appointed as a non-executive Director of the Group in April 2004. He is currently a non-executive director of Otto Weibel AG, Defence Support Group and is a member of the UK Competition Commission. He was previously the Managing Director of Colmans of Norwich and head of the global marketing futures department of Shell International.



#### Philip Lynch\*

Philip Lynch (62) was appointed as a non-executive Director of the Group in April 2004. He is Chief Executive and an executive director of One51 plc. He is also Chief Executive and an executive director of The Irish Agricultural Wholesale Society Limited, a non-executive director of Coillte Teoranta and FBD Holdings plc and is Chairman of the Educate Through Sport Foundation and Chairman of the National Paediatric Hospital Development Board.



#### Breege O'Donoghue\*

Breege O'Donoghue (64) was appointed as a non-executive Director of the Group in April 2004. She is an executive director of Penneys/Primark. She is a member of the Labour Relations Commission; a member of the Outside Appointments Board of the Code of Standards and Behaviour for the Civil Service; a member of the foundation of the National University of Ireland, Maynooth; and was previously a director of An Post and Aer Rianta.

\* non-executive

#### Board Committees

##### Audit Committee

John Hogan (Chairman)  
Liam FitzGerald  
(appointed 13 July 2007)  
Richard Holroyd

##### Nomination Committee

Tony O'Brien (Chairman)  
John Burgess  
Philip Lynch  
Breege O'Donoghue  
(appointed 13 July 2007)

##### Remuneration Committee

Philip Lynch (Chairman)  
Liam FitzGerald  
Richard Holroyd

## Directors' report

The Directors present their annual report and audited consolidated financial statements of the Group for the year ended 29 February 2008.

### Principal activities, business review and future developments

The Group's principal trading activities are the production, marketing and distribution of cider, spirits & liqueurs and the distribution of spirits and wine. It disposed of its soft drinks and Republic of Ireland wholesale businesses in August 2007.

The information to be included with respect to the review of the business and future developments as required by section 13 of the Companies (Amendment) Act 1986 is contained in the Operations Review on pages 8 to 13.

### Results

Gross revenue on a continuing basis at €679 million was 8.1% lower than 2007. Operating profit before exceptional items amounted to €125.2 million, a decrease of 37.3% on the previous year. Retained earnings for the year, including discontinued activities and exceptional items, were €234.9 million, an increase of 12.8% on the previous year.

Basic earnings per share amounted to 73.1c compared with 63.8c in the previous year. Diluted earnings per share from continuing operations amounted to 28.6c compared with 47.1c in the previous year.

The financial statements for the year ended 29 February 2008 are set out on pages 39 to 86.

### Dividends

An interim ordinary dividend of 12.0c per share (2007: 12.0c) was paid in December 2007. Subject to shareholder approval at the Annual General Meeting, it is proposed to pay a final ordinary dividend of 15.0c per share (2007: 15.0c) to shareholders who are registered at close of business on 23 May 2008.

### Directors, Secretary and their interests

Brendan McGuinness retired from the Board on 1 May 2008. James Muldowney retires from the Board on 11 July 2008.

John Holberry was appointed to the Board on 18 March 2008. He retires in accordance with the Articles of Association, and being eligible, offers himself for election.

John Burgess, John Hogan and Philip Lynch retire by rotation in accordance with the Articles of Association, and being eligible, offer themselves for re-election.

Information in relation to the beneficial and non-beneficial interests in the share capital of Group companies by the Directors and Secretary who held office at 29 February 2008 is contained within the Report of the Remuneration Committee on pages 30 to 35.

### Research and development

Certain of the Company's subsidiary undertakings are engaged in ongoing research and development aimed at improving processes and expanding product ranges. Further information in relation to product development is contained in the Operations Review on pages 8 to 13.

### Principal risks and uncertainties

Under Irish company law (Statutory Instrument 116.2005 European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005), the Group and Company are required to give a description of the principal risks and uncertainties which they face.

These principal risks are set out below:-

- The Group faces strong competition in its various markets and if it fails to compete successfully, market share and profitability may decline.
- Consumer preferences may change and demand for existing products may decline (as a result of poor weather or otherwise) or be replaced by other products which the Group does not produce, and as a result, sales volumes and profitability may be volatile or decline.
- The Group may be affected by changes in foreign currency exchange rates and interest rates.
- The Group may not be able to fulfil the demand for its products due to circumstances such as the loss of a production or storage facility or disruptions to its supply chain. This would adversely affect sales volumes and profitability.



- The Group may be adversely affected by government regulations including possible changes in excise duty on cider in the UK and Ireland and restrictions on alcohol advertising.
- The Group is subject to stringent environmental, health and safety and food safety laws and regulations which could result in increased compliance or remediation costs which would adversely affect profitability.
- The Group could be subject to accidental, natural or malicious contamination of its products, which could result in the recall of the Groups' products, damage to its brands and falls in demand for its products.

### Financial risk management

As required by Irish company law, (Statutory Instrument 765.2005) the financial risk management objectives and policies of the Company and the Group, including hedging activities and the exposure of the Company and the Group to financial risk are set out in the Finance Review on pages 14 to 16 and note 22 to the financial statements.

### Accounting records

The Directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at Group offices in Clonmel, Co. Tipperary.

### Post balance sheet events

There were no significant post balance sheet events.

### Political donations

No political donations were made by the Group during the year which require disclosure in accordance with the Electoral Acts, 1997 to 2002.

### Corporate governance

The Directors' Statement on Corporate Governance is set out on pages 25 to 29. The Report of the Remuneration Committee on Directors' Remuneration is set out on pages 30 to 35.

### Substantial holdings

As at 30 April 2008, the following shareholders have notified the Company as to their interest in 3% or more of the share capital of the Company.

Name	%
Deutsche Bank AG	3.21
FMR Corporation/ Fidelity International Limited	5.21
Fundamental Investors Inc.	5.11
Invesco plc	5.08
Irish Life Investment Managers	3.02
Janus Capital Management LLC	7.67
Morgan Stanley Investment Management Limited	9.81
Sky Investment Counsel Inc.	3.11

As far as the Company is aware, other than as stated above, no other person or company has an interest of more than 3% in the share capital of the Company.

### Share price

The price range of the Company's ordinary shares ranged between €3.67 and €12.72 during the year. The year-end share price was €4.50 (2007: €10.50).

### Auditor

In accordance with Section 160(2) of the Companies Act, 1963, the auditor, KPMG Chartered Accountants will continue in office.

## Directors' report continued

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### Purchase of own shares

At the Annual General Meetings held on 7 July 2006 and 13 July 2007, authority was granted to purchase up to 10% of the Company's ordinary shares. On 9 May 2007, the Company announced the introduction of a €150 million share buy back programme whereby any shares purchased would be cancelled. During the year, 17,658,000 shares, representing approximately 5.4% of the issued share capital of the Company, were re-purchased at a cost of €139.9 million and were immediately cancelled. The power to purchase a further 4.6% will expire at the Annual General Meeting in 2008.

Special resolutions will be proposed at this year's Annual General Meeting to renew the authority of the Company, or any of its subsidiaries, to purchase up to 10% of the Company's ordinary shares in issue at the date of the Annual General Meeting and in relation to the maximum and minimum prices at which Treasury Shares (effectively shares purchased and not cancelled) may be re-issued off-market by the Company. If granted, the authorities will expire on the earlier of the date of the Annual General Meeting in 2009 or 10 January 2010.

The minimum price which may be paid for shares purchased by the Company shall not be less than the nominal value of the shares and the maximum price will be 105% of the average market price of such shares over the preceding five days. Options to subscribe for a total of 4,571,365 Ordinary Shares are outstanding, representing 1.46% of the issued ordinary share capital. If the authority to purchase ordinary shares was used in full, the options would represent 1.62%.

The Directors will only exercise the power to purchase shares if they consider it to be in the best interests of the Company and its shareholders.

### Takeover Bids Directive

Details of the Company's capital structure can be found in note 23 to the financial statements on page 82. Details of Employee Share Schemes can be found in note 4 to the financial statements on page 56. Details of agreements to which the Company is party to, and which contain change of control provisions are contained in note 18, on page 67.

### Annual General Meeting

Your attention is drawn to the letter to shareholders and the notice of meeting enclosed with this report which sets out details of the matters which will be considered at the Annual General Meeting.

### On behalf of the Board

T. O'Brien  
Chairman

M. Pratt  
Chief Executive Officer

9 May 2008

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# Directors' statement of corporate governance

## Corporate governance

The Directors are committed to maintaining the highest standards of corporate governance. This statement sets out how the principles outlined in the 2006 Financial Reporting Council Combined Code on Corporate Governance (the "Code") have been applied by the Group.

## Board of Directors

### Role

The Board is responsible for the overall leadership and control of the Group. There is a formal schedule of matters reserved for the Board. This includes approval of Group strategic plans, annual budgets, financial statements, significant capital expenditure items, major acquisitions and disposals, changes to capital structure, Board appointments, review of the Group's corporate governance arrangements and system of internal control.

The roles of Chairman and Chief Executive are separate with a clear division of responsibility between them. The Board delegates responsibility for the management of the Group through the Chief Executive to executive management. The Board also delegates some of its responsibilities to Board Committees, details of which are set out below.

Individual Directors may seek independent professional advice at the Company's expense, where they judge it necessary to discharge their responsibilities as Directors.

The Group has a policy in place which indemnifies the Directors in respect of legal action taken against them.

## Membership

At 29 February 2008, the Board comprised of eleven directors, four executive and seven non-executive directors (including the Chairman). Since the year end, one executive director retired, and one executive director was appointed. Another executive director will retire on 11 July 2008, leaving the Board to comprise of ten Directors, three executive directors and seven non-executive directors. The Board considers that between them, the directors bring a range of skills, knowledge and experience necessary to lead the Group. Their biographical details are set out on pages 20 to 21.

It is Board policy that at least half the Board, excluding the Chairman, shall consist of independent non-executive directors.

All of the Directors bring independent judgement to bear on issues of strategy, performance, resources, key appointments and standards. The Board has determined that each of the non-executive Directors is independent. In reaching that conclusion, the Board considered the principles relating to independence contained in the Combined Code and the guidance provided by a number of shareholder voting agencies. Those principles and guidance address a number of factors that might appear to affect the independence of Directors, including former service as an executive, extended service to the Board and cross-directorships. However, they also make clear that a Director may be considered independent notwithstanding the presence of one or more of these factors. This reflects the Board's view that independence is determined by a Director's character, objectivity and integrity. Where relevant, the Board took account of these factors and in each case was satisfied that the Director's independence was not compromised.

## Chairman

Tony O'Brien has been Chairman of the Group since January 2002. The Chairman is responsible for the efficient and effective working of the Board. He is responsible for ensuring that the Board considers the key strategic issues facing the Group and that the Directors receive accurate, timely, relevant and clear information. He also ensures that there is effective communication with shareholders.

## Senior Independent Director

In accordance with best practice, the Board decided to rotate the position of Senior Independent Director. Therefore, on 13 July 2007, Richard Holroyd replaced Philip Lynch as Senior Independent Director. He is available to shareholders who have concerns, for which contact through the normal channels of Chairman, Chief Executive or Finance Director, has failed to resolve or for which such contact is inappropriate. He is also available to meet major shareholders on request.

## Company Secretary

The appointment and removal of the Company Secretary is a matter for the Board. All Directors have access to the Company Secretary who is responsible to the Board for ensuring that Board procedures are complied with.

## Terms of appointment

The non-executive Directors are engaged under the terms of a letter of appointment. Other than Tony O'Brien, each appointment is for an initial period of three years with each non-executive director normally expected to serve two three year terms. The term of Tony O'Brien's contract is not fixed but is terminable by the Company on twelve months' notice. A copy of the standard letter of appointment is available on request from the Company Secretary.

## Directors' statement of corporate governance *continued*

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### Retirement and re-election

At least one-third of Directors must retire at each annual general meeting and all Directors must submit themselves for re-election at least every three years. Directors appointed by the Board must submit themselves for election at the first annual general meeting following their appointment.

### Induction and development

All new directors are provided with extensive briefing materials on the Group's operations, management and governance structure. These include visits to Group businesses and briefings with senior management as appropriate. Ongoing briefings are also provided to all directors as required.

### Meetings

It is Board policy to meet not less than six times a year. The Board will also meet at other times as it considers appropriate. The Board makes at least one visit a year to one of the operating subsidiaries and the visit incorporates a scheduled Board meeting. In addition, the Board spends one day a year reviewing the Group's strategy. During the year under review, there were seven full meetings of the Board, excluding the strategy meeting. Details of each Directors' attendance at these meetings are set out in the table on page 29. In addition, at least one meeting a year provides an opportunity for non-executive directors and the Chairman to meet without the executive directors present, and a further one meeting a year provides an opportunity for the Senior Independent Director and the other non-executive directors to meet without the Chairman being present.

The Chairman sets the agenda for each meeting in consultation with the Chief Executive and Company Secretary. The agenda and Board papers, which provide the Directors with relevant information to enable them fully consider the agenda items in advance, are circulated prior to each meeting. Directors are encouraged to debate and constructively challenge all issues.

### Performance evaluation

The Board periodically reviews and appraises its own performance.

The Chairman conducts an annual review of corporate governance and the operation and performance of the Board and its Committees. He also conducts one to one discussions each year with each Director to assess his/her individual performance.

The Senior Independent Director and the other non-executive directors review the Chairman's performance each year.

### Remuneration

Details of remuneration paid to directors (executive and non-executive) are set out in the Report of the Remuneration Committee on pages 30 to 35.

### Share ownership and dealing

Details of Directors' shareholdings are set out on pages 34 to 35.

The Group has a policy on dealing in shares that applies to all Directors and senior management. This policy adopts the terms of the Model Code as set out in the Listing Rules published by the UK Listing Authority and the Irish Stock Exchange.

### Communications with shareholders

The Group attaches considerable importance to shareholder communication and has an established investor relations programme.

There has been regular dialogue with institutional investors and presentations at the time of the release of the preliminary and interim results announcements. Results announcements are sent out promptly to shareholders. Trading Statements are issued in August and February prior to each period end. Interim Management Statements are issued within the time frames specified under the Transparency Directive and this year were issued in July and January. The Board is briefed regularly on the views and concerns of institutional shareholders.

The Group's website [www.candcgroupplc.com](http://www.candcgroupplc.com) provides the full text of the annual report and financial statements and the interim report. News releases are also made available immediately after release to the Stock Exchange.

The Company's Annual General Meeting affords individual shareholders the opportunity to question the Chairman and the Board. The annual report and the notice of annual general meeting are sent to shareholders at least 20 working days before the meeting. At the meeting, after each resolution has been dealt with, details are given of the level of proxy votes lodged and the balance for and against that resolution.

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## Committees

The Board has established three permanent committees to assist in the execution of its responsibilities. These are the Audit Committee, the Nomination Committee and the Remuneration Committee. Ad-hoc committees are formed from time to time to deal with specific matters.

Each of the permanent Board committees has terms of reference under which authority is delegated to them by the Board. These terms of reference are available on request from the Company Secretary. Minutes of all Committee meetings are circulated to the entire Board.

The current membership of each committee is set out on page 21. Attendance at meetings held is set out in the table on page 29.

The Chairmen of each these committees attend the Annual General Meeting and are available to answer questions from shareholders.

### Audit Committee

The Audit Committee comprises only non-executive Directors. It meets a minimum of four times a year. During the year under review, it met ten times. Attendance at meetings held is set out in the table on page 29.

The Committee has determined that John Hogan is the Audit Committee financial expert.

The Finance Director attends Committee meetings as appropriate, while the external auditor attends as required and has direct access to the Committee Chairman.

The Committee's responsibilities include:

- monitoring the integrity and fairness of the financial statements of the Group, including the annual report, interim report, preliminary results and trading statements;
- reviewing the effectiveness of the Group's internal controls and risk management systems;
- maintaining and reviewing the effectiveness of the Group's internal audit function;
- making recommendations to the Board in relation to the appointment and removal of the Group's external auditor;
- evaluating the performance of the external auditor including their independence and objectivity;
- reviewing the annual internal and external audit plans;
- ensuring compliance with the Group's policy on the provision of non-audit services by the external auditor.

The Committee discharged its obligations during the year as follows:

- the Committee reviewed the pre-close trading statements issued by the Company in August and February;
- the Committee reviewed the Interim Results Report prior to its release in October;
- the Committee reviewed the Interim Management Statements issued in July and January;
- the Committee reviewed the external audit plan presented by the external auditor in advance of the audit;
- the Committee reviewed the preliminary results announcement, and the annual report and financial statements. It reviewed the post-audit report from the external auditors identifying the key accounting and judgemental issues requiring its attention;
- the Committee approved the annual internal audit plan;
- the Committee received reports from the Head of Internal Audit.
- the Committee considered whether or not to recommend the re-appointment of the external auditor.

The Group has a policy in place governing the conduct of non-audit work by the external auditors. Under this policy the auditor is prohibited from performing services where the auditor:

- may be required to audit his/her own work;
- participate in activities that would normally be undertaken by management;
- is remunerated through a "success fee" structure;
- acts in an advocacy role for the Group.

## Directors' statement of corporate governance *continued*

Other than the above, the Group does not impose an automatic ban on the external auditor undertaking non-audit work. The engagement of the external auditor in non-audit work must be pre-approved by the Committee or entered into pursuant to pre-approval policies and procedures established by the Committee.

Details of the amounts paid to the external auditor during the year for audit and other services are set out in note 2 to the financial statements on page 55.

### **Nomination Committee**

The Nomination Committee is chaired by the Group Chairman and its constitution requires it to consist of a majority of non-executive Directors. It meets a minimum of twice a year and has met twice in the period under review. Attendance at meetings held is set out in the table on page 29.

The Committee's responsibilities include:

- reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board and making recommendations regarding any changes in order to ensure that the composition of the Board and its Committees is appropriate to the Group's needs;
- overseeing succession planning for the Board and senior management;
- establishing processes for the identification of suitable candidates for appointment to the Board; and
- making recommendations to the Board on membership of Board Committees.

The Committee is empowered to use the services of independent consultants to facilitate the search for suitable candidates for appointment as non-executive Directors.

### **Remuneration Committee**

The Remuneration Committee comprises solely of non-executive Directors. It meets at least twice a year and has met four times in the period under review. Attendance at meetings held is set out in the table on page 29.

The Committee's responsibilities include:

- making recommendations to the Board on the Group's policy for executive remuneration;
- determining the remuneration of the executive Directors and senior management;
- monitoring the level and structure of remuneration for senior management and trends across the Group;
- reviewing the design of all share incentive plans;
- approving any grant of options under the Executive Share Option Plan and the Long Term Incentive Plan; and
- overseeing the preparation of the Report of the Remuneration Committee on Directors' Remuneration (see pages 30 to 35).

The Committee receives advice from leading independent firms of compensation and benefits consultants when necessary. The Chairman and Chief Executive are fully consulted about all remuneration proposals.

In the period under review, the Committee determined the salaries of the executive directors and senior management and the awards under the annual and long-term incentive plans. It reviewed the remuneration of management across the Group. It also approved the award of share options to the executive directors and management.

### **Corporate social responsibility**

Corporate social responsibility is embedded throughout the Group. Group policies and activities are summarised on pages 17 to 19, and are available on the Group's website [www.candcgroupplc.com](http://www.candcgroupplc.com).

### **Internal control**

The Board has overall responsibility for the Group's system of internal control, for reviewing its effectiveness and for confirming that there is a process for identifying, evaluating and managing the significant risks for the achievement of the Group's strategic objectives. This system of internal control can only provide reasonable, and not absolute, assurance against material misstatement or loss. The process which has been in place for the entire period accords with the Turnbull Guidance (revised guidance published in October 2005) and involves the Board considering the following:

- the nature and extent of the key risks facing the Group;
- the likelihood of these risks occurring;
- the impact on the Group should these risks occur; and
- the actions being taken to manage these risks to the desired level.

The risks facing the Group are reviewed regularly by management and the Audit Committee of the Board whose terms of reference require it to conduct an annual assessment of internal control.

In accordance with the process outlined above, the Board confirms that it has conducted an annual review of the effectiveness of the internal control systems in operation and it has approved the reporting lines to ensure the ongoing effectiveness of the internal controls and reporting structures.

The key elements of the internal control system in operation are as follows:

- clearly defined organisation structures and lines of authority;
- corporate policies for financial reporting, treasury and financial risk management, information technology and security, project appraisal and corporate governance;
- annual budgets and three year business plans for all operating units, identifying key risks and opportunities;
- monitoring of performance against budgets and reporting thereon to the Directors on a monthly basis;
- an internal audit function which reviews key business processes and controls; and
- an audit committee which approves plans and deals with significant control issues raised by internal or external audit.

### Compliance

The Group has complied with the Code during the period under review, save in the following respects:-

Brendan Dwan, who has been an employee of the Group for many years, has a service contract which pre-dates the Company's admission to listing in May 2004, and does not specify a notice period. It is therefore terminable on reasonable notice, which due to his length of service could extend beyond one year. Brendan McGuinness' contract specified a notice period of two years by the Company.

### Going concern

After making enquiries, the directors have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### Attendance at scheduled Board meetings and Board committee meetings during the period.

	Board		Audit Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
Tony O'Brien	7	7	-	-	2	2	-	-
John Burgess	7	6	-	-	2	1	-	-
Brendan Dwan	7	7	-	-	-	-	-	-
Liam FitzGerald	7	7	7	7	1	1	4	3
John Hogan	7	7	10	10	-	-	-	-
Richard Holroyd	7	7	10	10	-	-	4	4
Philip Lynch	7	4	-	-	2	2	4	4
Brendan McGuinness	7	7	-	-	-	-	-	-
James Muldowney	7	7	-	-	-	-	-	-
Breege O'Donoghue	7	7	3	3	1	1	-	-
Maurice Pratt	7	7	-	-	-	-	-	-

The 'A' columns represent the number of meetings held for which each individual director was entitled to attend, while the 'B' columns represent the number of meetings attended by each director.

## Report of the remuneration committee on Directors' remuneration

The Remuneration Committee of the Board, whose membership is set out on page 21, consists solely of non-executive directors. Its terms of reference include making recommendations to the Board in respect of the Group policy on executive and senior management remuneration; and the consideration and determination of the remuneration of the executive directors and senior management. It also oversees all employee share schemes. The Chairman and Chief Executive are fully consulted on remuneration proposals.

### Remuneration policy

The main aim of the Group's remuneration policy is to reward the Group's executive directors and senior management competitively, having regard to other comparable companies and the need to ensure that they are properly remunerated and motivated to perform in the best interests of shareholders. Performance related rewards, based on measured and stretching targets, are therefore an important component of remuneration packages.

The Remuneration Committee obtains external advice from independent firms of compensation and benefit consultants when necessary.

The main elements of the remuneration package for executive directors and senior management are basic salary and benefits, performance related annual bonus, pension benefits and share options. In addition, there are long-term incentive plans in place for executive directors and senior management.

### Basic salary and benefits

The salaries for executive directors are reviewed annually in January having regard to the job size, responsibility levels, personal performance and competitive market practice.

Benefits include a company car (or car allowance) and health insurance costs. No fees are payable to executive directors.

### Performance related annual bonus

The Group operates a performance related cash bonus scheme for executive directors and senior management. Payment of an annual bonus depends on the achievement of operating profit targets and personal goals. A percentage of the bonus is payable by reference to profit targets and the balance is payable by reference to individual performance criteria. The maximum annual bonus payable is up to 80% of basic salary for the Chief Executive and 70% for the other executive directors and senior management.

### Pensions

Pensions for executive directors and senior management are calculated on basic salary only and no incentive or benefit elements are included.

The executive directors participate in a defined benefit pension plan designed to provide a pension of two-thirds of pensionable salary on retirement with full service. Normal retirement age is 65. In addition, contributions are made to a defined contribution scheme on the excess of basic salary over pensionable salary. The difference arises from the capping of salary increases for defined benefit pension plan purposes to 5% per annum since 2005.

### Executive share option scheme

An executive share option scheme was established in May 2004. It is policy to grant options under this scheme to key executives across the Group to encourage identification with shareholders' interests. Options are granted solely at the discretion of the Remuneration Committee. Under the scheme rules, options cannot be granted to non-executive directors. The initial grant of options complied with institutional guidelines. In respect of grants since admission, the maximum grant that can normally be made to any individual in any one year is an award of 150% of salary in that year.

Options will not normally be exercisable until three years after the date of grant and are subject to meeting a specific performance target. This performance target requires the Group's earnings per share (before exceptional items) to increase by 5% in excess of the Irish Consumer Price Index over three years on a compound basis, in order for options to vest. If the performance target is not met after the relevant three year period, the options lapse.

Details of Directors' share options are set out on page 35.

The cost of the vesting of these awards is amortised over the vesting period to the extent that the Directors believe that the awards will vest.

### Long term incentive plans

A share-based Long Term Incentive Plan for executive directors and senior management was established at the time of the Group's admission to listing in May 2004. The nature and level of incentives available and the relevant performance criteria were not specified at the time, but following consultation with the Irish Association of Investment Managers ("IAIM") a plan has been introduced, the terms of which have met its approval.



Under the plan, awards of up to 60% of basic salary may be granted. Awards are in the form of nil-cost options over shares, based on the closing share price on the day before the grant date. For the shares to vest fully, total shareholder return must be in the top quartile of a comparator group over a three-year period. None of the award vests for below median performance. 30% of the award vests for median performance with straight-line pro-rating between the median and upper quartile. In addition to the total shareholder return condition, earnings per share growth (before exceptional items) must increase by 5% in excess of the Irish Consumer Price Index on a compound basis over the same three-year period. If both these conditions are not met at the end of the relevant period, the options lapse.

Details of Directors' interests in share options granted under the Long Term Incentive Plan are set out on page 35.

The cost of the vesting of these awards is amortised over the vesting period to the extent that the Directors believe that the awards will vest.

The Committee introduced a special cash-based long-term incentive plan for Brendan McGuinness in October 2005 and consequently he was not eligible to participate in the above share-based Long-Term Incentive Plan. While the Listing Rules generally require that any long-term incentive plan is approved by shareholders before it is adopted, the plan for Brendan McGuinness met the criteria under which this requirement did not apply. In addition, the IAIM was consulted regarding the principal terms of the plan.

The long-term incentive plan provided for a maximum €1 million cash payment, payable on meeting a performance condition based on a very stretching operating profit target for the Magners business in Great Britain for the period ended 29 February 2008. The Committee believed that the target if reached, would benefit all shareholders. Full payment would be made only if the target was reached. There was also a minimum target below which no payment would be made. The payment was non-pensionable.

The operating profit target set out under this long term incentive plan was met in the year ended 29 February 2008. Consequently, the plan vested in full and was approved for payment by the Remuneration Committee. The cost of this plan was recognised over the vesting period.

#### **Non-executive directors' remuneration**

The remuneration of the non-executive directors is determined by the Board of Directors as a whole. The Chairman is not involved in determining his own remuneration.

The fees paid to non-executive directors are set at a level which aims to attract individuals with the necessary experience and ability to make a significant contribution to the Group.

#### **Promoting all-employee share ownership**

The Group entered into an agreement in 2001 with trade unions representing the majority of its employees, which provided for an initial grant of free shares to eligible employees; the establishment of an approved save as you earn scheme; and the establishment of an approved profit sharing scheme, all after the completion of an initial public offering.

On admission, 9.4 million ordinary shares with an aggregate value of €21.3 million were issued to fulfil the Group's obligations under the free share arrangements. These shares were held by employee trusts approved by the Irish/UK Revenue but have now been distributed to employees as the relevant holding periods have expired.

A discretionary scheme was put in place for the year ended 28 February 2007. Under this scheme, due to exceptional earnings per share growth in that year, the Remuneration Committee and the Board have approved a share allocation of between 3% and 4% of basic salary remuneration to employees subject to a minimum allocation of €1,000 per employee. The cost which was reflected in the income statement for the year ended 28 February 2007 was €2.5 million. The Group purchased 189,061 shares during the current financial year and placed these shares in Irish/UK revenue approved employee trusts, where they are held for the benefit of each employee and where each employee has full voting rights and dividend entitlements. However employees face tax penalties should they dispose of the shares before the expiry of the holding period.

#### **Service contracts**

Group policy is to ensure that all future contracts will have notice periods of less than one year. Other than the service contracts of Brendan Dwan, whose contract has no specified notice period, and Brendan McGuinness, whose contract specified a two year notice period, there are no service contracts with notice periods in excess of twelve months.

#### **Directors' remuneration and interest in share capital**

Details of the overall Directors' remuneration charged to the Group Income Statement is shown in note 27 on page 85. Individual directors' remuneration and pension benefits for the year ended 29 February 2008 are given on page 33. Directors' share options and the interests of the Directors and Secretary in the share capital of the Company are shown on pages 34 to 35.

## Report of the remuneration committee on Directors' remuneration *continued*

### Directors' remuneration - 2007/08

	Basic Salary €000	Other Remuneration €000	Benefits in Kind €000	Annual Bonus €000	Long Term Incentive Plan €000	Pension Contributions €000	Total 2008 €000
<b>Executive Directors</b>							
Brendan Dwan	378	-	28	-	-	130	536
Brendan McGuinness	408	-	47	-	1,000	140	1,595
James Muldowney	292	-	26	-	-	103	421
Maurice Pratt	731	30	18	-	-	258	1,037
<b>Total</b>	<b>1,809</b>	<b>30</b>	<b>119</b>	<b>-</b>	<b>1,000</b>	<b>631</b>	<b>3,589</b>

### Average number of Executive Directors

4

	Basic Fees €000	Other Fees €000	Benefits in Kind €000	Total 2008 €000
<b>Non-Executive Directors</b>				
John Burgess	65	-	-	65
Liam FitzGerald	65	-	-	65
John Hogan	65	25	-	90
Richard Holroyd	65	7	-	72
Philip Lynch	65	20	-	85
Tony O'Brien	180	-	29	209
Breege O'Donoghue	65	-	-	65
<b>Total</b>	<b>570</b>	<b>52</b>	<b>29</b>	<b>651</b>

### Average number of Non-Executive Directors

7

Amounts charged in respect of equity settled share based employee benefits

480

### Total Directors' remuneration - 2007/08

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 4,720

**Directors' remuneration - 2006/07**

	Basic Salary €000	Other Remuneration €000	Benefits in Kind €000	Annual Bonus €000	Pension Contributions €000	Total 2007 €000	
<b>Executive Directors</b>							
Brendan Dwan	338	-	20	260	116	<b>734</b>	
Brendan McGuinness	363	-	38	280	124	<b>805</b>	
James Muldowney	269	-	19	196	94	<b>578</b>	
Maurice Pratt	638	29	17	566	226	<b>1,476</b>	
<b>Total</b>	<b>1,608</b>	<b>29</b>	<b>94</b>	<b>1,302</b>	<b>560</b>	<b>3,593</b>	
Average number of Executive Directors						4	
				Basic Fees €000	Other Fees €000	Benefits in Kind €000	Total 2007 €000
<b>Non-Executive Directors</b>							
John Burgess			60	-	-		<b>60</b>
Liam FitzGerald			60	-	-		<b>60</b>
John Hogan			60	20	-		<b>80</b>
Richard Holroyd			60	-	-		<b>60</b>
Philip Lynch			60	20	-		<b>80</b>
Tony O'Brien			176	-	21		<b>197</b>
Breege O'Donoghue			60	-	-		<b>60</b>
<b>Total</b>			<b>536</b>	<b>40</b>	<b>21</b>		<b>597</b>
Average number of Non-Executive Directors							7
Amounts charged in respect of equity settled share based employee benefits							<b>677</b>
<b>Total Directors' remuneration - 2006/07</b>							<b>4,867</b>

Executive directors' remuneration for the year ended 28 February 2007 has been adjusted to reflect bonuses accrued for the year rather than the bonuses paid in the year resulting in an increase of €140,000 in the amounts disclosed above.

# Report of the remuneration committee on Directors' remuneration *continued*

## Executive Directors' pension benefits

	Employer		Increase		Transfer		Total Accrued	
	Contributions 2008		in Accrued Pension		Value of Increase		Pension at Year End	
	DC Plan	DB Plan	2008	2007	2008	2007	2008	2007
	€000	€000	€000	€000	€000	€000	€000	€000
Brendan Dwan	22	108	8	7	150	150	197	182
Brendan McGuinness	25	115	9	8	159	160	234	217
James Muldowney	10	93	5	5	55	49	38	31
Maurice Pratt	28	230	13	13	211	91	79	63
<b>Total</b>	<b>85</b>	<b>546</b>	<b>35</b>	<b>33</b>	<b>575</b>	<b>450</b>	<b>548</b>	<b>493</b>

Other fees paid to John Hogan, Richard Holroyd and Philip Lynch, represent fees paid as Chairman of the Audit Committee, Senior Independent Director and Chairman of the Remuneration Committee respectively.

## Directors and their interests

The interests of the Directors and Secretary in the share capital of Group companies at the beginning of the year (or date of appointment, if later) and the end of the year were:

### Interests in C&C Group plc Ordinary shares of €0.01 each

	29-Feb 2008	28-Feb 2007
<b>Directors</b>		
John Burgess	98,727	-
Brendan Dwan	639,005*	639,005*
Liam FitzGerald	13,100	13,100
John Hogan	9,901	9,636
Richard Holroyd	3,105	-
Philip Lynch	60,572	30,289
Brendan McGuinness	1,209,146	1,209,146
James Muldowney	313,142	313,142
Tony O'Brien	1,700,000	1,700,000
Breege O'Donoghue	53,357	46,926
Maurice Pratt	1,013,718	1,010,658
<b>Total</b>	<b>5,113,773</b>	<b>4,971,902</b>

\* 450,000 are held non-beneficially at 28/02/2007 and 29/02/2008.

### Company Secretary

Noreen O'Kelly	135,500	135,500
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The Directors and Secretary have no beneficial interests in any of the Group's subsidiary undertakings.

Between 29 February 2008 and 30 April 2008, no transactions took place in the Directors' and Company Secretary's interests in the share capital of the Company.

**Interests in share options – Executive Share Option Scheme**  
**Share options over ordinary shares of €0.01 each in C&C Group plc**

	01-Mar-07	Granted during Year	29-Feb-08	Weighted Average Option Price
<b>Directors</b>				
Brendan Dwan	403,100	-	<b>403,100</b>	2.52
Brendan McGuinness	486,200	35,100	<b>521,300</b>	3.59
James Muldowney	343,600	-	<b>343,600</b>	2.51
Maurice Pratt	1,493,600	94,200	<b>1,587,800</b>	3.39
<b>Company Secretary</b>				
Noreen O'Kelly	210,900	-	<b>210,900</b>	2.56

**Analysis of outstanding share options granted under Executive Share Option Scheme**

Date of Grant	19-May-04	20-Jun-05	15-Jun-06	13-Jun-07	
Exercise Price	€2.26	€3.56	€6.52	€11.53	Total
<b>Directors</b>					
Brendan Dwan	322,200	80,900	-	-	<b>403,100</b>
Brendan McGuinness	340,800	85,400	60,000	35,100	<b>521,300</b>
James Muldowney	277,000	66,600	-	-	<b>343,600</b>
Maurice Pratt	1,104,500	246,400	142,700	94,200	<b>1,587,800</b>
	<b>2,044,500</b>	<b>479,300</b>	<b>202,700</b>	<b>129,300</b>	<b>2,855,800</b>
<b>Company Secretary</b>					
Noreen O'Kelly	162,300	48,600	-	-	<b>210,900</b>

Options granted at €2.26 in May 2004 are exercisable in the period from 15/05/2007 to 14/05/2011. Options granted at €3.56 in June 2005 are exercisable in the period from 20/06/2008 to 19/06/2012. Options granted at €6.52 in June 2006 are exercisable in the period from 16/06/2009 to 15/06/2013. Options granted at €11.53 in June 2007 are exercisable in the period 14/06/2010 to 13/06/2014.

**Interests in share options – Long Term Incentive Plan**  
**Share options over ordinary shares of €0.01 each in C&C Group plc**

	01-Mar-07	Granted during Year	Share Price at Grant Date	29-Feb-08
<b>Directors</b>				
Brendan Dwan	30,400	19,500	€11.53	<b>49,900</b>
James Muldowney	24,400	15,100	€11.53	<b>39,500</b>
Maurice Pratt	82,465	25,100	€11.53	<b>107,565</b>
<b>Company Secretary</b>				
Noreen O'Kelly	17,700	11,200	€11.53	<b>28,900</b>

**Analysis of outstanding share options granted under Long Term Incentive Plan**

Date of Grant	12-Jan-06	15-Jun-06	13-Jun-07	
Share Price at Grant Date	€5.53	€6.52	€11.53	Total
<b>Directors</b>				
Brendan Dwan	-	30,400	19,500	<b>49,900</b>
James Muldowney	-	24,400	15,100	<b>39,500</b>
Maurice Pratt	44,365	38,100	25,100	<b>107,565</b>
	<b>44,365</b>	<b>92,900</b>	<b>59,700</b>	<b>196,965</b>
<b>Company Secretary</b>				
Noreen O' Kelly	-	17,700	11,200	<b>28,900</b>

The above are nil cost options and are exercisable in the period from 12/1/2009 to 13/06/2010.

The market price of the Company's shares at 29 February 2008 was €4.50 and ranged during the year from €3.67 to €12.72.

## Statement of Directors' responsibilities

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The Directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law, the directors are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and have elected to prepare the Company financial statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Acts, 1963 to 2006.

The Group and Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group and Company; the Companies Acts, 1963 to 2006 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Acts, 1963 to 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

Under applicable law and the requirements of the Listing Rules issued by the Irish Stock Exchange, the Directors are also responsible for preparing a Directors' Report and reports relating to directors' remuneration and corporate governance that comply with that law and those Rules. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that, to the best of their knowledge and belief, that

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 29 February 2008 and of its profit for the year then ended; and
- the Directors' report includes a fair review of the development and performance of the business and the financial position of the Group, together with a description of the principal risks and uncertainties that it faces.

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### On behalf of the Board

**T. O'Brien**  
Chairman

**M. Pratt**  
Chief Executive Officer

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# Independent auditor's report to the members of C&C Group plc

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We have audited the Group and Company financial statements (the "financial statements") of C&C Group plc for the year ended 29 February 2008 which comprise the Group Income Statement, the Group Statement of Recognised Income and Expense, the Group Balance Sheet, the Group Cash Flow Statement, the Company Balance Sheet, the Company Cash Flow Statement, the Company Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditor**

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 36.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with IFRSs as adopted by the EU and, in the case of the Company, as applied in accordance with the provisions of the Companies Acts, 1963 to 2006, and have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation. We also report to you whether, in our opinion: proper books of account have been kept by the Company; at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company Balance Sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report. We review whether the Directors' Statement of Corporate Governance, including the Report of the Remuneration Committee on Directors' Remuneration, reflects the Company's compliance with the nine provisions of the 2006 Financial Reporting Council Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures. We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review, the Operations Review and the Finance Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

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# Independent auditor's report to the members of C&C Group plc *continued*

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## Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 29 February 2008 and of its profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Acts, 1963 to 2006, of the state of the Company's affairs as at 29 February 2008; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Company. The Company balance sheet is in agreement with the books of account.

In our opinion, the information given in the Directors' report on pages 22 to 24 is consistent with the financial statements.

The net assets of the Company, as stated in the Company balance sheet on page 43 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 29 February 2008 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.



Chartered Accountants  
Registered Auditor  
Dublin

9 May 2008

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# Group income statement

For the year ended 29 February 2008

	Notes	Year ended 29 February 2008			Year ended 28 February 2007		
		Before exceptional items €m	Exceptional items €m	Total €m	Before exceptional items €m	Exceptional items €m	Total €m
<b>Revenue</b>	1	<b>679.0</b>	-	<b>679.0</b>	738.5	-	738.5
Operating costs	2	<b>(553.8)</b>	<b>(15.6)</b>	<b>(569.4)</b>	(538.9)	(8.3)	(547.2)
<b>Operating profit</b>	1	<b>125.2</b>	<b>(15.6)</b>	<b>109.6</b>	199.6	(8.3)	191.3
Finance income	6	<b>2.1</b>	<b>9.1</b>	<b>11.2</b>	1.9	-	1.9
Finance expense	6	<b>(16.9)</b>	-	<b>(16.9)</b>	(16.3)	-	(16.3)
<b>Profit before tax</b>		<b>110.4</b>	<b>(6.5)</b>	<b>103.9</b>	185.2	(8.3)	176.9
Income tax expense	7	<b>(11.9)</b>	<b>0.7</b>	<b>(11.2)</b>	(20.9)	-	(20.9)
<b>Profit from continuing activities</b>		<b>98.5</b>	<b>(5.8)</b>	<b>92.7</b>	164.3	(8.3)	156.0
<b>Discontinued operations</b>							
Profit from discontinued operations	8	<b>4.8</b>	<b>137.4</b>	<b>142.2</b>	14.9	37.3	52.2
<b>Profit for the year attributable to equity shareholders</b>		<b>103.3</b>	<b>131.6</b>	<b>234.9</b>	179.2	29.0	208.2
Basic earnings per share (cent)	10			<b>73.1c</b>			63.8c
Diluted earnings per share (cent)	10			<b>72.6c</b>			62.9c
<b>Continuing operations</b>							
Basic earnings per share (cent)	10			<b>28.9c</b>			47.8c
Diluted earnings per share (cent)	10			<b>28.6c</b>			47.1c

## On behalf of the Board

**T. O'Brien**  
Chairman

**M. Pratt**  
Chief Executive Officer

# Group statement of recognised income and expense

For the year ended 29 February 2008

	Notes	2008 €m	2007 €m
<b>Income and expense recognised directly within equity:</b>			
Exchange difference arising on the net investment in foreign operations		(1.8)	0.2
Foreign currency reserve recycled to the income statement on disposal of foreign subsidiary		(0.5)	-
Net movement in cashflow hedge reserve	6	16.9	3.8
Deferred tax on cash flow hedges	20	(1.9)	(0.4)
Actuarial gains on defined benefit pension obligations	21	2.0	1.5
Deferred tax on actuarial gains on defined benefit pension obligations	20	(1.0)	0.5
<b>Total income and expense recognised directly in equity</b>		<b>13.7</b>	<b>5.6</b>
Profit for the year attributable to equity shareholders		<b>234.9</b>	<b>208.2</b>
<b>Recognised income and expense for the year attributable to equity shareholders</b>		<b>248.6</b>	<b>213.8</b>

**On behalf of the Board**

T. O'Brien  
Chairman

M. Pratt  
Chief Executive Officer

# Group balance sheet

As at 29 February 2008

	Notes	2008 €m	2007 €m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	11	394.7	426.9
Property, plant & equipment	12	227.1	212.4
Derivative financial assets	22	3.6	3.7
Deferred tax	20	2.9	8.7
		<b>628.3</b>	651.7
<b>Current assets</b>			
Inventories	14	78.8	97.8
Trade & other receivables	15	67.5	138.8
Derivative financial assets	22	25.7	2.3
Cash & cash equivalents		32.7	40.7
		<b>204.7</b>	279.6
<b>TOTAL ASSETS</b>		<b>833.0</b>	931.3
<b>EQUITY</b>			
Equity share capital	23	3.1	3.3
Share premium	23	44.9	32.8
Other reserves	23	43.5	33.1
Retained income	23	327.7	315.3
<b>Total equity</b>		<b>419.2</b>	384.5
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest bearing loans & borrowings	18	288.9	316.1
Derivative financial liabilities	22	1.3	-
Retirement benefit obligations	21	27.2	51.5
Provisions	17	0.7	1.3
Deferred tax	20	6.4	5.0
		<b>324.5</b>	373.9
<b>Current liabilities</b>			
Interest bearing loans & borrowings	18	-	30.0
Derivative financial liabilities	22	0.6	4.2
Trade & other payables	16	69.8	132.5
Provisions	17	12.0	-
Current income tax liabilities		6.9	6.2
		<b>89.3</b>	172.9
<b>Total liabilities</b>		<b>413.8</b>	546.8
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>833.0</b>	931.3

On behalf of the Board

T. O'Brien  
Chairman

M. Pratt  
Chief Executive Officer

# Group cash flow statement

for the year ended 29 February 2008

	2008 €m	2007 €m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year attributable to equity shareholders	234.9	208.2
Finance income	(11.2)	(1.9)
Finance expense	16.9	16.3
Income tax expense	12.0	23.0
Depreciation of property, plant & equipment	20.3	21.4
Profit on disposal of property, plant & equipment	-	(4.6)
Profit on disposal of subsidiaries, net of tax	(137.4)	(32.9)
Goodwill impairment	-	8.3
Charge for share-based employee benefits	1.2	4.3
Pension contributions paid less amount charged to income statement	(2.8)	(6.0)
	<b>133.9</b>	<b>236.1</b>
Increase in inventories	(0.5)	(43.5)
Decrease / (increase) in trade & other receivables	16.8	(31.4)
Increase in provisions	6.4	-
(Decrease)/increase in trade & other payables	(2.8)	27.6
	<b>153.8</b>	<b>188.8</b>
Interest received	2.3	1.9
Interest paid and similar costs	(14.9)	(15.8)
Settlement gain on derivative instruments (note 6)	2.9	-
Income tax paid	(9.2)	(24.4)
<b>Net cash inflow from operating activities</b>	<b>134.9</b>	<b>150.5</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant & equipment	(102.9)	(93.4)
Sale of property, plant & equipment	-	14.0
Proceeds on disposal of subsidiaries (note 8)	236.5	59.8
<b>Net cash inflow/(outflow) from investing activities</b>	<b>133.6</b>	<b>(19.6)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of share options	5.9	2.0
Bank loans repaid	(598.0)	(82.0)
New bank loans drawn down	540.0	-
Issue costs paid	(1.3)	-
Shares purchased under share buyback programme	(139.9)	-
Dividends paid	(81.1)	(54.7)
<b>Net cash outflow from financing activities</b>	<b>(274.4)</b>	<b>(134.7)</b>
Net decrease in cash & cash equivalents	(5.9)	(3.8)
Cash & cash equivalents at beginning of year	40.7	44.5
Translation adjustment	(2.1)	-
<b>Cash &amp; cash equivalents at end of year</b>	<b>32.7</b>	<b>40.7</b>

A reconciliation of cash & cash equivalents to net debt is presented in note 19 to the financial statements.

## On behalf of the Board

T. O'Brien  
Chairman

M. Pratt  
Chief Executive Officer

# Company balance sheet

As at 29 February 2008

	Notes	2008 €m	2007 €m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets	13	788.3	710.4
Trade & other receivables	15	391.3	-
Derivative financial assets	22	0.7	-
Deferred tax asset	20	8.1	-
		<b>1,188.4</b>	710.4
<b>Current assets</b>			
Trade & other receivables	15	-	95.6
Derivative financial assets	22	0.6	-
		<b>0.6</b>	95.6
<b>TOTAL ASSETS</b>		<b>1,189.0</b>	806.0
<b>EQUITY</b>			
Equity share capital		3.1	3.3
Share premium		746.8	734.7
Other reserves		2.7	5.5
Retained income		145.2	62.3
<b>Total equity</b>		<b>897.8</b>	805.8
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest bearing loans & borrowings	18	288.9	-
Derivative financial liabilities	22	1.3	-
		<b>290.2</b>	-
<b>Current liabilities</b>			
Derivative financial liabilities	22	0.6	-
Trade & other payables	16	0.4	0.2
		<b>1.0</b>	0.2
<b>Total liabilities</b>		<b>291.2</b>	0.2
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,189.0</b>	806.0

**On behalf of the Board**

**T. O'Brien**  
Chairman

**M. Pratt**  
Chief Executive Officer

# Company cash flow statement

For the year ended 29 February 2008

	2008 €m	2007 €m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	306.4	98.8
<b>Net cash inflow from operating activities</b>	<u>306.4</u>	<u>98.8</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Funding of cash requirements of subsidiary undertakings	(290.0)	-
<b>Net cash outflow from investing activities</b>	<u>(290.0)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Movement in loans with subsidiary companies	(90.0)	(44.1)
Proceeds from exercise of share options	5.9	
New bank loans drawn down	540.0	-
Bank loans repaid	(250.0)	-
Issue costs paid	(1.3)	-
Shares purchased under share buyback programme	(139.9)	-
Dividends paid	(81.1)	(54.7)
<b>Net cash outflow from financing activities</b>	<u>(16.4)</u>	<u>(98.8)</u>
<b>Net movement in cash &amp; cash equivalents</b>	<u>-</u>	<u>-</u>
<b>Cash &amp; cash equivalents at beginning and end of year</b>	<u>-</u>	<u>-</u>

## On behalf of the Board

T. O'Brien  
Chairman

M. Pratt  
Chief Executive Officer

# Company statement of changes in equity

For the year ended 29 February 2008

	Share Capital €m	Share Premium €m	Capital Redemption Reserve €m	Cashflow Hedging Reserve €m	Share-based Payment Reserve €m	Retained Earnings €m	Total €m
<b>Company</b>							
At 1 March 2006	3.3	722.5	0.3	-	1.7	29.6	757.4
Total recognised income and expense for the year	-	-	-	-	-	98.8	98.8
Dividend on ordinary shares	-	12.2	-	-	-	(66.9)	(54.7)
Transfer on exercise/lapse of share options	-	-	-	-	(0.8)	0.8	-
Equity settled share-based payments	-	-	-	-	4.3	-	4.3
At 28 February 2007	3.3	734.7	0.3	-	5.2	62.3	805.8
Total recognised income and expense for the year	-	-	-	(0.5)	-	306.4	<b>305.9</b>
Dividend on ordinary shares	-	6.2	-	-	-	(87.3)	<b>(81.1)</b>
Own shares acquired (note 23)	(0.2)	-	0.2	-	-	(139.9)	<b>(139.9)</b>
Exercised share options	-	5.9	-	-	-	-	<b>5.9</b>
Transfer on exercise/lapse of share options	-	-	-	-	(3.7)	3.7	-
Equity settled share-based payments	-	-	-	-	1.2	-	<b>1.2</b>
At 29 February 2008	<b>3.1</b>	<b>746.8</b>	<b>0.5</b>	<b>(0.5)</b>	<b>2.7</b>	<b>145.2</b>	<b>897.8</b>

## On behalf of the Board

T. O'Brien  
Chairman

M. Pratt  
Chief Executive Officer

## Statement of accounting policies

### Significant accounting policies

C&C Group plc (the 'Company') is a company tax resident and incorporated in Ireland. The Group's financial statements for the year ended 29 February 2008 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as "the Group").

The Company and Group financial statements, together the "financial statements", were authorised for issue by the Directors on 9 May 2008.

The accounting policies applied in the preparation of the financial statements for the year ended 29 February 2008 are set out below. These have been applied consistently for all periods presented in these financial statements.

### Statement of compliance

As required by European Union (EU) law, the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, which comprise standards and interpretations approved by the International Accounting Standards Board (IASB). The individual financial statements of the Company have been prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2006 which permits a Company that publishes its Company and Group financial statements together to take advantage of the exemption in section 148(8) of the Companies Act, 1963 from presenting its Company Income Statement which forms part of the approved Company financial statements.

IFRSs as adopted by the EU applied by the Company and Group in the preparation of these financial statements are those that were effective for accounting periods ending 29 February 2008. The following provides a brief outline of the likely impact on future financial statements of relevant IFRSs adopted by the EU, which are not yet effective and have not been early adopted in these financial statements:

- IFRS 8 *Operating Segments*, which is effective for annual periods beginning on or after 1 January 2009, sets out the requirements for disclosure of financial and descriptive information about an entity's operating segments in the Group financial statements, its products and services, the geographical areas in which it operates, and its major customers and will replace IAS 14 *Segment Reporting*. The impact of this standard has not yet been fully assessed.

### Basis of preparation

The Group and individual financial statements of the Company are prepared on the historical cost basis except for the measurement at fair value of derivative financial instruments. The accounting policies have been applied consistently by Group entities and for all periods presented. The financial statements are presented in euro millions to one decimal place.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Group and Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, relate primarily to accounting for defined benefit pension schemes (note 21), measurement of financial instruments (note 22), share-based payments (note 4) and goodwill impairment (note 11) and are documented in the relevant accounting policies and notes as indicated. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all subsidiaries. The financial year ends of all entities in the Group are coterminous.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control over the operating and financial decisions is obtained and cease to be consolidated from the date on which control is transferred out of the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities.

On 30 April 2004, the Group, previously headed by C&C Group International Holdings Limited, underwent a re-organisation by virtue of which C&C Group International Holdings Limited's shareholders in their entirety exchanged their shares for shares in C&C Group plc, a newly formed company, which then became the ultimate parent company of the Group. Notwithstanding the change in the legal parent of the Group, this transaction has been accounted for as a reverse acquisition and the consolidated financial statements are prepared on the basis of the new legal parent having been acquired by the existing Group.



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All inter-company balances and transactions, including recognised gains arising from inter-group transactions, have been eliminated in full. Unrealised losses are eliminated in the same manner as recognised gains, except to the extent that they provide evidence of impairment.

#### *Company Financial Statements*

Investments in subsidiaries are carried at cost less provision for impairment. Dividend income is recognised when the right to receive payment is established.

#### **Revenue recognition**

Revenue comprises the fair value of goods supplied to external customers exclusive of inter-company sales and value added tax, after allowing for discounts and other allowances. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, that it can be reliably measured, and that the significant risks and rewards of ownership of the goods have passed to the buyer. This is deemed to occur on delivery.

#### **Excise duty**

Excise duty is levied at the point of production in the case of the Group's manufactured products and at the point of importation in the case of imported products in the key jurisdictions in which the Group operates. The Group accounts for excise duties as a cost of the business and separately discloses this cost in operating costs.

#### **Exceptional items**

The Group has adopted an accounting policy and income statement format which seeks to highlight significant items of income and expense within Group results for the year. The Directors believe that this presentation provides a more helpful analysis as it highlights one off items. Such items may include significant restructuring costs, profits or losses on disposal or termination of operations, litigation costs and settlements, profit or loss on disposal of investments, significant impairment of assets and unforeseen gains/losses arising on derivative instruments. The Directors in assessing the particular items, which by virtue of their scale and nature are disclosed in the income statement and related notes as exceptional items, uses judgement.

#### **Research and development**

Expenditure on research that is not related to specific product development is recognised in the income statement as incurred.

Expenditure on the development of new or substantially improved products or processes is capitalised if the product or process is technically feasible and commercially viable.

#### **Discontinued operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations and has been disposed of or is held for sale. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the earliest period presented.

#### **Segment reporting**

A segment is a distinguishable component of the Group that is engaged in providing products (business segment) or in providing products within a particular economic environment (geographical segment), which is subject to risks and returns different to those of other segments. Supported by the Group's internal organisational and management structure and its system of internal financial reporting, segmentation by business is regarded as being the predominant source and nature of the risks and returns facing the Group and is thus the primary segment under IAS14 *Segment Reporting*. Geographical segmentation is therefore the secondary segment.

The analysis by segment includes both items directly attributable to a segment and those, including central overheads that can be allocated on a reasonable basis. Unallocated items comprise mainly retirement benefit obligations, borrowings and certain exceptional expense items.

#### **Foreign currency translation**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euro, which is the presentation currency of the Group and the functional currency of the Company.

Transactions in foreign currencies are translated into the functional currency of the entity at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets carried at historic cost are not subsequently retranslated. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into functional currencies at the foreign exchange rate ruling at that date. Foreign exchange movements arising on translation are recognised in the income statement.

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## Statement of accounting policies continued

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to euro at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to euro at the average exchange rate for the financial period. Foreign exchange movements arising on translation of the net investment in a foreign operation, including those arising on long term intra Group loans for which settlement is neither planned nor likely to happen in the foreseeable future, are recognised directly in equity in the foreign currency translation reserve through the statement of recognised income and expense.

Any movements that have arisen since 1 March 2004, the date of transition to IFRS, are recognised in the currency translation reserve and are recycled through the income statement on disposal of the related business. Translation differences that arose before the date of transition to IFRS as adopted by the EU in respect of all non-euro denominated operations are not presented separately.

### Goodwill

Goodwill is the excess of the consideration paid over the fair value of the identifiable assets, liabilities and contingent liabilities in a business combination and relates to the future economic benefits arising from assets, which are not capable of being individually, identified and separately recognised.

Goodwill arising on acquisitions prior to the date of transition to IFRS as adopted by the EU has been retained, with the previous Irish GAAP amount being its deemed cost, subject to being tested for impairment. Goodwill written off to reserves under Irish GAAP prior to 1998 has not been reinstated and will not be included in determining any subsequent profit or loss on disposal.

Goodwill on acquisitions is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the proportion of the cash-generating unit retained.

### Property, plant & equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses except for land, which is not depreciated. Certain items of property, plant and equipment that had been valued at fair value prior to the date of transition to IFRS as adopted by the EU are measured on the basis of deemed cost, being the revalued amount as at the date the revaluation was performed. Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group.

Property, plant and equipment is depreciated over its expected useful economic life on a straight line basis at the following rates:

Buildings	2%
Plant and machinery	6-10%
Motor vehicles	15%
Storage tanks	3.33%
Other equipment, incl. returnable bottles, cases and kegs	5-25%

The residual value and useful lives of property, plant and equipment are reviewed and adjusted if appropriate at each balance sheet date.

On disposal of property, plant and equipment the cost and related accumulated depreciation and impairments are removed from the financial statements and the net amount, less any proceeds, is taken to the income statement.

The carrying amounts of the Group's property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised when the carrying amount of an asset or its cash generation unit exceeds its recoverable amount (being the greater of fair value less costs of sale and value in use). Impairment losses are recognised in the income statement.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in acquiring the inventories and bringing them to their present location and condition and is based on the first-in first-out principle.

In the case of finished goods and work in progress, cost includes direct production costs and the appropriate share of production overheads plus excise duties where appropriate. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to complete the sale.

Provision is made for slow-moving or obsolete stock where appropriate.

### **Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at an appropriate rate.

### **Leases**

Where the Group has entered into lease arrangements on land and buildings the lease payments are allocated between land and buildings and each component is assessed separately to determine whether it is a finance or operating lease.

Finance leases, which transfer to the Group substantially all the risks and rewards to ownership of the leased asset, are recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement as part of finance costs.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

### **Retirement benefit obligations**

The Group operates a number of defined contribution and defined benefit pension schemes.

Obligations to the defined contribution pension schemes are recognised as an expense in the income statement as the related employee service is received. Under these schemes, the Group has no obligation, either legal or constructive, to pay further contributions in the event that the fund does not hold sufficient assets to meet its benefit commitments.

The liabilities and costs associated with the Group's defined benefit pension schemes, all of which are funded and administered under trusts which are separate from the Group, are assessed on the basis of the projected unit credit method by professionally qualified actuaries and are arrived at using actuarial assumptions based on market expectations at the balance sheet date. The discount rates employed in determining the present value of the schemes' liabilities are determined by reference to market yields at the balance sheet date on high-quality corporate bonds of a currency and term consistent with the currency and term of the associated post-employment benefit obligations. When the benefits of a defined benefit scheme are improved, the portion of the increased benefit relating to the past service of employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the enhanced benefits vest immediately, the related expense is recognised immediately in the income statement. The net surplus or deficit arising on the Group's defined benefit pension schemes is shown within either non-current assets or non-current liabilities on the face of the Group Balance Sheet. The deferred tax liabilities and assets arising on pension scheme surpluses and deficits are disclosed separately within deferred tax assets or liabilities, as appropriate.

The expected increase in the present value of scheme liabilities arising from employee service in the current or prior periods is recognised in arriving at operating profit or loss together with the expected returns on the scheme assets and the increase during the period in the present value of the scheme liabilities arising from the passage of time. Differences between the expected and the actual return on plan assets, experience gains and losses on scheme liabilities, together with the effect of changes in the current or prior assumptions underlying the liabilities are recognised in the statement of recognised income and expense.

The defined benefit pension asset or liability in the Group Balance Sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high-quality corporate bonds) less the fair value of plan assets (measured at bid value) out of which the obligations are to be settled directly.

## Statement of accounting policies *continued*

### *Company*

The Company has no direct employees and is not the sponsoring employer for any of the Group's defined benefit pension schemes. There is no stated policy within the Group in relation to the obligations of Group companies to contribute to scheme deficits. Group companies make contributions to the schemes as requested by the sponsoring employers.

### **Share-based payments**

The Group operates both an equity settled executive Share Option Scheme and an equity settled share-based Long Term Incentive Plan (the "LTIP"). Its policy in relation to the granting of share options together with the nature of the underlying market and non-market performance and other vesting conditions is addressed in the Report on Directors' Remuneration on pages 30 to 31 and in note 4 to the financial statements.

### *Equity settled share-based payment transactions*

Group share schemes allow employees to acquire shares in the Company. The fair value of share entitlements granted is recognised as an employee expense in the income statement with a corresponding increase in equity. Share options granted under the share option scheme are subject to non-market vesting conditions. Share entitlements granted by the Company under the LTIP are subject to both market and non-market vesting conditions. Market conditions are incorporated into the calculation of fair value at grant date. Non-market vesting conditions are not taken into account when estimating the fair value of entitlements as at the grant date. The expense for the share entitlements shown in the income statement is based on the fair value of the total number of entitlements expected to vest and is allocated to accounting periods on a straight line basis over the vesting period. The cumulative charge to the income statement is reversed only where entitlements do not vest because all non-market performance conditions have not been met or where an employee in receipt of share entitlements leaves the Group before the end of the vesting period. No reversal is recorded for failure to vest as a result of market conditions not being met.

The proceeds received by the Company on the vesting of share entitlements are credited to share capital and share premium when the share entitlements are exercised. Amounts included in the share based payments reserve are transferred to retained earnings when vested options are exercised, forfeited or lapse.

The Group has no exposure in respect of cash-settled share-based payment transactions and share-based payment transactions with cash alternatives as defined by IFRS 2 *Share-Based Payment*.

### **Tax**

#### *Current tax*

Current tax expense represents the expected tax amount to be paid in respect of taxable income for the current year. Current tax for the current and prior years, to the extent that it is unpaid, is recognised as a liability in the balance sheet.

#### *Deferred tax*

Deferred tax is provided on the basis of the balance sheet liability method on all temporary differences at the balance sheet date. Temporary differences are defined as the difference between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is recognised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are recognised for all temporary differences except where they arise from: -

- the initial recognition of goodwill or the initial recognition of an asset or a liability in a transaction that is not a business combination and affects neither the accounting profit or loss nor the taxable profit or loss at the time of the transaction, or,
- temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference is subject to the Group's control and it is probable that a reversal will not be recognised in the foreseeable future.

Deferred tax assets in respect of deductible temporary differences are recognised only to the extent that it is probable that taxable profits or taxable temporary differences will be available against which to offset these items. The carrying amounts of deferred tax assets are subject to review at each balance sheet date and are reduced to the extent that future taxable profits are considered to be inadequate to allow all or part of the deferred tax asset to be utilised.

Deferred tax and current tax are recognised as a component of the tax expense in the income statement except to the extent that they relate to items recognised directly in equity (for example, certain derivative financial instruments and actuarial gains and losses on defined benefit pension schemes), in which case the related tax is recognised in equity.

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## Financial instruments

### *Trade & other receivables*

Trade receivables, are recognised and carried at original invoice amount less an allowance for incurred losses. Provision is made when there is objective evidence that the Group will not be in a position to collect the associated debts. Bad debts are written off in the income statement on identification.

### *Cash & cash equivalents*

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### *Trade & other payables*

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, unless the maturity date is less than 6 months.

### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs and are subsequently measured at amortised cost with any difference between the amount originally recognised and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis. Where the refinancing of a loan results in a significant change in the present value of the expected cashflows, the original loan is de-recognised and the replacement loan is recognised at fair value.

### *Derivative financial instruments*

The Group uses derivative financial instruments (principally interest rate swaps and forward foreign exchange contracts) to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. The Group does not enter into speculative transactions.

Derivative financial instruments are measured at fair value at each reporting date. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into the account current interest and currency exchange rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles and equates to the quoted market price at the balance sheet date.

Gains or losses on re-measurement to fair value are recognised immediately in the income statement except where derivatives are designated and qualify for hedge accounting in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

Derivative financial instruments entered into by the Group are for the purposes of hedge accounting classified as cash flow hedges which hedge exposure to fluctuations in future cash flows derived from a particular risk associated with a recognised asset, liability, a firm commitment or a highly probable forecast transaction.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised as a separate component of equity with the ineffective portion being reported in the income statement. The associated gains or losses that had previously been recognised in equity are transferred to the income statement contemporaneously with the materialisation of the hedged transaction, except when a firm commitment or forecast transaction results in the recognition of a non-financial asset or a non-financial liability, in which case the cumulative gain or loss is removed from equity and included in the initial measurement of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for special hedge accounting. At that point in time, if the hedged transaction is still probable, any cumulative gain or loss on the hedging instrument recognised as a separate component of equity is kept in equity until the forecast transaction occurs with future changes in fair value recognised in the income statement. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement in the period.

## Share capital

Ordinary shares are classified as equity instruments. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from the gross proceeds.

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## Statement of accounting policies *continued*

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### *Own shares*

The cost of ordinary shares purchased by the Company on market is recorded as a deduction from retained earnings on the face of the Group and Company Balance Sheet. An amount equal to the nominal value of shares cancelled is included within the capital redemption reserve fund.

### *Dividends*

Final dividends on ordinary shares are recognised as a liability in the financial statements only after they have been approved at an annual general meeting of the Company. Interim dividends on ordinary shares are recognised when they are paid.

### **Company financial assets**

The change in legal parent of the Group on 30 April 2004 as disclosed in detail in that year's annual report was accounted for as a reverse acquisition. This transaction gave rise to a financial asset in the Company's accounts, which relates to the value of its investment in subsidiaries. Financial assets are reviewed for impairment if there are any indications that the carrying value may not be recoverable.

Share options granted to employees of subsidiary companies are accounted for as an increase in the carrying value of the investment in subsidiaries and the share-based payment reserve.

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# Notes

forming part of the financial statements

## 1 Segment reporting

Segmental revenue and operating profit information is presented below in respect of the Group's continuing business and geographical segments while the relevant information in relation to the Group's discontinued Soft drinks and Snacks business is set out in note 8. Segmental assets and liabilities for the full Group as at each year end are presented below. The primary format, business segments, is based on the Group's management and internal reporting structure and reflects the dominant source and nature of risks and returns arising from the Group's business.

The Group analyses its business into three main segments as follows: -

(i) Cider

This segment includes the Group's cider products, with Bulmers in the Republic of Ireland and Magners in all other markets being the two main brands involved.

(ii) Spirits & liqueurs

This segment consists of four brands; Tullamore Dew, Carolans Irish Cream, Frangelico Liqueur and Irish Mist Liqueur, all of which are owned by the Group and are marketed internationally.

(iii) Distribution

This segment relates to the distribution of wine and spirits and agency products in both the Republic of Ireland and Northern Ireland, and wholesaling to the licensed trade in Northern Ireland.

The analysis by segment includes both items directly attributable to a segment and those, including central overheads, that can be allocated on a reasonable basis. Unallocated items comprise mainly retirement benefit obligations, interest bearing loans & borrowings, derivative financial assets / liabilities, current income tax, deferred tax and certain exceptional expense items.

### Class of business analysis

	2008				2007			
	Revenue €m	Operating profit €m	Assets €m	Liabilities €m	Revenue €m	Operating profit €m	Assets €m	Liabilities €m
Cider	470.5	107.5	664.5	(55.4)	517.9	178.9	633.2	(68.2)
Spirits & liqueurs	87.5	15.8	74.1	(15.7)	79.1	17.7	72.2	(17.4)
Soft drinks	-	-	-	-	-	-	123.1	(31.6)
Distribution	121.0	1.9	29.5	(11.4)	141.5	3.0	47.4	(16.6)
<b>Total before unallocated items</b>	<b>679.0</b>	<b>125.2</b>	<b>768.1</b>	<b>(82.5)</b>	<b>738.5</b>	<b>199.6</b>	<b>875.9</b>	<b>(133.8)</b>
Unallocated items:								
Exceptional items (note 5)	-	(15.6)	-	-	-	(8.3)	-	-
Deferred tax	-	-	2.9	(6.4)	-	-	8.7	(5.0)
Current income tax	-	-	-	(6.9)	-	-	-	(6.2)
Derivative financial assets / (liabilities)	-	-	29.3	(1.9)	-	-	6.0	(4.2)
Retirement benefit obligations	-	-	-	(27.2)	-	-	-	(51.5)
Group net borrowings	-	-	32.7	(288.9)	-	-	40.7	(346.1)
	<b>679.0</b>	<b>109.6</b>	<b>833.0</b>	<b>(413.8)</b>	<b>738.5</b>	<b>191.3</b>	<b>931.3</b>	<b>(546.8)</b>

# Notes continued

forming part of the financial statements

## 1 Segment reporting (continued)

### Geographical analysis of revenue, assets and liabilities by country of operation

	2008			2007		
	Revenue €m	Assets €m	Liabilities €m	Revenue €m	Assets €m	Liabilities €m
Republic of Ireland	583.4	749.3	(70.8)	638.4	841.1	(121.1)
Rest of the world	95.6	18.8	(11.7)	100.1	34.8	(12.7)
Total before unallocated items	<b>679.0</b>	<b>768.1</b>	<b>(82.5)</b>	738.5	875.9	(133.8)

### Geographical analysis of revenue by country of destination

	2008 €m	2007 €m
Republic of Ireland	245.5	268.2
UK	336.4	381.6
Rest of Europe	54.0	45.6
North America	35.8	35.1
Rest of the world	7.3	8.0
Total	<b>679.0</b>	738.5

### Other segment information by class of business

	2008		2007		Goodwill impairment €m
	Capital expenditure €m	Depreciation €m	Capital expenditure €m	Depreciation €m	
Cider	89.2	14.8	91.2	10.5	-
Spirits & liqueurs	1.1	0.8	1.0	0.7	-
Distribution	-	0.1	0.2	0.2	8.3
Discontinued operations	2.0	4.6	8.2	10.0	-
	<b>92.3</b>	<b>20.3</b>	100.6	21.4	8.3

### Other segment information by country of operation

	2008		2007		Goodwill impairment €m
	Capital expenditure €m	Depreciation €m	Capital expenditure €m	Depreciation €m	
Republic of Ireland	92.0	19.8	99.6	20.3	8.3
Rest of the world	0.3	0.5	1.0	1.1	-
	<b>92.3</b>	<b>20.3</b>	100.6	21.4	8.3



## 2 Operating costs

	2008			2007		
	Before exceptional items €m	Exceptional items €m	Total €m	Before exceptional items €m	Exceptional items €m	Total €m
Raw material cost of goods sold	289.4	-	289.4	370.1	-	370.1
Inventory write-down	2.4	-	2.4	-	-	-
Excise duties	124.1	-	124.1	139.8	-	139.8
Employee remuneration (note 3)	85.4	15.6	101.0	105.3	-	105.3
Direct brand marketing	101.2	-	101.2	82.5	-	82.5
Other operating, selling and administration costs	51.5	-	51.5	67.0	-	67.0
Depreciation	20.3	-	20.3	21.4	-	21.4
Goodwill impairment charge	-	-	-	-	8.3	8.3
Research and development costs	0.4	-	0.4	0.6	-	0.6
Auditor remuneration:						
- audit services	0.4	-	0.4	0.4	-	0.4
- non audit services	0.1	-	0.1	0.1	-	0.1
Operating lease rentals:						
- plant and machinery	1.2	-	1.2	1.3	-	1.3
- other	2.6	-	2.6	4.3	-	4.3
	<b>679.0</b>	<b>15.6</b>	<b>694.6</b>	792.8	8.3	801.1
Allocated to discontinued operations	(125.2)	-	(125.2)	(253.9)	-	(253.9)
Total relating to continuing operations	<b>553.8</b>	<b>15.6</b>	<b>569.4</b>	538.9	8.3	547.2

## 3 Employee numbers & remuneration costs

The average number of persons employed by the Group (including executive directors) during the year, analysed by category, was as follows:

	2008 Number	2007 Number
Production	465	573
Sales & marketing	316	459
Distribution	297	519
Administration	138	180
<b>Total</b>	<b>1,216</b>	<b>1,731</b>

The actual number of persons employed by the Group as at 29 February 2008 was 821 (2007: 1,723).

The aggregate remuneration costs of these employees were:

	2008 €m	2007 €m
Wages, salaries and other short term employee benefits	70.6	83.3
Severance costs (note 5)	15.6	0.7
Social welfare costs	7.0	7.9
Retirement benefit obligations – defined benefit schemes (note 21)	5.8	8.6
Retirement benefit obligations – defined contribution schemes	0.8	0.5
Equity settled share-based payments (note 4)	1.2	4.3
Charged to the income statement	<b>101.0</b>	105.3
Actuarial gain on defined benefit pension schemes (note 21)	(2.0)	(1.5)
Total employee benefits	<b>99.0</b>	103.8

## Notes continued

forming part of the financial statements

### 4 Share-based payments

In May 2004, the Group established an equity settled executive share option scheme under which options to purchase shares in C&C Group plc are granted to certain executive directors and senior management. Under the terms of the scheme, the options are exercisable at the market price prevailing at the date of the grant of the option. The maximum grant that can normally be made to any individual in any one year is an award of 150% of salary in that year. Options were granted in May 2004, June 2005, June 2006 and June 2007 under this scheme.

Options will not normally be exercisable until three years after the date of grant and are subject to meeting a specific performance target. This performance target requires the Group's earnings per share (before exceptional items) to increase by 5% in excess of the Irish Consumer Price Index over three years on a compound basis, in order for options to vest. If after the relevant three-year period the performance target is not met the options lapse.

In January 2006, the Group established a Long Term Incentive Plan (LTIP) under the terms of which options to purchase shares in C&C Group plc are granted at nil cost to certain key executive employees. Options under this scheme were granted in January 2006, June 2006 and June 2007.

Under this plan, awards of up to 60% of basic salary may be granted. For the shares to vest fully, total shareholder return (TSR) must be in the top quartile of a comparator group over a three-year period. None of the award vests for below median performance. 30% of the award vests for median performance with straight-line pro-rating between the median and upper quartile. In addition to the total shareholder return condition, earnings per share growth (before exceptional items) must increase by 5% in excess of the Irish Consumer Price Index on a compound basis over the same three-year period. If at the end of the relevant period both these conditions are not met the options lapse.

The fair value assigned to the options granted were computed in accordance with the trinomial valuation methodology and the fair value of the LTIP options granted were computed in accordance with the stochastic model. As per IFRS 2 *Share-based Payment* market based vesting conditions, such as the LTIP TSR condition, have been taken into account in establishing the fair value of equity instruments granted, other non-market or performance related conditions were not taken into account in establishing the fair value of equity instruments granted, instead these non-market vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. The main assumptions used in the valuations were as follows: -

	LTIP options granted June 2007	Options granted June 2007	LTIP options granted June 2006	Options granted June 2006	LTIP options granted January 2006	Options granted June 2005	Options granted May 2004
Exercise price	€0.00	€11.53	€0.00	€6.52	€0.00	€3.56	€2.26
Risk free interest rate	n/a	4.33%	n/a	3.15%	n/a	3.0%	3.9%
Expected volatility	30.2%	25%	23.4%	25%	24%	25%	27%
Expected life	3.5 years	7 years	3.5 years	7 years	3.5 years	7 years	7 years
Dividend yield	2.5%	2.5%	2.5%	2.5%	5%	5%	5%

Expected volatility was based to the extent possible on an analysis of the historic volatility of C&C Group plc shares since listing on 30 April 2004 and other quoted companies on the Irish and London Stock Exchanges, reflecting the short trading history of the Group. Further details of the terms applicable to these option schemes are outlined in the report of the Remuneration Committee on pages 30 to 35.

#### 4 Share-based payments (continued)

Details of the shares and share options granted under these schemes are as follows:

Grant Date	Vesting period	Number of options granted	Outstanding at 29 Feb 08	Grant price €	Market value at grant date €	Fair value at grant date €	Expense in Income Statement	
							2008 €m	2007 €m
13 May 2004	3 years	4,914,900	2,379,800	2.26	2.26	0.49	0.1	0.8
20 June 2005	3 years	1,708,200	1,055,000	3.56	3.56	0.72	0.3	0.5
12 Jan 2006 (LTIP)	3 years	44,365	44,365	-	5.53	4.63	0.1	0.1
15 June 2006	3 years	846,900	564,000	6.52	6.52	1.24	0.5	0.3
15 June 2006 (LTIP)	3 years	127,600	127,600	-	6.52	4.48	0.2	0.1
13 June 2007	3 years	318,500	318,500	11.53	11.53	2.76	-	-
13 June 2007 (LTIP)	3 years	82,100	82,100	-	11.53	5.26	-	-
		<b>8,042,565</b>	<b>4,571,365</b>				<b>1.2</b>	<b>1.8</b>
APSS Scheme		<b>189,061</b>	-	11.39	11.39	11.39	-	2.5
Total		<b>8,231,626</b>	<b>4,571,365</b>				<b>1.2</b>	<b>4.3</b>

The amount charged to the income statement in respect of the above option grants assumes that all outstanding options granted during 2004, 2005 and 2006 will vest and all qualifying conditions will be achieved. Given that, in order for options to vest, the non-market performance target requires the Group's earnings per share (before exceptional items) to increase by 5% in excess of the Irish Consumer Price Index over three years on a compound basis, and that adjusted basic EPS for the year ended 29 February 2008 fell by 42% the Directors consider the likelihood of achieving the non-market vesting conditions for the 2007 options and LTIPs as remote and therefore it is currently assumed that no options granted during 2007 will vest.

The amount charged to the income statement includes an accelerated charge of €0.2m (2007: €0.1m in relation to the Snacks business) in relation to employees leaving the Group on the disposal of the Soft drinks business to Britvic plc. These employees were deemed 'good leavers' under the terms of the scheme, with all share options granted deemed to have vested and the exercise period reduced from 4 years to 6 months.

A summary of activity under the Group's share option schemes together with the weighted average exercise price of the share options is as follows:

	2008		2007	
	Number of options	Weighted average exercise price €m	Number of options	Weighted average exercise price €m
Outstanding at beginning of year	<b>6,787,265</b>	<b>3.02</b>	6,667,465	2.58
Granted	<b>400,600</b>	<b>9.17</b>	974,500	5.67
Exercised	<b>(2,354,900)</b>	<b>2.53</b>	(772,700)	2.59
Forfeited / lapsed	<b>(261,600)</b>	<b>6.52</b>	(82,000)	2.70
Outstanding at end of year	<b>4,571,365</b>	<b>3.61</b>	6,787,265	3.02

The number of share options exercisable at 29 February 2008 was 2,379,800 (2007: nil).

The unvested options outstanding at 29 February 2008 have a weighted average vesting period outstanding of 1.2 years. The weighted average contractual life of vested and unvested share options is 4.1 years.

The weighted average share price at date of exercise of all options exercised during the period was €8.84 (2007: €9.16).

In 2001, the Group entered into an agreement with trade unions representing the majority of its employees, which provided for the establishment of an approved save as you earn scheme and of an approved profit sharing scheme. A discretionary scheme was put in place for the year ended 28 February 2007. Under this scheme, due to exceptional earnings per share growth in that year, the Remuneration Committee and the Board approved and granted to employees shares to the value of between 3% and 4% of basic salary remuneration to employees subject to a minimum allocation of €1,000 per employee. The cost, which was reflected in the income statement in 2006/07, was €2.5m. The Group purchased 189,061 shares during the current financial year and placed these shares in Irish/UK Revenue approved employee trusts where they are held in trust on behalf of each employee and where each employee has full voting rights and dividend entitlements. However, tax penalties apply should the employees sell the shares before the vesting period expires. There is no allocation of shares under this scheme proposed for the current financial year. Participating employees to whom shares are awarded are entitled to all dividends declared and have full voting rights while the shares are held in the trusts.

## Notes continued

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### 5 Exceptional items

	2008 €m	2007 €m
Severance costs associated with Group restructuring	15.6	-
Gain on mark to market of derivative financial instruments	(9.1)	-
(Profit) on disposal of property, plant & equipment	-	(4.6)
(Profit) on disposal of subsidiary undertakings, net of tax	(137.4)	(32.9)
Impairment of goodwill	-	8.3
	<hr/>	<hr/>
Total	(130.9)	(29.2)
Allocated to discontinued operations	137.4	37.5
	<hr/>	<hr/>
Total relating to continuing operations	6.5	8.3

(a) Severance costs associated with Group restructuring

In November 2007, the Group announced a reorganisation and cost reduction programme with the objective of: reducing operating costs by realigning the cost structure to the current sales volumes base; strengthening the Great Britain commercial team; and streamlining the Group's organisational structure. This involved a head count reduction in the region of 150 people across the Group. The programme comprising severance and other employee related costs resulted in an exceptional cost before taxation of €15.6m.

(b) Gain on mark to market of derivative financial instruments

A shortfall in expected Sterling revenues resulted in surplus Sterling hedges in 2007/08 and 2008/09 that were effectively cancelled during the financial year giving rise to a gain of €9.1m. The gain was classified within exceptional items on the basis of its materiality and the unforeseen circumstances giving rise to it, (see note 6 for further details).

(c) Profit on disposal of property, plant & equipment

The profit on disposal of property, plant & equipment in the prior year related to the disposal of property in the Snacks business.

(d) Profit on disposal of subsidiary

On 29 August 2007, the Group completed the disposal of its Soft drinks division and related assets (Republic of Ireland Wholesaling) to Britvic plc, for a consideration of €246.6m, realising a profit after tax of €137.4m. During the prior year, the Group completed the disposal of its Snacks division for a gross consideration of €62.3m, realising a profit after tax of €32.9m (see note 8 for further details).

(e) Impairment of goodwill

The loss of distribution rights to the Fosters wine brands during the prior financial year, coupled with weaker demand for premium wines, and a reduced margin on Long Alcohol Drinks (LAD) agency brands, resulted in an impairment of goodwill in the Distribution segment and consequently the write off of €8.3m of the carrying value of goodwill attributed to this division.

The taxation implication of the exceptional items is: a credit of €0.7m to continuing activities in relation to both the gain on mark to market of the derivative financial instruments and the reorganisation costs associated with the Group restructuring; and a charge of €4.5m to discontinued operations in relation to Capital Gains Tax charged on the transfer of brands to Britvic plc on disposal of the Soft drinks business. The reported profit on disposal is net of this charge (2007: €0.2m included as a charge within discontinued operations relating to the disposal of property arising in the Snacks business).

## 6 Finance income and expense

	2008 €m	2007 €m
<b>Recognised in income statement</b>		
<i>Finance income:</i>		
Interest income on bank deposits	(2.1)	(1.9)
Gain on mark to market of derivative financial instruments arising on surplus sterling hedges (note 22)	(9.1)	-
Total finance income	(11.2)	(1.9)
<i>Finance expenses:</i>		
Interest expense on interest bearing borrowings	17.2	15.6
Issue costs written off on refinancing of debt	1.9	-
(Income)/expense arising on interest rate swaps designated as cash flow hedges against interest exposure	(2.0)	0.6
Ineffective portion of change in fair value of cash flow hedges	(0.2)	0.1
Total finance costs	16.9	16.3
Net finance expense	5.7	14.4
<b>Recognised directly in equity</b>		
Effective portion of changes in fair value of cash flow hedge	15.0	6.6
Fair value of cash flow hedges transferred to income statement	1.4	(2.8)
Fair value of cash flow hedges transferred to finance expenses on discontinuance of hedge accounting (note 22)	0.5	-
Foreign currency translation differences for foreign operations	(1.8)	0.2
Net finance income recognised directly in equity	15.1	4.0

## 7 Income tax expense

	2008 €m	2007 €m
<b>(a) Analysis of charge in year recognised in income statement</b>		
<i>Current income tax expense:</i>		
Irish corporation tax	9.0	20.0
Foreign corporation tax	2.6	2.5
Adjustment in respect of previous years	(0.7)	0.7
Total current income tax	10.9	23.2
<i>Deferred tax expense:</i>		
Irish	1.2	(0.5)
Foreign	(0.1)	0.3
Total deferred tax	1.1	(0.2)
Total income tax expense recognised in income statement	12.0	23.0
Allocated to discontinued operations	(0.8)	(2.1)
Total relating to continuing operations	11.2	20.9
The tax assessed for the year is lower than that calculated at the standard rate of corporation tax in the Republic of Ireland as explained below.		
	2008 €m	2007 €m
Profit before tax	103.9	176.9
Profit from discontinued operations	5.6	21.4
Profit on disposal of Soft drinks/Snacks business	141.9	32.9
	251.4	231.2

## Notes continued

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### 7 Income tax expense (continued)

	2008 €m	2007 €m
Tax at standard rate of corporation tax in the Republic of Ireland of 12.5%	31.4	28.9
Actual tax charge is affected by the following:		
Expenses not deductible for tax purposes	1.0	1.6
Adjustments in respect of prior years	(0.7)	0.7
Differences in effective tax rates on overseas earnings	0.9	1.6
Manufacturing relief	(2.4)	(5.1)
Non taxable income (incl. disposal of subsidiary undertakings)	(17.7)	(4.1)
Other differences	(0.5)	(0.6)
	<hr/>	<hr/>
Total income tax expense	12.0	23.0

#### (b) Deferred tax liability/(asset) recognised directly in equity

Deferred tax arising on movement in defined benefit pension obligations	1.0	(0.5)
Deferred tax arising on movement in derivatives designated as cashflow hedges	1.9	0.4
	<hr/>	<hr/>
	2.9	(0.1)

#### (c) Factors that may affect future charges

Manufacturing relief in Republic of Ireland is due to expire on 31 December 2010.

### 8 Discontinued operations

On 15 August 2007, the Group received unconditional approval from the Irish Competition Authority to sell its Soft drinks business to Britvic plc. The business was deemed to be 'held for sale' from this date. The sale was completed on 29 August 2007. In the prior year, on 21 September 2006, the Group completed the disposal of its Snacks business. In line with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, depreciation was not charged on property, plant & equipment held in these businesses from the date the assets were classified as 'held for sale' and the businesses are presented as discontinued operations for all periods presented and are shown separately from continuing operations.

#### Results of discontinued operations

	Soft drinks Date of Disposal €m	Soft drinks & Snacks 28 February 2007 €m
Revenue	130.8	270.7
Expenses	(125.2)	(253.9)
Exceptional items	-	4.6
	<hr/>	<hr/>
Results from discontinued operations before tax	5.6	21.4
Income tax expense	(0.8)	(2.1)
	<hr/>	<hr/>
Results from discontinued operations	4.8	19.3
Gain on sale of discontinued operations	141.9	32.9
Capital gains tax arising on sale of discontinued operations	(4.5)	-
	<hr/>	<hr/>
Profit from discontinued operations (net of income tax)	142.2	52.2

#### Discontinued operations – exceptional items

	2008 €m	2007 €m
(Profit) on disposal of property, plant & equipment	-	(4.6)
Taxation effect on exceptional items	-	0.2
	<hr/>	<hr/>
	-	(4.4)

## 8 Discontinued operations (continued)

### Cash flows from discontinued operations

	2008 €m	2007 €m
Net cash from operating activities	(0.8)	34.0
Net cash from investing activities	234.5	4.3
Net cash from financing activities	(20.0)	(23.0)
Net cash inflow from discontinued operations	213.7	15.3
Depreciation	4.6	10.0
Capital expenditure	(2.0)	(8.2)

### Effect of disposal on financial position of the Group

	Soft drinks 2008 €m	Snacks 2007 €m
Property, plant & equipment	57.1	0.9
Goodwill	32.2	26.7
Inventories	18.5	0.9
Trade & other receivables	52.2	6.4
Deferred tax assets/(liabilities)	3.0	(0.1)
Trade & other payables	(50.3)	(7.3)
Provisions	(0.6)	(0.6)
Retirement benefit obligations	(19.0)	-
Foreign currency reserve de-recognised on disposal	(0.5)	-
Net assets and liabilities disposed of	92.6	26.9
Consideration receivable	246.6	62.3
Costs of disposal payable	(12.1)	(2.5)
Net proceeds receivable	234.5	59.8
Profit arising on disposal before tax	141.9	32.9
Tax payable	(4.5)	-
Profit arising on disposal after tax	137.4	32.9

Costs of disposal payable shown above includes an allowance for costs not yet paid relating principally to work to be completed on property assets transferred.

## 9 Dividends

	2008 €m	2007 €m
<b>Dividends paid</b>		
Final: paid 15.0c per ordinary share in July 2007 (2007: 8.5c paid in July 2006)	49.2	27.7
Interim: paid 12.0c per ordinary share in December 2007 (2007: 12.0c paid in December 2006)	38.1	39.2
Total equity dividends	87.3	66.9
Settled as follows:		
Paid in cash	81.1	54.7
Scrip dividend	6.2	12.2
	87.3	66.9

The Directors have proposed a final dividend of 15.0 cent per share (2007: 15.0 cent), which is subject to shareholder approval at the AGM, giving a total dividend for the year of 27.0 cent per share (2007: 27.0 cent).

Dividends declared after the balance sheet date are not recognised as a liability at the balance sheet date.

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### 10 Earnings per ordinary share

	2008 €m	2007 €m
Earnings as reported	234.9	208.2
Adjustments for exceptional items net of tax (note 5)	(131.6)	(29.0)
	<b>103.3</b>	<b>179.2</b>
	Number '000	Number '000
Number of shares at beginning of year	327,569	325,204
Shares issued in lieu of dividend	727	1,592
Shares issued in respect of options exercised	2,355	773
Own shares purchased and cancelled	(17,658)	-
<b>Number of shares at end of year</b>	<b>312,993</b>	<b>327,569</b>
Weighted average number of ordinary shares (basic)	321,229	326,517
Adjustment for the effect of conversion of options	2,361	4,609
Weighted average number of ordinary shares, including options (diluted)	<b>323,590</b>	<b>331,126</b>
<b>Basic earnings per share</b>	Cent	Cent
Basic earnings per share	73.1	63.8
Adjusted basic earnings per share	32.2	54.9
<b>Diluted earnings per share</b>		
Diluted earnings per share	72.6	62.9
Adjusted diluted earnings per share	31.9	54.1
<b>Continuing operations</b>	€m	€m
Earnings from continuing operations as reported	92.7	156.0
Adjustments for exceptional items net of tax (note 5)	5.8	8.3
Earnings from continuing operations as adjusted for exceptional items net of tax	<b>98.5</b>	<b>164.3</b>
<b>Basic earnings per share</b>	Cent	Cent
Basic earnings per share	28.9	47.8
Adjusted basic earnings per share	30.7	50.3
<b>Diluted earnings per share</b>		
Diluted earnings per share	28.6	47.1
Adjusted diluted earnings per share	30.4	49.6
<b>Discontinued operations</b>	€m	€m
Earnings from discontinued operations as reported	142.2	52.2
Adjustments for exceptional items net of tax (note 5)	(137.4)	(37.3)
Earnings from discontinued operations as adjusted for exceptional items net of tax	<b>4.8</b>	<b>14.9</b>
<b>Basic earnings per share</b>	Cent	Cent
Basic earnings per share	44.2	16.0
Adjusted basic earnings per share	1.5	4.6
<b>Diluted earnings per share</b>		
Diluted earnings per share	44.0	15.8
Adjusted diluted earnings per share	1.5	4.5



## 10 Earnings per ordinary share (continued)

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period of the year that the options were outstanding.

The issue of certain shares in respect of employee share options is contingent upon the satisfaction of specified performance conditions in addition to the passage of time. In accordance with IAS 33 *Earnings per Share*, these contingently issuable shares (totalling 400,600 at 29 February 2008 and nil at 28 February 2007) are excluded from the computation of diluted earnings per share where the vesting conditions would not have been satisfied as at the end of the reporting period.

## 11 Goodwill

Goodwill is analysed by business segment as follows:-

	Cider €m	Spirits & liqueurs €m	Soft drinks/ Snacks €m	Distribution €m	Total €m
Cost					
At 1 March 2006	345.1	49.6	58.9	8.3	<b>461.9</b>
Impairment charge recognised in the year	-	-	-	(8.3)	<b>(8.3)</b>
Disposal of Snacks business (note 8)	-	-	(26.7)	-	<b>(26.7)</b>
At 28 February 2007	345.1	49.6	32.2	-	<b>426.9</b>
Disposal of Soft drinks business (note 8)	-	-	(32.2)	-	<b>(32.2)</b>
<b>At 29 February 2008</b>	<b>345.1</b>	<b>49.6</b>	<b>-</b>	<b>-</b>	<b>394.7</b>

The goodwill within each business segment is further allocated to a number of individual cash generating units (CGUs) for the purposes of impairment testing. Goodwill is subject to impairment testing on an annual basis. No impairment losses were recognised by the Group in the current financial year.

Impairment testing is carried out for each CGU by comparing the carrying value of goodwill to its recoverable amount (generally its current value-in-use).

The cash flow forecasts employed for the value-in-use computations are based on budgeted figures for the first year, and cash flow is then projected forward for the following fourteen years based on assumed growth for each business averaging 3% per annum.

The discount factors applied to future cash flows of each CGU ranged from 9% to 12% as deemed appropriate.

The disposal of the Soft drinks business in August 2007 resulted in de-recognition of goodwill of €32.2m. In the prior year, the disposal of the Snacks business in September 2006 resulted in de-recognition of goodwill of €26.7m and the loss of the distribution rights to the Fosters wine brands, together with a reduced margin on Long Alcohol Drinks (LAD) agency brands resulted in the de-recognition of the €8.3m carrying value of goodwill attributed to this segment.

The impairment testing carried out on the remaining goodwill in the balance sheet at 29 February 2008 relating to both the Cider and Spirits & liqueurs businesses identified very significant headroom in the recoverable amount of the related CGUs as compared to their carrying value. No reasonable adjustments to the assumptions underlying the impairment testing models applied would result in any foreseeable risk of an impairment charge arising.

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### 12 Property, plant & equipment

	Land & buildings €m	Plant & machinery €m	Motor vehicles & other equipment €m	Total €m
<b>Group</b>				
<b>Cost</b>				
At 1 March 2006	56.3	117.4	77.6	251.3
Additions	14.0	80.2	6.4	100.6
Reclassification	(11.8)	11.8	-	-
Disposals	-	-	(0.2)	(0.2)
Disposal of Snacks business	(0.2)	(0.1)	(2.6)	(2.9)
At 28 February 2007	58.3	209.3	81.2	348.8
Additions	19.7	69.2	3.4	92.3
Currency retranslation	(0.1)	-	(0.1)	(0.2)
Disposal of Soft drinks business	(28.7)	(56.1)	(54.6)	(139.4)
<b>At 29 February 2008</b>	<b>49.2</b>	<b>222.4</b>	<b>29.9</b>	<b>301.5</b>
<b>Depreciation</b>				
At 1 March 2006	4.5	57.2	55.5	117.2
Charge for the year	1.1	13.1	7.2	21.4
Disposals	-	-	(0.2)	(0.2)
Disposal of Snacks business	-	(0.1)	(1.9)	(2.0)
At 28 February 2007	5.6	70.2	60.6	136.4
Charge for the year	1.1	14.3	4.9	20.3
Disposal of Soft drinks business	(4.1)	(34.8)	(43.4)	(82.3)
<b>At 29 February 2008</b>	<b>2.6</b>	<b>49.7</b>	<b>22.1</b>	<b>74.4</b>
<b>Net book value</b>				
<b>At 29 February 2008</b>	<b>46.6</b>	<b>172.7</b>	<b>7.8</b>	<b>227.1</b>
At 28 February 2007	52.7	139.1	20.6	212.4

No depreciation is charged on land, which had with a book value of €2.6m at 29 February 2008 (28 February 2007: €3.9m).

#### Change in classification

During the previous financial year, the Group reclassified assets that were under construction at 28 February 2006 more appropriately as Plant & Machinery.

#### Change in estimates

During the year, the Group's investment in the expansion of its cider manufacturing capacity came on stream. Following the expansion, the Group reviewed its expected pattern of consumption of the future economic benefits embodied in these assets in light of the high specification of equipment installed and forecast utilisation levels. This review resulted in an increase in the estimation of the expected useful economic life of the manufacturing plant, some processing equipment and juice storage tanks to better reflect the consumption of future economic benefits.

The useful economic lives of the manufacturing plant and storage tanks was increased from 10 to 13 years, and 20 to 30 years respectively.

The Group also assessed the carrying value of its assets for indications of impairment and concluded that the recoverable value of all assets is in excess of their carrying amounts.

## 12 Property, plant & equipment (continued)

The effect of these changes in useful economic lives on depreciation expense in relation to assets in use at 1 March 2007 in the current and future periods is as follows: -

	2008 €m	2009 €m	yrs 3-10 €m	yrs 10-15 €m	later €m
Manufacturing plant and storage tanks depreciation reduction / (increase)	2.0	2.0	7.1	(4.5)	(6.6)

## 13 Financial assets

### Company

*Equity investment in subsidiary undertakings at cost*

	2008 €m	2007 €m
At beginning of year	710.4	706.1
Capital contribution impact of interest free funding loans	76.7	-
Capital contribution in respect of share options granted to employees of subsidiary companies (note 4)	1.2	4.3
<b>At end of year</b>	<b>788.3</b>	<b>710.4</b>

The fair value adjustment to amounts receivable from subsidiary companies and represents the value of notional interest arising on interest free loans. This amount has been accounted for as an increase in the value of financial assets.

The total expense of €1.2m attributable to employee share options granted to employees of subsidiary undertakings has been included as a capital contribution in financial assets.

In the opinion of the Directors, the shares in the subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet. Details of subsidiaries are set out in note 28.

## 14 Inventories

	2008 €m	2007 €m
<b>Group</b>		
Raw materials and consumables	55.1	47.4
Finished goods & goods for resale	23.7	50.4
<b>Total inventories at lower of cost and net realisable value</b>	<b>78.8</b>	<b>97.8</b>

During the year, inventory write-down recognised as an expense within operating costs amounted to €2.4m (2007: €nil). This principally represented finished goods damaged in a third party warehouse.

## 15 Trade & other receivables

	Group		Company	
	2008 €m	2007 €m	2008 €m	2007 €m
<i>Amounts falling due within one year</i>				
Trade receivables	56.5	118.5	-	-
Prepayments	11.0	18.0	-	-
VAT recoverable	-	2.3	-	-
Amounts due from Group undertakings	-	-	-	95.6
	<b>67.5</b>	138.8	-	95.6
<i>Amounts falling due after one year</i>				
Amounts due from Group undertakings	-	-	391.3	-
	<b>67.5</b>	138.8	<b>391.3</b>	95.6

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### 15 Trade & other receivables (continued)

The aged analysis of trade receivables analysed between amounts that were neither past due nor impaired and amounts past due at 29 February 2008 and 28 February 2007 were as follows:-

Group	Gross	Impairment	Gross	Impairment
	2008	2008	2007	2007
	€m	€m	€m	€m
Neither past due nor impaired	49.2	-	94.5	-
<i>Past due</i>				
Past due 0-30 days	4.7	(0.1)	12.6	-
Past due 31-120 days	3.9	(1.2)	12.6	(1.2)
More than one year	0.3	(0.3)	0.6	(0.6)
	<b>58.1</b>	<b>(1.6)</b>	120.3	(1.8)

Trade receivables are on average receivable within 45 days of the balance sheet date, are unsecured and are not interest-bearing. The movement in the allowance for impairment in respect of trade receivables during the year was as follows:-

Group	2008	2007
	€m	€m
At beginning of year	1.8	1.5
Recovered during the year	(0.4)	-
Provided during the year	1.0	0.9
De-recognised on disposal	(0.1)	(0.1)
Written off during the year	(0.7)	(0.5)
<b>At end of year</b>	<b>1.6</b>	<b>1.8</b>

#### Company

The Company has guaranteed the liabilities of all its subsidiary companies incorporated in the Republic of Ireland. As at 29 February 2008, the Directors consider these to be in the nature of insurance contracts and do not consider it probable that the Company will have to make a payment under these guarantees and as such accounts for them as a contingent liability (note 26).

### 16 Trade & other payables

	Group		Company	
	2008	2007	2008	2007
	€m	€m	€m	€m
Trade payables	26.8	53.6	-	-
Payroll taxes & social security	1.3	1.2	-	-
VAT	1.3	-	-	-
Excise duty	6.5	9.2	-	-
Accruals	33.9	68.5	0.4	0.2
	<b>69.8</b>	132.5	<b>0.4</b>	0.2

The Group's exposure to currency and liquidity risk related to trade & other payables is disclosed in note 22.

## 17 Provisions

	Group	
	2008 €m	2007 €m
At beginning of year	1.3	1.9
Provided during the year	12.1	0.2
Utilised during the year	(0.1)	(0.2)
Disposal of Soft drinks / Snacks business	(0.6)	(0.6)
<b>At end of year</b>	<b>12.7</b>	<b>1.3</b>
Current	12.0	-
Non-current	0.7	1.3
	<b>12.7</b>	<b>1.3</b>

During the year ended 29 February 2008, the Group has provided against severance costs arising from the Group reorganisation, dilapidation costs on the properties disposed of as part of the disposal of the Soft drinks business and waste management costs arising from its sales of Magners in the UK market, together with the Group's exposure to employee and third party insurance claims. Under the terms of employer's and public liability insurance policies, the Group bears a portion of the cost of each claim up to the specified excess. The provision is calculated based on the expected portion of settlement costs to be borne by the Group in respect of specific claims arising before the balance sheet date.

## 18 Details of borrowings

### Maturity analysis

#### Group and Company

	Payable by	Repayable	Total
	instalment	other than by	
	2008	instalment	2008
	€m	2008	€m
<b>Non-current</b>			
3-4 years	-	288.9	288.9
	<b>-</b>	<b>288.9</b>	<b>288.9</b>
<b>Group</b>			
	Payable by	Repayable	Total
	instalment	other than by	
	2007	instalment	2007
	€m	2007	€m
<b>Current</b>			
0-1 year	30.0	-	30.0
	30.0	-	30.0
<b>Non-current</b>			
1-2 years	30.0	-	30.0
3-4 years	-	286.1	286.1
	30.0	286.1	316.1
	<b>60.0</b>	<b>286.1</b>	<b>346.1</b>

Unamortised issue costs of €1.1m (2007: €1.9m) have been netted against outstanding bank loans and are being amortised to the income statement on an effective interest rate basis.

The Company had no borrowings as at 28 February 2007.

## Notes continued

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### 18 Details of borrowings (continued)

#### Borrowing facilities

The Group manages its borrowing ability by entering into committed borrowing agreements. During the financial year, the Group re-negotiated its debt facility and repaid all amounts owing under the previous bank facility. The new debt facility is a committed revolving loan agreement, which is denominated in euro, repayable on the fifth anniversary of the date of the agreement (8 May 2012) and is subject to variable Euribor interest rates. The debt is guaranteed by a number of the Group's subsidiary undertakings as outlined in note 28. During the year, unamortised issue costs of €1.9m relating to the previous debt facility were written off to the income statement. The Group's banking facilities allow it to repay debt early without incurring additional charges or penalties. This facility is repayable in full on change of control of the Group. The undrawn committed facilities available to the Group as at 29 February 2008 amounted to €310m.

Further information about the Group's exposure to interest rate, foreign currency and liquidity risk is disclosed in note 22.

### 19 Analysis of net debt

	28 February 2007 €m	Translation adjustment €m	Cash flow €m	Non-cash changes €m	29 February 2008 €m
<b>Group</b>					
Interest bearing loans & borrowings	346.1	-	(59.3)	2.1	<b>288.9</b>
Cash & cash equivalents	(40.7)	2.1	5.9	-	<b>(32.7)</b>
	305.4	2.1	(53.4)	2.1	<b>256.2</b>
Interest rate swaps (note 22)	(3.2)	-	(2.2)	6.0	<b>0.6</b>
	<b>302.2</b>	<b>2.1</b>	<b>(55.6)</b>	<b>8.1</b>	<b>256.8</b>

	28 February 2006 €m	Cash flow €m	Non-cash changes €m	28 February 2007 €m
<b>Group</b>				
Interest bearing loans & borrowings	427.6	(82.0)	0.5	346.1
Cash & cash equivalents	(44.5)	3.8	-	(40.7)
	383.1	(78.2)	0.5	305.4
Interest rate swaps (note 22)	0.3	(0.7)	(2.8)	(3.2)
	<b>383.4</b>	<b>(78.9)</b>	<b>(2.3)</b>	<b>302.2</b>

The non-cash changes relate to the amortisation of issue costs and movements in the fair value of interest rate swaps.

## 20 Recognised deferred tax assets and liabilities

	2008			2007		
	Assets €m	Liabilities €m	Net assets/ liabilities €m	Assets €m	Liabilities €m	Net assets/ liabilities €m
<b>Group</b>						
Property, plant & equipment	-	(4.3)	(4.3)	-	(4.8)	(4.8)
Defined benefit pension schemes	2.9	-	2.9	8.7	-	8.7
Derivative financial instruments	-	(2.1)	(2.1)	-	(0.2)	(0.2)
<b>Tax assets/(liabilities)</b>	<b>2.9</b>	<b>(6.4)</b>	<b>(3.5)</b>	<b>8.7</b>	<b>(5.0)</b>	<b>3.7</b>

	2008			2007		
	Assets €m	Liabilities €m	Net assets/ liabilities €m	Assets €m	Liabilities €m	Net assets/ liabilities €m
<b>Company</b>						
Derivative financial instruments	0.1	-	0.1	-	-	-
Interest free loans fair value adjustment	8.0	-	8.0	-	-	-
<b>Tax assets/(liabilities)</b>	<b>8.1</b>	<b>-</b>	<b>8.1</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Analysis of movement in net deferred tax asset/liability

	1 March 2007 €m	Recognised in income statement €m	De-recognised on disposal €m	Foreign currency movement €m	Recognised in equity €m	29 February 2008 €m
	<b>Group</b>					
Property, plant & equipment	(4.8)	(1.0)	1.5	-	-	(4.3)
Defined benefit pension schemes	8.7	(0.1)	(4.5)	(0.2)	(1.0)	2.9
Derivative financial instruments	(0.2)	-	-	-	(1.9)	(2.1)
<b>Tax assets/(liabilities)</b>	<b>3.7</b>	<b>(1.1)</b>	<b>(3.0)</b>	<b>(0.2)</b>	<b>(2.9)</b>	<b>(3.5)</b>

	1 March 2006 €m	Recognised in income statement €m	Recognised in equity €m	28 February 2007 €m
	Property, plant & equipment	(5.7)	0.9	-
Defined benefit pension schemes	8.8	(0.6)	0.5	8.7
Derivative financial instruments	0.2	-	(0.4)	(0.2)
Other items	0.1	(0.1)	-	-
<b>Tax assets/(liabilities)</b>	<b>3.4</b>	<b>0.2</b>	<b>0.1</b>	<b>3.7</b>

	1 March 2007 €m	Fair value adjustment €m	Recognised in income €m	Recognised in equity €m	29 February 2008 €m
	<b>Company</b>				
Derivative financial instruments	-	-	-	0.1	0.1
Interest free loans	-	8.0	-	-	8.0
<b>Tax assets/(liabilities)</b>	<b>-</b>	<b>8.0</b>	<b>-</b>	<b>0.1</b>	<b>8.1</b>

There are no unrecognised deferred tax assets or liabilities.

## Notes continued

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### 21 Retirement benefit obligations

The Group operates a number of defined benefit pension schemes for employees in the Republic of Ireland, all of which provide pension benefits based on final salary and the assets of which are held in separate trustee administered funds. The Group is committed to provide a comparable pension scheme for employees in Northern Ireland.

The pension scheme assets are held in separate trustee administered funds to meet long-term pension liabilities to past and present employees. The trustees of the funds are required to act in the best interest of the funds' beneficiaries. The appointment of trustees to the funds is determined by the schemes' trust documentation. The Group has a policy in relation to its principal staff pension fund that members of the fund should nominate half of all fund trustees.

Following discussions with union representatives it was agreed that the existing scheme be closed to all new employees with effect from 1 April 2007 and a new hybrid pension arrangement be introduced for those employees. The new pension arrangements will contain both defined benefit and defined contribution elements and will be provided, funded and governed through new categories within the existing schemes. New employees will become members of the defined contribution element of the new scheme for the first five years and on completion will be given the option to transfer onto the defined benefit element.

On disposal of the Soft drinks business to Britvic plc, it was agreed that by a date no later than 12 months after the date of completion of the sale: -

- an amount equal to the actuarial value of the aggregate benefits payable under the defined benefit pension scheme to and in respect of the Republic of Ireland transferring employees be transferred out of the C&C defined benefit pension schemes, and that,
- the Northern Ireland defined benefit pension scheme would transfer to Britvic plc with Britvic plc agreeing to transfer an amount equal to the actuarial value of the aggregate benefits payable to the remaining C&C employees under the Northern Ireland defined benefit pension scheme to a new pension scheme which will be salary-related contracted-out scheme for the purposes of the Pension Schemes Act 1993, and a registered pension scheme for the purposes of Part 4 of the Finance Act 2004.

The accounting treatment reflects the de-recognition of the assets and liabilities attributed to employees transferring to Britvic plc valued at best estimates by the Group's actuaries, Mercer Human Resource Consulting.

#### Actuarial valuations – funding requirements

Independent actuarial valuations of the defined benefit schemes are carried out on a triennial basis using the projected unit credit method. The funding requirements in relation to the Group's defined benefit schemes are assessed at each valuation date and are implemented in accordance with the advice of the actuaries. The most recently completed actuarial valuations of the main schemes were carried out on 1 January 2006. The actuarial valuations are not available for public inspection, however the results of the valuations are advised to members of the various schemes.

Independent actuaries, Mercer Human Resource Consulting, have employed the projected unit credit method to determine the present value of the defined benefit obligations arising, the related current service cost and the funding requirements.

#### Assumptions

The financial assumptions that have the most significant impact on the results of the actuarial valuations are those relating to the long term rate of return on investments, the rate of increase in salaries and pensions and the discount rate used to convert future pension liabilities to current values. These and other assumptions used are set out below.

The mortality assumptions employed in determining the present value of scheme liabilities under IAS 19 have been based on the most up-to-date mortality tables, which in the case of Non Pensioners are 85% PA92(C=2030) medium cohort and in the case of Pensioners are 85% PA92(C=2015) medium cohort. These tables conform to best practice. Based on these tables, the assumed life expectations on retirement are:

Future life expectations at age 65		No of years
Current retirees – no allowance for future improvements	Male	18.5
	Female	21.5
Current retirees – with allowance for future improvements	Male	20.7
	Female	23.8
Future retirements – with allowance for future improvements	Male	21.8
	Female	24.8



## 21 Retirement benefit obligations (continued)

### Scheme liabilities:

The principal long-term financial assumptions used by the Group's actuaries in the computation of the defined benefit liabilities arising on pension schemes as at 29 February 2008 and the previous 3 financial years are as follows:

	2008		2007		2006		2005	
	ROI	UK	ROI	UK	ROI	UK	ROI	UK
Salary increases	4.25%	4.50%	4.25%	4.00%	3.50%	3.60%	3.50%	4.00%
Increases to pensions in payment	3.00%	2.50%	3.00%	2.50%	3.00%	2.60%	3.00%	2.50%
Discount rate	5.45%	6.00%	4.60%	4.90%	4.50%	4.70%	4.75%	5.25%
Inflation rate	2.50%	3.50%	2.50%	3.20%	2.25%	2.60%	2.25%	2.50%

### Scheme assets:

The long-term rates of return expected at 29 February 2008 and 28 February 2007, determined in conjunction with the Group's actuaries, analysed by the class of investments in which the schemes assets are invested, are as follows:

	2008		2007	
	ROI	UK	ROI	UK
Equity	7.9%	7.50%	7.50%	
Bonds	3.8%	4.00%	4.50%	
Property	6.1%	6.10%	5.25%	
Other	2.5%	2.25%	5.25%	

### a. Impact on Group Income Statement

	2008			2007		
	ROI €m	UK €m	Total €m	ROI €m	UK €m	Total €m
Analysis of defined benefit expense:						
Current service cost	7.6	0.5	8.1	9.4	1.0	10.4
Interest on scheme liabilities	8.8	1.0	9.8	9.6	1.6	11.2
Expected return on scheme assets	(11.3)	(0.8)	(12.1)	(11.7)	(1.3)	(13.0)
Total expense recognised in operating costs	5.1	0.7	5.8	7.3	1.3	8.6

Analysis of amount recognised in Statement of recognised income & expense (SORIE)

	2008			2007			2006			2005		
	ROI €m	UK €m	Total €m	ROI €m	UK €m	Total €m	ROI €m	UK €m	Total €m	ROI €m	UK €m	Total €m
Actual return less expected return on scheme assets	(26.9)	(1.1)	(28.0)	3.8	-	3.8	21.3	2.6	23.9	4.7	0.5	5.2
Experience gains and losses on scheme liabilities	4.4	(0.4)	4.0	(2.7)	-	(2.7)	7.0	(1.0)	6.0	(0.8)	-	(0.8)
Effect of changes in assumptions on value of liabilities	22.6	3.4	26.0	3.6	(3.2)	0.4	(30.3)	(5.7)	(36.0)	(16.2)	-	(16.2)
Total pension cost recognised in SORIE	0.1	1.9	2.0	4.7	(3.2)	1.5	(2.0)	(4.1)	(6.1)	(12.3)	0.5	(11.8)
<b>Scheme assets</b>	<b>123.8</b>	<b>3.3</b>	<b>127.1</b>	182.7	22.4	205.1	178.7	20.1	198.8	145.5	15.4	160.9
<b>Scheme liabilities</b>	<b>(150.6)</b>	<b>(3.7)</b>	<b>(154.3)</b>	(216.6)	(40.0)	(256.6)	(223.1)	(34.6)	(257.7)	(187.9)	(26.0)	(213.9)

The cumulative actuarial loss recognised to date in the SORIE is €14.4m (2007: €16.4m).

The effect of changes in assumptions on the value of liabilities is made up of a reduction in liabilities due to changes in bond yields (ROI; €29.9m, NI; €3.4m) and an increase in the value of liabilities due to a revision in mortality assumptions (ROI; €7.3m, NI; nil).

## Notes continued

forming part of the financial statements

### 21 Retirement benefit obligations (continued)

#### b. Impact on Group balance sheet

The net pension liability at 29 February 2008 is analysed as follows:

##### Analysis of net pension deficit

	ROI €m	2008 UK €m	Total €m	ROI €m	2007 UK €m	Total €m
Bid value of assets at year end:						
Equity (i)	111.9	-	111.9	144.2	18.0	162.2
Bonds	13.5	-	13.5	19.9	2.5	22.4
Property	18.9	-	18.9	13.4	0.2	13.6
Other	25.8	-	25.8	5.2	1.7	6.9
	170.1	-	170.1	182.7	22.4	205.1
Attributed to disposal of Soft drinks business (ii)	(46.3)	3.3	(43.0)	-	-	-
	123.8	3.3	127.1	182.7	22.4	205.1
Actuarial value of scheme liabilities	(150.6)	(3.7)	(154.3)	(216.6)	(40.0)	(256.6)
Deficit in the scheme	(26.8)	(0.4)	(27.2)	(33.9)	(17.6)	(51.5)
Related deferred tax asset	2.7	0.2	2.9	3.4	5.3	8.7
Net pension liabilities	(24.1)	(0.2)	(24.3)	(30.5)	(12.3)	(42.8)

(i) including a direct investment in C&C Group plc as at the year end of €nil (2007: €0.4m).

(ii) Assets of €46.3m are held in trust for the benefit of employees in the Republic of Ireland who transferred to Britvic plc and will be transferred to a comparable scheme to be established by Britvic plc in 2008/09. Assets of €3.3m are currently held in trust by Britvic plc for employees of the Group in Northern Ireland.

##### Reconciliation of scheme assets (bid values)

	ROI €m	2008 UK €m	Total €m	ROI €m	2007 UK €m	Total €m
Assets at beginning of year	182.7	22.4	205.1	178.7	20.1	198.8
<i>Movement in year</i>						
Translation adjustment	-	(0.1)	(0.1)	-	0.3	0.3
Expected return on assets	11.3	0.8	12.1	11.7	1.3	13.0
Actuarial gains	(26.9)	(1.1)	(28.0)	3.8	-	3.8
Employer contributions	6.2	2.4	8.6	13.1	1.4	14.5
Member contributions	1.2	-	1.2	1.8	-	1.8
Benefit payments	(4.4)	(0.3)	(4.7)	(5.4)	(0.7)	(6.1)
	170.1	24.1	194.2	203.7	22.4	226.1
Disposal of Soft drinks / Snacks businesses	(46.3)	(20.8)	(67.1)	(21.0)	-	(21.0)
<b>Assets at end of year</b>	<b>123.8</b>	<b>3.3</b>	<b>127.1</b>	<b>182.7</b>	<b>22.4</b>	<b>205.1</b>

Anticipated employer contributions to defined benefit schemes payable in the financial year ending 28 February 2009 amount to €5.6m.

## 21 Retirement benefit obligations (continued)

### b. Impact on Group balance sheet (continued)

The scheme assets had the following investment profile at the year end:

	ROI	2008 Total	ROI	2007 UK	Total
Equities	67.0%	67.0%	79.5%	81.0%	80.0%
Bonds	11.0%	11.0%	11.0%	11.0%	11.0%
Property	8.0%	8.0%	7.0%	7.0%	7.0%
Other	14.0%	14.0%	2.5%	1.0%	2.0%
	<b>100.0%</b>	<b>100.0%</b>	100.0%	100.0%	100.0%

### Reconciliation of actuarial value of liabilities

	ROI €m	2008 UK €m	Total €m	ROI €m	2007 UK €m	Total €m
Liabilities at beginning of year	216.6	40.0	256.6	223.1	34.6	257.7
<i>Movement in year</i>						
Translation adjustment	-	(0.6)	(0.6)	-	0.3	0.3
Current service cost	7.6	0.5	8.1	9.4	1.0	10.4
Interest cost on scheme liabilities	8.8	1.0	9.8	9.6	1.6	11.2
Member contributions	1.2	-	1.2	1.8	-	1.8
Actuarial (gain)/loss immediately recognised in equity	(27.0)	(3.0)	(30.0)	(0.9)	3.2	2.3
Benefit payments	(4.4)	(0.3)	(4.7)	(5.4)	(0.7)	(6.1)
	<b>202.8</b>	<b>37.6</b>	<b>240.4</b>	237.6	40.0	277.6
Disposal of Soft drinks / Snacks businesses	(52.2)	(33.9)	(86.1)	(21.0)	-	(21.0)
<b>Liabilities at end of year</b>	<b>150.6</b>	<b>3.7</b>	<b>154.3</b>	216.6	40.0	256.6

## Notes continued

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### 22 Financial instruments and financial risk management

#### (a) Overview of risk exposures and risk management strategy

The Group's multinational operations expose it to various financial risks in the ordinary course of business that include credit risk, liquidity risk, currency risk and interest rate risk. The most significant exposures relate to changes in foreign exchange rates and interest rates as well as the creditworthiness of its counterparties. The Group has a risk management programme in place that seeks to limit the impact of these risks on the financial performance of the Group and it is the policy of the Group to manage these risks in a non-speculative manner.

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. This is executed through various committees to whom the Board has delegated appropriate levels of authority as discussed further in the Corporate Governance section of this report on pages 25 to 29.

The Board, through its Committees, has reviewed the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks will be managed effectively. The Board has embedded these structures and procedures throughout the Group and considers these to be a robust and efficient mechanism for creating a culture of risk awareness at every level of management.

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance from fluctuations in financial markets. The Group manages its risk exposures in part through the use of derivative financial instruments, where appropriate. All derivative contracts entered into are in liquid markets with credit rated parties. The treasury function operates within strict terms of reference that have been approved by the Board.

This note presents information about the Group's exposure to each of the financial risks to which the Group is exposed, the Groups' objectives, policies and processes for measuring and managing these risks and the Groups' management of liquid resources.

#### (b) Financial assets and liabilities

The carrying and fair values of financial assets and liabilities by category were as follows:

Group	Cashflow hedges	Fair value through income statement	Loans & receivables	Liabilities at amortised cost	Total carrying value	Fair value
	€m	€m	€m	€m	€m	€m
<b>29 February 2008</b>						
<b>Financial assets</b>						
Cash & cash equivalents	-	-	32.7	-	32.7	32.7
Derivative financial assets	23.1	6.2	-	-	29.3	29.3
Trade receivables	-	-	56.5	-	56.5	56.5
<b>Financial liabilities</b>						
Interest bearing loans & borrowings	-	-	-	(288.9)	(288.9)	(245.5)
Derivative financial liabilities	(1.9)	-	-	-	(1.9)	(1.9)
Trade payables and accruals	-	-	-	(60.7)	(60.7)	(60.7)
Provisions	-	-	-	(12.7)	(12.7)	(12.7)
	21.2	6.2	89.2	(362.3)	(245.7)	(202.3)

## 22 Financial instruments and financial risk management (continued)

### (b) Financial assets and liabilities (continued)

#### Group

	Cashflow hedges	Loans & receivables	Liabilities at amortised cost	Total carrying value	Fair value
28 February 2007	€m	€m	€m	€m	€m
<b>Financial assets</b>					
Cash & cash equivalents	-	40.7	-	40.7	40.7
Derivative financial assets	6.0	-	-	6.0	6.0
Trade receivables	-	118.5	-	118.5	118.5
<b>Financial liabilities</b>					
Interest bearing loans & borrowings	-	-	(346.1)	(346.1)	(346.1)
Derivative financial liabilities	(4.2)	-	-	(4.2)	(4.2)
Trade payables and accruals	-	-	(122.1)	(122.1)	(122.1)
Provisions	-	-	(1.3)	(1.3)	(1.3)
	1.8	159.2	(469.5)	(308.5)	(308.5)

#### Company

	Cashflow hedges	Loans & receivables	Liabilities at amortised cost	Total carrying value	Fair value
29 February 2008	€m	€m	€m	€m	€m
<b>Financial assets</b>					
Derivative financial assets	1.3	-	-	1.3	1.3
Amounts due from Group undertakings	-	391.3	-	391.3	391.3
<b>Financial liabilities</b>					
Interest bearing loans & borrowings	-	-	(288.9)	(288.9)	(245.5)
Derivative financial liabilities	(1.9)	-	-	(1.9)	(1.9)
Accruals	-	-	(0.4)	(0.4)	(0.4)
	(0.6)	391.3	(289.3)	101.4	144.8

28 February 2007

#### Financial assets

Amounts due from Group undertakings	-	95.6	-	95.6	95.6
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#### Financial liabilities

Accruals	-	-	(0.2)	(0.2)	(0.2)
	-	95.6	(0.2)	95.4	95.4

#### Estimation of fair values

Set out below are the major methods and assumptions used in estimating the fair values of the financial assets and liabilities. There is no material difference between the fair value of these assets and liabilities and their carrying amount.

##### *Short term bank deposits and cash & cash equivalents*

The nominal amount of all short-term bank deposits and cash & cash equivalents is deemed to reflect fair value at the Balance Sheet date.

##### *Trade & other receivables/payables*

The nominal amount of all trade & other receivables/payables after provision for impairment is deemed to reflect fair value at the Balance Sheet date.

##### *Derivatives (interest rate swaps and forward currency contracts)*

The fair values of forward currency contracts and interest rate swaps are based on market prices and calculations supplied by the financial institutions, which are the counterparties to the contracts.

## Notes continued

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### 22 Financial instruments and financial risk management (continued)

#### (b) Financial assets and liabilities (continued)

##### *Interest bearing loans & borrowings*

The fair value of all interest bearing loans & borrowings has been calculated by discounting all future cashflows to their present value using a market rate reflecting the Group's cost of borrowing at the Balance Sheet date. All loans bear interest at floating rates.

#### (c) Accounting for derivatives and hedging activities

Group	Group		Company	
	2008 €m	2007 €m	2008 €m	2007 €m
<b>Financial assets: current</b>				
Interest rate swaps	0.6	1.3	0.6	-
Forward exchange contracts	25.1	1.0	-	-
	<b>25.7</b>	<b>2.3</b>	<b>0.6</b>	<b>-</b>
<b>Financial assets: non-current</b>				
Interest rate swaps	0.7	1.9	0.7	-
Forward exchange contracts	2.9	1.8	-	-
	<b>3.6</b>	<b>3.7</b>	<b>0.7</b>	<b>-</b>
<b>Financial liabilities: current</b>				
Interest rate swaps	(0.6)	-	(0.6)	-
Forward exchange contracts	-	(4.2)	-	-
	<b>(0.6)</b>	<b>(4.2)</b>	<b>(0.6)</b>	<b>-</b>
<b>Financial liabilities: non-current</b>				
Interest rate swaps	(1.3)	-	(1.3)	-
Forward exchange contracts	-	-	-	-
	<b>(1.3)</b>	<b>-</b>	<b>(1.3)</b>	<b>-</b>

Derivatives are initially recorded at fair value on the date the contract is entered into and subsequently, re-measured to fair value at reporting dates. The gain or loss arising on re-measurement is recognised in the income statement except where the instrument is a designated hedging instrument under the cashflow hedging model.

In order to qualify for hedge accounting, the Group is required to document the relationship between the item being hedged and the hedging instrument and demonstrate, at inception, that the hedge relationship will be highly effective on an ongoing basis. The hedge relationship must also be tested for effectiveness retrospectively and prospectively on subsequent reporting dates.

Gains and losses on cash flow hedges that are determined to be highly effective are recognised in a cashflow hedging reserve within equity to the extent that they are actually effective. When the forecasted transaction occurs, the gains or losses deferred in equity are released to the income statement. Ineffective portions of the gain or loss on the hedging instrument are recognised in the income statement.

All interest rate swaps entered into by the Group and Company are designated as cashflow hedges in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. The Group has tested these hedging relationships and determined them to be highly effective, both prospectively and retrospectively. The actual level of ineffectiveness arising in such relationships is not material.

## 22 Financial instruments and financial risk management (continued)

### (c) Accounting for derivatives and hedging activities (continued)

The Group ordinarily seeks to apply the hedge accounting model to all forward currency contracts. These contracts are generally entered into to sell forward a portion of the Group's highly probable Sterling, US and CAN dollar revenues in respect of which it has no natural hedge. A shortfall identified in expected Sterling revenues in 2007/08 and 2008/09 compared to the forecast transactions originally hedged resulted in the Group having surplus contracts to sell Sterling. These positions were effectively cancelled by entering into offsetting contracts to purchase Sterling at maturity dates corresponding to the surplus sell contracts. The Group ceased the application of hedge accounting in respect of the surplus contracts once the hedged forecast transactions could no longer be regarded as highly probable. All gains and losses arising on these contracts together with those arising on the offsetting Sterling purchase contracts are recognised in the income statement from that point onwards. In addition, gains and losses deferred in the cashflow hedge reserve were immediately recycled to the income statement to the extent that the original forecast transactions are no longer expected to occur. The impact of this has resulted in a gain of €9.1m being recognised within finance income in the income statement.

At 29 February 2008, the effective portion of gains and losses arising on derivative contracts have been deferred in equity only to the extent that they relate to highly probable forecast transactions and where all the hedge accounting criteria in IAS 39 have been met.

### (d) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and deposits and derivative contracts with banks. In the context of the Group's operations, credit risk is mainly influenced by the individual characteristics of each counterparty and is not deemed significant.

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables based on experience, customer track records and historic default rates. Generally, individual 'risk limits' are set by customer and risk is only accepted above such limits in defined circumstances. A strict credit assessment is made of all new applicants who request credit-trading terms. The utilisation and revision, where appropriate, of credit limits is regularly monitored. Impairment provision accounts are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the amount is considered irrecoverable and is written off directly against the trade receivable.

From time to time, the Group holds significant cash balances, which are invested on a short-term basis and disclosed under cash and cash equivalents in the Balance Sheet. It is Group policy to restrict the investment of these funds to banks with high credit ratings.

The Company also bears credit risk in relation to amounts owed by Group undertakings and from guarantees provided in respect of the liabilities of wholly owned subsidiaries as disclosed in note 16.

The carrying amount of financial assets, net of impairment provisions represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:-

	Group		Company	
	2008 €m	2007 €m	2008 €m	2007 €m
Trade & other receivables	56.5	118.5	391.3	95.6
Cash & cash equivalents	32.7	40.7	-	-
Interest rate swaps used for hedging	1.3	3.2	1.3	-
Forward exchange contracts	28.0	2.8	-	-
	<b>118.5</b>	165.2	<b>392.6</b>	95.6

The ageing of trade receivables and an analysis of movement in the Group impairment provisions against trade receivables are disclosed in note 15. The Group does not have any significant concentrations of risk.

## Notes continued

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### 22 Financial instruments and financial risk management (continued)

#### (e) Liquidity risk

Liquidity risk is the risk that the Group or Company will not be able to meet its financial obligations as they fall due. Liquid resources are defined as the total of cash & cash equivalents. The Group's main liquidity risk relates to maturing debt. The Group's policy is to ensure that sufficient resources are available either from cash balances, cash flows or committed bank facilities to meet all debt obligations as they fall due. To achieve this the Group (a) maintains adequate cash or cash equivalent balances; (b) prepares detailed 3 year cash projections; and (c) keeps refinancing options under review with a view to replacing all debt facilities in advance of their maturity dates. In addition, the Group maintains an overdraft facility that is unsecured. Undrawn borrowings available to the Group at the Balance Sheet date amounted to €310m.

The following are the contractual maturities of financial liabilities, including interest payments and derivatives excluding the impact of netting arrangements:-

Group	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 yrs	2-5 yrs
2008	€m	€m	€m	€m	€m	€m
Interest bearing loans & borrowings	288.9	(348.1)	(7.0)	(6.9)	(13.7)	(320.5)
Interest rate swaps – net cash outflows	0.6	2.7	0.6	0.6	1.2	0.3
FX forward contracts – gross cash outflows	(28.0)	(194.1)	(61.1)	(85.8)	(47.2)	-
FX forward contracts – gross cash inflows	-	240.1	94.7	96.0	49.4	-
Trade payables and accruals	60.7	(60.7)	(60.7)	-	-	-
Provisions	12.7	(12.7)	-	(12.0)	(0.7)	-
<b>Total contracted outflows</b>	<b>334.9</b>	<b>(372.8)</b>	<b>(33.5)</b>	<b>(8.1)</b>	<b>(11.0)</b>	<b>(320.2)</b>
<b>2007</b>						
Interest bearing loans & borrowings	348.0	(384.2)	(23.0)	(22.5)	(44.1)	(294.6)
Interest rate swaps – net cash outflows	(3.2)	3.4	0.7	0.7	0.9	1.1
FX forward contracts – gross cash outflows	1.4	(531.4)	(139.6)	(191.3)	(200.5)	-
FX forward contracts – gross cash inflows	-	523.2	137.4	187.5	198.3	-
Trade payables and accruals	122.1	(122.1)	(122.1)	-	-	-
Provisions	1.3	(1.3)	-	-	(1.3)	-
<b>Total contracted outflows</b>	<b>469.6</b>	<b>(512.4)</b>	<b>(146.6)</b>	<b>(25.6)</b>	<b>(46.7)</b>	<b>(293.5)</b>
<b>Company</b>						
<b>2008</b>						
Interest bearing loans & borrowings	288.9	(348.1)	(7.0)	(6.9)	(13.7)	(320.5)
Interest rate swaps – net cash outflows	0.6	2.7	0.6	0.6	1.2	0.3
Trade payables and accruals	0.4	(0.4)	(0.4)	-	-	-
<b>Total contracted outflows</b>	<b>289.9</b>	<b>(345.8)</b>	<b>(6.8)</b>	<b>(6.3)</b>	<b>(12.5)</b>	<b>320.2</b>
<b>2007</b>						
Trade payables and accruals	0.2	(0.2)	(0.2)	-	-	-
<b>Total contracted outflows</b>	<b>0.2</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### (f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group enters into derivatives to mitigate risks arising in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. The Group carries out all such transactions within the Treasury policy as set down by the Board of Directors. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.



## 22 Financial instruments and financial risk management (continued)

### (f) Market risk (continued)

#### Currency risk

The Group's main currency exposure relates to sales transactions in foreign currencies, as it has significant net receivables in Sterling and US\$ relating to its export sales.

A limited amount of inputs purchased are denominated in currencies other than euro, relating principally to direct brand marketing activities in export markets and purchases of certain raw materials. The Group and Company debt is all denominated in euro.

The euro is used for planning and budgetary purposes and as the presentation currency for financial reporting. Group treasury manages currency exposures for the entire Group centrally. Forward foreign currency contracts are used to reduce exposures to fluctuations in foreign exchange rates. Group policy is to limit the short-term exposures to fluctuations in foreign currencies by hedging a significant portion of the projected non-euro forecast sales revenue up to a maximum of two years ahead. The Group does not enter into derivative financial instruments for speculative purposes. All derivative contracts entered into are in liquid markets with credit-approved parties. The treasury function operates within strict terms of reference that have been approved by our Board.

The Group's operations are predominately located in the eurozone, consequently, the Group has only limited exposure to exchange risk related to the translation of foreign operations. Given the low level of exposure, it is Group policy not to hedge this balance sheet risk.

The net currency gains and losses on transactional currency exposures are recognised in the income statement.

The currency profile of the Group's financial instruments as at 29 February 2008 is as follows: -

	Euro €m	Sterling €m	USD/CAD €m	Not at risk €m	Total €m
Cash & cash equivalents	-	1.2	2.8	28.7	32.7
Trade receivables	-	15.6	5.0	35.9	56.5
Derivative financial assets and liabilities	-	26.8	1.2	(0.6)	27.4
Interest bearing bank loans	-	-	-	(288.9)	(288.9)
Trade payables and accruals	(0.1)	(2.2)	(0.9)	(57.5)	(60.7)
Provisions	-	-	-	(12.7)	(12.7)
<b>Total</b>	<b>(0.1)</b>	<b>41.4</b>	<b>8.1</b>	<b>(295.1)</b>	<b>(245.7)</b>

The Company has no currency risk as all its assets and liabilities are denominated in euro.

Foreign currency contracts in place at 29 February 2008 to sell fixed amounts of the currencies below for contracted euro amounts can be summarised as follows:-

	Stg£		US\$		CAN\$	
	Stg£m	Avg fwd rate	US\$m	Avg fwd rate	CAN\$m	Avg fwd rate
Year ending 28 February 2009	112.0	0.69	24.0	1.41	6.0	1.45
Year ending 28 February 2010	36.0	0.73	-	-	-	-

A 10% strengthening in the euro against Sterling and the US Dollar, based on outstanding financial assets and liabilities at 29 February 2008, would have a €1.9m negative impact on the income statement and a €19m positive impact on the equity reserve. A 10% weakening in the Euro against Sterling and the US Dollar would have a €2.4m positive effect on the income statement and a €23.3m negative impact on the equity reserve. This analysis assumes that all other variables, in particular interest rates remain constant.

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### 22 Financial instruments and financial risk management (continued)

#### (f) Market risk (continued)

##### Interest rate risk

The interest rate profile of the Group and Company's interest-bearing financial instruments at the reporting date is summarised as follows:

	Group		Company	
	2008	2007	2008	2007
	€m	€m	€m	€m
<b>Variable rate instruments</b>				
Interest bearing loans & borrowings	(290.0)	(348.0)	(290.0)	-
Cash & cash equivalents	32.7	40.7	-	-
Derivative assets	1.3	3.2	1.3	-
Derivative liabilities	(1.9)	-	(1.9)	-
	<b>(257.9)</b>	<b>(304.1)</b>	<b>(290.6)</b>	<b>-</b>

The Group and Company's exposure to market risk for changes in interest rates arises principally from its long-term debt obligations. Group treasury, using interest rate swaps to give the desired mix of fixed and floating rate debt, manages interest cost and exposure to market risk centrally. The Group policy is to fix interest rates on between 50% and 60% of Group debt. With the objective of managing this mix in a cost-efficient manner, the Group and Company enters into interest rate swaps under which the Group contracts to exchange, at predetermined intervals, the difference between fixed and variable interest amounts calculated by reference to a pre-agreed notional principal. These swaps are designated under IAS 39 as cashflow hedges to hedge the exposure to variability in cashflow arising from the changes in benchmark interest rates.

Interest rate swap contracts in place at 29 February 2008 have the effect of converting up to €150m (2007: €200m) of Group and Company debt from floating rates to fixed rates. The level of cover in place is summarised as follows:-

	Weighted average amount fixed	Fixed interest Rate
	€m	Rate
Year ending 28 February 2009	150.0	3.60%
Year ending 28 February 2010	150.0	3.60%
Year ending 28 February 2011	100.0	4.01%
Year ending 28 February 2012	50.0	4.57%
Period ending 31 August 2012	50.0	4.57%

Based on the level and composition of year-end debt, a change in average interest rates of one percent per annum would change the interest charge by €1.4m (2007: €1.5m).

The following table indicates the periods in which cash flows associated with derivatives that are cash flow hedges are expected to occur

Group	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
	€m	€m	€m	€m	€m	€m
<b>29 February 2008</b>						
Interest rate swaps						
- assets	1.3	2.9	0.6	0.6	1.2	0.5
- liabilities	(1.9)	(0.2)	-	-	-	(0.2)
Forward exchange contracts						
- assets	28.0	46.0	33.6	10.2	2.2	-
- liabilities	-	-	-	-	-	-
	<b>27.4</b>	<b>48.7</b>	<b>34.2</b>	<b>10.8</b>	<b>3.4</b>	<b>0.3</b>

## 22 Financial instruments and financial risk management (continued)

### (f) Market risk (continued)

Group	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
	€m	€m	€m	€m	€m	€m
28 February 2007						
Interest rate swaps						
- assets	3.2	3.4	0.7	0.7	0.9	1.1
- liabilities	-	-	-	-	-	-
Forward exchange contracts						
- assets	2.8	(1.0)	0.7	(0.4)	(1.3)	-
- liabilities	(4.2)	(7.2)	(2.9)	(3.4)	(0.9)	-
	1.8	(4.8)	(1.5)	(3.1)	(1.3)	1.1

The following table indicates the periods in which cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss:

Group	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
	€m	€m	€m	€m	€m	€m
29 February 2008						
Interest rate swaps						
- assets	1.3	2.9	0.6	0.6	1.2	0.5
- liabilities	(1.9)	(0.2)	-	-	-	(0.2)
Forward exchange contracts						
- assets	28.0	40.5	29.7	9.1	1.7	-
- liabilities	-	-	-	-	-	-
	27.4	43.2	30.3	9.7	2.9	0.3
28 February 2007						
Interest rate swaps						
- assets	3.2	3.4	0.7	0.7	0.9	1.1
- liabilities	-	-	-	-	-	-
Forward exchange contracts						
- assets	2.8	(1.0)	0.5	(0.4)	(1.1)	-
- liabilities	(4.2)	(7.2)	(3.0)	(3.4)	(0.8)	-
	1.8	(4.8)	(1.8)	(3.1)	(1.0)	1.1

The following table indicates the periods in which cash flows associated with derivatives that are cash flow hedges are expected to occur:

Company	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
	€m	€m	€m	€m	€m	€m
29 February 2008						
Interest rate swaps						
- assets	1.3	2.9	0.6	0.6	1.2	0.5
- liabilities	(1.9)	(0.2)	-	-	-	(0.2)
	(0.6)	2.7	0.6	0.6	1.2	0.3

The cashflows associated with derivatives that are cash flow hedges are expected to impact profit or loss in the same periods.

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### 23 Share capital and Reserves

#### Share capital

	Authorised number	Allotted, called up and fully paid number	Authorised €m	Allotted, called up and fully paid €m
<b>At 29 February 2008</b>				
Ordinary shares of €0.01 each	800,000,000	312,992,836	8.0	3.1
At 28 February 2007				
Ordinary shares of €0.01 each	800,000,000	327,568,577	8.0	3.3
At 28 February 2006				
Ordinary shares of €0.01 each	800,000,000	325,204,207	8.0	3.3

All shares in issue carry equal voting and dividend rights.

#### Reserves

##### Group

	Share Capital €m	Share Premium €m	Capital Redemption Reserve €m	Capital Reserve €m	Cashflow Hedging Reserve €m	Share- based Payments Reserve €m	Currency Translation Reserve €m	Retained Earnings €m	Total €m
At 1 March 2006	3.3	18.6	0.3	24.9	(1.5)	1.7	0.6	171.2	219.1
Total recognised income and expense for the year	-	-	-	-	3.4	-	0.2	210.2	213.8
Dividend on ordinary shares	-	12.2	-	-	-	-	-	(66.9)	(54.7)
Exercised share options	-	2.0	-	-	-	-	-	-	2.0
Transfer on exercise/lapse of share options	-	-	-	-	-	(0.8)	-	0.8	-
Equity settled share based payments	-	-	-	-	-	4.3	-	-	4.3
At 28 February 2007	3.3	32.8	0.3	24.9	1.9	5.2	0.8	315.3	384.5
Total recognised income and expense for the year	-	-	-	-	15.0	-	(2.3)	235.9	248.6
Dividend on ordinary shares	-	6.2	-	-	-	-	-	(87.3)	(81.1)
Exercised share options	-	5.9	-	-	-	-	-	-	5.9
Transfer on exercise/lapse of share options	-	-	-	-	-	(3.7)	-	3.7	-
Own shares acquired	(0.2)	-	0.2	-	-	-	-	(139.9)	(139.9)
Equity settled share based payments	-	-	-	-	-	1.2	-	-	1.2
<b>At 29 February 2008</b>	<b>3.1</b>	<b>44.9</b>	<b>0.5</b>	<b>24.9</b>	<b>16.9</b>	<b>2.7</b>	<b>(1.5)</b>	<b>327.7</b>	<b>419.2</b>

(i) *Movements in the year ended 28 February 2007*

In July 2006, 1,235,939 ordinary shares were issued to the holders of ordinary shares who elected to receive additional ordinary shares at a price of €6.38 per share, instead of part or all the cash element of their year ended 28 February 2006 final dividend. In December 2006, 355,731 ordinary shares were issued to the holders of ordinary shares who elected to receive additional ordinary shares at a price of €12.22 per share, instead of part or all the cash element of their year ended 28 February 2007 interim dividend.

In addition, 772,700 ordinary shares were issued on the exercise of share options during the year for consideration of €2.0m.

(ii) *Movements in the year ended 29 February 2008*

In July 2007, 327,238 ordinary shares were issued to the holders of ordinary shares who elected to receive additional ordinary shares at a price of €12.50 per share, instead of part or all the cash element of their year ended 28 February 2007 final dividend. In December 2007, 400,121 ordinary shares were issued to the holders of ordinary shares who elected to receive additional ordinary shares at a price of €5.39 per share, instead of part or all the cash element of their year ended 29 February 2008 interim dividend.

Also, during the financial year, 2,354,900 ordinary shares were issued on the exercise of share options for a consideration of €5.9m and 17,658,000 shares were repurchased for a total consideration of €139.9m.

Details of directors' shareholdings and employee share ownership plans are set out in the Report of the Remuneration Committee on pages 30 to 35.

## 23 Share capital and Reserves (continued)

### Company Profit and Loss account

In accordance with Section 148(8) of the Companies (Amendment) Act, 1963, the income statement of the Company has not been presented separately in these consolidated financial statements. A profit of €305.9m (2007: €98.8m) was recognised in the individual Company income statement of C&C Group plc.

#### *Share premium*

The share premium, as stated in the Company balance sheet, represents the premium recognised on shares issued and amounts to €746.8m as at 29 February 2008 (2007: €734.7m). The movement in the current year relates to the exercise of share options and the issuance of a scrip dividend to those who elected to receive additional ordinary shares in place of a cash dividend.

The change in legal parent of the Group on 30 April 2004 as disclosed in detail in that year's annual report was accounted for as a reverse acquisition. This transaction gave rise to a reserve of €703.9m, which, for presentation purposes in the Group financial statements, has been netted against the share premium in the consolidated balance sheet.

#### *Capital redemption reserve and capital reserves*

These reserves initially arose on the conversion of preference shares into share capital of the Company and other changes and reorganisations of the Group's capital structure. The movement in the current year relates to the purchase of 17.7m shares with a nominal value of €0.01 per share under the Group's share buyback programme, which was approved by shareholders at the 2006 Annual General Meeting. These reserves are not distributable.

#### *Cashflow hedging reserve*

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred as set out in note 22 together with any deferred gains or losses on hedging contracts where hedge accounting was discontinued but the forecast transaction is still anticipated to occur.

#### *Share-based payment reserve*

The reserve comprises amount expensed in the income statement in connection with share option grants falling within the scope of IFRS 2 *Share-based Payment* less any exercises or lapses of such share options, as set out in note 4.

#### *Currency translation reserve*

The translation reserve comprises all foreign exchange differences from 1 March 2004, arising from the translation of the net assets of the Group's non-euro denominated operations, including the translation of the profits of such operations from the average exchange rate for the year to the exchange rate at the balance sheet date.

#### *Capital management*

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business through the optimisation of the debt and equity balance. The Board considers capital to comprise long term debt and equity.

The Board periodically reviews the capital structure of the Group, considering the cost of capital and the risks associated with each class of capital. The Board approves any material adjustments to the capital structure in terms of the relative proportions of debt and equity. Shareholders granted the Company authority to make market purchases of up to 10% of its own shares at the AGM.

As part of the Group's capital management strategy, a share buyback programme was implemented during the financial year. This was designed to increase the proportion of debt in the Group's capital structure, which had declined over the previous two years as a result of growth of the business and the disposal of the Group's Snacks and Soft drinks divisions in 2006 and 2007 respectively. The Company invested €139.9m as part of this on-market share buyback programme, purchasing 17.7m shares at an average price of €7.84. The Company's Irish stockbrokers, Davy, conducted the share repurchase programme. All shares acquired as part of the share buyback programme were cancelled immediately on acquisition.

The level of debt in the capital structure is measured by the ratio of Debt:EBITDA before exceptional items. In the period, this ratio increased from 1.3 at 28 February 2007 to 1.9 at 29 February 2008.

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### 24 Capital commitments

At the year end, the following capital commitments authorised by the Board had not been provided for in the financial statements:

	2008 €m	2007 €m
Contracted	7.6	47.3
Not contracted	8.7	37.8
	<b>16.3</b>	<b>85.1</b>

The capital commitments primarily relate to the finalisation of the expansion of the Cider production facility. It is expected that these commitments will be settled in the following financial year.

### 25 Commitments under operating leases

Future minimum rentals payable under non-cancellable operating leases at the year end are as follows:

	2008		2007	
	Land & buildings €m	Other €m	Land & buildings €m	Other €m
Payable within one year	-	1.7	2.6	2.6
Payable in 2 to 5 years	-	3.7	10.1	6.4
Payable in over 5 years	-	-	28.9	-
	-	<b>5.4</b>	41.6	9.0

As at 28 February 2007, the Group was party to a number of lease agreements for the provision of warehousing facilities, which were classified as operating leases. These leases were transferred to Britvic plc on disposal of the Soft drinks business.

### 26 Guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. The Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

In the prior year, the Company had given letters of guarantee to secure obligations of subsidiary undertakings in respect of bank loans, these loans were repaid during the financial year and new debt drawn down in the Company's own name. The Company, together with a number of its subsidiaries as outlined in note 28, has given a letter of guarantee to secure its obligations in respect of bank loans. The actual loans outstanding at 29 February 2008 amounted to €290m (2007: €348m).

Under the terms of the Sale Purchase Agreement with respect to the disposal of the Soft drinks business to Britvic plc, the Group has a maximum exposure of €249.2m in relation to warranties undertaken. All claims with respect to these warranties must be presented in writing to the Group within 2 years following completion of the sale, except for claim relating to tax where the time limit is 4 years.

Pursuant to the provisions of Section 17 of the Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of all its subsidiary companies incorporated in the Republic of Ireland for the financial year to 29 February 2008 and as a result such subsidiaries are exempt from the filing provisions of Section 7, Companies (Amendment) Act, 1986 (note 28).

## 27 Related party transactions

### (a) Group

#### *Identity of related parties*

The principal related party relationships requiring disclosure in the consolidated financial statements of the Group under IAS 24 *Related Party Disclosures*, pertain to the existence of subsidiaries, transactions with these entities entered into by the Group and the identification and compensation of key management personnel.

#### *Subsidiary undertakings*

The consolidated financial statements include the financial statements of the Company and its subsidiaries. A listing of all subsidiaries is provided in note 28. Sales to and purchases from, together with outstanding payables and receivables are eliminated in the preparation of the consolidated financial statements in accordance with IAS 27 *Consolidated Financial Statements*.

#### *Key management personnel*

For the purposes of the disclosure requirements of IAS 24, the Group has defined the term 'key management personnel', as its executive and non-executive directors. In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf. Executive officers also participate in the Group's share option programme (note 4).

Details of key management remuneration are as follows:

	2008 Number	2007 Number
Number of individuals	11	11
	€m	€m
Salaries and other short term employee benefits	2.6	3.6
Post employment benefits	0.6	0.6
Termination payments	1.9	-
Equity settled share based payments	0.5	0.7
Cash settled long term incentive plan	0.4	0.3
	<hr/>	<hr/>
Charged to the income statement	6.0	5.2
Actuarial loss recognised on defined benefit pension schemes	0.2	0.1
	<hr/>	<hr/>
<b>Total</b>	<b>6.2</b>	<b>5.3</b>

Provision has been made for termination payments in respect of Directors leaving office in the year ending 28 February 2009.

Details of transactions with executive and non-executive directors are set out in the Report of the Remuneration Committee on pages 30 to 35.

### (b) Company

The Company has a related party relationship with its subsidiaries. Details of the transactions in the year between the Company and its subsidiaries are as follows:

	€m
Dividends received from subsidiaries	300.5
Expenses paid by subsidiaries on behalf of the Company	(13.2)
Equity settled share based payments	1.2
Movement in loans with subsidiary undertakings	(90.0)
Funding of cash requirements of subsidiary undertakings	(290.0)

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### 28 Subsidiary undertakings

Name	Nature of business	Class of shares held (100%)
<b>Trading subsidiaries</b>		
*^ Bulmers Limited	Cider	Ordinary
*^ C&C (Holdings) Limited	Holding company	Ordinary
#*^ C&C Group International Holdings Limited	Holding company	Ordinary
*^ C&C Group Irish Holdings Limited	Holding company	Ordinary
*^ C&C International Limited	Spirits & liqueurs	Ordinary
* C&C Management Services (2007) Limited	Provision of management services	Ordinary
~ Hollywood & Donnelly Limited	Cider, wine & spirits distribution	Ordinary
~ Quinns of Cookstown (1964) Limited	Soft drinks/beer distribution	Ordinary
* Vinitrading Limited	Wine & spirits distribution	Ordinary
*^ Wm. Magner Limited	Cider	Ordinary
Wm. Magner, Inc	Cider	Ordinary
<b>Other subsidiaries</b>		
* Bestormel Limited	Holding company	Ordinary
* Bouchel Limited	Holding company	Ordinary
* C&C Agencies Limited	Non-trading	Ordinary
* C&C (Investments) Limited	Non-trading	Ordinary
* C&C Group Pension Trust (No. 2) Limited	Non-trading	Ordinary
* C&C Group Pension Trust Limited	Non-trading	Ordinary
~ C&C Logistics (NI) Limited	Non-trading	Ordinary
~ C&C Northern Ireland Limited	Non-trading	Ordinary
~ C&C Profit Sharing Trustee (NI) Limited	Non-trading	Ordinary
* C&C Profit Sharing Trustee Limited	Non-trading	Ordinary
Cantrell & Cochrane B.V.	Non-trading	Ordinary
* Cantrell & Cochrane Limited	Holding company	Ordinary
* Cravenby Limited	Non-trading	Ordinary
* Edward and John Burke (1968) Limited	Patent company	Ordinary
* Findlater (Wine Merchants) Limited	Non-trading	Ordinary
* Fruit of the Vine Limited	Non-trading	Ordinary
* Grants of Ireland Limited	Non-trading	Ordinary
* Irish Mist Liqueur Company Limited	Non-trading	Ordinary*
* Lough Corrib Mineral Water Company Limited	Non-trading	Ordinary
* Magners Irish Cider Limited	Non-trading	Ordinary
* M O'Sullivan & Sons Limited	Non-trading	Ordinary
~ Reihill McKeown Limited	Non-trading	Ordinary
* Showerings (Ireland) Limited	Non-trading	Ordinary
* Thwaites Limited	Holding company	Ordinary
* TJ Carolan & Son Limited	Non-trading	Ordinary
* Tullamore Dew Company Limited	Non-trading	Ordinary
* Vandamin Limited	Non-trading	Ordinary

All the above subsidiary companies are registered in the Republic of Ireland and have their registered office at 3<sup>rd</sup> floor, Block 71, The Plaza, Parkwest Business Park, Dublin 12, with the exception of Cantrell & Cochrane B.V. which has its registered office at A.J. Ernststraat 595 H, 1082 LD, Amsterdam, Wm Magner, Inc. which has its registered office at 1114 Avenue of the Americas, New York 10036-7703 and those marked "~" which have their registered offices at 468-472 Castlereagh Road, Belfast.

\* Companies covered by Section 17 guarantees (note 26)

^ Original guarantors in respect of bank loans

# Immediate subsidiaries of C&C Group plc.

### 29 Approval of financial statements

These financial statements were approved by the Directors on 9 May 2008.



## Shareholder and other information

C&C Group plc is an Irish registered company. Its ordinary shares are quoted on the Irish and London Stock Exchanges. C&C also has a Level 1 American Depositary Receipts (ADR) programme for which Deutsche Bank acts as depository (symbol CCGGY). Each ADR share represents three C&C ordinary shares.

<b>Financial Calendar</b>	<b>Date</b>
Annual general meeting	11 July 2008
Payment date for final dividend	16 July 2008
<b>Interim results</b>	
Interim results announcement	October 2008
Interim dividend payment	December 2008
Financial year-end	28 February 2009

### Website

Further information on C&C Group plc is available at [www.candcgroupplc.com](http://www.candcgroupplc.com)

### Secretary and Registered Office

Noreen O'Kelly  
C&C Group plc  
3<sup>rd</sup> floor, Block 71,  
The Plaza,  
Parkwest Business Park,  
Dublin 12  
Tel: +353 1 616 1100  
Fax: +353 1 625 1580

### Investor Relations

K Capital Source  
8 Raglan Road, Dublin 4

### Registrars

Shareholders/investors with queries concerning their holdings, dividend information or administrative matters should contact our registrars:

Capita Registrars  
Unit 5, Manor Street Business Park  
Manor Street, Dublin 7  
Tel: +353 1 810 2400  
Fax: +353 1 810 2422  
Email: [enquiries@capitacorporateregistrars.ie](mailto:enquiries@capitacorporateregistrars.ie)

### Principal bankers

AIB Bank  
Bank of Ireland

### Solicitors

McCann FitzGerald  
Riverside One,  
Sir John Rogerson's Quay,  
Dublin 2

### Stockbrokers

Citigroup  
Davy Stockbrokers

### Auditor

KPMG  
Chartered Accountants  
1 Stokes Place  
St. Stephen's Green, Dublin 2

### Dividend Payments

An interim dividend of 12c per ordinary share was paid on 12 December 2007.

A final dividend of 15c, if approved, will be paid in respect of ordinary shares on 16 July 2008. A scrip alternative will be offered to shareholders.

Dividend Withholding Tax ("DWT") must be deducted from dividends paid by an Irish resident company, unless a shareholder is entitled to an exemption and has submitted a properly completed exemption form to the Company's Registrars. DWT applies to dividends paid by way of cash or by way of shares under a scrip dividend scheme and is deducted at the standard rate of income tax (currently 20%). Non-resident shareholders and certain Irish companies, trusts, pension schemes, investment undertakings and charities may be entitled to claim exemption from DWT and have been sent the relevant form. Further copies of the form may be obtained from Capita Registrars. Shareholders should note that DWT will be deducted from dividends in cases where a properly completed form has not been received by the relevant record date. Individuals who are resident in Ireland for tax purposes are not entitled to an exemption.

Shareholders who wish to have their dividend paid direct to a bank account, by electronic funds transfer, should contact Capita Registrars to obtain a mandate form. Tax vouchers will be sent to the shareholder's registered address under this arrangement.

Dividends are paid in euro. In order to avoid costs to shareholders, dividends are paid in sterling to shareholders resident in the UK unless they require otherwise.

### CREST

Transfer of the Company's shares takes place through the CREST settlement system. Shareholders have the choice of holding their shares in electronic form or in the form of share certificates.

# Notes

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c&c group plc 

3<sup>rd</sup> floor, Block 71, The Plaza,  
Parkwest Business Park, Dublin 12  
[www.candcgroupplc.com](http://www.candcgroupplc.com)