

# annual report 2012





## GROUP STRATEGY

OUR LONG TERM STRATEGY IS TO BUILD A SUSTAINABLE INTERNATIONAL CIDER-LED, MULTI-BEVERAGE BUSINESS THROUGH A COMBINATION OF ORGANIC GROWTH AND SELECTIVE ACQUISITIONS.

THE MEDIUM-TERM STRATEGIC GOALS FOR THE GROUP ARE:

- TO MAINTAIN STRONG BRAND MARKET COMBINATIONS IN CORE MARKETS BY INVESTING IN, AND INNOVATING WITH, OUR PREMIUM BRANDS
- TO TRANSFORM OUR INTERNATIONAL BUSINESS THROUGH INVESTMENT IN BRANDS AND INFRASTRUCTURE AND THROUGH THE DEVELOPMENT OF STRATEGIC ALLIANCES

THUS ENHANCING FUTURE EARNINGS GROWTH.

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**REVENUE**

**€480.8m**

down 4.8% <sup>(1)</sup>  
(reported basis: down 5.7%)

**OPERATING PROFIT**

**€111.2m**

up 9% <sup>(1)</sup>  
(reported basis: up 10.2%)

**OPERATING MARGIN**

**23.1%**

up 2.9 percentage points <sup>(1)</sup>  
(reported basis: up 3.3 ppts)

**FREE CASH FLOW**

**€102.6m**

78.1% of EBITDA

**ADJUSTED BASIC  
EARNINGS PER SHARE**  
continuing operations

**28.3 cent**

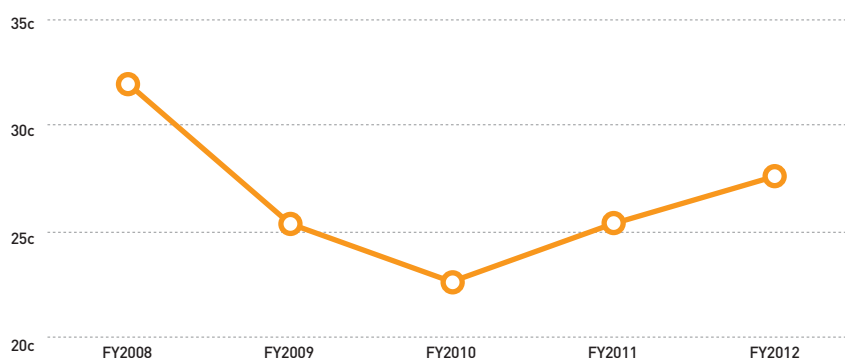
up 13.2%

**ADJUSTED DILUTED  
EARNINGS PER SHARE**  
continuing operations

**27.6 cent**

up 13.6%

ADJUSTED DILUTED EARNINGS PER SHARE




- In a challenging economic environment, the Group's results demonstrate the resilience of its business model focusing on brand-market combinations.
- Stable earnings were achieved in the Republic of Ireland for the third year running with an increased contribution from beer.
- The Magners brand in Great Britain delivered positive volume and revenue growth for the first time in five years.
- Operating profits of Tennent's business grew 22.5%, providing an earnings base positioned for growth.
- Supply side operating efficiencies were enhanced by good contract packaging wins.
- Our export cider and beer volumes grew by 31.9% during the year, with margin improvement.
- For the third financial year the Group has delivered consistent earnings growth in line with stated guidance.
- Focused investments were made in growing international cider markets with the purchase of Hornsby's in the US and a build out of international sales infrastructure.
- Product innovation continues with the launch of the Magners Specials, Caledonia Best and Tennent's Original Export.
- Our high conversion of earnings to free cash flow resulted in a healthy balance sheet supported by a new €250m financing facility available for the Group's future development.


<sup>(1)</sup> on a constant currency basis, see page 23


MARKET OPERATION




**USA**

**MAGNERS**  


**TENNENT'S**  


**GAYMER CIDER CO**  


**HORNSBY'S**  


**CANADA**

**MAGNERS**  


**TENNENT'S**  


**GAYMER CIDER CO**  


**AUSTRALIA**

**MAGNERS**  


**TENNENT'S**  


**REST OF WORLD**

**MAGNERS**  


**TENNENT'S**  


**GAYMER CIDER CO**  
  
  


**LOCATIONS**

Austria	USA
Belgium	Canada
Bulgaria	Caribbean
Cyprus	
Czech Republic	Australia
Denmark	Bahrain
Finland	China
France	Hong Kong
Germany	Israel
Greece	Japan
Hungary	Malaysia
Italy	New Zealand
Latvia	Qatar
Luxembourg	Singapore
Malta	Thailand
Portugal	UAE
Russia	
Spain	
Sweden	
Switzerland	
The Netherlands	
Turkey	
Ukraine	



## C&C BRANDS

### CIDER BRANDS

Bulmers is a premium, traditional blend of Irish cider with an authentic clean and refreshing taste.

Magners is a premium, traditional blend of Irish cider with a crisp, refreshing flavour and a natural authentic character.

The Gaymers cider range has just been relaunched to include apple, pear and two fruit flavoured ciders.

Blackthorn Cider is a West Country legend and is one of Britain's best known ciders.

Olde English is a traditional medium dry cider and is enjoyed for its distinctive taste.

Addlestones is a premium cloudy cider, smooth and easy drinking thanks to its unique double fermentation process.

Hornsby's is an American cider which combines traditional cider-making techniques with American attitude. It comes in two styles, Crisp Apple and Amber Draft.

Other cider brands include Bulmers Berry, Bulmers Pear, Magners Pear, Magners Specials, Special Vat, K, Natch and Diamond White.

### BEER BRANDS

Tennent's Lager is brewed to the highest standards to create a lager with a crisp taste and refreshingly clean finish. Tennent's has been made with pride in the heart of Glasgow since 1885, but is famous far beyond its home city. Tennent's Lager is Scotland's best-selling lager.

Tennent's Original Export is brewed in Glasgow using finest natural ingredients, including 100% Scottish barley. It is a golden lager with a well rounded flavour and a distinct smooth maltiness.

Caledonia Best is a refreshingly modern, distinctive new pint that is perfectly balanced, sweet and smooth, with a malty, roast flavour and a pleasant hoppy bitterness.

Other beer brands include Tennent's Extra, Tennent's Scotch Ale, Tennent's 1885 and Caledonia Smooth.

#### REPUBLIC OF IRELAND

##### BULMERS



##### TENNENT'S

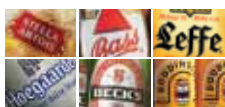


##### CALEDONIA SMOOTH



##### ABI DISTRIBUTION RIGHTS

On-trade and non-transnational off-trade



#### NORTHERN IRELAND

##### MAGNERS



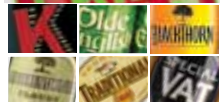
##### TENNENT'S



##### CALEDONIA SMOOTH

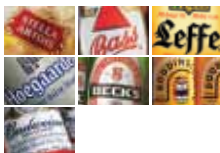


##### GAYMER CIDER CO



##### ABI DISTRIBUTION RIGHTS

Non-transnational on and off-trade



#### SCOTLAND

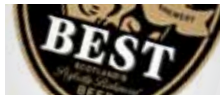
##### MAGNERS



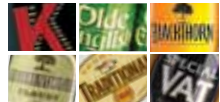
##### TENNENT'S



##### CALEDONIA BEST

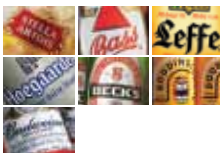


##### GAYMER CIDER CO



##### ABI DISTRIBUTION RIGHTS

Non-exclusive on-trade



#### ENGLAND & WALES

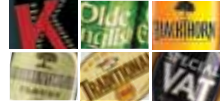
##### MAGNERS



##### TENNENT'S



##### GAYMER CIDER CO

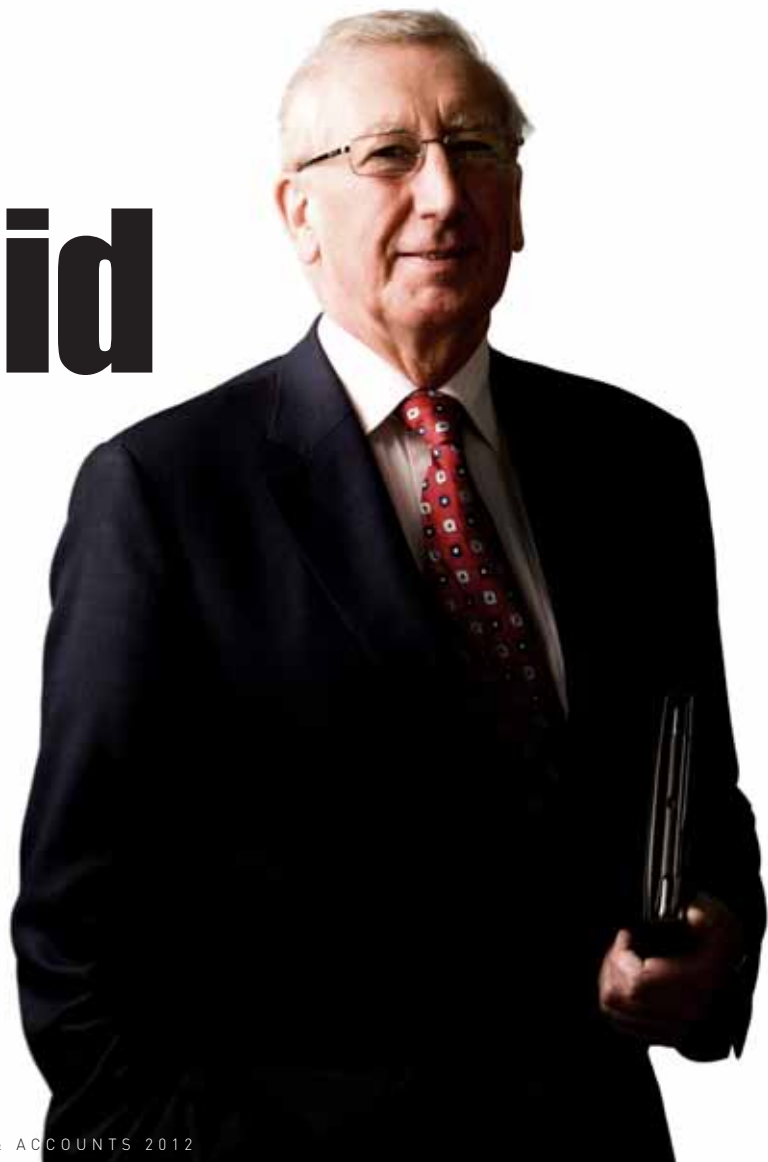


I am pleased to report continuing progress against the targets set out in our three year strategic plan established in December 2010. Increased operating profits are part of that success but importantly we are also building our business for the longer term both domestically and internationally. The initiatives taken have strengthened our brands and expanded our horizons. Whilst driving the business forward and facing tough macro-economic conditions, this is the third financial year that the Group has delivered consistent earnings growth in line with our investors' expectations.

There have been well recognised difficult economic conditions in our core markets of the Republic of Ireland and the U.K. Despite these challenges, the team have delivered a very creditable performance. This is due to strong brand performance from brands which have both a local heritage and international potential and careful management of our production and distribution resources. Developing co-operative relationships has also contributed to our success both internationally and in our local markets.

We are anticipating a continuing period of political and financial uncertainty within Europe. This will inevitably have economic and commercial consequences but we are confident that our financial and brand strength coupled with our increasing international exposure provides us with a solid foundation for progress.

**building  
on solid  
foundations**



Consolidating and developing our core domestic brands has been and will remain a key objective but it has always been recognised that our brands and expertise have international potential. We are building momentum across several markets. New commercial relationships have been forged in Canada and Australia. Our financial strength also allows us to take advantage of opportunities as they arise. The acquisition of Hornsby's in the US was one opportunity we were delighted to grasp. The global potential of cider and our business is increasingly being recognised.

## PEOPLE

It has been a year of change. At the end of December, John Dunsmore stepped down from his role as Group Chief Executive Officer. I would like to thank John for the contribution he has made to the Group. Under his leadership since 2008, the executive team has delivered a substantial turnaround of the Group transforming it and creating a stable earnings record during a period of worldwide economic turbulence.

The Board decided that Stephen Glancey, the Group Chief Operating Officer and the Group's designated successor, was the right person to succeed John as Group Chief Executive Officer to lead the next phase of our development. Stephen has played a vital role within the Group over the past three years, including the successful acquisition and integration of the Tennent's and Gaymers businesses. He has laid the foundation for the international development of the Group's cider brands. The Board also decided that Kenny Neison, the Group's former Strategy Director, should become Group Chief Financial Officer. With their considerable knowledge of the business, such moves emphasise that the changing of the guard represented an evolution. It has been a smooth transition and one that ensured continuity in the Group's momentum, strategy and direction.

The year also saw the departure of Liam FitzGerald, a non-executive director since the Group's flotation in 2004. The Group thanks him for his meaningful contribution on all fronts, especially the commercial perspective he brought to the business.

Two new non-executive directors have recently joined the Board: Tony Smurfit and Stewart Gilliland. Tony has strong experience in global markets, managing international operations serving a worldwide customer base. Stewart brings his experience of the food and beverages sectors and, in particular, long alcohol drinks in international markets. Their international market expertise will be

valuable to the C&C Board as we focus on the growth and development of our business worldwide. The breadth of commercial and geographical experience of the non-executive directors is an appropriate governance counterpoint to the executive team in the international development of the business.

With the growing importance of the international side of the business, the Group has brought in Joris Brams to drive our international strategy. Joris brings considerable expertise, with sector and production experience from around the world.

## GOVERNANCE & RESPONSIBILITY

The Board and senior management team are committed to maintaining the highest standards of governance and ethical behaviour throughout the business.

A statement of our main Governance principles and practice is provided on pages 37 to 46.

We continue to work under the requirements of the UK Corporate Governance Code and the Irish Corporate Governance Annex.

The Board also works to ensure its own effectiveness, by undertaking a regular evaluation of the performance of the Board and its committees.

## CORPORATE RESPONSIBILITY

We take corporate responsibility seriously and our Corporate Responsibility statement on pages 24 to 29 sets out our work this year. Being a part of our community is a key to our commercial success, as it gives us insight to meet our customers' needs in a responsive manner.

We encourage responsible drinking and our views on minimum pricing are documented in this report. We seek to combine the interests of the industry with those of society at large. We support our customers in meeting the challenge of duty and regulation. We communicate with Government and regulators emphasising our community of interest in a healthy industry, in all senses.

## DIVIDENDS

Recognising the financial strength and cash generation of the business, we intend to pursue a progressive dividend policy. It is proposed to pay a final dividend of 4.5 cent per share, subject to shareholder approval. If approved, this will bring the Group's full year dividend to 8.17 cent per share. A scrip dividend alternative will also be available.

At the AGM we are also seeking the usual authority for the Company to purchase its own shares. Any authority given to the Company to purchase its own shares will only be exercised if the Board considers it would be in the best interests of the shareholders generally.

## BONUS & REWARDS

Our management and staff have performed well under difficult economic conditions. We believe in rewards only for performance and our track record demonstrates this. I am therefore glad to report that bonuses are being awarded this year, based on the performance and results achieved.

Our purpose is to optimise shareholder value and we have therefore restructured our employee incentives this year to ensure that they are aligned with the interests of our shareholders, particularly through long term equity participation. Some of our share incentive schemes need to be modified to align more closely with the interests of our shareholders and our intention is therefore to propose modifications at the AGM to further achieve this objective. Further details are contained in the notice of AGM.

## CONCLUSION

Twelve months ago we said: *'We have to be and are beginning to be on the front foot'*. This year we can state we have definitely taken strides in the right direction and have built momentum to drive our evolution through the strength of our business and brands.

In a difficult environment the Group's business has changed, results have been delivered and our opportunities are greater. This has been achieved through our responsiveness and adaptability. The Group has a fundamental belief in the attractiveness of cider, a growing product in markets around the world. We do not expect, however, that macro-economic conditions in the coming twelve months will be benign, given the significant political instabilities which will affect wider economic prospects. We are, however, in both a financial and commercial sense, in a good position to meet these challenges and for the Group to progress in both the immediate and longer term.

**Sir Brian Stewart**  
Chairman

This has been a robust year for the Group. In our domestic markets, our brands and businesses performed well against a tough economic backdrop. Maintaining and developing our core domestic businesses has been a key objective, alongside brand innovation and international development. Internationally, we are building momentum across several markets. We continue to believe, and demonstrate, that the cider category is an exciting place to be.

**FOCUSING ON BRAND-MARKET COMBINATION**

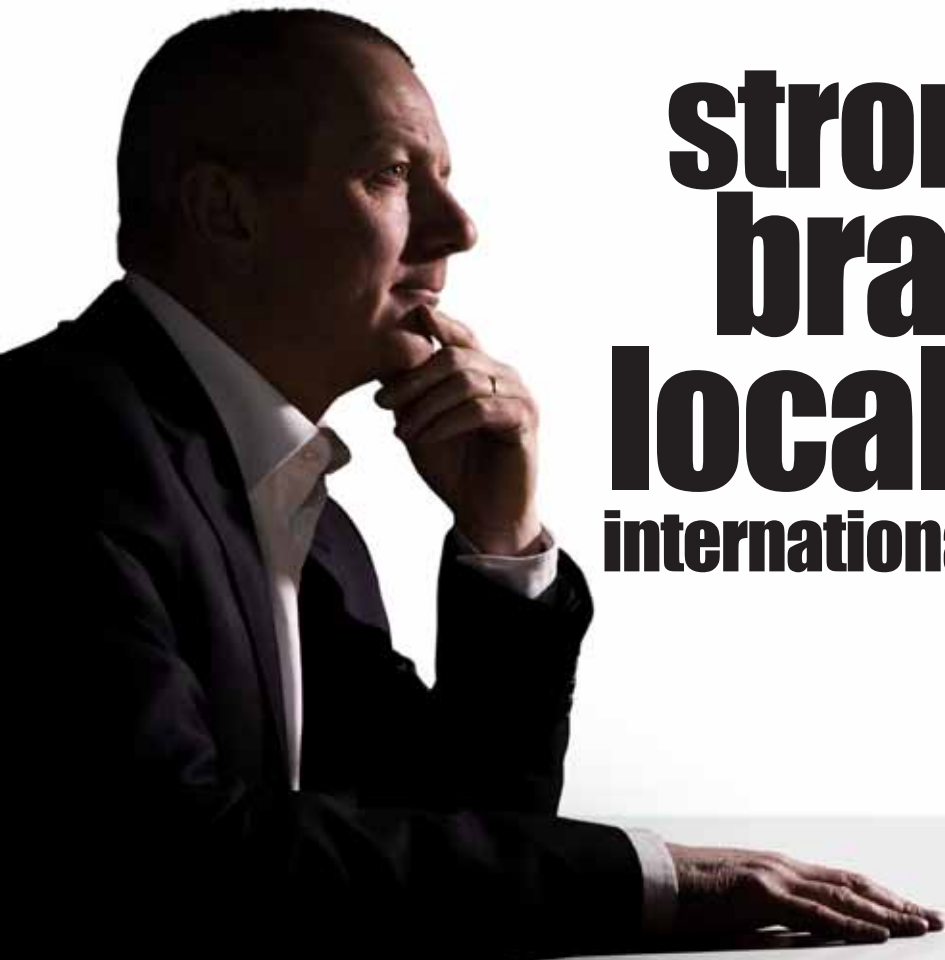
Our business model seeks growth through our brand-market combination, combining brand investment with a focus on local markets. In a challenging economic environment in ROI and the UK, the Group's results for the year demonstrate the resilience of this model. On a constant currency basis, revenues of our continuing businesses declined by 4.8% but Group operating profit increased by 9.0% to €111.2m.

Bulmers revenues and operating profit in ROI remained under pressure but an increased contribution from beer offset the decline. The Tennent's brand performed well, and the overall operating profit in Scotland increased. The Magners brand in GB finished the year in positive revenue growth for the first time in five years. On the supply side we had some good contract packaging wins.

Our export cider and beer volumes grew by 31.9% during the year. We invested in the global growth of cider with the acquisition of the Hornsby's

brand in the US and through new distribution agreements in key markets for our core brand, Magners. Our high conversion of earnings to free cash flow allowed us to end the year with a healthy balance sheet and a well-invested asset base.

This is the third financial year that the Group has delivered earnings in line with stated guidance. Our products and our business model are delivering long term reliable results. We now seek to expand internationally to maximise shareholder returns.



**strong  
brands,  
local focus,  
international development**



THE CIDER CATEGORY CONTINUES TO GROW IN THE WORLD'S LARGEST MARKET, AS WELL AS EXHIBITING A TREND THAT INDICATES CONSUMERS ARE TRADING UP TO MORE PREMIUM BRANDS.

## STRATEGIC MODEL AND KEY OBJECTIVES

Our strategic model is anchored on four fundamentals:

- **BRAND MARKET COMBINATIONS:** using our brand presence in local markets
- **MULTI-BEVERAGE PLATFORMS:** offering attractive brand portfolios to customers
- **AUTHENTIC LOCAL BRANDS:** backing brands that have a strong local support
- **A CONSERVATIVE APPROACH TO THE BALANCE SHEET AND CASH MANAGEMENT:** maintaining our high free cash flow and applying it prudently

Based on these fundamentals, our objectives for the year focused on four key areas:

- **HOLD MAGNERS SHARE IN GB'S GROWING CIDER CATEGORY, WHILE IMPROVING UNIT PRICING**
- **HOLD EARNINGS IN ROI**
- **MAINTAIN MEANINGFUL GROWTH MOMENTUM IN INTERNATIONAL MARKETS**
- **DELIVER ON THE SYNERGIES OF TENNENT'S INTEGRATION, AND PURSUE BENEFITS OF PRICING AND MARGINS**

### 1. HOLD MAGNERS SHARE IN GREAT BRITAIN

The cider category continued to grow by about 5% in GB, the world's largest cider market. Market data show that consumers are trading up to premium brands. The considerable investment behind the Magners brand's premium quality and image has positioned it well to take advantage of this trend.

Magners brand volumes in GB grew by 2.8% during the year and the brand posted positive revenue growth for the first time in five years. This was a considerable achievement given the arrival of a high profile and well-resourced new entrant into the market.

Good marketing and innovation were key factors in our success. Brand health scores remained good. In innovation, we had a successful launch of Magners Specials, our first variants in the flavoured category. Magners Pear has delivered another successful year and Magners Golden Draught continues to be rolled out across the on-trade.

This was a positive performance for Magners but we believe that we have not fully delivered on share of cider value in Great Britain. This will be one of our objectives for the coming year.

### 2. HOLD EARNINGS IN ROI

In another difficult year in the Irish market, our objective was once again to hold earnings. Consumers were increasingly looking for value, and price deflation and the shift from the on-trade to the off-trade affected overall revenue. Bulmers cider brand volumes and revenues declined but a meaningful contribution from our beer portfolio enabled us to achieve stable operating profits from the Irish business.

We achieved our objective by focusing on two initiatives:

- We increased our investment in price in the off-trade while continuing to invest in marketing. The 'Doing Our Bit' marketing campaign contributed significantly to Bulmers maintaining its brand position.
- The second element was the performance of the beer portfolio – specifically the growth of Tennent's in the on-trade and off-trade.

ROI's economic conditions remain unpredictable. The deflationary environment will continue to put pressure on our business, but consumption across the Irish drinks sector is broadly stable, which must be viewed positively as ROI remains a highly attractive and profitable market.

**3. MAINTAIN MOMENTUM IN INTERNATIONAL MARKETS**

Globally it is estimated that over 17 million hectolitres of cider were produced last year (Canadean). In excess of 40% of global cider consumption occurs in markets outside of Ireland and the UK. In these markets the category typically represents less than 2% of LAD volumes but volumes are growing steadily.

With the acquisition of the Hornsby's cider brand last November, the Group is now the No.2 cider producer in the US market, whilst in Australia Magners is the No. 3 cider brand. We continue to focus on North America and Australia as we consider that they represent the best investment opportunities for the Group.

Our North American volumes grew by 25% for the year, a performance which is line with estimated category growth rates. The acquisition of Hornsby's gives us a recognised indigenous US brand that is complementary to our own Irish and English brands and greatly enhances our presence in a growing market.

In Canada, where Magners volumes grew by 85%, we entered into a long term distribution arrangement with Moosehead. In Australia, where Magners volumes grew by 78%, we entered into a new long term distribution arrangement with Suntory. Both Moosehead and Suntory are highly credible companies and these relationships offer the potential for accelerated growth in fast-growing cider markets.

Magners is exported to over 30 countries worldwide. The markets we supply offer increasingly positive opportunities and we are putting significant effort into growing our international platform. We broadened the Magners range in Australia and the US to include Magners Selections. Tennent's also features heavily, with a new range of export brands.

The growth of the global cider market puts us in a unique position in terms of our brands and our intellectual capital, and we have positioned ourselves to benefit from the category's development and to drive it forward.

**4. ACHIEVE OPERATING PROFIT AND MARGIN GROWTH FROM TENNENT'S**

Tennent's is a very positive story for the Group.

While reported volumes and revenues in Tennent's declined, the underlying economic performance of Tennent's was robust. The Group's pursuit of value growth in the off-trade in Scotland led to a loss of volume but a significant improvement in operating profit and margins. In the independent free trade in Scotland, the brand continued to excel and gain share, whilst the expiry of legacy contracts with on-trade multiples allowed us to improve margins.

In Northern Ireland Tennent's continued to perform robustly in the on-trade. There was substantial loss of volume in off-trade multiples but positive growth amongst local groups.

Our significant reinvestment in the Tennent's brand, as described below, is delivering excellent brand health scores. By investing in the brands, we are starting to attract more young adults to the brands. The launch of Caledonia Best in Scotland and Caledonia Smooth in Northern Ireland and ROI has been well received by customers and consumers. These premium ales have opened up a new category for the Group.

**Gaymers**

The Group's focus for the Gaymers portfolio remained on achieving value. Whilst there was a significant reduction in volume and net revenue, the removal of low margin activity ensured that earnings from the Gaymers business contributed in line with expectations. This leaves room for improvement in the years ahead.

**Manufacturing and Production**

The supply side of the business has delivered strongly. The Group was successful in winning a number of profitable beer and cider production and packaging contracts. There has been good management of input costs and the price stability achieved has helped to protect our margins. We milled a record number of apples – 81,000 tonnes – in ROI and the UK, and this offered us some forward protection.



## NEW LAUNCHES

Our innovation stream continues to flow, and the year saw the launch of Magners and Bulmers Specials and Magners Selections overseas, Caledonia Best and Caledonia Smooth. These have been covered under the different markets above. We are committed to innovation as new products invigorate our brands and consumer interest, and maintain and build presence in our markets.

Since acquisition we have returned Tennent's to its quality roots. This is underlined through our development of a premium lager – Tennent's Original Export – which was launched in April 2012. This draws on an original export recipe and uses only Scottish barley.

Overseas, we have launched a new range of Tennent's products, Tennent's Scotch Ale, Tennent's 1885 and Tennent's Extra, focused initially on the Italian market.

## MARKETING

Our philosophy is that local brands appeal to local customers and consumers who are looking for authentic, quality brands with a strong heritage. Our marketing efforts and brand strategies, therefore, are tailored to reach consumers in each of our core markets. As such, we are investing heavily in our key brand assets to maintain a premium price position for the brands in the UK and ROI.

In the UK, the award-winning 'Method in the Magners' campaign stretched into its second year and has continued to evolve with the new 'Made in the Dark' campaign, maintaining brand awareness through television advertising, posters and through digital marketing channels.

In ROI the 'Doing Our Bit' advertising campaign for Bulmers featured the well known economist David McWilliams. The campaign was based on the ethos of doing something, no matter how small, for Ireland.

The Hugh Tennent campaign in Scotland plays on Tennent's heritage and the authenticity of the brand. We continued our football sponsorships of Glasgow Rangers and Celtic. The T in the Park concert is now in its 19th year. In Northern Ireland we once again held the Tennent's Vital concert after a four year gap.

Our international marketing efforts focused on a television campaign for Magners in Australia – the first of its kind – and digital and Facebook campaigns in the United States.

Brand health scores remain high across our core markets, emphasising both the importance and success of these campaigns.

## PEOPLE

The management team of the Group has evolved during the year. John Dunsmore stepped down from his position as Group CEO after a highly productive three years that helped to establish the Group's success and direction. The strategy of the business has not changed and we remain committed to the long term objectives of the Group.

The team has been strengthened during the year with the appointment of several high calibre individuals, thus enabling us to develop our international capability.

The Group's management and staff have worked hard to ensure the ongoing success of the business and the quality of our brands. Our remuneration philosophy focuses on stakeholder participation by the management team through equity participation, to align their interests with those of shareholders. During the year we revamped the structure of our employee share and incentive rewards, making them more relevant to the different levels of staff. This included introducing partnership and share matching plans for all employees alongside the existing Group-wide bonus incentive scheme for both managerial and non-managerial staff.

## CORPORATE RESPONSIBILITY

As discussed in our Corporate Responsibility report, we have appointed a Director of Corporate Affairs to spearhead our Corporate Responsibility agenda. We have taken an active role in our trade bodies the National Association of Cider Makers and the British Beer & Pub Association and directly with government. We have voiced our support for minimum alcohol pricing as long as it is fair, proportionate and reasonably implemented, and is part of an overall programme to reduce the abuse of alcohol. Alongside other industry players we have pledged a reduction of 30 million units of alcohol in the period to 2015 from the Group's products. Our businesses make a substantial contribution to rural economies in ROI and the UK. We have long term purchase contracts with apple growers in the west country and are offering long term barley contracts to farmers in Scotland.

## OUTLOOK

The Group continues to develop and we are pleased with the progress that has been achieved during the year. Our investment case focuses on our long term ambition to be a leading player in the growing global cider category. To achieve such a goal we need a solid business base – Bulmers, Magners and Tennent's give us that foundation.

C&C is now a focused cider-led LAD business. While we remain cautious about the near term prospects of our core markets, the continuing global growth of the cider category, and C&C's unique position within the sector, underscore our belief in the prospects for our business. C&C's balance sheet strength and free cash flow characteristics will enable us to capitalise on organic and acquisition growth opportunities.

**Stephen Glancey**  
Group Chief Executive Officer

**stable**  
**earnings**  
**in challenging**  
**times**

The graphic features the text 'stable earnings in challenging times' in a bold, sans-serif font. The word 'stable' is in black. 'earnings' is in a gradient from orange to black. 'in challenging' is in black. 'times' is in black. The background of the text is a collage of images, including a close-up of a Bulmers Berry Cider can with the word 'BULMERS' and 'BERRY' visible, and other blurred images of cans and packaging.





Constant Currency <sup>(i)</sup>	CIDER			BEER		
	FY2012 €m	FY2011 €m	Change %	FY2012 €m	FY2011 €m	Change %
Revenue	126.8	136.4	(7.0)%	15.8	13.6	16.2%
Net revenue	91.5	100.0	(8.5)%	9.9	8.8	12.5%
- Price /mix impact			(5.5)%			(10.5)%
- Volume impact			(3.0)%			23.0%
Operating profit	42.2	43.2	(2.3)%	2.2*	0.7*	214.3%
Operating margin (Net revenue)	46.1%	43.2%	2.9ppts	22.2%	8.0%	14.2ppts
Volume – (khl)	532.4	548.6	(3.0)%	89.6	72.8	23.0%

\* before allocation of Group overheads

**LAD category<sup>(ii)</sup>:** The last 12 months have seen Long Alcoholic Drinks (LAD) volumes in ROI fall by 1% year on year. As with the prior year, the swing of consumption from on-trade to off-trade continues with Nielsen/CGA reporting positive growth of 7% in LAD off-trade volumes and a decline of 6% in on-trade volumes. Home consumption in ROI now accounts for 44% of total consumption, up from 41% in the prior financial year. The pricing differential and increasing levels of promotional activity in the off-trade remain a key factor in this accelerated channel switch, a deflationary trend that we expect to continue over the next few years. On an aggregate level, pricing in LAD off-trade fell by 7% in the year while on-trade pricing remained relatively flat.

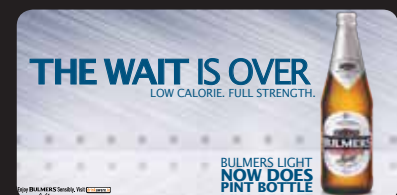
Despite the deflationary headwinds in the off-trade, operating profits in ROI remained relatively stable for the third year in succession at €44.4 million. Cider ROI delivered operating profit of €42.2 million, while operating profit from the Group's beer portfolio increased to €2.2 million. Innovation continued with the recent launch of Caledonia Smooth, a draught dark beer currently being rolled out in the on-trade.

**Cider:** Net revenues were down 8.5% in the year with volumes accounting for 3.0% of the decline and price/mix a further 5.5%. The price/mix deflation reflects the negative impact of product mix in the on-trade, lower off-trade pricing and continuing channel shift to home consumption.

Re-allocation of marketing investment to support the brand to ensure off-trade price competitiveness contributed around 60% of the 2.9ppts margin improvement. The balance of the margin improvement is attributed to disciplined cost control. The Bulmers brand health remains strong. Ongoing investment in advertising campaigns and the sponsorship of live music events such as 'Forbidden Fruit' help to maintain energy and saliency behind the Bulmers brand.

**Beer:** The Group's beer portfolio continued its strong performance in ROI, with volumes growing 23% in a flat market. Tennent's Lager volumes increased 64% year on year growing impressively in both channels of trade. Tennent's Lager draught is pouring in over 1,000 on-trade outlets, a value proposition supported by 'The Honest Pint' campaign. In the off-trade Tennent's Lager volumes more than doubled.

The economic environment in ROI remains challenging and the expectation is that current trends in the LAD market will persist. Strong cost focus, continued innovation and building out of the Group's beer portfolio will remain essential to maintaining operating profit.



(i) On a constant currency basis, constant currency calculation is set out on page 23  
(ii) Source: Nielsen/CGA data



DIVISIONAL REVIEW  
CIDER - GREAT BRITAIN (GB)

**positive**  
**revenue**  
**growth**  
**and brand**  
**health**

The text is presented in a large, bold, sans-serif font. The letters are filled with various images related to beer and cider. The word 'positive' features a close-up of a white, frothy head of beer. 'revenue' shows a golden beer with condensation. 'growth' is filled with a Magners label, showing the brand name and 'IRISH CIDER'. 'and brand' is filled with a golden beer. 'health' is filled with a close-up of a golden beer with condensation.



Constant Currency <sup>(i)</sup>	MAGNERS			GAYMERS		
	FY2012 €m	FY2011 €m	Change %	FY2012 €m	FY2011 €m	Change %
Revenue	136.4	131.0	4.1%	113.4	147.5	(23.1)%
Net revenue	107.6	106.8	0.7%	65.2	83.7	(22.1)%
- Price /mix impact						5.1%
- Volume impact						(27.2)%
Operating profit	25.2	23.8	5.9%	4.3	4.0	7.5%
Operating margin (Net revenue)	23.4%	22.3%	1.1ppts	6.6%	4.8%	1.8ppts
Volume (khl)	765.8	745.3	2.8%	1,152.4	1,582.8	(27.2)%

**Cider category<sup>(ii)</sup>:** The GB cider market had another strong year of both volume and value growth. Per Nielsen/CGA, the GB cider market grew 5% in volume terms and was the only category of alcoholic drinks to grow volume year on year. New entrants to the market and fruit variations have had a premiumising effect and contributed to attractive retail value growth of 14% for the category. Traditional 'standard' ciders lost some ground during the year.

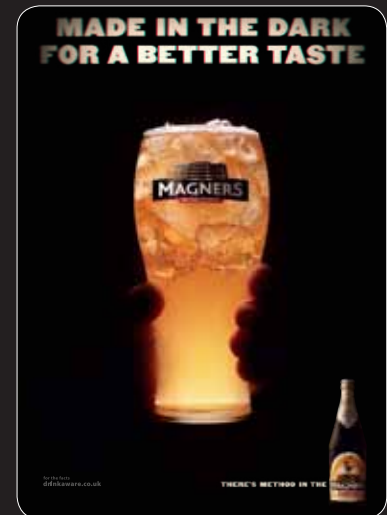
**Magners:** Overall it was a positive year for the Magners brand with revenues showing positive growth for the first time in five years. With challenging economic headwinds, dampening consumer spending and significant new entrants into the market, the brand performed well across both channels of trade. Net revenue grew 0.7% with volume increases of 2.8% offsetting the negative price/mix of 2.1%, attributable to ongoing channel shift. This performance compares favourably to the 7.1% negative price/mix experienced in FY2011.

The trading profile for the financial year was characterised by a strong off-trade performance in the spring/early summer and Christmas trading period. The on-trade enjoyed continued growth of Magners Golden Draught and Magners Pear (now the #1 pear cider in GB) providing some relief against further volume decline for packaged Original, for which the competition for fridge space remains a challenge. Innovation continues with three new flavours being launched under the Magners Specials range in the second half of the year.

Operating profits grew by 5.9% to €25.2 million and margins improved by 1.1 ppts to 23.4% reflecting a continued focus on operating cost efficiencies. The Magners brand remains in excellent health and investment levels in marketing were maintained.

**Gaymers portfolio:** It was a transitional year for the Gaymers business. Volumes and net revenues were down 27.2% and 22.1% respectively as the Group sought to exit unprofitable own-label contracts during the year. Some of the brands within the Gaymers portfolio also suffered volume losses as a direct consequence of category premiumisation.

Despite the volume declines, operating margins improved by 1.8ppts to 6.6% due to the stronger economics behind the remaining volume. Operating profit increased by 7.5% to €4.3 million for the year. The repositioned Gaymers business is now positioned to improve economic returns through better utilisation of assets and an increased focus on the wider cider portfolio.



(i) On a constant currency basis, constant currency calculation is set out on page 23

(ii) Source: Nielsen/CGA data



**focussed  
investment  
in international  
markets**



Constant Currency <sup>(i)</sup>	MAGNERS			GAYMERS			HORNSBY'S
	FY2012 €m	FY2011 €m	Change %	FY2012 €m	FY2011 €m	Change %	FY2012 €m
Revenue	24.7	21.0	17.6%	3.1	3.0	3.3%	2.5
Net revenue	24.7	21.0	17.6%	3.1	3.0	3.3%	2.4
- Price /mix impact			(10.7)%			14.3%	
- Volume impact			28.3%			(11.0)%	
Operating profit	4.5	2.6	73.1%	1.2	1.4	(14.3)%	0.9
Operating margin (Net revenue)	18.2%	12.4%	5.8ppts	38.7%	46.7%	(8.0)ppts	37.5%
Volume (khl)	153.5	119.6	28.3%	35.4	39.8	(11.0)%	17.8

**Magners:** Export growth of Magners accelerated in the second half with volumes growing by 28.3% for the year as emerging cider categories in North America, Australia and Europe continued to demonstrate good growth.

As anticipated, US cider volume growth increased in the second half of the year as an improved autumn trading period helped drive sales. The US business enjoyed the benefit of increased investment in sales infrastructure and extended capability across both channels and brands. Canadian volumes continue to grow strongly and were up 85% for the year, supported in the second half by a new distribution agreement with Moosehead. North American volumes grew by 25% for the year which is in line with estimated category growth rates.

The Australian market, which is a more developed cider market than North America, continues to display excellent growth as imported ciders and flavour variants recruit consumers into the category. Penetration rates are now estimated at 3% of LAD and volumes are up 30% per annum<sup>(ii)</sup>. Magners introduced above-the-line TV advertising over the Australian summer for the first time with the 'Catch' cricket themed campaign. Volume was up 78% for the year. Under the recently signed five year distribution agreement with Suntory, marketing investment in the brand is set to increase further and the range-extending Magners Selections are being rolled out across the network.

Revenue growth in Magners of 17.6% falls short of volume growth due to the change in the structure of the distribution contract with Suntory, the Group's distributor in Australia. Under the terms of the new arrangement, responsibility for direct market investment transferred to Suntory with a consequential reduction in headline revenue. Total Magners Export revenue growth under the former arrangement with Suntory would have been circa 29%. Operating margin improvement is attributed to the lower reported revenue number, greater absorption of fixed overheads and operating efficiencies.

**Gaymers:** Despite volume decline of 11.0% during the year, improved unit pricing delivered net revenue growth of 3.3%. Opportunities for international markets are being reviewed.

**Hornsby's:** The acquisition of the Hornsby's cider brand from E&J Gallo Winery in November 2011 has positioned C&C as the number 2 cider company in the US with an estimated 20% share of the US cider category. The Hornsby's brand brings US domestic cider heritage to C&C. Trading is in line with expectations and integration is well underway. We expect to exit the transitional services arrangements within the timescale agreed with E&J Gallo Winery.

**THERE'S METHOD IN THE MAGNERS**

for the facts [drinkaware.co.uk](http://drinkaware.co.uk)



(i) On a constant currency basis, constant currency calculation is set out on page 23  
(ii) Source: Nielsen/CGA data

DIVISIONAL REVIEW  
**TENNENT'S**

**revitalising**  
**Scotland's**  
**iconic**  
**brand**







Constant Currency <sup>(i)</sup>	TENNENT'S			THIRD PARTY BRANDS		
	FY2012 €m	FY2011 €m	Change %	FY2012 €m	FY2011 €m	Change %
Revenue	216.8	223.9	(3.2)%	77.9	83.5	(6.7)%
Net revenue	100.1	102.0	(1.9)%	74.0	76.1	(2.8)%
- Price /mix impact			6.9%			0.2%
- Volume impact			(8.8)%			(3.0)%
Operating profit	22.3	18.2	22.5%	7.1	5.8	22.4%
Operating margin (Net revenue)	22.3%	17.8%	4.5ppts	9.6%	7.6%	2.0ppts
Volume (khl)	1,421.7	1,559.7	(8.8)%	391.8	403.8	(3.0)%

**Scottish beer market<sup>(ii)</sup>:** The Scottish Beer on-trade market remains in decline with total beer volumes falling 8% for the year according to Nielsen/CGA. Scottish off-trade beer volumes declined by 4% in volume but grew by 5% in value.

**Tennent's:** The Tennent's brand delivered a strong set of numbers for the year with operating margins increasing to 22.3%, a level comparable to the Magners brand in GB. Net revenues fell by 1.9% as a consequence of the volume lost in pursuit of improved unit pricing in the off-trade. Total volumes fell by 8.8% with the positive impact of price/mix contributing 6.9% to the net revenue line. During the financial year, the Group commenced exporting Tennent's brands to overseas markets including Australia, Italy, North America and Russia and launched Tennent's Original Export, a premium lager, in April 2012.

**Tennent's Scotland:** Tennent's outperformed the on-trade market with a decline of 2% as the brand continues to build momentum across the Scottish market. In the independent free trade (IFT) in Scotland, Tennent's is now back in net revenue growth as distribution gains and a growing loan book lifted volumes 1% in the year. The Group continues to invest in the on-trade to secure distribution with €11 million advanced to customers over the course of the year. Our cider business is also performing well in the on-trade, benefitting from the Tennent's reach. The C&C cider portfolio now accounts for 31% of the Scottish on-trade draught cider market. In the off-trade Tennent's volumes declined 16% as a result of the Group's pursuit of value growth.

Ongoing commitment to brand investment is evidenced by good brand health scores. Sponsorship of The Old Firm football clubs and 'T in the Park' music festival continue to energise the Tennent's brand and improve engagement with the trade and consumers. The launch of Caledonia Best in the fourth quarter was well received in the on-trade and the product has been rolled out to over 1,000 points of sale across Scotland.

**Tennent's NI:** In Northern Ireland Tennent's continued to perform robustly in the on-trade. There was substantial loss of volume in off-trade multiples but positive growth amongst local groups.

**Operating Efficiencies:** The focus on cost control, delivery of synergies and improved unit pricing on Tennent's contributed to a significant uplift in operating margins to 22.3%. The supply side of the business delivered a robust cost performance and incremental third party volumes helped to offset low level input cost increases. During the year, a bottling line was relocated from the Group's cider manufacturing facility in Clonmel to Wellpark Brewery in Glasgow, enhancing the brewery's capability to service both planned innovation for the Tennent's brand and growing demand for third party activity.

**Third party brands:** Continued to perform well with operating profit growth of 22.4% reflecting improved product mix and the strength of the portfolio in Scotland and Northern Ireland.



(i) On a constant currency basis, constant currency calculation is set out on page 23  
(ii) Source: Nielsen/CGA data

**RESULTS FOR THE YEAR**

C&C is pleased to report net revenue of €480.8 million, operating profit from continuing operations of €111.2 million and adjusted diluted EPS for continuing operations of 27.6 cent.

On a constant currency basis, this translates to a net revenue decline of 4.8% (reported basis: decline of 5.7%) but an operating profit increase of 9.0% (reported basis: up 10.2%) equating to an operating margin of 23.1%, an increase of 2.9 percentage points on the prior year (3.3 percentage points on a reported basis).

The achievement reflects both the Group's commitment to continued cost management and its strategy of capitalising on brand strength by the pursuit of value.

**financial capacity  
to achieve  
growth  
objectives**



Table 1 – Key financial indicators		2012	2011
<b>Financial Summary</b>			
Net revenue	€m	480.8	509.9
EBITDA <sup>(i)</sup>	€m	131.4	126.3
Adjusted Diluted EPS	Cent	27.6	25.4
Free cash flow <sup>(ii)</sup>	€m	102.6	106.8
Free cash flow conversion ratio		78.1%	84.6%
Net cash/(debt) <sup>(iii)</sup>	€m	68.3	(6.3)
Dividend per share	Cent	8.17	6.6
Dividend cover		29.6%	26.0%
<b>Financing</b>			
Net interest paid	€m	3.9	7.1
Interest Cover		34.6	17.8
Net debt/EBITDA		-	0.07
Net debt as percentage of market capitalisation		n/a	0.5%
<b>Share price performance</b>			
Share price at 29/28 February		€3.665	€3.535
52 week high		€3.69	€3.60
52 week low		€2.70	€2.75
Market capitalisation at year end	€m	1,243	1,192

(i) EBITDA: Earnings before exceptional items, interest, tax, depreciation and amortisation and inclusive of discontinued operations.

(ii) Free Cash Flow is a non-GAAP measure that comprises cash flow from operating activities net of capital investment cash outflows which form part of investing activities. Free Cash Flow highlights the underlying cash generating performance of the ongoing business.

(iii) FY2011 Net Debt is net of prepaid issue costs of €0.3 million and excludes the fair value of swap instruments amounting to a liability of €2.0 million. The equivalent balances for FY2012 were nil.

The performance of each of the Group's reporting segments is discussed in detail in the Operations Review on pages 10 to 17, in summary the key drivers of this financial performance were:-

- **A good earnings performance from ROI:** despite continued price deflation as a result of growing home consumption and increased promotional activity in the off-trade; the Group achieved stable earnings with increased operating profit contribution from beer compensating for reduced cider earnings,
- **Stabilisation of Magners performance in GB:** despite increased competition, Magners experienced volume growth for the first time in five years, increasing 2.8%. On constant currency basis, net revenue grew 0.7% reflecting increased volumes and price stabilisation, as offset by the negative impact of channel mix. Operating margins improved 1.1ppts to 23.4%,
- **Encouraging volume and operating profit growth in the Group's export business** with Magners export volumes up 28% and operating profit increasing from €4.1 million to €6.6 million, of which the newly acquired Hornsby's brand contributed €0.9 million,
- **Strong Tennent's performance:** the pursuit of value and improved pricing for Tennent's in the off-trade channel had a negative impact on volume and net revenue but resulted in significant

operating profit and margin growth for the Tennent's brand, on a constant currency basis up 22.5% and 4.5ppts respectively,

- **Continued commitment to brand investment:** marketing investment remains at 10% of net revenue with increased investment in developing markets partially offsetting reduced investment in mature markets as the Group competes on price in a tough environment.
- **EPS growth ahead of operating profit growth** reflecting reduced finance costs following debt repayment,
- **Currency:** applying this year's effective rates to last year's operating profit improves FY2011 reported profits by a net €1.1 million as a result of a strengthening in the sterling effective transaction rate which was partially offset by a weakening in the effective translation rate.

#### ACCOUNTING POLICIES

As required by European Union (EU) law, the Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC),

applicable Irish law and the Listing Rules of the Irish and London Stock Exchanges. Details of the basis of preparation and the significant accounting policies are outlined on pages 67 to 77.

#### FINANCE COSTS, INCOME TAX AND SHAREHOLDER RETURNS

Net finance costs reduced to €5.1 million (2011: €9.4 million) reflecting a reduction in average drawn debt levels and the associated reduction in issue cost amortisation charges, the benefit of which was partially offset by an increase in effective interest rates. The average interest rate paid was 3.4% (2011: 2.5%) reflecting the increased weighting of debt subject to an 'out of money' fixed rate swap contract. On a time weighted basis average drawn debt reduced from €305 million during FY2011 to €92 million in FY2012. Net finance costs are also inclusive of an unwind of discount on provisions charge of €1.0 million (2011: €1.0 million).

The income tax charge in the year relating to continuing activities and excluding exceptional items amounted to €13.8 million giving an effective tax rate of 13%, an increase on the prior year primarily due to the expiration of manufacturing relief in ROI. The low effective tax rate reflects the residency of the Group's brand owning companies, with the majority of the Group's taxable profits continuing to arise in ROI.

Total dividends paid to ordinary shareholders in the current financial year amounted to €22.7 million of which €18.5 million was paid in cash while €4.2 million or 18% (2011: 40%) was settled by the issue of new shares. Subject to shareholder approval, the proposed final dividend of 4.5 cent per share will be paid on 13 July 2012 to ordinary shareholders registered at the close of business on 25 May 2012. The Group's full year dividend will therefore amount to 8.17 cent per share, a 23.8% increase on the previous year. The proposed full year dividend per share will represent a payout of 29.6% (2011: 26.0%) of the full year reported adjusted diluted earnings per share. A scrip dividend alternative will be available.

### EXCEPTIONAL ITEMS

The Group posted to operating profits a net income of €3.1 million before tax in relation to a number of items which due to their nature and materiality were classified as exceptional items for reporting purposes; a presentation which in the opinion of the Board provides a more helpful analysis of the underlying performance of the Group.

The items which were classified as exceptional include:-

**(a) Retirement benefit obligations:** as discussed later the Group's pension reform programme concluded with the receipt from the Pensions Board of a Section 50 Direction to remove guaranteed pensions in payment increases. This resulted in the recognition of a past service gain net of expenses of €14.7 million, calculated as the difference in the value of liabilities assuming an average discretionary increase rate of 2.25% per annum as opposed to the previously guaranteed 3% per annum on pensions in payment.

The Group also earned a curtailment gain of €0.1 million arising as a result of the Group's disposal of its Northern Ireland wholesale business and the reclassification of these employees from active to deferred members.

**(b) Restructuring costs:** comprising severance and other initiatives arising from ongoing cost management initiatives resulted in an exceptional charge before taxation of €4.6 million (2011: €4.9 million).

**(c) IT Systems implementation & integration costs of €4.0 million:** primarily relating to the migration of the Gaymers Cider business onto a new IT system enabling the business to fully integrate with the Group's Magners business in England and Wales.

**(d) Loss on revaluation of property, plant & machinery:** in line with the Group's policy to recognise its freehold properties and plant & machinery at fair value on the Balance Sheet, the Group engaged external consultants to complete a valuation as at 29 February 2012. This exercise resulted in a net revaluation loss of €2.0 million being accounted for in the Income Statement, and a further net loss of €1.7 million accounted for in other comprehensive income on the basis that it created a revaluation surplus in respect of the Group's Scottish buildings and reduced a revaluation surplus previously recognised in respect of other assets.

**(e) Loss from discontinued operations:** a loss of €1.1 million was realised, of which €0.1 million profit arose on the disposal of the Group's Northern Ireland wholesaling business (Quinns of Cookstown) to Britvic Northern Ireland Limited on 30 June 2011 for a gross consideration of €4.8 million (£4.3 million) and the balance in relation to a working capital settlement to reflect 'normalised' working capital' as set out in the Sale and Purchase Agreement following the prior year disposal of the Group's Spirits & Liqueurs business.

The Group also recognised a loss of €0.7 million on recycling a foreign currency reserve balance to the Income Statement following the disposal of its Northern Ireland wholesaling business.

**(f) Inventory recovery:** juice stocks which were previously impaired were recovered and used by the Group's cider business during the current financial year resulting in a write back of juice stocks to operating profit at their recoverable value of €0.7 million. As the original impairment charge was accounted for as an exceptional cost the write-back has also been accounted for in this manner.

### BALANCE SHEET STRENGTH, DEBT MANAGEMENT AND CASHFLOW GENERATION

A key strength of the Group, and one which leaves the Group ideally placed to invest in its brands, business and customer base, and, to access growth potential in what is a challenging economic and financial climate, is the strength of its balance sheet.

Total assets reported by the Group were €960.8 million at 29 February 2012. The Group's portfolio of market leading brands and related goodwill is valued at €483.3 million. Brand values and goodwill are assessed for impairment on a regular basis with the Directors concluding that no material adjustments to the assumptions underlying the impairment testing models applied would result in any foreseeable risk of an impairment arising.

In addition, the Group generated Free Cash Flow of €102.6 million in the period, reflecting an EBITDA to Free Cash Flow conversion ratio of 78.1% which is comfortably within the Group's target range of 70%-80%, enabling it to achieve a year end net cash position of €68.3 million. As discussed below, the Group also had undrawn committed facilities available of €375 million at the year end date.

#### Debt management

The Group substantially reduced its drawn debt, during the current financial year, repaying its maturing sterling debt facility and reducing the drawings under its primary euro debt facility to €60 million. This facility was subsequently voluntarily repaid and cancelled on 30 March 2012, in advance of the May 2012 maturity date. All debt repayments were financed from surplus cash resources.

In February 2012, the Group entered into a committed €250 million multi-currency five year syndicated revolving loan facility with seven banks, repayable on 28 February 2017. The facility agreement provides for a further €100 million in the form of an uncommitted accordion facility and permits the Group to avail of additional indebtedness, excluding working capital and guarantee facilities, to a maximum value of €150 million. Consequently, the Group is permitted, under the terms of the agreement, to have debt capacity of €500 million.

Table 2 – Cash flow summary	2012 €m	2011 €m
Operating profit <sup>(i)</sup>	111.1	105.0
Amortisation/depreciation	20.3	21.3
<b>EBITDA <sup>(ii)</sup></b>	<b>131.4</b>	<b>126.3</b>
Working capital	8.0	31.5
Net capital expenditure	(17.7)	(21.1)
Net finance costs	(3.9)	(7.1)
Tax paid	(4.4)	(8.4)
Exceptional items paid	(8.7)	(13.5)
Other *	(2.1)	(0.9)
<b>Free cash flow <sup>(iii)</sup></b>	<b>102.6</b>	<b>106.8</b>
<i>Free cash flow conversion ratio</i>	<i>78.1%</i>	<i>84.6%</i>
Proceeds on disposal of operations	4.7	294.9
Proceeds from exercise of share options and issue of new shares under Joint Share Ownership Plan	1.6	4.8
Consideration / costs of acquisitions	(16.6)	(31.7)
Dividends paid in cash	(18.5)	(12.1)
<b>Reduction in net debt</b>	<b>73.8</b>	<b>362.7</b>
Net debt at beginning of year	(6.3)	(364.9)
Translation adjustment	1.1	(2.6)
Non cash movement	(0.3)	(1.5)
<b>Net cash/(debt) <sup>(iv)</sup> at end of year</b>	<b>68.3</b>	<b>(6.3)</b>

\* other relates to the share options add back, pensions charged to operating profit before exceptional items less contributions paid and profit on disposal of plant & equipment

(i) before exceptional costs and inclusive of discontinued activities

(ii) EBITDA: Earnings before exceptional items, interest, tax, depreciation and amortisation and inclusive of discontinued operations

(iii) Free Cash Flow is a non-GAAP measure that comprises cash flow from operating activities net of capital investment cash outflows which form part of investing activities. Free Cash Flow highlights the underlying cash generating performance of the ongoing business.

(iv) FY2011 Net Debt is net of prepaid issue costs of €0.3 million and excludes the fair value of swap instruments amounting to a liability of €2.0 million. The equivalent balances for FY2012 were nil.

## UNGEARED BALANCE SHEET SUPPORTED BY NEW €250 MILLION FINANCING FACILITY

### Cash generation

Management reviews the Group's cash generating performance by measuring the conversion of EBITDA to Free Cash Flow as we consider that this metric best highlights the underlying cash generating performance of the ongoing business.

The Group ended the year with a strong EBITDA to Free Cash Flow conversion ratio of 78.1% (2011: 84.6%) principally reflecting:-

- a reduction in financing costs driven by reduced levels of drawn debt,
- reduced corporation tax payments following a prior year overpayment,
- on-going focus on working capital management,
- low capital investment: the current year capital investment included the costs of transferring a bottling line from the Group's cider manufacturing facility in Clonmel to Glasgow providing the brewery with bottling capacity.

The prior year's free cash flow conversion rate benefited from a one-off positive working capital benefit arising from the timing of cashflows transferring to the Group from AB Inbev under the transitional services arrangement.

The high level of cash generation coupled with the availability of finance under the terms of the debt facility provides the Group with significant financial flexibility to enhance earnings growth through accretive acquisitions and/or return cash to shareholders.

A summary cash flow statement is set out in Table 2.



**RETIREMENT BENEFIT OBLIGATIONS**

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

The Group's ROI defined benefit pension schemes experienced funding difficulties in recent years owing to poor investment performance, low interest rates and continued improvements in life expectancy, resulting in the Group concluding that the scale of financial risks associated with funding the schemes in a deflationary and austere environment were unsustainable. Consequently, the Group worked with the Pension Scheme Trustees to implement pension reform in order to manage the Group's funding risk. The process concluded with the Pensions Board issuing a Section 50 directive to remove the mandatory pension increase rule, which guaranteed 3% per annum increase to certain pensions in payment, and replace it with guaranteed pension increases of 2% per annum for each of the 3 years 2012, 2013 and 2014 and thereafter future pension increases to be awarded on a discretionary basis.

A Funding Proposal was also approved by the Pensions Board which sees the Group commit to contributions of 14% of Pensionable Salaries (FY2011: 38.1% of Pensionable Salaries) to fund future pension accrual of benefits, a deficit contribution of €3.4m and an additional supplementary deficit contribution of €1.9m for which C&C reserves the right to reduce or terminate if on consultation with the Trustees and on advice from the Scheme Actuary that it is no longer required due to a correction in market conditions. The level of future funding commitment is in line with current funding levels. The Directors believe that the agreed plan will enable the schemes to meet the Minimum Funding Standard by 31 December 2016.

At 29 February 2012, the retirement benefit obligations on the IAS 19 basis amounted to €15.1 million gross and €13.2 million net of deferred tax (2011: €15.3 million gross and €13.3 million net of deferred tax). The movement in the deficit is as follows:-

	€m
Deficit at 1 March 2011	15.3
Employer contributions paid	(5.9)
Actuarial loss	19.0
Past service gain/curtailment gain	(14.9)
Charge to the Income Statement	1.6
<b>Net deficit at 29 February 2012</b>	<b>15.1</b>

Although, the retirement benefit deficit computed in accordance with IAS 19 did not change materially from the prior year, the deficit was impacted by a number of factors, namely:-

- actuarial loss: €19.0m recognised as a result of a reduction in the discount rate applied to liabilities (ROI schemes): reduced from 5.3% - 5.5% at 28 February 2011 to 4.7% - 4.9% at 29 February 2012),
- Past service gain: €14.8m arising on elimination of the guaranteed pensions in payment increases and reflecting the difference between liabilities valued using a pension increase assumption of 3% per annum versus 2.25% per annum (assumed to be the average discretionary pension increase rate)
- Employer contributions: €5.9 million

All other significant assumptions applied in the measurement of the Group's pension obligations at 29 February 2012 are consistent with those as applied at 28 February 2011.

**FINANCIAL RISK MANAGEMENT**

The most significant financial market risks that the Group is exposed to include foreign currency exchange rate risk, commodity price fluctuations, interest rate risk and creditworthiness risk in relation to its counterparties.

The board of Directors set the treasury policies and objectives of the Group, the implementation of which is monitored by the Audit Committee. There has been no significant change during the financial year to the Board's approach to the management of these risks, details of both the policies and control procedures adopted to manage these financial risks are set out in detail in note 23 to the financial statements.

**Debt and interest rate risk management**

It is Group policy to ensure that a structure of medium/long term debt funding is in place to provide it with the financial capacity to promote the future development of the business and to achieve its strategic objectives. The Group manages its borrowing ability

by entering into committed loan facility agreements and as discussed earlier successfully completed negotiations on a committed five year debt facility with seven banks, including Bank of Ireland, Bank of Scotland, Barclays Bank, Danske Bank, HSBC, Rabobank, and Ulster Bank providing the Group with committed debt capacity of up to €250 million.

The Group seeks to manage its interest rate risk by hedging an appropriate portion of future interest rate risk through the use of interest rate swap agreements converting variable rate debt to fixed rates. The Group had drawn debt of €60 million at the year end which was subsequently repaid on 30 March 2012 and had no outstanding interest rate swap agreements.

The Group's cash deposits are all invested on a short term basis with banks who are members of the Group's banking syndicate.

**Currency risk management**

The Group publishes its consolidated financial statements in euro but transacts business in other currencies. By entering into foreign currency transactions and by the consolidation of the results of its non-euro reporting foreign operations the Group is exposed to both transaction and translation foreign currency rate risk.

The Group hedges a portion of its exposure to the sterling value of its foreign operations by designating sterling borrowings as net investment hedges and enters into forward rate hedge agreements to hedge an appropriate portion of the transaction exposure borne by its subsidiary undertakings for a period of up to two years ahead. Currency transaction exposures primarily arise on the sterling and US Dollar denominated sales of its euro subsidiaries.

The principal foreign currency forward contracts in place at 29 February 2012 are:

	Sterling	USD
Foreign Currency Amount (m)	35.0	1.0
Average forward rate (Euro:FX)	0.86	1.32

Where hedge accounting is applied, hedges are documented and tested for effectiveness on an ongoing basis. All interest rate swaps and currency hedges are based on forecasted exposures and meet the requirements of IAS 39 *Financial Instruments: Recognition*

**Table 3 – Constant Currency Comparatives**

	Year ended 28 February 2011 <sup>(i)</sup> €m	FX Transaction €m	FX Translation €m	Year ended 28 February 2011 Constant currency comparative €m
<b>Revenue</b>				
Cider – ROI	136.4	-	-	136.4
Cider – GB	281.6	-	(3.1)	278.5
Cider – NI	15.7	-	(0.2)	15.5
Cider – Export	24.5	(0.5)	-	24.0
Tennent's	227.2	-	(3.3)	223.9
Third party brands	84.6	-	(1.1)	83.5
<b>Total</b>	<b>770.0</b>	<b>(0.5)</b>	<b>(7.7)</b>	<b>761.8</b>
<b>Net revenue</b>				
Cider – ROI	100.0	-	-	100.0
Cider – GB	192.2	-	(1.7)	190.5
Cider – NI	12.6	-	(0.2)	12.4
Cider – Export	24.5	(0.5)	-	24.0
Tennent's	103.5	-	(1.5)	102.0
Third party brands	77.1	-	(1.0)	76.1
<b>Total</b>	<b>509.9</b>	<b>(0.5)</b>	<b>(4.4)</b>	<b>505.0</b>
<b>Operating profit</b>				
Cider – ROI	43.7	(0.5)	-	43.2
Cider – GB	25.6	2.3	(0.1)	27.8
Cider – NI	3.1	(0.1)	-	3.0
Cider – Export	4.1	(0.1)	-	4.0
Tennent's	18.5	-	(0.3)	18.2
Third party brands	5.9	-	(0.1)	5.8
<b>Total</b>	<b>100.9</b>	<b>1.6</b>	<b>(0.5)</b>	<b>102.0</b>

(i) Continuing operations i.e. excluding Revenue, Net revenue and Operating profit of the Group's discontinued NI Wholesaling business

and Measurement to qualify as cash flow hedges. The fair value of all outstanding hedges at 29 February 2012 as calculated by reference to current market value amounted to a net liability of €0.8 million (2011: €1.7 million net liability) and this has been included on the balance sheet under "derivative financial assets and liabilities".

The effective rate for the translation of results from foreign currency operations was €1:£0.87 (year ended 28 February 2011: €1:£0.85) and the effective rate for the translation of foreign currency revenue/net revenue transactions resulting in an effective rate of €1:£0.85 (year ended 28 February 2011: €1:£0.88) at operating profit level.

Comparisons for revenue, net revenue and operating profit for each of the Group's operating segments are shown at constant exchange rates for transactions by subsidiary undertakings in currencies other than their functional currency and for translation in relation to the Group's sterling denominated subsidiaries by restating the prior year at FY2012 effective rates. Applying the realised FY2012 foreign currency rates to the reported FY2011 revenue, net revenue and operating profit rebases the comparatives as shown in Table 3.

#### **Commodity price and other risk management**

The Group is exposed to commodity price fluctuations, and manages this risk, where economically viable, by entering into fixed price supply contracts with suppliers. The Group does not directly enter into commodity hedge contracts. The cost of production is also sensitive to variability in the price of energy, primarily gas and electricity. It is Group policy to fix the cost of a certain level of its energy requirement through fixed price contractual arrangements directly with its energy suppliers.

The Group seeks to mitigate risks in relation to the continuity of supply of key raw materials and ingredients by developing trade relationships with key suppliers. The Group has over 60 long term apple supply contracts with farmers in the west of England and has an agreement with malt farmers in Scotland for the supply of malt.

In addition, the Group enters into insurance arrangements to cover certain insurable risks where external insurance is considered by management to be an economic means of mitigating these risks.

**Kenny Neison**  
Group Chief Financial Officer

**HIGHLIGHTS**

In the year ended 29 February 2012 the Group has:

- REDUCED TOTAL USAGE OF ELECTRICITY BY 3.4% AND TOTAL USAGE OF NATURAL GAS BY 2.7%.
- REDUCED THE TOTAL NUMBER OF HGV DELIVERIES IN IRELAND AND IN THE UK RESULTING IN A CARBON REDUCTION OF APPROXIMATELY 133 TONNES.
- REDUCED ROAD MILEAGE FROM SUPPLIERS IN SCOTLAND BY ALMOST 21% THROUGH INCREASED LOCAL SOURCING OF THE BARLEY USED IN OUR BREWING PROCESSES.
- SIGNIFICANTLY REDUCED THE AMOUNT OF WASTE THAT WE SEND TO LANDFILL.
- REDUCED TOTAL WATER CONSUMPTION BY 8%.
- REDUCED WATER CONSUMPTION TO 3.43 HECTOLITRES OF WATER USED PER HECTOLITRE (HL/HL) OF PRODUCT PRODUCED, SIGNIFICANTLY BELOW THE RECOGNISED GLOBAL BREWING BENCHMARK OF 4 HL/HL.
- PUBLICLY SUPPORTED PROPOSALS FOR THE INTRODUCTION OF MINIMUM UNIT PRICING OF ALCOHOL.

carrying  
out **OUR**  
business  
in a sustainable  
manner



## SUSTAINABILITY PROGRAMME

Carrying out our business in a sustainable way benefits us, our stakeholders, the community and the environment. Sustainability not only reduces our costs but also reduces the impact that our business has on the environment.

## INTRODUCTION

We operate a Group-wide corporate responsibility and sustainability strategy. A Director of Corporate Affairs has been appointed to oversee the development and implementation of this strategy.

## ENVIRONMENTAL IMPACT & ENERGY

At each of the Group's manufacturing facilities we have set up energy reduction teams who seek to reduce our impact on the environment, looking at ways of reducing energy and raw material consumption, waste going to landfill, and emissions, and ways of increasing transport efficiency and packaging optimisation. Each team reports monthly to the Group Manufacturing Director, who reports through the Group Chief Executive to the Board.

We continue to target the impact that our manufacturing operations have on the environment. Annual targets are established across all manufacturing sites to monitor and direct energy usage, water consumption and effluent discharge.

Compared with FY2011, we have reduced our electricity usage from 40.44 million kWh to 39.07 million kWh, and we have reduced our natural gas usage from 94.93 million kWh to 92.34 million kWh. We are committed to further reducing our electricity and natural gas usage and have developed a reduction target of 11% by the end of FY2015, against FY2012 as a base year.

Sustainable management of our logistics operations has led to savings in the numbers of deliveries we make by road to our customers. During FY2012 we have worked closely with our delivery contractors to increase loadfill efficiencies.

On deliveries from our facility at Clonmel in ROI to our national distribution centre (NDC) in Bristol, we increased the average number of pallets on each load from 24 to 26; on deliveries to customers within ROI we improved from 19 to 22 pallets and on deliveries from our facility at Shepton Mallet and the NDC to customers within the UK we went from 19.5 to 22 pallets. Together with other measures this reduced the distances travelled

by around 200,000 km with a carbon reduction of approximately 133 tonnes. In addition in Scotland, through increased local sourcing of the barley used in our brewing processes, we have reduced the number of miles travelled by our suppliers by 21%, resulting in a further carbon reduction of approximately 60 tonnes.

Our manufacturing sites comply with local emission permits and are inspected by national enforcing agencies to assess compliance. Each site has an approved Environmental Aspects Register and a risk assessment model. Following a technical breach of the Greenhouse Gas Emissions Trading Scheme Regulations 2005, in December 2011 a C&C subsidiary received a civil penalty of £30,390 from SEPA (the Scottish Environment Protection Agency). This related to minor under-reporting of emissions from three small boilers at the Wellpark brewery, which, together, constituted less than 2% of the brewery's overall emissions. The emissions and the failure to report them occurred in 2008 and 2009, and were reported to SEPA as soon as they were discovered following our acquisition of the brewery in September 2009. This issue has now been resolved fully to SEPA's satisfaction.

Our cider manufacturing facilities at Clonmel and Shepton Mallet have been accredited with the Environmental Management Standard ISO 14001, and the facility at Clonmel continues to be accredited to the Irish Energy Standard IS EN 16001:2009. In order to obtain accreditation to these Standards, we have had to demonstrate that we have put in place systems and processes to provide significant energy usage reductions that result in an associated decline in costs and greenhouse gas (GHG) emissions through the systematic management of energy. The brewery at Wellpark continues to meet its regulatory targets, operating within the European Union Emissions Trading Scheme.

As members of the British Beer and Pub Association (BBPA), we participate in energy reduction initiatives, surveys and seminars. Our cider manufacturing facility at Clonmel works closely with the Sustainable Energy Authority of Ireland (SEAI).





Awareness training ensures that all personnel are familiar with our environmental policy and our business's environmental impact and the relevance of the Environmental Management Systems on each manufacturing site.

### PACKAGING

We continue to look for ways to reduce the weight of our packaging. Measures this year include increasing the size of delivery of raw materials, consolidating the ordering of packaging materials across our manufacturing facilities, decreasing our stretchwrap usage on pallets, light-weighting PET Bottles, light-weighting bottle crowns at Clonmel, continuing further light-weighting of other packaging items and moving all glass bottles to 'Load Hog' layer pads.

### CARBON CONSUMPTION

The Group continuously monitors the impact of its operations on the climate and we look to reduce our emissions. We assess and manage climate change related risks and opportunities, including the impact on the availability and security of our sources of raw materials, such as aquifers, orchards and maltings.

Whilst there is a risk that climate change may affect the availability and price of apples and other natural ingredients, we do not expect this risk to increase materially in the short term. Fossil fuel prices are likely to increase but to offset this we will seek increasing energy efficiency.

We measure our Scope 1 emissions (direct GHG emissions from fuel combustion), Scope 2 emissions (indirect GHG emissions from consumption of purchased electricity etc.) and Scope 3 emissions (other indirect emissions, such as purchased materials and supply chain emissions) in respect of all of our manufacturing sites and corporate offices. This is done in accordance with the Greenhouse Gas Protocol (GHG Protocol), the international accounting tool to quantify and manage GHG emissions.

The Wellpark brewery has been in the Climate Change Levy (CCL) Scheme for many years, and all our operations in the UK continue to be registered for the CRC Energy Efficiency Scheme. The CRC scheme features a range of reputational, behavioural and financial drivers to develop energy management strategies.

We actively target areas for reduction of our Scope 1 and 2 emissions. We have also measured the carbon footprint of key cider products over the entire product lifecycle, and used this to progress further carbon reductions in our external emissions. We seek to build on the success of the weight reduction of our packaging and the optimisation of our logistics operations. In ROI, we recovered approximately 3,300 tonnes of CO<sub>2</sub> produced by the cider fermentation process and used it to carbonate our products.

In addition, we have capped the amount of g/Km of CO<sub>2</sub> on all new company cars which will result in a reduction of 100 tonnes of CO<sub>2</sub> emitted by our fleet each year.

We also participate each year in the Carbon Disclosure Project (CDP) Supply Chain Programme across the whole Group. GHG emissions for the Group are evaluated annually and posted on the CDP website. Further information on the CDP, including a copy of the CDP Ireland Report 2011, is available at [www.cdproject.net](http://www.cdproject.net).

### WASTE

We have systems in place to maximise the recycling of the waste that we produce and minimise what we send to landfill. Our ultimate goal is to recycle or recover for reuse 100% of our waste products. In FY2012, our manufacturing sites reduced the overall amount of waste sent to landfill by over 60%.

At Clonmel, we maintained our recovery and recycling rate of 99.2%. The amount of waste sent to landfill dropped from 38 tonnes in FY2011 to 19 tonnes in FY2012, a 50% reduction. At Shepton, our recovery and recycling rate was 84.2%. The amount of waste sent to landfill dropped from 92 tonnes in FY2011 to 57 tonnes in FY2012, a 38% reduction.

At Wellpark, we have been taking measures to ensure preparedness for the new Zero Waste Regulations announced by the Scottish Government, and no waste is sent directly to landfill. In FY2012 just under 60% of the waste produced at Wellpark was segregated at source for recycling. The remainder was sent to a third party waste management provider for source segregation and recycling and disposal. We have not been able to obtain accurate data for how much of this is recycled and are therefore working closely with our waste management provider to obtain accurate data for this coming year. In order to ensure that our products

comply with relevant packaging waste regulations, our UK manufacturing facilities are members of Valpak and our facility in Clonmel is a member of Repak. Annual submissions of our total sales are made to these organisations and these submissions are available for external audit.

### WATER

The Group's manufacturing sites are not located in any region identified as prone to drought, and water scarcity is not considered to be a critical risk for our business. Nevertheless, water preservation and management is an important business consideration for the Group and we continue to monitor the usage of water per hectolitre of finished product from each manufacturing facility and across our supply chain.

The Group is participating in the 2012 CDP Water Disclosure initiative, which will include data on water usage from all of our manufacturing facilities. The results of this year's report will be posted on the CDP website later in 2012.

In FY2012, our total water usage was 16.32 million hectolitres, a reduction of 8% on FY2011. This implies total water consumption of 3.43 hectolitres of water used per hectolitre [hl/hl] of product produced, significantly below the recognised global brewing benchmark of 4 hl/hl.

Our continuing aquifer protection programme in Clonmel has resulted in us retaining our successful accreditation to the Irish IS 432:2005 Spring Water standard. Across the Group, we continue with our projects on brewery condensate recovery, reclaiming pasteuriser, bottle rinse water, fruit processing, and minimising plant and process cleaning systems. At Clonmel, we treat waste water at our anaerobic wastewater treatment plant and we use biogas, a by-product, to fuel the boilers used on site.

### PROCUREMENT

We have a sustainable and ethical procurement policy in place, the implementation of which is regularly monitored by the Board via the Group Manufacturing Director. To demonstrate compliance with this policy, each business unit is required to provide access to its audit and review records, its procedure manuals and its staff training materials for audit purposes.



Our procurement policy states that our purchasing and procurement decisions should consider whole life cost and the associated risks and implications for society and the environment. Appropriate sustainability requirements are specified in initial tender documentation for suppliers. We seek to establish key performance indicators for sustainable procurement and to have compliance monitoring rights. To this end we have joined Sedex (the Supplier Ethical Data Exchange), an organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains. In FY2013, we are planning to formally audit key suppliers against our procurement standards.

We seek to support our suppliers through entering into long term supply arrangements with our suppliers of apples, barley and malt, our key raw materials.

### GREEN PRODUCTION

In FY2012, we milled a record number of apples – 45,000 tonnes from our orchards and from the orchards of our suppliers in ROI for Clonmel and 36,000 in the UK for Shepton. We are also encouraging apple growers to plant early harvesting varieties to increase the availability of apples in the off season.

We encourage sustainable agricultural practices and the preservation of biodiversity. We are actively involved in the National Association of Cider Makers (NACM) which takes the lead in adopting and working to sustainable principles both in the physical and social environment, and carries out annual climate change assessments.

We have continued the Green Apple Awards, a biennial competition open to all contracted growers who supply apples to the cider mill at Shepton. Growers are encouraged to practise Integrated Pest Management, which involves the use of carefully timed sprays to minimise usage and the impact on beneficial insects. We continue to work closely with the Farming and Wildlife Group at Somerset County Council.

### COMMUNITY ENGAGEMENT

#### Dialogue with customers

Understanding the views of our stakeholders is an important part of our business. We take feedback from our customers very seriously, and our divisional managing directors are partially targeted on the basis of their customer satisfaction results.

In the UK, our customers' organisations are surveyed by Advantage Group, an independent provider of business relationship benchmarking, covering all areas of our interactions with customers from supply chain to marketing support. In ROI, similar "Voice of Customer" surveys of our on-trade and off-trade customers are carried out by Behaviour and Attitudes, an independent research agency.

#### ROI

In ROI, our Bulmers brand made the community an essential part of its marketing campaign during FY2012. The 'Doing Our Bit' campaign was centred on the desire to engage consumers and our brand in the common goal of helping the community. As part of the 'Doing Our Bit' campaign we ran a Golden Apple promotion where winners received €2,500 for themselves and €2,500 for a community cause of their choice. We also engaged in many local community activities.

#### Northern Ireland

Tennent's Vital is Northern Ireland's biggest music festival and in 2011. Through 'Tennent's UnTapped', two unsigned acts were offered the chance to showcase their music by playing onstage at the event.

#### Scotland

Tennent's is a founding partner of T in the Park, one of the top music festivals in Europe, which helps bring some of the world's biggest music stars to Scotland. Since 1996, Tennent's T Break has enabled the most fresh and exciting unsigned talent in Scotland to showcase their music on the T Break Stage at T in the Park. The T Break team also offers one student a six-month music internship.

Tennent's sponsorship of Celtic and Rangers football clubs also has a strong community element, with the "Could Have Been A Player" programme enabling some of our consumers to live their footballing dream by playing at the clubs' stadiums. We donated sponsorship rights to Celtic and Rangers U19 and Women's teams to promote the clubs' respective Charity Foundations.

The Tennent's Training Academy, a £1 million centre of training excellence for the pub and hospitality industry, was opened at Wellpark in 2010 and is helping increase skills across the Scottish hospitality industry. Over the last two years the centre has trained over 5,000 academy students across a range of courses. As a result of our new investments in

**Lean, green, mowing machine.**  
[we use our natural resources to save on natural resources]

At Bulmers we have 'Energy Champions'. They don't fly, but they do have special powers. The power to reduce the weight of our packaging. Install a CO<sub>2</sub> recovery plant. Reduce energy consumption. Implement a 98% reduction in waste-to-landfill through natural ways of working. Because when it comes to environmental impact, 'zeroes mean heroes'.

**BULMERS**  
IRISH CIDER  
Original  
Doing Our Bit

Enjoy BULMERS Sensibly. Visit [drinkaware.ie](http://drinkaware.ie)

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Wellpark since 2009, 50 new jobs have been created both at the bottling line and in other areas of our business. Scotland's First Minister has praised the leadership role Tennent's has played in training and employment creation across the Scottish hospitality sector.

We have also strengthened our links to Scottish farmers, and all of our barley for Caledonia Best and Tennent's Original Export is sourced from Scottish farms. We are donating 5p from every pint of our new Caledonia Best ale during its first six months of sale to support Scottish brewers and farmers.

### England

Our Shepton cider mill is a large employer in the west of England, employing approximately 160 people locally. We actively support local and regional community initiatives to build strong relationships with local people and businesses, key stakeholders and media in the West Country. In the past year we have also supported the Irish and British Beekeepers Associations.

Our various subsidiaries support many charities in various ways.

## RESPONSIBLE DRINKING

### The Portman Group

C&C is a member of The Portman Group, the UK industry body set up to ensure that the marketing and promotion of alcohol is consistent with responsible drinking. The Portman Code of Practice seeks to ensure that alcohol is promoted in a socially responsible manner and only to those over 18 years of age. The Code applies to the naming, packaging and promotional material and activity of all pre-packaged alcoholic drinks which are marketed for sale and consumption in the UK. We include in this all advertising, the brand name, product descriptor, packaging, print media, internet and other new media, sponsorships, promotions (on- and off-trade), labelling and point of sale materials. During 2011, we assisted with The Portman Group's review of their Code of Practice. An updated code will be implemented over the next 12 months.

### Public Health Responsibility Deal

In March 2011, the Group joined with 170 companies to sign up to the UK Coalition Government's "Public Health Responsibility Deal" with the aim of working in partnership with Government and other organisations to improve public health through their influence over food, alcohol, physical activity and

health in the workplace. This long-term programme sees companies commit and report on a series of pledges aimed at tackling alcohol misuse.

In March 2012, the Group joined with the majority of the alcohol industry to pledge a reduction in the period between now and 2015 of one billion units of alcohol consumed in the UK from the 52 billion currently anticipated to be consumed in that period, with 30 million of that reduction coming from the Group's products. This will be achieved by, amongst other things, improving the choice available of lower strength products and reducing the strength of existing products.

### Scottish Government Alcohol Industry Partnership (SGAIP)

Tennent's was a founding and remains an active member of the SGAIP, which was established in February 2007 with the aim of reducing alcohol misuse in Scotland. The SGAIP has undertaken various initiatives over the last five years towards achieving this objective, the most recent of which was the review and re-launch of the Scottish Alcohol Sponsorship Guidelines in March 2012.

### Minimum Unit Pricing

The Scottish Government has begun legislating to introduce minimum pricing for alcohol, and in the rest of the UK and Ireland consultations on minimum unit pricing are anticipated. In each market we support these proposals as long as they are fair, proportionate and reasonably implemented, and are part of an overall programme to reduce the abuse of alcohol. During First Minister Alec Salmond's visit to Wellpark in March 2012 he commended Tennent's for the exemplary corporate social responsibility we have demonstrated in Scotland through our support of minimum pricing for alcohol.

### Responsible Drinking Initiatives

The Group has continued its commitment to responsible drinking messages throughout the last 12 months and we are an active member of Drinkaware. In April and September 2011, Tennent's again donated advertising space including the club magazines, match programmes, LED Perimeter Boards, TV interview backdrops and players' pre match T-shirts to Drinkaware's "Why Let Good Times Go Bad?" campaign. Drinkaware acknowledged Tennent's support in Scotland and Northern Ireland of its "Why Let Good Times Go

Bad" as examples of "Best Practice" in their review of the 2011 campaign. All of our brands and our marketing activity carry responsible drinking messages.

'T in the Park', where Tennent's is the founding partner, leads the way, working with government and others, in communicating responsible drinking messages. During the festival, Tennent's donated for free 50% of the contracted advertising space on the large screens by the two main stages and on the outside back cover of the Official Event Programme to Drinkaware. In addition, Tennent's once again operated 'Be Chilled' at 'T in the Park', which comprises a facility for consumers camping at the festival to pre-order and collect chilled Tennent's Lager to encourage trading down; 4-packs were the most popular pack size over the weekend. The initiative was promoted in advance of the weekend, with all communications carrying responsible drinking messages including emphasis on eating ('Healthy T') and alternating drinking alcoholic drinks with water. T in the Park provides free drinking water across the festival site via standpipes.

### ROI

Bulmers adheres to all of the alcohol marketing, communications and sponsorship codes of practice in place in ROI.

Bulmers is committed to promoting the responsible serving, and consumption of alcohol in ROI, and it is a member of the Alcohol Beverage Federation of Ireland (ABFI) and the Mature Enjoyment of Alcohol in Society Limited (MEAS). We adhere to the ABFI and MEAS voluntary codes governing both the placement and promotion of alcohol. All brand communications carry the "Enjoy Bulmers Sensibly Visit drinkaware.ie" taglines, and Bulmers contributes, financially and through the provision of marketing resources and expertise, to the production of drinkaware.ie communications and media planning in Ireland.

### Export markets

We are working with our distributors to ensure that the marketing and sale of our products in our export markets complies with all relevant local laws and regulations in this regard.

### Public policy leadership

The Group seeks to influence public policy in areas relating to the beverage industry through its active membership of

numerous trade bodies and associations. We are a member (and currently vice-chair) of the National Association of Cider Makers (NACM), and during the next 12 months we hope to take over the chair. The objectives of the NACM are, amongst other things, the promotion of the merits, qualities, heritage and authenticity of cider and the cider-making industry, engagement with taxation, regulatory and opinion-forming bodies having an interest in cider and/or alcohol generally, and leading the broader alcohol industry by example in sustainability, community engagement and alcohol responsibility. The NACM is also the first drinks trade body to work with Business in the Community (BITC) to address sustainability, and we have undertaken the BITC's "Responsible Business Checker", which ran a comprehensive analysis of our business operations.

In addition, we also look to influence public policy through our active memberships of various other trade and industry bodies.

### EMPLOYEES

Developing, engaging and rewarding employees fairly is fundamental to the success of our business and also to the relationships that we have with the local communities in which we work.

We are an equal opportunities employer. We aim to create a working environment in which all individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit.

We have a formal equal opportunities policy that commits us to promoting equality of opportunity for all our staff and job applicants. For our operations in Northern Ireland this includes adherence to the MacBride Principles.

Our policy states that we do not discriminate on the basis of age, disability, marital status, ethnicity, creed, sex or sexual orientation. The policy also requires our staff to treat customers, suppliers and the wider community in accordance with these principles as well.

### Training and development

This year we launched a performance and people review process which facilitates structured discussions between all employees and their line managers and covers their objectives, performance, potential and development.

### Employee engagement

We take employee engagement seriously. A confidential employee survey is undertaken annually by an external facilitator. Topics covered include communication, supervision and management, career development, work-life balance, working conditions and engagement. The results are reported to the Board and to senior management. The reasons for any areas of low engagement are analysed and action is taken to address matters of concern. This year 89% of our employees participated in the survey. A range of levels of engagement was found around the Group, to a large extent reflecting the relative business success, investment and level of organisational change experienced by each business unit.

### Health & Wellbeing of employees

Last year, we held for the first time a Health & Safety Day at each manufacturing site. This was a day on which no manufacturing took place and during which all employees participated in various safety workshops and training programmes. This will be an annual event to positively reinforce our commitment to reducing workplace risk and improving safety culture. We measured the success of these days as part of the employee survey referred to above.

Last year, we reduced our total accident rate by over 21%. 'Total accidents' includes non-lost time, lost time and reportable accidents. Some other measures we have been taken to improve Health and Safety performance in FY2012 include:

- An SHE (Safety, Health & Environmental) Manager appointed to coordinate all SHE activities across the entire group as well as having an SHE manager in each manufacturing site and an SHE champion for each commercial office.
- A group operations committee reviews monthly manufacturing SHE KPIs.
- Health & safety is now included in the performance evaluations of all operations employees.
- Six-monthly Health and Safety Reports are reviewed by C&C's main board.
- A new group policy for the safe evacuation of restricted mobility persons from our offices.





## BOARD OF DIRECTORS



### SIR BRIAN STEWART\*

#### Chairman

Brian Stewart (67) was appointed as a non-executive Director of the Group and as a member of the Nomination Committee in March 2010. He was appointed as Chairman of the Group in August 2010. He is a former Chairman of Standard Life plc and of Miller Group plc and a former chairman and former chief executive of Scottish & Newcastle plc.



### STEPHEN GLANCEY

#### Group Chief Executive Officer

Stephen Glancey (51) was appointed Group Chief Executive Officer in 2012. Prior to that, he was appointed Chief Operating Officer in November 2008 and Group Finance Director in May 2009. A chartered accountant, he is a former group operations director of Scottish & Newcastle plc.



### KENNY NEISON

#### Group Chief Financial Officer

Kenny Neison (42) was appointed Chief Financial Officer in 2012. He joined the Group in November 2008 and was appointed to the Board as Group Strategy Director and Head of Investor Relations in November 2009. A chartered accountant, he previously held a number of senior financial positions in Scottish & Newcastle plc, including UK Finance Director and Finance Director for Western Europe.



### JOHN BURGESS\*

John Burgess (61) became a non-executive director of the Group holding company in January 1999, following the leveraged buy-out of the Group by funds advised by BC Partners, and was appointed a non-executive Director of the Company on its flotation in April 2004. He was appointed a member of the Nomination Committee in February 2007. He joined BC Partners in 1986 as one of the founding partners and was a partner there until his retirement in 2006. He has over 20 years' experience in the private equity sector.



### STEWART GILLILAND\*

Stewart Gilliland (55) was appointed as a non-executive Director of the Company and a member of the Remuneration Committee in April 2012. From 2006 to 2010 he was Chief Executive Officer of Müller Dairy (UK) Ltd. Prior to that, he held positions at Whitbread Beer Company and at Interbrew SA in markets including the UK and Ireland, Europe and Canada. He is currently a non-executive Director of Booker Group plc, Vianet Group PLC and Sutton & East Surrey Water Plc. He is also a non-executive on the board of the UK Department for Communities and Local Government. He brings significant experience of the long alcohol drinks sector in international markets.



### JOHN HOGAN\*

John Hogan (71) was appointed as a non-executive Director of the Company and a member of the Audit Committee in April 2004. He was the 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 Prudential International Assurance plc, and other private companies. John Hogan has over 40 years of financial experience. The Board has determined that John Hogan is the financial expert on the Audit Committee.

## BOARD COMMITTEES

#### Audit Committee\*\*

John Hogan (Chairman)  
Richard Holroyd  
Tony Smurfit

#### Nomination Committee

Sir Brian Stewart (Chairman)  
John Burgess  
Philip Lynch  
Breege O'Donoghue

#### Remuneration Committee

Philip Lynch (Chairman)  
Stewart Gilliland  
Richard Holroyd

#### Senior Independent Director

Richard Holroyd



### **RICHARD HOLROYD\***

Richard Holroyd (65) was appointed as a non-executive Director of the Company and a member of the Audit Committee and the Nomination Committee in April 2004. He was previously the managing director of Colman's of Norwich and head of the global marketing futures department of Shell International. He has served as non-executive Director of several companies in the UK and continental Europe and was a member of the UK Competition Commission from September 2001 to April 2010. Richard Holroyd has many years' experience in the fast moving consumer goods sector.



### **PHILIP LYNCH\***

Philip Lynch (66) was appointed as a non-executive Director of the Company and a member of the Nomination Committee and the Remuneration Committee in April 2004. Philip is a non-executive director of FBD Holdings plc, and OpenHydro Group Limited. Philip Lynch brings many years' experience of public companies in Ireland.

## **Company Secretary and General Counsel**



### **BREEGE O'DONOGHUE\***

Breege O'Donoghue (67) was appointed as a non-executive Director of the Company and a member of the Nomination Committee in April 2004. She is an executive director of Penneys/Primark. She is Chair of the Labour Relations Commission, a member of the Outside Appointments Board of the Code of Standards and Behaviour for the Civil Service, a trustee of IBEC, and was previously a Director of An Post and Aer Rianta. Breege O'Donoghue has many years' experience in the Irish and international retail sector.



### **TONY SMURFIT\***

Tony Smurfit (48) was appointed as a non-executive Director of the Company and a member of the Audit Committee in April 2012. Tony Smurfit has been President and Chief Operations Officer of Smurfit Kappa Group since 2002. He previously held the role of Chief Executive of Smurfit France and then Smurfit Europe and has worked in a number of divisions in SKG both in Europe and the United States. He has long-standing experience in global markets, managing an extensive portfolio of international operations serving a world-wide customer base.



### **PAUL WALKER**

Paul Walker joined the Group in 2010 as General Counsel and was appointed Company Secretary in 2011. Prior to that, he was a partner in Lawrence Graham LLP, a London law firm. He previously worked in investment banking.

For information on independence of the Directors, please see Directors' Statement of Corporate Governance

\* Non-Executive Director

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



## DIRECTORS' REPORT

The Directors present the annual report and audited consolidated financial statements of the Group for the year ended 29 February 2012.

### PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Group's principal trading activity is the production, marketing and selling of cider and beer.

During the year, the Group acquired Hornsby's, the number two domestic US cider brand, from E & J Gallo Winery. The Group also disposed of its Northern Ireland wholesaling business (Quinns of Cookstown) to Britvic Northern Ireland. There has been no other material change in the nature of the business of the Group.

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 10 to 17.

### RESULTS

For the year ended 29 February 2012, the Group reported Revenue of €716.7 million (FY2011: €770.0 million) and Net Revenue of €480.8 million (FY2011: €509.9 million).

Operating profit before exceptional items amounted to €111.2m (2011: €100.9m). This was in line with guidance given during the year that operating profit would be in the range of €108m to €115m.

Profit for the year attributed to equity shareholders amounted to €95.7m (2011: €300.4m). On this basis, adjusted basic earnings per share amounted to 29.4c (2011: 93.4c per share) and diluted earnings per share amounted to 28.7c (2011: 91.0c per share).

Earnings excluding exceptional items amounted to €92.2m (2011: €84.0m). On this basis, adjusted basic earnings per share amounted to 28.3c (2011: 26.1c per share) and adjusted diluted earnings per share amounted to 27.6c (2011: 25.4c per share).

Earnings from continuing operations amounted to €97.5m (2011: €71.2m). Basic earnings per share from continuing operations amounted to 30.0c (2011: 22.1c per share) and diluted earnings per share from continuing operations amounted to 29.2c (2011: 21.6c per share).

The financial statements for the year ended 29 February 2012 are set out on pages 59 to 119.

### DIVIDENDS

An interim dividend of 3.67 cent per share for the year ended 29 February 2012 was paid in December 2011. Subject to approval at the Annual General Meeting, it is proposed to pay a final ordinary dividend of 4.5 cent per share to shareholders who are registered at close of business on 25 May 2012.

### BOARD OF DIRECTORS

The following changes have occurred in the composition of the Board since 18 May 2011, the date of the last Directors' Report. Mr John Dunsmore resigned as Group Chief Executive Officer on 31 December 2011 and resigned as a Director on 29 February 2012. Mr Stephen Glancey was appointed Group Chief Executive Officer on 1 January 2012. Mr Kenny Neison was appointed Group Chief Financial Officer on 1 January 2012. Mr Liam FitzGerald resigned as a Director on 29 February 2012. Mr Tony Smurfit and Mr Stewart Gilliland were appointed as Directors on 17 April 2012.

The names, functions and date of appointment of the current Directors are as follows:

Director	Function	Appointment
Sir Brian Stewart	Chairman	2010
Stephen Glancey	Group Chief Executive Officer	2008
Kenny Neison	Group Chief Financial Officer	2009
John Burgess	Non-executive	2004
Stewart Gilliland	Non-executive	2012
John Hogan	Non-executive	2004
Richard Holroyd	Non-executive	2004
Philip Lynch	Non-executive	2004
Breege O'Donoghue	Non-executive	2004
Tony Smurfit	Non-executive	2012

Short biographical notes on each Director are given on pages 30 and 31.

In line with the provisions of the UK Corporate Governance Code, C&C Group is adopting a policy of annual re-election for all Board Directors. Consequently, all Directors will offer themselves for re-election at the Company's Annual General Meeting to be held on 27 June 2012.

## INTERESTS OF DIRECTORS AND COMPANY SECRETARY

Information in relation to the beneficial and non-beneficial interests in the share capital of Group companies held by the Directors and Company Secretary who held office at 29 February 2012 is contained within the Report of the Remuneration Committee on Directors' Remuneration on pages 47 to 55.

## RESEARCH AND DEVELOPMENT

Certain Group undertakings are engaged in ongoing research and development aimed at improving processes and expanding product ranges.

## 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 the Company are required to give a description of the principal risks and uncertainties which they face.

The principal risks and uncertainties faced by the Group's businesses are set out below. The Group considers that currently the most significant risks to its results and operations over the short term are (a) strategic failures, (b) the continued switch in consumer purchasing from the on-trade to the off-trade, (c) concerns arising out of the eurozone crisis and (d) failing to attract and retain high-performing employees.

### Risks and uncertainties relating to strategic goals

- The Group's strategy is to focus upon earnings growth through organic growth, acquisitions and joint ventures and entry into new markets. These opportunities may not materialise or deliver the benefits or synergies expected and may present new social and compliance risks. The Group seeks to mitigate these risks through due diligence and careful investment.

### Risks and uncertainties relating to revenue and profits

- The majority of the Group's revenue derives from Ireland and the UK, where growth opportunities are limited. The Group seeks to maintain the relevance of its products in these markets through brand investment.
- Economic conditions in the Group's principal markets may affect consumer spending and confidence. The Group seeks to mitigate these risks through careful forecasting and regular monitoring of market conditions and by maximising operating efficiency.
- The number of on-trade premises in Ireland and the UK is in decline and consumers are switching to the off-trade. Customers, particularly in the on-trade where the Group has exposure through cash advances to customers, may experience financial difficulties. The Group monitors the level of its exposure carefully.
- The Group's customers may increase their negotiating strength through gains in market share or consolidation. The Group seeks to offset this risk by developing new markets and customers for its products and through product innovation.
- Consumer preference may change, new competing brands may be launched and competitors may increase their marketing or change their pricing policies. The Group has a programme of brand investment and innovation to maintain and enhance the market position of its products.
- Seasonal fluctuations in demand, especially an unseasonably bad summer in Ireland or the UK, could materially affect demand for the Group's cider products.

### Risks and uncertainties relating to costs and production

- Input costs may be subject to volatility and inflation and the continuity of supply of raw materials may be affected by the weather and other factors. The Group seeks to mitigate some of these risks through long term or fixed price supply agreements. The Group does not seek to hedge its exposure to commodity prices by entering into derivative financial instruments.
- Circumstances such as the loss of a production or storage facility or disruptions to its supply chains or critical IT systems may interrupt the supply of the Group's products. The Group seeks to mitigate the operational impact of such an event by the availability of multiple production facilities, fire safety standards and disaster recovery protocols, and the financial impact of such an event through business interruption and other insurances.

### Financial risks and uncertainties

- There is continued concern surrounding the euro currency and the implications of Ireland's continued participation. The Group's operations involve the sale and purchase of goods denominated in currencies other than the euro, principally pounds sterling and the US dollar. Fluctuations in value between the euro and these currencies may affect the Group's revenues and costs. The Group seeks to mitigate currency and interest rate risks through hedging and structured financial contracts to hedge a portion of its foreign currency transaction exposure and to fix a portion of its variable rate interest exposure.
- The Group's shares have a primary listing on the Irish Stock Exchange and are denominated in euro and the continued economic crisis may affect liquidity. The Group keeps its listings under review.
- The solvency of the Group's defined benefit pension schemes may be affected by a fall in the value of their investments, market and interest rate volatility and other economic and demographic factors. Each of these factors may require the Group to increase its contribution levels. The trustees of the pension schemes have recently obtained clearance from the Pensions Board pursuant to s50 of the Pensions Act 1990 to reduce contractual benefits in the schemes.

## DIRECTORS' REPORT - CONTINUED

### Fiscal, regulatory and liability-related risks and uncertainties

- The Group may be adversely affected by changes in excise duty or taxation on cider and beer in Ireland, the UK and other territories. An upward movement in the Irish corporation tax rate and /or changes in Irish corporate tax legislation could have a material impact on the Group's profits.
- The Group may be adversely affected by changes in government regulations affecting alcohol pricing, sponsorship or advertising. Within the context of supporting responsible drinking initiatives, the Group supports the work of its trade associations to present the industry's case to government.
- The Group's operations are subject to extensive regulation, including stringent environmental, health and safety and food safety laws and regulations and competition law. Failure to comply with all legislation could lead to prosecutions and damage to the reputation of the Group and its brands. The Group has in place a permanent legal and compliance monitoring function addressing these issues and it provides training to its employees.
- The Group is vulnerable to contamination of its products or base raw materials, whether accidental, natural or malicious. Contamination could result in a recall of the Group's products, damage to brand image and civil or criminal liability. The Group has established protocols and procedures for incident management and product recall and mitigates the financial impact by appropriate insurance cover.
- Fraud, corruption and theft against the Group whether by employees, business partners or third parties is a risk, particularly as the Group develops internationally. The Group maintains appropriate internal controls and procedures to guard against economic crime.

### Employment-related risks and uncertainties

- The Group's continued success is dependent on the skills and experience of its executive Directors and other high-performing personnel and could be affected by their loss or the inability to recruit or retain them. The Group seeks to adequately reward, motivate and retain its senior personnel through appropriate remuneration policies.
- Whilst relations with employees are generally good, work stoppages or other industrial action could have a material adverse effect on the Group. The Group seeks to ensure good employee relations through engagement and dialogue.

### FINANCIAL RISK MANAGEMENT

As required by Irish company law (Statutory Instrument 765.2004), 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 Group Chief Financial Officer's Review on pages 22 to 23 and note 23 to the financial statements on pages 106 to 114.

### ACCOUNTING RECORDS

The measures taken by the Directors to secure compliance with the requirements of Section 202 of the Companies Act, 1990 with regard to the keeping of proper books of account are to employ accounting personnel with appropriate expertise and to provide adequate resources to the finance function. The books of account of the Company are maintained at Group offices in Annerville, Clonmel, Co. Tipperary.

### POLITICAL DONATIONS

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

### CORPORATE GOVERNANCE

The corporate governance statement of the Company for the year, including the main features of the internal control and risk management systems of the Group, is contained in the Directors' Statement on Corporate Governance on pages 37 to 46.

### DIRECTORS' REMUNERATION

The Report of the Remuneration Committee on Directors' Remuneration is set out on pages 47 to 55. The Board will present this report to shareholders at the Annual General Meeting for the purposes of a non-binding advisory vote.

### SUBSTANTIAL HOLDINGS

As at 16 May 2012, the following shareholders have notified the Company as to their interest in 3% or more of the share capital of the Company.

Shareholder	%
Invesco Limited	8.98
Independent Franchise Partners, LLP	7.03
Oppenheimer Funds, Inc. and OFI Institutional Asset Management, Inc.	5.88
Southeastern Asset Management, Inc.	5.36
Investec Asset Management Limited	4.05
Franklin Templeton Institutional, LLC	4.04
F&C Asset Management plc	3.99
Deutsche Bank AG	3.21

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

#### SHARE PRICE

The price of the Company's ordinary shares as quoted on the Irish Stock Exchange at the close of business on 29 February 2012 was €3.665 (2011: €3.535). The price of the Company's ordinary shares ranged between €2.70 and €3.69 during the year.

#### AUDITOR

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

#### ISSUE OF SHARES AND PURCHASE OF OWN SHARES

At the Annual General Meeting held on 29 June 2011, the Directors received a general authority to allot shares. Authority was also granted to Directors to allot shares for cash otherwise than in accordance with statutory pre-emption rights. Resolutions will be proposed at the Annual General Meeting to be held on 27 June 2012 to allot shares to a nominal amount which is equal to approximately one-third of the issued ordinary share capital of the Company. In addition, a resolution will also be proposed to allow the Directors allot shares for cash otherwise than in accordance with statutory pre-emption rights up to an aggregate nominal value which is equal to approximately 5% of the nominal value of the issued share capital of the Company, and in the event of a rights issue. If granted, these authorities will expire at the conclusion of next year's Annual General Meeting or 27 September 2013, whichever is the earlier. The Directors have currently no intention to issue shares pursuant to these authorities except for issues of ordinary shares under the Company's share option plans and the Company's scrip dividend scheme.

At the Annual General Meeting held on 29 June 2011 authority was granted to purchase up to 10% of the Company's Ordinary Shares. No shares were purchased by the Company in the year under review.

Special resolutions will be proposed at the Annual General Meeting to be held on 27 June 2012 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 2013 and the date 18 months after the passing of the resolution. 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. 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.

Options to subscribe for a total of 6,744,300 Ordinary Shares are outstanding, representing 1.99% of the issued ordinary share capital. If the authority to purchase Ordinary Shares were used in full, the options would represent 2.21% of the issued ordinary share capital.

At 16 May 2012 the Company has an issued share capital of 339,274,722 ordinary shares of €0.01 each and an authorised share capital of 800,000,000 ordinary shares of €0.01 each.

Under the terms of the C&C Joint Share Ownership Plan (further information on which is contained in the Report of the Remuneration Committee on Directors' Remuneration on pages 47 to 55) the Company issued 16,000,000 ordinary shares which are held jointly by an Employee Benefit Trust and the individual executives (save for certain holdings which have been sold or been transferred to the Employee Benefit Trust solely or to participants solely), and the shares currently so held are accounted for as treasury shares. These shares are, however, included in the calculation of Total Voting Rights for the purposes of Regulation 20 of the Transparency (Directive 2004/109/EC) Regulations 2007.

#### TAKEOVER BIDS DIRECTIVE (STATUTORY INSTRUMENT 255.2006 EUROPEAN COMMUNITIES (TAKEOVER BIDS (DIRECTIVE 2004/25/EC)) REGULATIONS 2006)

Details of the Company's capital structure can be found in note 24 to the financial statements on pages 114 to 116. Details of the rights attaching to shares, and the deadlines for exercising voting rights, are set out in the Report on Corporate Governance on pages 37 to 46, as is a description of the powers of the Board of Directors. There are no restrictions on the transfer of any class of shares, subject to restrictions that may be imposed by the Board under the Articles in limited circumstances, and no limitations on the holding of any class of shares. There are no known arrangements between shareholders restricting transfers of shares or relating to voting rights. Details of Employee Share Schemes, and the rights attaching to shares held in these schemes, can be found in note 4 to the Financial Statements on pages 81 to 85 and the Report of the Remuneration Committee on Directors' Remuneration on pages 47 to 55. Details of the rights attaching to shares issued under the Joint Share Ownership Plan are set out in the Report of the Remuneration Committee on Directors' Remuneration on pages 47 to 55. Details of the powers of directors to issue and buy back shares are set out in the previous paragraph. Details of agreements to which the Company is party to, and which contain change of control provisions, are contained in note 19 on page 100. Change of control provisions relating to the Executive Share Option Scheme and the Joint Share Ownership Plan are set out in the Report of the Remuneration Committee on Directors' Remuneration on pages 47 to 55. All of the above details are deemed to be incorporated into this part of the Director's Report.

## DIRECTORS' REPORT - CONTINUED

### ANNUAL GENERAL MEETING

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

Signed

On behalf of the Board

**Sir Brian Stewart**  
Chairman

**Stephen Glancey**  
Group Chief Executive Officer

16 May 2012



## DIRECTORS' STATEMENT OF CORPORATE GOVERNANCE

C&C is incorporated in Ireland and is subject to Irish company law. It has a primary listing on the Irish Stock Exchange ('ISE'). The Directors are committed to maintaining the highest standards of corporate governance. The Listing Rules of the ISE require every company listed on the Main Securities Market of the ISE to state in its annual report how the principles of the UK Corporate Governance Code published in June 2010 by the Financial Reporting Council (the 'UK Code') have been applied and whether the company has complied with all relevant provisions of the UK Code and the Irish Corporate Governance Annex (the 'Irish Annex'), which implements additional requirements for companies (such as C&C Group) with a primary equity listing on the Main Securities Market of the ISE. Where companies diverge from the provisions of the UK Code or the Irish Annex, the ISE expects them to include explanations that provide a rationale for the divergence. The text of the UK Code and the Irish Annex can be found on the ISE's website: [www.ise.ie](http://www.ise.ie).

This Corporate Governance statement describes how the Group applied the principles of the UK Code and the Irish Annex throughout the financial year ended 29 February 2012.

### BOARD OF DIRECTORS

#### Role

The Board is responsible for the oversight, leadership and control of the Group and its long-term success. There is a formal schedule of matters reserved to the Board for decision. 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, and the review of the Group's corporate governance arrangements and system of internal control. The Board is also responsible for instilling the appropriate culture, values and behaviour throughout the Group.

The roles of the Chairman and the Group Chief Executive Officer are separate with a clear division of responsibility between them, which is set out in writing and which has been approved by the Board. The Board delegates responsibility for the management of the Group through the Group Chief Executive Officer to executive management. The Board also delegates some of its responsibilities to Board Committees, details of which are set out below. The responsibilities of the Chairman are covered in detail on page 38.

The Group Chief Executive Officer has full day-to-day operational and profit responsibility for the Group and is accountable to the Board for all authority delegated to executive management. His overall brief is to execute agreed strategy, to co-ordinate and maintain the continued profitability of the Group and to oversee senior management responsible for the day-to-day running of the business.

Non-executive Directors are expected to constructively challenge management proposals and to examine and review management performance in meeting agreed objectives and targets. In addition, they are expected to draw on their experience and knowledge in respect of any challenges facing the Group and in relation to the development of proposals on strategy.

Individual Directors may seek independent professional advice at the Company's expense, where they judge it necessary to discharge their responsibilities as Directors. No such professional advice was sought by any Director during the year.

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

#### Board Composition, Membership and Renewal

The Board considers that, between them, the Directors bring a range of skills, knowledge and experience necessary to provide leadership, control and oversight of the Group and discharge their responsibility to all shareholders. The biographical details of the continuing directors are set out on pages 30 and 31. The Board regards the number of non-executive Directors appointed to the Board as sufficient to ensure satisfactory oversight of the Group's management and that a Board size of ten Directors is not unwieldy, but at the same time is sufficiently large to enable its Committees to operate without undue reliance on individual non-executive Directors. As set out below the Board has an ongoing programme for Board refreshment and renewal, recognising the need for independence and diversity, including gender diversity, on the Board. The Board is, through the Nomination Committee, committed to achieving a greater level of gender diversity on the Board over time and recognises the importance and benefit of gender diversity throughout the Group.

At 29 February 2012, the Board comprised of ten Directors, of whom three were executive and seven non-executive Directors (including the Chairman). On 29 February 2012 John Dunsmore and Liam FitzGerald retired as Directors. Consistent with a commitment to Board refreshment and renewal, Stewart Gilliland and Tony Smurfit were appointed to the Board as non-executive Directors on 17 April, 2012. Consequently, as at the date of this report, the Board is comprised of ten Directors, two of whom are executive and eight of whom are non-executive Directors.

### Board Independence

In line with the UK Code, it is Board policy that at least half the Board, excluding the Chairman, shall consist of independent non-executive Directors. The Board reviewed the composition of the Board and determined that John Burgess, Liam FitzGerald (resigned 29 February 2012), John Hogan, Richard Holroyd, Philip Lynch and Breege O'Donoghue were independent. Consequently, as at 29 February 2012, excluding the Chairman, 66% of the C&C Group Board comprised of independent, non-executive Directors. The Board has further determined that the non-executive Directors appointed in April 2012 are also independent. As of the date of this report, excluding the Chairman, 78% of the Board comprised of independent, non-executive Directors. In reaching that determination, the Board considered the principles relating to independence contained in the UK Code, together with the guidance provided by a number of shareholder voting agencies.

The independence of Board members is considered annually. In determining the independence of non-executive Directors, the Board considered the principles relating to independence contained in the UK 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 of the Group, 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 and judgement. The Board considers that each of the non-executive Directors brings independent judgement to bear. In the case of John Burgess, the Board considered his length of service but was satisfied that his independence is not compromised. As part of this assessment, the Board considered that while John Burgess has served on the Board of the Company or its predecessors since 1999, he has not served for more than 9 years concurrently with the same executive Directors. In the case of Sir Brian Stewart, the Board was satisfied that he was independent on his appointment as referred to below.

### Chairman

Sir Brian Stewart has been Chairman of the Group since August 2010. 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 and that the Board is apprised of the views of the Group's shareholders. While the Board has determined that Sir Brian Stewart was independent on appointment to the Board, it recognises that previous working relationships with the Group's senior executives is a consideration in determining independence as set out by the UK Code and by some shareholder voting agencies. Consequently, while the Board was satisfied as to Sir Brian's independence, he stepped down from his position as a member of the Remuneration Committee on his appointment as Chairman. During the period under review there was no change in the other significant commitments of the Chairman.

### Senior Independent Director

Richard Holroyd was appointed Senior Independent Director in July 2007. He is available to shareholders who have concerns for which contact through the normal channels of Chairman, Group Chief Executive Officer or Group Chief Financial Officer, has failed to resolve or for which such contact is inappropriate. He is also available to meet major shareholders on request.

### Audit Committee Financial Expert

The Audit Committee has determined that John Hogan, who also chairs the Committee, is the Audit Committee financial expert. He is a qualified chartered accountant and was the managing partner of Ernst & Young in Ireland between 1994 and 2000. He was also a member of the Ernst & Young global board.

### Company Secretary

All Directors have access to the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. The Company Secretary is Paul Walker who succeeded Sinead Gillen on 29 June 2011. The appointment and removal of the Company Secretary is a matter for the Board.

### Appointment, Retirement and Re-election

The non-executive Directors are engaged under the terms of a letter of appointment, details of which are set out in the Report of the Remuneration Committee on Directors' Remuneration. Copies of the letters of appointment are available on request from the Company Secretary.

The Company's Articles of Association require that at least one-third of the Directors subject to rotation shall retire by rotation at the Annual General Meeting in every year. Directors appointed by the Board must also submit themselves for election at the first annual general meeting following their appointment. However, in accordance with the recommendations of the UK Code, the Directors have resolved that they will all retire and submit themselves for election or re-election by the shareholders at the Annual General Meeting this year.

### **Induction and Development**

A comprehensive tailored induction programme is arranged for each new Director. The aim of the programme is to provide the Director with a detailed insight into the Group. The programme involves meeting with the Chairman, Group Chief Executive Officer, Group Chief Financial Officer, Company Secretary and key senior executives. It covers areas such as strategy and development, organisation structure, succession planning, financing, corporate responsibility and compliance, investor relations and risk management. The Board receives regular updates from the external legal and other advisers in relation to regulatory and accounting developments. Throughout the year, Directors meet with key executives and meet with local management teams, and a site visit for all Board Directors, to one of the Group's production facilities, is usually scheduled annually.

Newly-appointed members of the Audit Committee will meet with the key members of the external audit, internal audit and finance teams. New members of the Remuneration Committee will meet with the Committee's remuneration consultants in the year of their appointment to the Committee.

### **External non-executive directorships**

The Board believes that there may be benefit if executive Directors accept a non-executive directorship with other companies to broaden their skills, knowledge and experience. The Remuneration Committee determines whether Directors should be permitted to retain any fees paid in respect of such appointments.

### **Meetings**

It is Board policy to meet not less than nine times a year. The Board will also meet at other times as it considers appropriate. The Board usually makes at least one visit a year to one of the operating subsidiaries. During the period under review there were nine scheduled meetings of the Board. Details of Directors' attendance at these scheduled meetings are set out in the table on page 46. Further meetings took place throughout the year. In addition, a meeting of members of the Board was held without the executive Directors present to provide an opportunity for non-executive Directors and the Chairman to assess their performance, and a further meeting of the non-executive Directors led by the Senior Independent Director was held without the Chairman being present to assess the Chairman's performance.

The Chairman sets the agenda for each meeting in consultation with the Group Chief Executive Officer and the Company Secretary. The agenda and Board papers, which provide the Directors with relevant information to enable them to fully consider the agenda items in advance, are circulated prior to each meeting. Directors are encouraged to participate in debate and constructive challenge. While Directors are expected to attend all scheduled meetings, in the event a Director is unable to attend a meeting, their view on all agenda items is sought and conveyed to the Chairman in advance of the meeting. In addition, following the meeting, matters discussed and decisions made at the meeting are conveyed to the Director.

### **Performance evaluation**

The Board recognises the importance of a formal and rigorous evaluation of the performance of the Board and its Committees. The Chairman conducts an annual review of corporate governance and the operation and performance of the Board and its Committees. In the year under review the Chairman has completed a detailed review of the operation of the Board, the performance of individual Directors and, within the remit of the Nomination Committee, succession planning, identifying in this process the experience and qualities required by the Group for the future implementation of its strategy.

The Chairman conducts one to one discussions each year with each Director to assess his or her individual performance. Performance is assessed against a number of criteria, including his or her contribution to Board and Committee meetings; time commitments; contribution to strategic developments; and relationships with other Directors and management.

The Senior Independent Director and the other non-executive Directors review the Chairman's performance and the Board's performance each year, the results being reported back to the Chairman with recommendations for improvement.

The Board also recognises the need for periodic external evaluation and the UK Code's new recommendation that such reviews be externally facilitated at least every three years. The Group intends to establish a formal policy and process for external evaluation during the course of FY2013.

### Remuneration

Details of remuneration paid to Directors (executive and non-executive) are set out in the Report of the Remuneration Committee on Directors' Remuneration on pages 47 to 55.

Non-executive Directors are remunerated by way of a Director's fee. Additional fees are also payable to the Chairman of the Audit Committee, Chairman of the Remuneration Committee and to the Senior Independent Director. Non-executive Directors fees and additional fees payable to Committee Chairman and the Senior Independent Director have not been increased since 2008.

It is Board policy that non-executive Director remuneration does not comprise any performance related element and, therefore, non-executive Directors are not eligible to participate in the Group's bonus schemes, option plans or share award schemes. Non-executive Directors' fees are not pensionable and non-executive Directors are not eligible to join any Group pension plans. Executive Directors' remuneration is inclusive of any Director's fee.

The report of the Remuneration Committee on Directors' Remuneration will be presented to shareholders for the purposes of a non-binding advisory vote at the Annual General Meeting on 27 June 2012. While there is no legal obligation for the Group to put such a resolution to a vote of shareholders at the Annual General Meeting, the Board believes that such a resolution is good practice.

### Share ownership and dealing

Details of Directors' shareholdings are set out on page 54.

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. Under this policy, Directors are required to obtain clearance from the Chairman (or in the case of the Chairman himself, from the Senior Independent Director) before dealing. Directors and senior management are prohibited from dealing in the Company's shares during designated close periods and at any other time when the individual is in possession of Inside Information (as defined by the Market Abuse (Directive 2003/6/EC) Regulations 2005).

## 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. The current membership of each committee is set out on page 30. Attendance at meetings held is set out in the table on page 46. 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 the Company's website [www.candcgroupplc.com](http://www.candcgroupplc.com). Minutes of all Committee meetings are circulated to the entire Board.

The Chairman of each committee attends the Annual General Meeting and is available to answer questions from shareholders.

### Audit Committee

The Audit Committee comprises only independent, non-executive Directors. The members during the year were John Hogan (Chairman), Liam FitzGerald and Richard Holroyd. Mr FitzGerald ceased to be a member of the committee upon his resignation as a Director on 29 February 2012. Tony Smurfit joined the Committee on 17 April 2012.

As set out on page 38, the Audit Committee has determined that John Hogan, who also chairs the Committee, is the Audit Committee financial expert.

It meets a minimum of four times a year. During the period under review it met eight times. Attendance at meetings held is set out in the table on page 46.

The Group Chief Financial Officer attends Audit Committee meetings as appropriate, while the internal auditor and the external auditor attend as required and have direct access to the Audit Committee Chairman. The Head of Finance is the secretary of the Audit Committee.

The Audit Committee's responsibilities include:

- monitoring the integrity, truth and fairness of the financial statements of the Group, including the annual report, interim report, interim management statements, preliminary results and other formal announcements relating to the Group's financial performance;
- reviewing the adequacy and effectiveness of the Group's internal financial controls and risk management systems;
- reviewing the effectiveness of the Group's internal audit function;
- reviewing the adequacy and security of the Group's arrangements for its employees raising concerns, its procedures for detecting fraud and the Group's systems and controls for the prevention of bribery
- 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 and reviewing the effectiveness and findings of the external audit with the external auditor;
- ensuring compliance with the Group's policy on the provision of non-audit services by the external auditor.

The Audit Committee discharged its obligations during the year as follows:

- the Audit Committee reviewed the preliminary results announcement and the annual report and financial statements for the year ended 28 February 2011 and reviewed the post-audit report from the external auditor identifying any accounting or judgemental issues requiring its attention;
- the Audit Committee reviewed the Financial Report for the six months ended 31 August 2011 prior to its release in October 2011;
- the Audit Committee reviewed the Interim Management Statements issued in June 2011 and January 2012;
- the Audit Committee considered whether or not to recommend the re-appointment of the external auditor;
- the Audit Committee reviewed the external audit plan presented by the external auditor in advance of the audit for the year ended 29 February 2012;
- the Audit Committee approved the annual internal audit plan and received and reviewed internal audit reports including the annual assessment of internal control and other work described below;
- the Audit Committee received an external review of the pensions schemes;
- the Audit Committee adopted updated Terms of Reference in line with the recommendations of the UK Code.

The terms of reference of the Audit Committee require it to conduct an annual assessment of internal control. The risks facing the Group are reviewed regularly by the Audit Committee with the executive management. Specific annual reviews of the risks and fundamental controls of each business unit are undertaken on an ongoing basis, the results and recommendations of which are reported to and analysed by the Audit Committee with a programme for action agreed by the business units.

Accordingly through the process outlined above, the Board confirms that it has conducted a review of the internal control systems in operation.

The Group's internal auditor reports to the Audit Committee and the Audit Committee has approved his terms of reference. He is engaged on a programme of work, which includes, inter alia, maintaining the Group's risk register, examining the fundamental controls of the Group assessing anti-bribery and corruption risk and business continuity risk.

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

- may be required to audit his/her own work;
- would 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.

Other than the above, the Group does not impose an automatic ban on the external auditor undertaking non-audit work. The external auditor is permitted to provide non-audit services that are not, or are not perceived to be, in conflict with auditor independence, provided it has the skill, competence and integrity to carry out the work and are considered by the Audit Committee to be the most appropriate to undertake such work in the best interests of the Group. The engagement of the external auditor in non-audit work must be pre-approved by the Audit Committee or entered into pursuant to pre-approved policies and procedures established by the Audit 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 pages 80 and 81. The Audit Committee has adopted a policy that except in exceptional circumstances with the prior approval of the Audit Committee non-audit fees paid to the Group's Auditor should be capped at a maximum of 100% of audit fees in any one year. During the year the Audit Committee gave approval to the auditor providing non-audit advisory services principally in relation to tax.

### **Nomination Committee**

The Nomination Committee is chaired by the Group Chairman and its constitution requires it to consist of a majority of independent, non-executive Directors. The members during the year were Sir Brian Stewart (Chairman), John Burgess, Philip Lynch and Breege O'Donoghue.

It meets a minimum of twice a year and met three times in the period under review. Attendance at meetings held is set out in the table on page 46.

The Nomination 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 and the leadership needs of the organisation;
- establishing processes for the identification of suitable candidates for appointment to the Board;
- making recommendations to the Board on membership of Board Committees.

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

During the period under review the Nomination Committee met three times. The Nomination Committee considered:

- immediate succession requirements for non-executive directors. The Nomination Committee approved the appointment of two non-executive directors as described below.
- immediate succession requirements for executive directors. The Nomination Committee approved the appointment of Stephen Glancey as Group Chief Executive Officer and the appointment of Kenny Neison as Group Chief Financial Officer.
- the appointment of senior managers including the appointment of a managing director of the International Division.
- further succession planning in respect of non-executives, recognising the need for ongoing Board refreshment and renewal and the need for independence and diversity on the Board.
- the strength of the leadership qualities amongst the team supporting the executive Directors.
- the adoption of updated Terms of Reference in line with the recommendations of the UK Code.

During the period under review the Nomination Committee approved the appointment of two new independent, non-executive Directors. Candidates were identified through a variety of methods. The Nomination Committee, via the Chairman and the Group HR Director, engaged Spencer Stuart, external search and recruitment agents, to identify potential candidates and to assist in selecting and recommending candidates. Informal industry contacts were also used. The shortlisted candidates met with the Chairman and the Group Chief Executive Officer prior to appointment. The candidates were appointed on the strength of their experience in the beverage and FMCG sectors and their international experience.

### **Remuneration Committee**

The Remuneration Committee comprises solely of independent, non-executive Directors. The members during the year were Philip Lynch (Chairman), Liam FitzGerald and Richard Holroyd. Mr FitzGerald ceased to be a member of the Remuneration Committee upon his resignation as a Director on 29 February 2012. Stewart Gilliland joined the Remuneration Committee on 17 April 2012.

The Remuneration Committee meets at least twice a year. During the period under review the Remuneration Committee met seven times. Attendance at meetings held is set out in the table on page 46.

The Remuneration Committee's responsibilities include:

- making recommendations to the Board on the Group's policy for executive remuneration;
- determining the remuneration of the Chairman, the executive Directors, the Company Secretary and senior management;
- monitoring the level and structure of remuneration for senior management and trends across the Group;
- approving the design and targets of any performance-related pay schemes and the total annual payments made under such schemes;
- reviewing the design of all share incentive plans;
- approving any grant of options or awards under the Executive Share Option Scheme, the Long Term Incentive Plan (Part I), the Joint Share Ownership Plan and other share plans;
- overseeing any major changes in employee benefits structures throughout the Group;
- overseeing the preparation of the Report of the Remuneration Committee on Directors' Remuneration.

The Remuneration Committee considered

- the determination of whether performance conditions under share schemes and bonus scheme were achieved;
- the granting of share options under the C&C Executive Share Option Schemes;
- the adoption of new performance conditions under the Long Term Incentive Plan (Part I) and the recommending of awards under the Plan;
- the adoption of a deferred bonus scheme under the Long Term Incentive Plan (Part II);
- the introduction of Irish and UK partnership and matching share schemes under the C&C All Employee Profit Sharing Scheme and the introduction of a related overseas scheme;
- the granting of awards under the C&C Recruitment and Retention Plan;
- the remuneration of the executive directors following the directorate change;
- the remuneration of members of senior management;
- the adoption of updated Terms of Reference in line with the recommendations of the UK Code.

## COMMUNICATIONS WITH SHAREHOLDERS

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

There is regular dialogue with institutional investors with presentations given to investors at the time of the release of Group first half and full year financial results and when other significant announcements are made. Interim Management Statements were issued in June 2011 and January 2012. 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, the interim report and other releases. News releases are also made available immediately after release to the Stock Exchange. Presentations given to investors and at conferences are also made available on the website.

### General Meetings

The Company operates under the Companies Acts 1963 to 2009. These Acts provide for two types of shareholder meetings: the annual general meeting ('AGM') with all other meetings being called extraordinary general meetings ('EGM').

The Company must hold a general meeting in each year as its AGM in addition to any other general meetings held in that year. Not more than 15 months may elapse between the date of one AGM and the next. An AGM was held on 29 June 2011, and this year's AGM will be held on 27 June 2012. The Directors may at any time call an EGM. EGMs shall also be convened on the requisition of members holding not less than five per cent of the voting share capital of the Company.

The notice period for an AGM and an EGM to consider any special resolution (a resolution which requires a 75% majority vote, not a simple majority) is 21 days. The Company may call any other general meeting on 14 days' notice subject to obtaining shareholder authority to do so. The Directors consider that it is in the interests of the Company to retain this flexibility, and intend to seek annually such authority. As a matter of policy, the 14 day notice period will only be utilised where the Directors believe that it is merited by the business of the meeting and the circumstances surrounding the business in question.

## DIRECTORS' STATEMENT OF CORPORATE GOVERNANCE - CONTINUED

In accordance with UK Code recommendations, the annual report (if required) and the notice of annual general meeting are sent to shareholders at least 20 working days before the AGM.

No business shall be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business. Three members present in person or by proxy and entitled to vote shall be a quorum.

Only those shareholders registered on the Company's register of members at the prescribed record date, being a date not more than 48 hours before the general meeting to which it relates, are entitled to attend and vote at a general meeting.

The Acts require that resolutions of the general meeting be passed by the majority of votes cast (ordinary resolution) unless the Acts or the Company's Articles of Association provide for 75% majority of votes cast (special resolution). The Company's Articles of Association provide that the Chairman has a casting vote in the event of a tie.

Any shareholder who is entitled to attend, speak and vote at a general meeting is entitled to appoint a proxy to attend, speak and vote on his behalf. A proxy need not be a member of the Company.

At meetings, unless a poll is demanded, all resolutions are determined on a show of hands, with every shareholder who is present in person or by proxy having one vote. On a poll every shareholder who is present in person or by proxy shall have one vote for each share of which he/she is the holder. A shareholder need not cast all votes in the same way. At the meeting, after each resolution has been dealt with, details are given of the level of proxy votes lodged for and against that resolution and also the level of votes withheld on that resolution.

The Company's AGM gives shareholders the opportunity to question the Directors. The Company must answer any question a member asks relating to the business being dealt with at the meeting unless: answering the question would interfere unduly with the preparation for the general meeting or the confidentiality and business interests of the Company; the answer has already been given on a website in the form of an answer to a question; or it appears to the Chairman of the meeting that it is undesirable in the interests of good order of the meeting that the question be answered.

The business of the Company is managed by the Directors who may exercise all the powers of the Company unless they are required to be exercised by the Company in general meeting. Matters reserved to shareholders in general meeting include the election of directors; the payment of dividends; the appointment of the external auditor; amendments to the articles of association; measures to increase or reduce the share capital; and the authority to issue shares.

### MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company's Memorandum of Association sets out the objects and powers of the Company. The Articles of Association detail the rights attaching to each share class; the method by which the Company's shares can be purchased or reissued; the provisions which apply to the holding of and voting at general meetings; and the rules relating to the Directors, including their appointment, retirement, re-election, duties and powers. Further details in relation to the purchase of the Company's own shares are included in the Directors' Report.

### CORPORATE RESPONSIBILITY

As part of its overall remit of ensuring that effective risk management policies and systems are in place, the Board examines the significance of environmental, social and governance (ESG) matters to the Group's business and it has ensured that the Group has in place effective systems for managing and mitigating ESG risks. It also examines the impact that such risks may have on the Group's short and long-term value, as well as the opportunities that ESG issues present to enhance value. The Board receives the necessary information to make this assessment in regular reports from the executive management.

Corporate responsibility is embedded throughout the Group. Group policies and activities are summarised on pages 24 to 29 and the Group's corporate responsibility report is 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 affecting the achievement of the Group's strategic objectives. 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;
- the actions being taken to manage these risks to the desired level.

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 for all operating units, identifying key risks and opportunities;
- monitoring of performance against budgets on a weekly basis and reporting thereon to the Board on a periodic 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.

This system of internal control can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The terms of reference of the Audit Committee require it to review the adequacy and effectiveness of the Group's internal financial controls and risk management systems. The risks facing the Group are reviewed regularly by the Audit Committee with the executive management. Specific annual reviews of the risks and fundamental controls of each business unit are undertaken on an ongoing basis, the results and recommendations of which are reported to and analysed by the Audit Committee with a programme for action agreed by the business units.

The preparation and issue of financial reports, including consolidated annual financial statements is managed by Group Finance with oversight from the Audit Committee. The key features of the Group's internal control procedures with regard to the preparation of consolidated financial statements are as follows:

- the review of each operating division's period end reporting package by the Group finance function;
- the oversight, review and validation of consolidation journals by the Group Chief Financial Officer;
- the challenge and review of the financial results of each operating division with the management of that division by the Group Chief Financial Officer;
- the review of any internal control weaknesses highlighted by the external auditor, by the Group Chief Financial Officer, Head of Internal Audit and the Audit Committee; and the follow up of any critical weaknesses to ensure issues highlighted are addressed.

The Directors confirm that, in addition to the monitoring carried out by the Audit Committee under its terms of reference, they have reviewed the effectiveness of the Group's risk management and internal control systems up to and including the date of approval of the financial statements. This had regard to all material controls, including financial, operational and compliance controls that could affect the Group's business. The Directors considered the outcome of this review and found the systems satisfactory.

## GOING CONCERN

The principal risks and uncertainties facing the Group are set out in this report on pages 33 and 34. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the Group Chief Financial Officer's Review on pages 18 to 23. A description of the business of the Group is set out in the Group Chief Executive Officer's Review and the Operations Review on pages 6 to 17.

An explanation of the basis on which the Group generates and preserves value over the longer term (the business model) and the strategy for delivering its objectives are set out in the Group Chief Executive Officer's review on pages 6 to 9. A statement of the Group's strategy is set out on pages 6 to 9. The Group's long term strategy is to build a sustainable cider-led multi-beverage business through a combination of organic growth and selective acquisitions. The Group's business model seeks growth through brand-market combination combining brand investment with a focus on local markets.

The Group has significant revenues, a large number of customers and suppliers across different geographies, and considerable financial resources. For these reasons, 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. Consequently they continue to adopt the going concern basis in preparing the financial statements.

## DIRECTORS' STATEMENT OF CORPORATE GOVERNANCE - CONTINUED

### ATTENDANCE AT MEETINGS

Attendance at scheduled Board meetings and Board committee meetings during the year was as follows:

	Scheduled Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings
Sir Brian Stewart	9/9		3/3	
John Burgess	7/9		2/3	
John Dunsmore	9/9			
Liam FitzGerald	6/9	5/8		5/7
Stephen Glancey	9/9			
John Hogan	9/9	8/8		
Richard Holroyd	9/9	8/8		7/7
Philip Lynch	9/9		3/3	7/7
Kenny Neison	9/9			
Breege O'Donoghue	7/9		2/3	

In the above table the numerator in each fraction represents the number of meetings actually attended by each Director in respect of the Board and each Board committee of which he or she was a member, whilst the denominator represents the number of such meetings that the Director was scheduled to attend.

In addition, the non-executive Directors including the Chairman met to evaluate the performance of the executive Directors, and the non-executive Directors, led by the Senior Independent Director, without the Chairman present, met to evaluate the performance of the Chairman. Several ad hoc meetings were held during the year for share allotment and other administrative matters in accordance with the Board's rules and procedures, which were attended by a quorum of the Board.

### COMPLIANCE STATEMENT

The Group has complied with the provisions of the UK Code and Irish Annex throughout the period under review.



# REPORT OF THE REMUNERATION COMMITTEE ON DIRECTORS' REMUNERATION

## INTRODUCTION

The last three years have seen a major improvement in the performance of the Group and substantial value created for shareholders, as the executive Directors succeeded in delivering the Group's turnaround plans since their appointment in 2008.

FY2012 was a year of change amongst the executive Directors of C&C with John Dunsmore being succeeded as Group Chief Executive Officer by Stephen Glancey and Kenny Neison appointed as Group Chief Financial Officer as of 1 January 2012. This was a smooth transition and ensured the Group remained focused on its growth plans and delivering on its objectives. The details of the remuneration packages of the new appointees are set out below.

Their appointment also coincided with the vesting of the final tranche of Interests awarded to the executive Directors under the Joint Share Ownership Plan (JSOP). This award was made with shareholder approval in December 2008. As a replacement for the JSOP, the new remuneration packages include an entitlement to an award under the Long Term Incentive Plan (LTIP (Part I)) in tandem with their existing entitlement under the current Executive Share Option Scheme (ESOS).

The vesting of awards under the JSOP means that Stephen Glancey and Kenny Neison now hold, respectively, shares in C&C with a value equivalent to 27 times and 19 times their new salaries, which is well in excess of typical executive shareholdings. In order to encourage the retention of such a large holding and alignment of their interests with those of other shareholders, the Remuneration Committee, is seeking shareholder approval at the AGM to allow dividends to be paid on vested awards under the JSOP and also enable it, where desirable, to agree to extend the period during which vested awards may remain in the JSOP and allow participants greater scope to transfer vested awards to family members and related trusts.

It is also seeking approval to allow dividend equivalents to accrue under the LTIP (Part I). Further details are given below and in the notice of AGM.

The Remuneration Committee considers that the appointment of the executive Directors to their roles and the performance-related incentives agreed with them and the alignment of their interests with shareholders generally are critical to the success of the Group as it continues to pursue its strategic aims.

## BASIS OF REPORT

The following pages set out the Board's remuneration policy as it applies to the executive Directors. In accordance with the UK Corporate Governance Code (whilst this is not a legal requirement) the Directors are proposing at the 2012 Annual General Meeting an advisory non-binding vote to receive and consider this report of the Remuneration Committee on Directors' Remuneration.

## COMPOSITION

The Remuneration Committee of the Board consists solely of independent non-executive Directors. Philip Lynch is Chairman of the Committee. During the year ended 29 February 2012 other members of the Committee were Richard Holroyd and Liam FitzGerald (resigned 29 February 2012). Stewart Gilliland joined the Committee on 17 April 2012.

The Chairman of the Board and the Group Chief Executive Officer are fully consulted on remuneration proposals but neither is present when his own remuneration is discussed. The Remuneration Committee obtains external advice from remuneration consultants and other independent firms on compensation when necessary. During the year ended 29 February 2012 the Committee obtained advice from Towers Watson in respect of the executive Directors' remuneration and from New Bridge Street (formerly known as Hewitt New Bridge Street), an Aon Hewitt company, in respect of the Group's employee share schemes and other matters. A separate division of Towers Watson has advised the trustees of the Group's defined benefit schemes but the Committee was satisfied that this did not compromise their independence. Apart from that, neither of the consultants has any other connection with the Group. The Remuneration Committee also obtains advice from the Company Secretary and the Group Human Resources Director.

## TERMS OF REFERENCE OF COMMITTEE

The Committee's terms of reference, which are available on the C&C website [www.candcgroupplc.com](http://www.candcgroupplc.com), include making recommendations to the Board in respect of Group policy on executive and senior management remuneration and the consideration and determination of the remuneration of the executive Directors and senior management. The Committee also oversees the Group's employee share schemes.

## REMUNERATION POLICY

The main aim of the Group's remuneration policy is to attract, retain and reward the Group's executive Directors and senior management, having regard to the need to ensure that they are properly remunerated and motivated to perform in the best interests of shareholders and having regard also to comparative remuneration levels in the sector and amongst other Irish and UK-listed companies of similar size and scope as well as pay levels and conditions across the rest of the Group.

A key policy adopted by the Group for the remuneration of executive Directors and senior management is to align their interests with those of shareholders through appropriate share-based long-term incentives. In addition, performance-related annual rewards aligned with the Group's key financial and operational goals and based on stretching targets are an important component of the total executive remuneration package.

Furthermore, the Group seeks to bring transparency to Directors' and employees' reward structures through the use of cash allowances in place of benefits in kind and to align the interests of Directors and other employees with those of shareholders through share-based and performance-based rewards.

## REPORT OF THE REMUNERATION COMMITTEE ON DIRECTORS' REMUNERATION - CONTINUED

### DIRECTORATE CHANGE

As announced on 19 October 2011, Stephen Glancey was appointed Chief Executive Officer of the Group and Kenny Neison Chief Financial Officer of the Group in each case with effect from 1 January 2012. Consequently, the Remuneration Committee reviewed the remuneration of each of them to reflect their new roles and responsibilities.

It was agreed that the salary for the Group Chief Executive Officer role should remain at the level fixed for John Dunsmore's appointment to that role in November 2008. The salary for the Group Chief Financial Officer role is the same as that previously applicable to the Group Chief Operating Officer. Previous entitlements to a guaranteed 3% annual increase, which had been waived, are now removed. The salaries are now expressed as the pounds sterling equivalent. Accordingly the following annual basic salaries were agreed with effect from 1 January 2012, and are subject to annual review in the same way as for other employees:

Stephen Glancey	£585,000 (equivalent to €698,600 at the year-end exchange rate)
Kenny Neison	£420,000 (equivalent to €501,500 at the year-end exchange rate)

The Remuneration Committee also agreed that any annual bonus for each executive Director under the Group's performance-related cash bonus scheme, payments in respect of pension and benefits and cover for life insurance and permanent health insurance would be calculated on the same basis as previously but by reference to each Director's new annual basic salary. It was also agreed that each of them would continue to be entitled to an annual grant under the C&C Executive Share Option Scheme at 150% of their revised annual basic salary with effect from FY2013.

Since the executive Directors' awards under the JSOP had all fully vested and there was no entitlement to any further awards under that Plan, it was agreed that each executive Director would be entitled to an annual award under the LTIP (Part I) at 100% of annual basic salary. All awards are made subject to performance and all incentive schemes are subject to review. However, the Board stated its intention that in the event of a review an equivalent value as above should be offered to the executive Directors, whether by way of LTIP (Part I) or other incentive scheme in order to maintain the market competitiveness of each executive Director's package.

It was further agreed that each Director's bonus entitlement (if any) for FY2012 would be calculated by reference to his new annual basic salary for the whole financial year and exceptionally an award under the LTIP (Part I) would be made in FY2012 at 100% of the new salary. For further details of bonus arrangements see Performance Related Annual Bonus on page 49.

The other principal terms and conditions of the Director's service contract were unchanged.

The Group accepted the resignation of John Dunsmore and agreed with him that he would cease to be Group Chief Executive Officer on 31 December 2011 and would cease to be an executive Director and employee in the Group on 29 February 2012. It was agreed that he would continue to be entitled to a payment equal to his bonus (subject to achievement of bonus targets) in respect of FY2012 but no other compensation for loss of office was paid. Any notice due under his service contract was waived. All of Mr Dunsmore's Interests in the Joint Share Ownership Plan vested prior to the cessation of his employment and it was agreed that he was entitled to retain them within the Plan, which he has elected to do. It was also agreed that any options held by him under the Executive Share Option Scheme lapsed upon cessation of his employment.

### EXECUTIVE DIRECTORS' REMUNERATION

The main elements of the remuneration package for the executive Directors and senior management are basic salary and benefits (including contributions to, or in lieu of, pension, company car and health benefits), performance-related annual bonus and longer term share incentives.

A summary of the remuneration applicable to the executive Directors is as follows:

Fixed Remuneration	Performance-linked remuneration	
<p><b>Base salary</b> – subject to discretionary review.</p> <p><b>Benefits</b> – a 7.5% cash allowance for car and health benefits.</p> <p><b>Pension</b> – allowance of 25% of basic salary as cash or pension contribution.</p>	<p><b>Annual incentives</b></p> <p><b>Cash bonus</b> – up to a maximum of 80% of basic salary, subject to the achievement of a Group operating profit target.</p>	<p><b>Long term incentives</b></p> <p><b>Annual share option grants</b> – 150% of basic salary under the Executive Share Option Scheme with a pre-vesting earnings per share performance target; no retesting permitted</p> <p><b>Up to FY2012: Joint Share Ownership Plan</b> – awards, subject in part to the achievement of a share price performance condition, granted in December 2008 to facilitate recruitment. Plan approved by shareholders at an EGM in December 2008.</p> <p><b>From FY2012: Annual award under the LTIP (Part I)</b> – 100% of basic salary subject to three-year earnings per share growth and Total Shareholder Return performance conditions; no retesting permitted</p>

The composition of each executive Director's on-target and maximum remuneration for FY2013 is as follows:

	Target scenario	Mix	Maximum scenario	Mix
Base	Base salary	40%	Base salary	27.5%
Bonus	Assumes target bonus at 60% of base salary	24%	Assumes max bonus at 80% of base salary	22%
Options	Expected value	14%	Expected value	16%
LTIP (Part I)	Threshold vesting - 30%	12%	Full vesting - 100%	27.5%
Pension	Pension allowance - 25% of base salary	10%	Pension allowance - 25% of base salary	7%
<b>Total</b>		<b>100%</b>		<b>100%</b>

### SERVICE CONTRACTS OF EXECUTIVE DIRECTORS

Each of the executive Directors is employed on a service contract. None of them has a service contract with a notice period in excess of one year. The service contracts do not contain any pre-determined compensation payments in the event of termination of office or employment. Details of the service contracts of the executive Directors in office during the year are as follows:

	Contract date	Notice period	Unexpired term of contract
John Dunsmore	9 November 2008	12 months	n/a
Stephen Glancey	9 November 2008, amended 28 February 2012	12 months	n/a
Kenny Neison	9 November 2008, amended 28 February 2012	12 months	n/a

### Basic Salary and Benefits

The salary levels of executive Directors are normally reviewed together with those of senior management annually in January.

The executive Directors receive a cash allowance of 7.5% of basic salary in lieu of benefits such as company car or health benefits. The Group also provides death-in-service cover of four times annual basic salary.

### Pensions

No current executive Director or member of senior management accrues any benefits under a defined benefit pension scheme. Payments in respect of pensions are calculated on basic salary only and no incentive or benefit elements are included.

Under their service contracts Stephen Glancey and Kenny Neison each receive a cash payment of 25% of basic salary, in order to provide their own pension benefits, inclusive in Kenny Neison's case of a fixed sterling payment into a personal pension plan.

### Performance Related Annual Bonus

The Group operates a performance-related cash bonus scheme for executive Directors, senior management and other employees. The maximum annual bonus payable is 80% of basic salary for the executive Directors, 70% for senior management and lesser amounts for other employees. The performance metric for bonuses for the executive Directors is Group operating profit and the target is set in accordance with the Group's long-term growth plan. The executive is entitled to a reduced bonus of 30% when a minimum threshold is achieved, a basic bonus totalling 60% when a target threshold is achieved and a further bonus of 20% when performance achieves a higher 'stretch' threshold. For the year ended 29 February 2012 the Remuneration Committee determined that the target threshold for the executive Directors was achieved and bonuses have been accrued and will be paid to them at this level.

The Remuneration Committee does not require any part of the executive Directors' annual cash bonus to be deferred, whether into shares or otherwise. The Committee recognises the arguments for deferral but believes that, in view of their substantial shareholdings in the Company, the executive Directors are already adequately motivated to be mindful of the longer-term consequences of their operational and strategic decisions.

The bonus scheme and the payment of bonuses are subject to annual approval by the Remuneration Committee. The Committee reserves the right to vary, amend, replace or discontinue the bonus scheme at any time depending on business needs and/or financial viability or as appropriate by reference to any changes in corporate structure during the financial year. The Remuneration Committee has approved a bonus scheme for the year ending 28 February 2013 with a similar structure to that described above.

### Share Options and Share Awards

The service contracts of the executive Directors in office at the date of this report entitle them to an annual grant under the C&C's Executive Share Option Scheme of share options with a value equal to 150% of basic salary and an annual award under the LTIP (Part I) of shares (by way of nil cost options) with a value equal to 100% of annual basic salary. The Board will continue to review all incentive schemes annually and all awards are made subject to performance.

Details of the interests of the Directors in share options and share awards granted under the Joint Share Ownership Plan, the Executive Share Option Scheme, and the LTIP (Part I) are set out on page 51 (Joint Share Ownership Plan), pages 54 and 55 (Executive Share Option Scheme and LTIP (Part I)) and in note 4 on pages 81 to 85.

## REPORT OF THE REMUNERATION COMMITTEE ON DIRECTORS' REMUNERATION - CONTINUED

### EXECUTIVE SHARE OPTION SCHEME

The C&C Executive Share Option Scheme was established in May 2004. Options are granted solely at the discretion of the Remuneration Committee save where the executive has a contractual entitlement. Under the scheme rules, options cannot be granted to non-executive Directors. 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 basic 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, and including any other adjustments authorised by the Remuneration Committee) to increase by 5% per annum in excess of the change in the Irish Consumer Price Index (Irish CPI) over the three year period from date of grant, in order for options to vest.

The options lapse if the performance target is not met after the relevant three year period. There is no re-testing provision in the event of a change of control of the Company. However, for qualifying leavers in circumstances such as death, ill-health, redundancy or business disposal, the performance target may be measured over a shorter time period, and if the Remuneration Committee determines that the target is met, the options may be exercised within a reduced time period.

The fair value cost of the share options is amortised over the vesting period to the extent that the Directors believe that the options will vest. The fair value of each award is disclosed in note 4 to the Financial Statements (Share Based Payments) on pages 81 to 85.

In 2010 the Group established Part 2 of the Scheme, which is a scheme approved by the UK Revenue authorities and allows grants of options over shares with a market value of up to £30,000 to be made on a tax efficient basis to employees who are UK taxpayers.

### LONG TERM INCENTIVE PLAN (Part I) (LTIP (Part I))

The C&C share-based LTIP (Part I) for executive Directors and senior management was established at the time of the Group's admission to listing in May 2004. Under the plan, awards of up to 100% 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 awards made during FY2012, the Remuneration Committee revised the performance conditions in the light of current best practice as set out below. The performance conditions were chosen as a dual metric to align the interests of participants with those of shareholders while at the same time providing a target related to the Group's financial performance. The Committee considers that this dual-metric performance condition is sufficiently stretching to ensure that participants are rewarded only if shareholders' interests are successfully met.

As to 50% of the award, a performance condition relating to relative total shareholder return (TSR) applies, with an underpin as mentioned below. 30% of this part of the award vests if the Group's TSR over a three-year period equals the median TSR of a comparator group; 100% of this part of the award vests if the Group's TSR over a three-year period equals or exceeds the TSR of the upper quartile of the comparator group; for performance between the median and the upper quartile there is straight-line pro-rating between 30% and 100%. None of this part of the award vests if the Group's TSR over a three-year period is less than the median TSR of a comparator group. The companies in the comparator group are as follows: Anheuser-Busch Inbev N.V., Carlsberg Breweries A/S, Constellation Brands Inc., Diageo plc, Heineken Holding N.V., Molson Coors Brewing Company, Remy Cointreau SA, SABMiller plc, Britvic plc, Greene King plc, Marston's plc, Young & Co.'s Brewery plc and AG Barr plc. TSR is calculated by reference to the change in the net return index for each comparator company, as calculated by an independent financial information provider selected by the Committee from time to time.

As to the remaining 50% of the award, a performance condition relating to growth in earnings per share (EPS) applies. 30% of this part of the award vests if the Group's EPS over a three year period achieves 4% per annum growth in real terms (compared with Irish CPI). 100% of this part of the award vests if the Group's EPS over a three year period achieves 10% per annum real growth. There is straight-line pro-rating between 30% and 100% for performance between 4% and 10% per annum. None of this part of the award vests if the real growth in the Group's EPS over a three-year period is less than 4% per annum. EPS is calculated before exceptional items and including other adjustments authorised by the Remuneration Committee.

In respect of the TSR condition, an underpin applies: the growth in the Group's EPS over the three-year period must be 5% or more per annum in real terms (compared with Irish CPI) over the same period; alternatively the Remuneration Committee must be satisfied that the Group's underlying financial performance warrants that level of vesting; otherwise the award lapses.

Currently, awards that vest under the Plan do not reflect any equivalent value to that which accrues to shareholders by way of dividends during the vesting period. In order to achieve a better alignment of the interests of participants in the Plan with the interests of shareholders, the Company is proposing that upon vesting such equivalent value should accrue to the participant. Where awards do not vest, then nor would any such equivalent value representing rolled up dividends by way of scrip or cash amount. A resolution to implement this variation of rights will be proposed at the Annual General Meeting to be held in June 2012 and further information is contained in the Notice of AGM. The amendment will not be retrospective. The fair value cost of the share awards is amortised over the vesting period to the extent that the Directors believe that the awards will vest. The fair value of each award is disclosed in note 4 to the Financial Statements (Share Based Payments) on pages 81 to 85.

## C&C JOINT SHARE OWNERSHIP PLAN

In order to secure the services of John Dunsmore, Stephen Glancey and Kenny Neison in November 2008, a remuneration package was agreed which included a high level of share-based incentives under the C&C Joint Share Ownership Plan, which was approved by shareholders at an Extraordinary General Meeting ('EGM') on 18 December 2008. The Remuneration Committee supervises the operation of the Plan. The main terms of the Plan are as follows:

### Participants

Awards were granted to John Dunsmore, Stephen Glancey and Kenny Neison in December 2008. In total they acquired interests in 12.8 million ordinary shares, out of the 16.0 million shares allocated to the Plan. Interests in the remaining 3.2 million shares were granted in June and December 2009 to existing and new members of senior management.

### Nature of interests

Interests take the form of a restricted interest in ordinary shares in the Company ("Interest"). An Interest permits a participant to benefit from the increase (if any) in the value of a number of ordinary shares in the Company ("Shares") over which the Interest is acquired. In order to acquire an Interest, a participant must enter into a joint share ownership agreement with the trustees of the Group's employee benefit trust under which the participant and the trustee jointly acquire the Shares. Under the terms of the plan participants must contribute funding equal to 10% of the issue price on the acquisition of the Interest (the "Entry Price") with the balancing amount (the "Hurdle Value") being funded by the trustees of the employee benefit trust.

For Interests acquired in December 2008 and June 2009, the Entry Price was €0.115 per share and the Hurdle Value was €1.035 per share and for the Interests acquired in December 2009, the Entry Price was €0.247 per share and the Hurdle Value was €2.223.

When an Interest vests, the trustees may, at the request of the participant and on payment of the balance of the further amount referred to below, transfer shares to the participant of equal value to the participant's Interest or the Shares may be sold by the trustees, who will account to the participant for the difference between the sale proceeds (less expenses) and the Hurdle Value.

### Rights attaching to Interests

The voting rights attaching to the Shares subject to the Interests will be exercised by the trustees of the employee benefit trust as they consider appropriate and in the best interests of the beneficiaries of the employee benefit trust, save that each participant may direct the votes on his vested Interests or, if greater, 10% of the Shares relevant to his Interest.

Dividends on the Shares subject to the Interests accrue solely to the trustees of the employee benefit trust but have been waived by them. In order to achieve a better alignment of the interests of those Directors and employees who participate in the Plan with the interests of shareholders and to encourage retention of interests within the Plan, the Company is seeking shareholder approval at the AGM to a proposal that, where Interests have vested, dividends on the jointly-owned Shares should accrue to the trustees and to the participant in proportion to their respective economic interests. This would not apply where Interests do not vest and would only apply to continuing employees. The amendment will not be retrospective. Currently if Plan Shares have not been sold by the seventh anniversary of their acquisition date, the Trustees must then sell them and pay the Participant his share of the sale proceeds on the first permitted dealing day thereafter. The Company is seeking shareholder approval at the AGM to enable it, where desirable, to extend this period to the tenth anniversary of the acquisition date, thereby allowing participants greater flexibility in determining when to realise their vested interests. The Company is also seeking shareholder approval to allow it to give greater flexibility to participants who are continuing employees to transfer their vested interests to family members and related trusts.

The Company believes these amendments will encourage retention of vested interests in the Plan. A resolution to implement these variations of rights will be proposed at the Annual General Meeting to be held in June 2012 and further information is contained in the Notice of AGM.

### Vesting conditions

All of the Interests are subject to a time-vesting condition with one-third of the Interest in the Shares vesting on each of the first, second and third anniversaries of acquisition. Half of the Interests in the Shares are subject to an additional pre-vesting share price target. In order for these latter Interests to vest, for the Interests granted to the executive Directors in December 2008 the Company's share price must be greater than €2.50 for at least 20 days out of 40 consecutive dealing days during the five-year period commencing on the date of acquisition of the Interest. This vesting condition was met during 2009. Accordingly as at 29 February 2012, all of the Interests awarded to the current and former executive Directors in December 2008 had vested.

### Loans and further amounts

The award of an Interest under the Plan may give rise to a loan for tax and company law purposes as described under loans to Directors on page 55.



## REPORT OF THE REMUNERATION COMMITTEE ON DIRECTORS' REMUNERATION - CONTINUED

### OTHER EMPLOYEE SHARE SCHEMES

In addition to the above schemes, the executive Directors are eligible to participate on the same terms as all other eligible employees in the UK Revenue-approved Share Incentive Plan that the Company operates. The Group has established a number of other share-based schemes, in which Directors are not eligible to participate, details of which are also given in note 4 to the Financial Statements (Share Based Payments) on pages 81 to 85.

During the year, the Remuneration Committee finalised its consideration of a review of the Group's employee share schemes in the light of current best practice and experience gained from previous awards. The Committee approved the resulting recommendations. In consequence the performance condition under the LTIP (Part I) was reformulated and the Committee recommended awards under this Plan to executive Directors and senior management within existing limits. The Committee also approved the introduction of a deferred bonus share scheme under the LTIP (Part II). This scheme is not open to executive Directors and will be settled by market purchases. Discretionary awards were made to middle management. The Committee discontinued awards under the C&C Executive Share Option Scheme apart from contractual awards to the executive Directors and a few other exceptional awards.

The Committee approved the introduction of share matching plans in Ireland and the UK under the Approved Profit Sharing Scheme. A further scheme for overseas employees was introduced. These schemes are open to executive Directors and will be settled by market purchases. Further details are given on page 83.

In consequence of its review, the Company is proposing amendments to Parts A and B of the C&C Profit Sharing Scheme (APSS), to take account of current best and market practice and to bring the Irish PSS and the UK SIP into closer alignment to the extent permitted by the applicable legislation. Approval is also being sought to reapprove the APSS (as amended) so that it can be used for a further 10 years without having to go back to shareholders. A resolution to implement these variations will be proposed at the Annual General Meeting to be held in June 2012.

### SHAREHOLDING GUIDELINES

The Company does not impose minimum shareholding requirements on executive Directors. However, the current executive Directors, Stephen Glancey and Kenny Neison, have significant shareholdings in the Company as set out below, representing approximately 27 and 19 times their respective base salary, well in excess of usual formal shareholding guidelines (generally between one and 2½ times base salary). The Remuneration Committee is therefore of the view that the executive Directors' interests are sufficiently aligned with those of other shareholders without the need for additional shareholding guidelines.

### DILUTION LIMITS

Full details of the share awards and the maximum dilution are given in note 4 (Share Based Payments) on pages 81 to 85. All share plans with the exception of the Joint Share Ownership Plan, which was specifically approved by shareholders in December 2008, contain the share dilution limits recommended in institutional guidance, namely that no awards shall be granted which would cause the number of Shares issued in the ten years ending with the date of grant (a) under any discretionary or executive share scheme adopted by the Company other than the Joint Share Ownership Plan to exceed 5 per cent., and (b) under any employees' share scheme adopted by the Company other than the Joint Share Ownership Plan to exceed 10 per cent., of the ordinary share capital of the Company in issue at that time.

In the period from the listing of the Group on the Irish Stock Exchange in 2004 to 29 February 2012, commitments to issue new shares or re-issue treasury shares under discretionary share schemes (net of lapsed and forfeited commitments and excluding the Joint Share Ownership Plan which was specifically approved by shareholders in December 2008) amounted to 3.46% of the Company's issued ordinary share capital as at 29 February 2012. No equivalent commitments have been made under non-discretionary schemes.

### NON-EXECUTIVE DIRECTORS' REMUNERATION

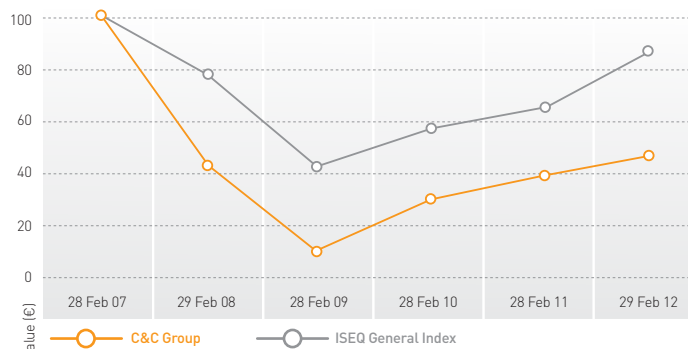
Each of the non-executive Directors in office during the financial year was appointed by way of a letter of appointment. Each appointment was for an initial term of three years, renewable by agreement (but now subject to annual re-election by the members in General Meeting). The letter of appointment of Sir Brian Stewart is dated 10 February 2010. The letters of appointment of all other non-executive Directors in office during the financial year were dated 26 April 2004. The letters of appointment are each terminable by either party on one month's notice and do not contain any pre-determined compensation payments in the event of termination of office or employment.

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. Non-executive Directors receive a Director's fee and fees directly relating to their membership of Board sub-committees but no additional remuneration from the Company. 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. No increase has been made to the basic and supplemental fees of the non-executive Directors since 2008.

The current annual fees are as follows:

Chairman:	€230,000
Non-executive Director:	€65,000
Supplemental fees:	
Senior Independent Director:	€10,000
Chairman of the Audit Committee:	€25,000
Chairman of the Remuneration Committee:	€20,000.

Non-executive Directors are not eligible to participate in the Group's share option or other employee scheme. None of the remuneration of the non-executive Directors is performance related. Non-executive Directors' fees are not pensionable and non-executive Directors are not eligible to join any Group pension plan. The Group also does not impose minimum shareholding requirements on non-executive Directors but encourages them to hold shares in the Company.



This graph shows the value, by 29 February 2012, of €100 invested in C&C Group on 28 February 2007 compared with the value of €100 invested in the ISEQ General Index. The other points plotted are the values at intervening financial year-ends.

### 5 YEAR TOTAL SHAREHOLDER RETURN

For information only, the above graph shows the value as at 29 February 2012 of a €100 investment in C&C Group plc shares on 28 February 2007 compared with the ISEQ General Index.

### DIRECTORS' REMUNERATION AND INTERESTS IN SHARE CAPITAL

Details of the overall Directors' remuneration charged to the Group income statement are shown in note 27 on pages 117 to 118. Details of the remuneration and pension benefits for each Director who served during the year ended 29 February 2012 are given on this page. The interests of the Directors and Company Secretary in the share capital of the Company and in share options are shown on pages 54 and 55. Loans to Directors are shown on page 55.

### DIRECTORS' REMUNERATION – 2012

	Basic salary/fees €0	Other remuneration fees <sup>(ii)</sup> €0	Further amount <sup>(iii)</sup> €0	Benefits in kind <sup>(iii)</sup> €0	Pension contribution (or equivalent) €0	Annual Bonus €0	Total 2012 €0	Total 2011 €0
<b>Executive Directors</b>								
John Dunsmore <sup>(i)</sup>	700	53	111	4	175	420	<b>1,463</b>	989
Stephen Glancey	534	40	-	4	134	419	<b>1,131</b>	724
Kenny Neison	334	25	-	3	85	301	<b>748</b>	405
<b>Sub-total</b>	<b>1,568</b>	<b>118</b>	<b>111</b>	<b>11</b>	<b>394</b>	<b>1,140</b>	<b>3,342</b>	<b>2,118</b>
<b>Non-Executive Directors</b>								
John Burgess	65	-	-	-	-	-	<b>65</b>	65
Liam FitzGerald	65	-	-	-	-	-	<b>65</b>	65
John Hogan	65	25	-	-	-	-	<b>90</b>	90
Richard Holroyd	65	10	-	-	-	-	<b>75</b>	75
Philip Lynch	65	20	-	-	-	-	<b>85</b>	85
Breege O'Donoghue	65	-	-	-	-	-	<b>65</b>	65
Sir Brian Stewart	230	-	-	-	-	-	<b>230</b>	178
<b>Sub-total</b>	<b>620</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>675</b>	<b>623</b>
	<b>2,188</b>	<b>173</b>	<b>111</b>	<b>11</b>	<b>394</b>	<b>1,140</b>	<b>4,017</b>	<b>2,741</b>
Equity-settled share-based employee benefits							<b>282</b>	1,386
<b>Total</b>							<b>4,299</b>	<b>4,127</b>
<b>Average number of executive Directors</b>							<b>3</b>	<b>3</b>
<b>Average number of non-executive Directors</b>							<b>7</b>	<b>7</b>

(i) The Board released John Dunsmore to serve on the Board of Fuller Smith & Turner Plc as a non-executive director and chairman of its Remuneration Committee. He received and retained an annual fee of £45,000 in relation to this role.

(ii) Other fees paid to John Hogan, Richard Holroyd and Philip Lynch in 2012 and 2011 represent fees paid as Chairman of the Audit Committee, Senior Independent Director and Chairman of the Remuneration Committee respectively.

(iii) See 'Loans to Directors' on page 55.

No sums were paid to third parties for any Director's services.

### Directors and their interests

The interests of the Directors and Company Secretary in office at 29 February 2012 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:

## REPORT OF THE REMUNERATION COMMITTEE ON DIRECTORS' REMUNERATION - CONTINUED

### INTERESTS IN ORDINARY SHARES OF €0.01 EACH IN C&C GROUP PLC<sup>(i)</sup>

29 February 2012 1 March 2011 (or date of appointment if later)

<b>Directors</b>		
John Burgess	104,097	102,299
John Dunsmore	5,120,000 <sup>(iii)</sup>	5,120,000 <sup>(iii)</sup>
Liam FitzGerald	35,000	35,000
Stephen Glancey	5,120,000 <sup>(iii)</sup>	5,120,000 <sup>(iii)</sup>
John Hogan	10,324	10,147
Richard Holroyd	32,933	22,349
Philip Lynch	821,692	807,913
Kenny Neison	2,561,530 <sup>(iii)</sup>	2,561,530 <sup>(iii)</sup>
Breege O'Donoghue	59,823	58,790
Sir Brian Stewart	60,000	60,000
<b>Total</b>	<b>13,925,399</b>	<b>13,898,028</b>
<b>Company Secretary</b>		
Paul Walker	36,200	9,200

#### Notes

(i) All the above holdings are beneficial interests subject as stated in (iii) below.

(iii) Each shareholding of the executive Directors includes Interests in shares acquired and held under the Company's Joint Share Ownership Plan which at 29 February 2012 and at 28 February 2011 was 3,413,334 shares in respect of each of John Dunsmore and Stephen Glancey and 2,560,000 shares in respect of Kenny Neison (see C&C Joint Share Ownership Plan on page 51 and note 4 on pages 81 to 85 for further details). The Company has been notified that the balance of the holding in which each of J. Dunsmore and S. Glancey is interested is beneficially owned by his respective wife.

The Directors and the Company Secretary have no beneficial interests in any of the Group's subsidiary undertakings. There was no movement in the Directors' or the Company Secretary's interests in C&C Group plc ordinary shares between 29 February 2012 and 16 May 2012.

### INTERESTS IN OPTIONS OVER ORDINARY SHARES OF €0.01 EACH IN C&C GROUP PLC

	Date of grant	Exercise price	Scheme	Exercise period	Total at 1 March 2011 (or date of appointment if later)	Awarded	Exercised	Lapsed	Total at 29 February 2012	Weighted Average Price
<b>Directors</b>										
John Dunsmore										
	13/05/09	€1.94	ESOS	13/5/12 - 12/5/16	541,300			(541,300)	-	
	26/05/10	€3.205	ESOS	26/5/13 - 25/5/17	327,700			(327,700)	-	
	24/05/11	€3.6065	ESOS	24/5/14 - 23/5/18		291,140		(291,140)	-	
	<b>Total</b>				<b>869,000</b>	<b>291,140</b>	<b>-</b>	<b>(1,160,140)</b>	<b>-</b>	<b>-</b>
Stephen Glancey										
	13/05/09	€1.94	ESOS	13/5/12 - 12/5/16	386,600				386,600	
	26/05/10	€3.205	ESOS	26/5/13 - 25/5/17	234,100				234,100	
	24/05/11	€3.6065	ESOS	24/5/14 - 23/5/18		207,957			207,957	
	29/02/12	€0.00	LTIP (Part I)	1/3/15 - 28/8/15		191,186			191,186	
	<b>Total</b>				<b>620,700</b>	<b>399,143</b>	<b>-</b>	<b>-</b>	<b>1,019,843</b>	<b>€2.21</b>
Kenny Neison										
	13/05/09	€1.94	ESOS	13/5/12 - 12/5/16	232,000				232,000	
	26/05/10	€3.205	ESOS	26/5/13 - 25/5/17	140,500				140,500	
	24/05/11	€3.6065	ESOS	24/5/14 - 23/5/18		124,774			124,774	
	29/02/12	€0.00	LTIP (Part I)	1/3/15 - 28/8/15		137,262			137,262	
	<b>Total</b>				<b>372,500</b>	<b>262,036</b>	<b>-</b>	<b>-</b>	<b>634,536</b>	<b>€2.13</b>
<b>Company Secretary</b>										
Paul Walker										
	01/06/10	€0.00	R&R	1/6/11 - 31/5/17	81,000		27,000 <sup>(ii)</sup>		54,000	
	01/06/10	€3.21	ESOS	1/6/13 - 31/5/18	127,200				127,200	
	29/06/11	€0.00	LTIP (Part I)	29/6/14 - 28/12/14	35,380				35,380	
	<b>Total</b>				<b>243,580</b>	<b>-</b>	<b>27,000</b>	<b>-</b>	<b>216,580</b>	<b>€1.89</b>

(ii) market price at date of exercise: €2.95

Key: ESOS - Executive Share Option Scheme; LTIP (Part I) - Long Term Incentive Plan (Part I); R&R - Recruitment and Retention Plan.

No price was paid for any award of options. The price of the Company's ordinary shares as quoted on the Irish Stock Exchange at the close of business on 29 February 2012 was €3.665 (2011: €3.535). The price of the Company's ordinary shares ranged between €2.70 and €3.69 during the year.

There was no movement in the interests of any of the Directors or the Company Secretary in options over C&C Group plc ordinary shares between 29 February 2012 and 16 May 2012.

#### LOANS TO DIRECTORS

When an award is granted to an executive under the Joint Share Ownership Plan, its value is assessed for tax purposes with the resulting value being deemed to fall due for payment on the date of grant. Under the terms of the plan, the executive must pay the Entry Price at the date of grant and, if the tax value of the award (i.e. the initial unrestricted market value) exceeds the Entry Price, the executive must pay a further amount, equating to the amount of such excess, before a sale of the awarded interests. The deferral of the payment of the further amount is considered to be an interest-free loan by the Company to the executive and a taxable benefit-in-kind arises, charged at Revenue stipulated rates (Ireland 12.5%, UK 4.0%). The resulting loans by the Company to the executive Directors are required to be disclosed under the Companies Act 1990.

The balances of the loans outstanding to the executive Directors as referred to in the previous paragraph as at 29 February 2012 and 28 February 2011 are as follows:

	29 February 2012 €'000	28 February 2011 €'000
John Dunsmore	-	111
Stephen Glancey	111	111
Kenny Neison	83	83
<b>Total</b>	<b>194</b>	<b>305</b>

When the further amount is paid, the Company compensates the executive for the obligation to pay this further amount by paying him an equivalent amount, which is, however, subject to income tax in the hands of the executive. During the financial year ended 29 February 2012, John Dunsmore paid a further amount of €110,934, thus repaying the full balance of the loan which was outstanding at 28 February 2011, for which the Company compensated him (subject to deduction of tax). The compensation is disclosed under Further Amount in Directors' Remuneration.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 International Financial Reporting Standards (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 Companies Acts 1963 to 2009.

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 2009 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;
- state that the financial statements comply with IFRSs as adopted by the EU and, in the case of the Company, as applied in accordance with the Companies Acts 1963 to 2009; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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. In particular, in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 (the "Transparency Regulations"), the Directors are required to include in their report a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2009 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

### RESPONSIBILITY STATEMENT, IN ACCORDANCE WITH THE TRANSPARENCY REGULATIONS

Each of the Directors, whose names and functions are listed on page 32, confirms that, to the best of his or her knowledge and belief:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group at 29 February 2012 and its profit for the year then ended;
- the Company financial statements, prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009, give a true and fair view of the assets, liabilities and financial position of the Company at 29 February 2012; and
- the Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

**Sir Brian Stewart**  
Chairman

**Stephen Glancey**  
Group Chief Executive Officer



## INDEPENDENT AUDITOR'S REPORT to the members of C&C Group plc

We have audited the Group and Company financial statements ("the financial statements") of C&C Group plc for the year ended 29 February 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity, the Statement of Accounting Policies 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 56.

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 have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and, in the case of the Group financial statements, Article 4 of the IAS Regulation. We also report to you our opinion as to: whether proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether 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 are required by law to report to you our opinion as to whether the description of the main features of the internal control and risk management systems in relation to the process for preparing the consolidated Group financial statements, set out in the annual Corporate Governance Statement, is consistent with the consolidated financial statements.

In addition, we review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex 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 Directors' Report, the Chairman's Statement 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 AUDIT 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 judgements 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.

## INDEPENDENT AUDITOR'S REPORT - CONTINUED

to the members of C&C Group plc

### 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 2012 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, as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the Company's affairs as at 29 February 2012;
- the Group financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009 and Article 4 of the IAS Regulation; and
- the Company financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009.

### OTHER MATTERS

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 and the description in the annual Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the consolidated Group financial statements, is consistent with the financial statements.

The net assets of the Company, as stated in the Company balance sheet, 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 2012 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.

Cliona Mullen, for and on behalf of



**Chartered Accountants, Statutory Audit Firm**

1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland

16 May 2012

**GROUP INCOME STATEMENT**  
For the year ended 29 February 2012

	Notes	Year ended 29 February 2012		Year ended 28 February 2011			Total €m
		Before exceptional items €m	Exceptional items (note 5) €m	Total €m	Before exceptional items €m	Exceptional items (note 5) €m	
<b>Revenue</b>	1	<b>716.7</b>	-	<b>716.7</b>	770.0	-	770.0
Excise duties		(235.9)	-	(235.9)	(260.1)	-	(260.1)
<b>Net revenue</b>	1	<b>480.8</b>	-	<b>480.8</b>	509.9	-	509.9
Operating costs	2	(369.6)	4.8	(364.8)	(409.0)	(12.0)	(421.0)
<b>Operating profit</b>	1	<b>111.2</b>	<b>4.8</b>	<b>116.0</b>	100.9	(12.0)	88.9
Finance income	6	0.7	-	0.7	1.2	-	1.2
Finance expense	6	(5.8)	-	(5.8)	(10.6)	-	(10.6)
<b>Profit before tax</b>		<b>106.1</b>	<b>4.8</b>	<b>110.9</b>	91.5	(12.0)	79.5
Income tax (expense)/credit	7	(13.8)	0.4	(13.4)	(11.2)	2.9	(8.3)
<b>Profit from continuing operations</b>		<b>92.3</b>	<b>5.2</b>	<b>97.5</b>	80.3	(9.1)	71.2
<b>Discontinued operations</b>							
(Loss)/profit from discontinued operations	8	(0.1)	(1.7)	(1.8)	3.7	225.5	229.2
<b>Profit for the year attributable to equity shareholders</b>		<b>92.2</b>	<b>3.5</b>	<b>95.7</b>	84.0	216.4	300.4
Basic earnings per share (cent)	10			<b>29.4c</b>			93.4c
Diluted earnings per share (cent)	10			<b>28.7c</b>			91.0c
<b>Continuing operations</b>							
Basic earnings per share (cent)	10			<b>30.0c</b>			22.1c
Diluted earnings per share (cent)	10			<b>29.2c</b>			21.6c

On behalf of the Board

**Sir B Stewart**  
Chairman

**S Glancey**  
Group Chief Executive Officer

GROUP STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 29 February 2012

	Notes	2012 €m	2011 €m
<b>Other comprehensive income and expense:</b>			
Exchange difference arising on the net investment in foreign operations and net investment hedge	6	5.3	13.2
Foreign currency reserve recycled on disposal of Northern Ireland wholesale business	6, 8	0.7	-
Net loss on revaluation of land and buildings	12	(1.7)	-
Net movement in cash flow hedging reserve	6	1.4	4.4
Deferred tax on cash flow hedges	6, 21	(0.1)	(0.5)
Actuarial (loss)/gain on retirement benefit obligations	22	(19.0)	0.2
Deferred tax on actuarial loss on retirement benefit obligations	21	2.4	-
<b>Net (loss)/income recognised directly within other comprehensive income</b>		<b>(11.0)</b>	<b>17.3</b>
Profit for the year attributable to equity shareholders		95.7	300.4
<b>Comprehensive income for the year attributable to equity shareholders</b>		<b>84.7</b>	<b>317.7</b>

On behalf of the Board

**Sir B Stewart**  
Chairman

**S Glancey**  
Group Chief Executive Officer

GROUP BALANCE SHEET  
As at 29 February 2012

	Notes	2012 €m	2011 €m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	12	181.8	187.2
Goodwill & intangible assets	13	484.9	466.3
Retirement benefit obligations	22	0.2	-
Deferred tax assets	21	6.5	8.7
Trade & other receivables	16	19.5	20.0
		<b>692.9</b>	682.2
<b>Current assets</b>			
Inventories	15	46.1	40.7
Trade & other receivables	16	93.4	105.5
Derivative financial assets	23	0.1	0.4
Cash & cash equivalents		128.3	128.7
		<b>267.9</b>	275.3
<b>TOTAL ASSETS</b>		<b>960.8</b>	957.5
<b>EQUITY</b>			
Equity share capital	24	3.4	3.4
Share premium	24	92.0	86.3
Other reserves	24	57.8	52.9
Treasury shares	24	(16.8)	(17.4)
Retained income		577.8	518.5
<b>Total equity</b>		<b>714.2</b>	643.7
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest bearing loans & borrowings	19	-	99.8
Derivative financial liabilities	23	-	0.7
Retirement benefit obligations	22	15.3	15.3
Provisions	18	11.5	11.5
Deferred tax liabilities	21	7.2	5.9
		<b>34.0</b>	133.2
<b>Current liabilities</b>			
Interest bearing loans & borrowings	19	60.0	35.2
Derivative financial liabilities	23	0.9	1.4
Trade & other payables	17	141.9	139.1
Provisions	18	5.8	4.2
Current tax liabilities		4.0	0.7
		<b>212.6</b>	180.6
<b>Total liabilities</b>		<b>246.6</b>	313.8
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>960.8</b>	957.5

On behalf of the Board

Sir B Stewart  
Chairman

S Glancey  
Group Chief Executive Officer



## GROUP CASH FLOW STATEMENT

For the year ended 29 February 2012

	2012 €m	2011 €m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year attributable to equity shareholders	95.7	300.4
Finance income	(0.7)	(1.2)
Finance expense	5.8	10.6
Income tax expense	13.4	8.8
Depreciation of property, plant & equipment	20.2	21.2
Amortisation of intangible assets	0.1	0.1
Profit on disposal of property, plant & equipment	(0.3)	-
Revaluation of property, plant & equipment	2.0	-
Loss/(profit) on disposal of businesses	1.8	(224.7)
Exceptional retirement benefit obligations gain re:discontinued operations	(0.1)	(0.9)
Charge for share-based employee benefits	2.6	4.0
Pension contributions paid less amount charged to income statement	(19.1)	(4.9)
	<b>121.4</b>	<b>113.4</b>
(Increase)/ decrease in inventories	(4.5)	8.8
Decrease in trade & other receivables	10.6	9.0
Increase in trade & other payables	1.2	15.4
Decrease in provisions	(0.1)	(3.2)
	<b>128.6</b>	<b>143.4</b>
Interest received	0.7	1.2
Interest and similar costs paid	(4.6)	(8.3)
Income taxes paid	(4.4)	(8.4)
<b>Net cash inflow from operating activities</b>	<b>120.3</b>	<b>127.9</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant & equipment	(18.9)	(21.1)
Net proceeds on disposal of property, plant & equipment	1.2	-
Acquisition of brands/ deferred consideration paid	(16.6)	(31.7)
Proceeds on disposal of businesses	4.7	294.9
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(29.6)</b>	<b>242.1</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of share options	1.5	1.2
Proceeds from exercise of Interests under Joint Share Ownership Plan	0.1	3.6
Repayment of debt	(73.6)	(348.2)
Dividends paid	(18.5)	(12.1)
<b>Net cash outflow from financing activities</b>	<b>(90.5)</b>	<b>(355.5)</b>
Net increase in cash & cash equivalents	0.2	14.5
Cash & cash equivalents at beginning of year	128.7	113.5
Translation adjustment	(0.6)	0.7
<b>Cash &amp; cash equivalents at end of year</b>	<b>128.3</b>	<b>128.7</b>

A reconciliation of cash & cash equivalents to net debt is presented in note 20 to the financial statements.

On behalf of the Board

Sir B Stewart  
Chairman

S Glancey  
Group Chief Executive Officer

GROUP STATEMENT OF CHANGES IN EQUITY  
For the year ended 29 February 2012

	Equity share capital €m	Share redemption premium €m	Capital redemption reserve €m	Capital reserve €m	Cash flow hedging reserve €m	Share-based payments reserve €m	Currency translation reserve €m	Revaluation reserve €m	Treasury shares €m	Retained income €m	Total €m
At 28 February 2010	3.3	77.1	0.5	24.9	(5.7)	4.8	2.7	5.9	(21.3)	237.2	329.4
Profit for the year attributed to equity shareholders	-	-	-	-	-	-	-	-	-	300.4	300.4
Other comprehensive income	-	-	-	-	3.9	-	13.2	-	-	0.2	17.3
<b>Total</b>	<b>3.3</b>	<b>77.1</b>	<b>0.5</b>	<b>24.9</b>	<b>(1.8)</b>	<b>4.8</b>	<b>15.9</b>	<b>5.9</b>	<b>(21.3)</b>	<b>537.8</b>	<b>647.1</b>
Dividend on ordinary shares	-	8.1	-	-	-	-	-	-	-	(20.2)	(12.1)
Exercised share options	0.1	1.1	-	-	-	-	-	-	-	-	1.2
Reclassification of share-based payments reserve	-	-	-	-	-	(0.9)	-	-	-	0.9	-
Joint Share Ownership Plan	-	-	-	-	-	(0.4)	-	-	3.9	-	3.5
Equity settled share-based payments	-	-	-	-	-	4.0	-	-	-	-	4.0
At 28 February 2011	3.4	86.3	0.5	24.9	(1.8)	7.5	15.9	5.9	(17.4)	518.5	643.7
Profit for the year attributed to equity shareholders	-	-	-	-	-	-	-	-	-	95.7	<b>95.7</b>
Other comprehensive expense	-	-	-	-	1.3	-	6.0	(1.7)	-	(16.6)	<b>(11.0)</b>
<b>Total</b>	<b>3.4</b>	<b>86.3</b>	<b>0.5</b>	<b>24.9</b>	<b>(0.5)</b>	<b>7.5</b>	<b>21.9</b>	<b>4.2</b>	<b>(17.4)</b>	<b>597.6</b>	<b>728.4</b>
Dividend on ordinary shares	-	4.2	-	-	-	-	-	-	-	(22.7)	<b>(18.5)</b>
Exercised share options	-	1.5	-	-	-	-	-	-	-	-	<b>1.5</b>
Reclassification of share-based payments reserve	-	-	-	-	-	(2.5)	-	-	-	2.5	-
Reclassification of revaluation reserve on disposal	-	-	-	-	-	-	-	(0.4)	-	0.4	-
Joint Share Ownership Plan	-	-	-	-	-	(0.4)	-	-	0.6	-	<b>0.2</b>
Equity settled share-based payments	-	-	-	-	-	2.6	-	-	-	-	<b>2.6</b>
<b>At 29 February 2012</b>	<b>3.4</b>	<b>92.0</b>	<b>0.5</b>	<b>24.9</b>	<b>(0.5)</b>	<b>7.2</b>	<b>21.9</b>	<b>3.8</b>	<b>(16.8)</b>	<b>577.8</b>	<b>714.2</b>

COMPANY BALANCE SHEET  
As at 29 February 2012

	Notes	2012 €m	2011 €m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets	14	968.8	966.2
Trade & other receivables	16	30.6	24.9
Deferred tax asset	21	-	0.6
		<b>999.4</b>	991.7
<b>Current assets</b>			
Cash & cash equivalents		9.3	-
<b>TOTAL ASSETS</b>		<b>1,008.7</b>	991.7
<b>EQUITY</b>			
Equity share capital	24	3.4	3.4
Share premium	24	793.9	788.2
Other reserves	24	6.3	4.4
Retained income		134.9	58.3
<b>Total equity</b>		<b>938.5</b>	854.3
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest bearing loans & borrowings	19	-	99.8
Derivative financial liabilities	23	-	0.7
		-	100.5
<b>Current liabilities</b>			
Interest bearing loans & borrowings	19	60.0	35.2
Derivative financial liabilities	23	-	1.3
Trade & other payables	17	10.2	0.4
		<b>70.2</b>	36.9
<b>Total liabilities</b>		<b>70.2</b>	137.4
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,008.7</b>	991.7

On behalf of the Board

Sir B Stewart  
Chairman

S Glancey  
Group Chief Executive Officer

COMPANY CASH FLOW STATEMENT  
For the year ended 29 February 2012

	2012 €m	2011 €m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) for the year	96.8	(5.6)
Income tax expense	0.4	7.6
Finance income	(5.1)	(18.1)
Finance expense	4.4	9.3
Loss on retranslation of foreign currency bank borrowings	(1.7)	2.8
	<u>94.8</u>	<u>(4.0)</u>
Decrease in other payables	(0.2)	-
Interest paid and similar costs	(4.1)	(8.1)
<b>Net cash inflow/(outflow) from operating activities</b>	<u>90.5</u>	<u>(12.1)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Movement in loans with subsidiary undertakings	9.4	371.2
Proceeds from exercise of share options	1.5	1.2
Bank loans repaid	(73.6)	(348.2)
Dividends paid	(18.5)	(12.1)
<b>Net cash (outflow)/ inflow from financing activities</b>	<u>(81.2)</u>	<u>12.1</u>
Net movement in cash & cash equivalents	9.3	-
Cash & cash equivalents at beginning of year	-	-
<b>Cash &amp; cash equivalents at end of year</b>	<u>9.3</u>	<u>-</u>

On behalf of the Board

Sir B Stewart  
Chairman

S Glancey  
Group Chief Executive Officer

COMPANY STATEMENT OF CHANGES IN EQUITY  
For the year ended 29 February 2012

	Equity share capital €m	Share premium €m	Capital redemption reserve €m	Cash flow hedging reserve €m	Share based payment reserve €m	Retained income €m	Total €m
<b>Company</b>							
At 28 February 2010	3.3	779.0	0.5	(4.4)	2.6	83.2	864.2
Loss for the year attributable to equity shareholders	-	-	-	-	-	(5.6)	(5.6)
Other comprehensive income	-	-	-	2.6	-	-	2.6
Total	3.3	779.0	0.5	(1.8)	2.6	77.6	861.2
Dividend on ordinary shares	-	8.1	-	-	-	(20.2)	(12.1)
Exercised share options	0.1	1.1	-	-	-	-	1.2
Reclassification of share-based payments reserve	-	-	-	-	(0.9)	0.9	-
Equity settled share-based payments	-	-	-	-	4.0	-	4.0
At 28 February 2011	3.4	788.2	0.5	(1.8)	5.7	58.3	854.3
Profit for the year attributable to equity shareholders	-	-	-	-	-	96.8	<b>96.8</b>
Other comprehensive income	-	-	-	1.8	-	-	<b>1.8</b>
Total	3.4	788.2	0.5	-	5.7	155.1	<b>952.9</b>
Dividend on ordinary shares	-	4.2	-	-	-	(22.7)	<b>(18.5)</b>
Exercised share options	-	1.5	-	-	-	-	<b>1.5</b>
Reclassification of share-based payments reserve	-	-	-	-	(2.5)	2.5	-
Equity settled share-based payments	-	-	-	-	2.6	-	<b>2.6</b>
<b>At 29 February 2012</b>	<b>3.4</b>	<b>793.9</b>	<b>0.5</b>	<b>-</b>	<b>5.8</b>	<b>134.9</b>	<b>938.5</b>

On behalf of the Board

Sir B Stewart  
Chairman

S Glancey  
Group Chief Executive Officer

## STATEMENT OF ACCOUNTING POLICIES

### SIGNIFICANT ACCOUNTING POLICIES

C&C Group plc (the 'Company') is a company incorporated and tax resident in Ireland. The Group's financial statements for the year ended 29 February 2012 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 16 May 2012.

The accounting policies applied in the preparation of the financial statements for the year ended 29 February 2012 are set out below. These have been applied consistently for all periods presented in these financial statements and by all Group entities. As outlined in note 8 the Group has applied discontinued accounting in relation to the current year disposal of the Group's Northern Ireland wholesaling business and the prior year disposal of the Group's Spirits & Liqueurs business, (resulting in a revision to the related comparatives).

### 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, as applied in accordance with the Companies Acts 1963 to 2009 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 on or before 29 February 2012. The Group has adopted the following new and amended IFRS and International Financial Reporting Interpretation Committee (IFRIC) Interpretations in respect of the financial year ended 29 February 2012, none of which impacted the financial statements or performance of the Group in the period.

The IASB and IFRIC have issued the following Standards and Interpretations that are not yet effective for the Group (EU Endorsed) and the financial impact is being considered by the Group:

- IAS 32 *Offsetting Financial Assets and Financial Liabilities* with an effective date of 1 January 2014.
- IFRS 9 *Financial Instruments* (IFRS 9 (2010)), with an effective date of 1 January 2015.
- IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities* and IFRS 13 *Fair Value Measurement*, which all have an effective date of 1 January 2013.
- IAS 27 *Separate Financial Statements* (2011), which supersedes IAS 27 (2008) and IAS 28 *Investments in Associates and Joint Ventures* (2011), which supersedes IAS 28 (2008), which both have an effective date of 1 January 2013.
- *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1 *Presentation of Financial Statements*), with an effective date of 1 July 2012.
- IAS 19 *Employee Benefits* which supersedes IAS 19 (1998), with an effective date of 1 January 2013.
- *Deferred Tax: Recovery of Underlying Assets* – Amendments to IAS 12 (effective date 1 January 2012 but not yet adopted by the EU).
- IFRS 7 *Financial Instruments disclosures – Offsetting Financial Assets and Financial Liabilities*, with an effective date of 1 January 2013.
- IFRS 7 *Financial Instruments disclosures – Transfers of Financial Assets* with an effective date for periods beginning 1 July 2011.
- Amendments to IAS 24 – *Related Party Disclosures*
- Improvements to IFRSs (2010).



## STATEMENT OF ACCOUNTING POLICIES - CONTINUED

### BASIS OF PREPARATION

The Group and the individual financial statements of the Company are prepared on the historical cost basis except for the measurement at fair value of share options at date of grant, derivative financial instruments, retirement benefit obligations and the revaluation of certain items of property, plant & equipment. 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:

- the determination of the fair value and the useful economic life of assets & liabilities, and intangible assets acquired on the acquisition of a company or business (note 11)
- the determination of carrying value of land (note 12),
- the determination of carrying value or depreciated replacement cost, useful economic life and residual values in respect of the Group's buildings, plant & machinery (note 12),
- the determination of the Group's income tax charge (note 7),
- the assessment of goodwill and intangible assets for impairment (note 13),
- accounting for retirement benefit obligations (note 22),
- the valuation and measurement of financial instruments (note 23),
- the valuation of share-based payments (note 4), and,
- the determination and valuation of provisions for future liabilities (note 18).

These are discussed in more detail in the accounting policies and/or notes to the financial statements as referenced above. 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. 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.

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, rebates, allowances for customer loyalty and other pricing related allowances and incentives. Provision is made for returns where appropriate. 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 relevant jurisdictions in which the Group operates. As the Group's manufacturing and warehousing facilities are Revenue approved and registered excise facilities, the excise duty liability generally crystallises on transfer of product from duty in suspense to duty paid status which normally coincides with the point of sale.

## NET REVENUE

Net revenue is defined by the Group as Revenue less Excise duty. Excise duties which represent a significant proportion of Revenue, are set by external regulators over which the Group has no control and are generally passed on to the consumer, consequently the Directors consider that the disclosure of Net revenue enhances the transparency and provides a more meaningful analysis of underlying sales performance.

## EXCEPTIONAL ITEMS

The Group has adopted an accounting policy and income statement format that 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. Such items may include significant restructuring costs, past service and curtailment gains/costs realised under the Group's defined benefit pension schemes, 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 financial instruments. The Directors use judgement 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.

## FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested, gains on hedging instruments that are recognised in the income statement and interest earned on customer advances. Interest income is recognised as it accrues in the income statement, using the effective interest method.

Finance expenses comprise interest expense on borrowings, amortisation of borrowing issue costs, changes in the fair value of financial assets or liabilities which are accounted for at fair value through the income statement, losses on hedging instruments that are recognised in the income statement, gains or losses relating to the effective portion of interest rate swaps hedging variable rate borrowings, ineffective portion of changes in the fair value of cash flow hedges, impairment losses recognised on financial assets and unwinding the discount on provisions. All borrowing costs are recognised in the income statement using the effective interest method.

## 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.

## GOVERNMENT GRANTS

Grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and all attaching conditions have been complied with.

Capital grants received and receivable by the Group are credited to government grants and are amortised to the income statement on a straight line basis over the expected useful lives of the assets to which they relate.

Revenue grants are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

## STATEMENT OF ACCOUNTING POLICIES - CONTINUED

### DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business that represents a separate major line of business, geographical area of operations or is material to Revenue, Net revenue or Operating profit 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.

### SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal organisational and management structure of the Group and the internal financial information provided to the Chief Operating Decision-Maker (considered to be the executive management team) who is responsible for the allocation of resources and the monitoring and assessment of performance of each of the operating segments. The Group has determined that it has six reportable operating segments.

The analysis by segment includes both items directly attributable to a segment and those, including central overheads that are allocated on a reasonable basis to those segments in internal financial reporting packages.

### 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 both the presentation and functional currency of the Company.

Transactions in foreign currencies are translated into the functional currency of each 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 with the exception of all monetary items designated as a hedge of a net investment in a foreign operation which are recognised in the consolidated financial statements, in other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement for the year.

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 where that represents a reasonable approximation of actual rates. 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 and as a consequence are deemed quasi equity in nature, are recognised directly in other comprehensive income in the consolidated financial statements in the foreign currency translation reserve through the statement of comprehensive income. The portion of exchange gains or losses on foreign currency borrowings or derivatives used to provide a hedge against a net investment in a foreign operation that is designated as a hedge of those investments, is recognised directly in other comprehensive income to the extent that they are determined to be effective. The ineffective portion is recognised immediately in the income statement for the year.

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.

### BUSINESS COMBINATIONS

The purchase method of accounting is employed in accounting for the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the aggregate of the fair value at the date of exchange of assets acquired and liabilities incurred or assumed in exchange for control together with directly attributable acquisition costs. Where a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of the estimated adjustment is included in the cost at the acquisition date to the extent that it can be reliably measured. To the extent that settlement of all or any part of a business combination is deferred, the fair value of the deferred component is determined through discounting the amounts payable to their present value at the date of exchange. The discount component is unwound as an interest charge in the income statement over the life of the obligation.

Under IFRS 3 (2008) *Business Combinations* the identifiable assets and liabilities acquired in a business combination, are measured at their provisional fair values at the date of acquisition and adjustments to the provisional values are made within twelve months of the acquisition date and reflected as a restatement of the acquisition balance sheet if they are material; otherwise they are recorded in the year in which they occur.

## GOODWILL

The Group adopted IFRS 3 (2008) *Business Combinations* in the FY2011. However, the valuation of goodwill arising on the acquisition of the Tennent's and Gaymer businesses during the financial year ended 28 February 2010 did not come under the scope of this revised standard and consequently were valued using IFRS 3 (2004) *Business Combinations*.

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 considered 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 acquisition is initially measured at cost being the excess of the cost of the business combination over 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 date of acquisition 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. The cash generating units represent the lowest level within the Group at which goodwill is monitored for internal management purposes and these units are not larger than the operating segments determined in accordance with IFRS 8 *Operating Segments*.

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.

## INTANGIBLE ASSETS (OTHER THAN GOODWILL) ARISING ON BUSINESS COMBINATIONS

An intangible asset, which is a non-monetary asset without a physical substance, is capitalised separately from goodwill as part of a business combination at cost (fair value at date of acquisition) to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its fair value can be reliably measured. Acquired brands and other intangible assets are deemed to be identifiable and recognised when they are controlled through contractual or other legal rights, or are separable from the rest of the business, regardless of whether those rights are transferable or separable from the Group or from other rights and obligations.

Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying value of intangible assets considered to have an indefinite useful economic life are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

The amortisation charge on intangible assets considered to have finite lives is calculated to write-off the book value of the asset over its useful life on a straight line basis on the assumption of zero residual value.

## PROPERTY, PLANT & EQUIPMENT

Property (comprising land and buildings) is recognised at estimated fair value with the changes in the value of the property reflected in other comprehensive income to the extent it does not reverse previously recognised losses or as an impairment loss in the income statement to the extent it does not reverse previously recognised revaluation gains. The fair value is based on estimated market value at the valuation date, being the estimated amount for which a property could be exchanged in an arms length transaction, to the extent that an active market exists. Such valuations are determined based on benchmarking against comparable transactions for similar properties in similar locations as those of the Group or on the use of valuation techniques including the use of market yields on comparable properties. If no active market exists fair value may be determined using a Depreciated Replacement Cost approach.

Plant & machinery is carried at its revalued amount. In view of the specialised nature of the Group's plant & machinery and the lack of comparable market-based evidence of similar plant sold as a 'going concern' i.e. as part of a continuing business, upon which to base a market approach of fair value, the Group uses a Depreciated Replacement Cost approach to determine a fair value for such assets.

## STATEMENT OF ACCOUNTING POLICIES - CONTINUED

### PROPERTY, PLANT & EQUIPMENT - CONTINUED

Depreciated Replacement Cost is assessed, firstly, by the identification of the gross replacement cost for each class of plant & machinery. A depreciation factor derived from both the physical and functional obsolescence of each class of asset, taking into account estimated residual values at the end of the life of each class of asset, is then applied to the gross replacement cost to determine the net replacement cost. An economic obsolescence factor, which is derived based on current and anticipated capacity or utilisation of each class of plant & machinery as a function of total available production capacity, is applied to determine the Depreciated Replacement Cost.

Motor vehicles & other equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment. 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 & equipment, other than freehold land and assets under construction which are not depreciated, were depreciated using the following rates which are calculated to write-off the value of the asset, less the estimated residual value, over its expected useful life:

Buildings	2% straight line
Motor vehicles	15% straight line
Other equipment incl returnable bottles, cases and kegs	5-25% straight line
Plant & machinery	15-30% reducing balance
Storage tanks	10% reducing balance

The residual value and useful lives of property, plant & equipment are reviewed and adjusted if appropriate at each balance sheet date to take account of any changes that could affect prospective depreciation charges and asset carrying values. When determining useful economic lives, the principal factors the Group takes into account are the intensity at which the assets are expected to be used, expected requirements for the equipment and technological developments.

On disposal of property, plant & equipment the cost or valuation and related accumulated depreciation and impairments are removed from the balance sheet and the net amount, less any proceeds, is taken to the income statement and any amounts included within the revaluation reserve transferred to the retained income reserve.

The carrying amounts of the Group's property, plant & 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 to sell and value in use). Impairment losses are debited directly to equity under the heading of revaluation reserve to the extent of any credit balance existing in the revaluation reserve account in respect of that asset with the remaining balance recognised in the income statement.

A revaluation surplus is credited directly to other comprehensive income and accumulated in equity under the heading of revaluation reserve, unless it reverses a revaluation decrease on the same asset previously recognised as an expense, where it is first credited to the income statement to the extent of the previous write down.

### 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. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value at an appropriate rate if the effect of the time value of money is deemed material. The carrying amount of the provision increases in each period to reflect the passage of time and the unwinding of the discount and increase in the provision due to the passage of time is recognised in the income statement within finance expense.

A contingent liability is not recognised but is disclosed where the existence of the obligation will only be confirmed by future events or where it is not probable that an outflow of resources will be required to settle the obligation or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable. Provisions are not recognised for future operating losses, however, provisions are recognised for onerous contracts where the unavoidable cost exceeds the expected benefit.

Due to the inherent uncertainty with respect to such matters, the value of each provision is based on the best information available at the time, including advice obtained from third party experts, and is reviewed by the Directors on a periodic basis with the potential financial exposure reassessed. Revisions to the valuation of a provision are recognised in the period in which such a determination is made and such revisions could have a material impact on the financial performance of the Group.

## LEASES

Where the Group has entered into lease arrangements on land & buildings the lease payments are allocated between land & 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 of ownership of the leased asset, are recognised in property, plant & equipment 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 expense.

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. The fair value of scheme assets is based on market price information, measured at bid value for publicly quoted securities.

The resultant defined benefit pension net surplus or deficit is shown within either non-current assets or non-current liabilities on the face of the Group balance sheet and comprises the total for each plan of the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly. The assumptions (disclosed in note 22) underlying these valuations are updated at each reporting period date based on current economic conditions and expectations (return on plan assets, changes to strategic asset allocations to investment types, salary inflation and mortality rates) and reflect any changes to the terms and conditions of the post retirement pension plans. The deferred tax liabilities and assets arising on pension scheme surpluses and deficits are disclosed separately within deferred tax assets or liabilities, as appropriate.

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.



## STATEMENT OF ACCOUNTING POLICIES - CONTINUED

### RETIREMENT BENEFIT OBLIGATIONS - CONTINUED

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 other comprehensive income. The amounts recognised in the Income statement and Statement of other comprehensive income and the valuation of the defined benefit pension net surplus or deficit are sensitive to the assumptions used. While management believe that the assumptions used are appropriate differences in actual experience or changes in assumptions may affect the valuation of retirement benefit obligations and expenses recognised in future accounting periods.

### 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 a number of Share Option Schemes and Performance Share Plans, listed below, all of which are equity settled share based payments as defined in IFRS 2 *Share-Based Payment*:-

- Executive Share Option Scheme (the 'ESOS'),
- Long Term Incentive Plan (Part I) (the 'LTIP (Part I)'),
- Joint Share Ownership Plan (the "JSOP"),
- Restricted Share Award Scheme,
- Recruitment and Retention Plan, and,
- Long Term Incentive Plan (Part II) (the 'LTIP (Part II)'),
- Partnership and Matching Share Schemes

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

Group share schemes allow certain 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, while the cost of acquiring shares on the open market to satisfy the Group's obligations under the Partnership and Matching Share Schemes is recognised in the income statement.

To date, share options granted by the Company under the ESOS and share entitlements (represented by nil-cost options) granted under the Recruitment and Retention Plan and the LTIP (Part II) are subject to non-market vesting conditions only.

A percentage of the share entitlements (represented by nil-cost options) granted by the Company under the LTIP (Part I) and a percentage of the shares granted under the Joint Share Ownership Plan and the Restricted Share Award scheme are subject to both market and non-market vesting conditions whilst the remainder are subject to non-market vesting conditions only, the details of which are set out in note 4. Market conditions are incorporated into the calculation of fair value of share entitlements as at grant date. Non-market vesting conditions are not taken into account when estimating such fair value.

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 at each reporting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. It 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 and those options forfeit in consequence i.e. awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. No reversal is recorded for failure to vest as a result of market conditions not being met.

The proceeds received by the Company net of any directly attributable transaction costs 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 income when vested options are exercised, forfeited post vesting or lapse.

The dilutive effect of outstanding options is reflected as additional share dilution in the determination of diluted earnings per share.

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*.

## INCOME TAX

### *Current tax*

Current tax expense represents the expected tax amount to be paid in respect of taxable income for the current year and is based on reported profit and the expected statutory tax rates, reliefs and allowances applicable in the jurisdictions in which the Group operates. Current tax for the current and prior years, to the extent that it is unpaid, is recognised as a liability in the balance sheet. The Group is subject to corporate tax in a number of jurisdictions, and judgement is required in determining the worldwide provision for taxes. There are many transactions and calculations during the ordinary course of business, for which the ultimate tax determination is uncertain and the complexity of the tax treatment may be such that the final tax charge may not be determined until a formal resolution has been reached with the relevant tax authority which may take several years to conclude. The ultimate tax charge may, therefore be different from that which initially is reflected in the Group's consolidated tax charge and provision any such differences could have a material impact on the Group's income tax charge and consequently financial performance. The determination of the provision for income tax is based on management's understanding of the relevant tax law and judgement as to the appropriate tax charge, and management believe that all assumptions and estimates used are reasonable and reflective of the tax legislation in jurisdictions in which the Group operates. Where the final tax charge is different from the amounts that were initially recorded, such differences are recognised in the income tax provision in the period in which such determination is made.

### *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 recognition of deferred tax assets is based on management's judgement and estimate of the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations, and taking into consideration applicable tax legislation in the relevant jurisdiction. 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 insufficient 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 other comprehensive income (for example, certain derivative financial instruments and actuarial gains and losses on defined benefit pension schemes), in which case the related tax is also recognised in other comprehensive income.

## FINANCIAL INSTRUMENTS

### *Trade & other receivables*

Trade receivables are initially recognised at fair value (which usually equals the original invoice value) and are subsequently measured at amortised cost. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. Movements in provisions are recognised in the income statement. Bad debts are written-off against the provision when no further prospect of collection exists.

### *Advances to customers*

Advances to customers, which can be categorised as either an advance of discount or a repayment/annuity loan conditional on the achievement of contractual sales targets, are initially recognised at fair value, amortised to the income statement (and classified within sales discounts as a reduction in revenue) over the relevant period to which the customer commitment is made, and subsequently carried at amortised cost less an impairment allowance. Where there is a volume target the amortisation of the advance is included in sales discounts as a reduction to revenue. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the agreement with the customer. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows or recognition of the amortisation of advances.

## STATEMENT OF ACCOUNTING POLICIES - CONTINUED

### FINANCIAL INSTRUMENTS - CONTINUED

#### *Cash & cash equivalents*

Cash & 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 & cash equivalents for the purpose of the statement of cash flows.

#### *Trade & other payables*

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

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

Interest-bearing loans & 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 early refinancing of a loan results in a significant change in the present value of the expected cash flows, 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 interest rate and foreign exchange 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 account current market interest and currency exchange rates where relevant 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 and credit profiles and equates to the 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 cashflow hedge accounting in which case recognition of any resultant gain or loss is recognised through other comprehensive income.

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.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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 other comprehensive income with the ineffective portion being reported in the income statement. The associated gains or losses that had previously been recognised in other comprehensive income 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 other comprehensive income and included in the initial measurement of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, is terminated or exercised, or no longer qualifies for hedge accounting. For situations where the hedging instrument no longer qualifies for hedge accounting, if the hedged transaction is still probable, any cumulative gain or loss on the hedging instrument recognised as a separate component of other comprehensive income is kept in other comprehensive income 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 other comprehensive income is transferred to the income statement in the period.

## FINANCIAL INSTRUMENTS - CONTINUED

### *Net investment hedging*

Any gain or loss on the effective portion of a hedge of a net investment in a foreign operation using a foreign currency denominated monetary liability is recognised in other comprehensive income while the gain or loss on the ineffective portion is recognised immediately in the income statement. Cumulative gains and losses remain in other comprehensive income until disposal of the net investment in the foreign operation at which point the related differences are transferred to the income statement as part of the overall gain or loss on disposal.

## SHARE CAPITAL/PREMIUM

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.

### *Treasury shares*

Where the Company issues equity share capital under its Joint Share Ownership Plan, which is held in trust by an Employee Benefit Trust, these shares are classified as treasury shares on consolidation until such time as the Interests vest and the participants acquire the shares from the Trust or the Interests lapse and the shares are cancelled or disposed of by the Trust.

### *Own shares acquired under share buyback programme*

The cost of ordinary shares purchased by the Company on the open market is recorded as a deduction from equity on the face of the Group and Company balance sheet when these shares are cancelled. An amount equal to the nominal value of any shares cancelled is included within the capital redemption reserve fund and the excess of cost over nominal value is deducted from retained earnings.

### *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 fair value at that date 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.

## 1. SEGMENTAL REPORTING

The Group's business activity is the manufacturing, marketing and distribution of alcoholic drinks and six operating segments have been identified; Cider Republic of Ireland ('ROI'), Cider Great Britain ('GB'), Cider Northern Ireland ('NI'), Cider Export, Tennent's (previously, Tennent's GB and Tennent's Ireland) and Third Party Brands. The basis of segmentation differs from that presented in the prior year in that Tennent's GB and Tennent's Ireland are now considered a single reportable segment. The prior year results for the reportable segments, Cider GB and Cider Export, have also been restated following more detailed information becoming available on transfer of the Gaymers Cider business off a Transitional Services Arrangement with Constellation Europe. The financial results from the sale of the Gaymers cider brands to territories outside of Great Britain are now correctly classified within Cider Export whereas previously these had been classified as Cider GB.

The basis of segmentation corresponds with the Group's organisation structure, the current year nature of reporting lines to the Chief Operating Decision-Maker (as defined in IFRS 8 *Operating Segments*) and the Group's current year internal reporting for the purposes of managing the business, assessing performance and allocating resources. All comparative amounts have been restated to reflect the new basis of segmentation.

The Chief Operating Decision-Maker, identified as the executive committee comprising John Dunsmore (resigned from the executive committee on 31 December 2011 and from the Board on 29 February 2012), Stephen Glancey and Kenny Neison, assesses and monitors the operating results of segments separately via internal management reports in order to effectively manage the business. Segment performance is predominantly evaluated based on Revenue, Net revenue and Operating profit before exceptional items and therefore these are the most relevant indicators in evaluating the results of the Group's operating segments. Given that net finance costs and income tax are managed on a centralised basis, these items are not allocated between operating segments for the purposes of the information presented to the Chief Operating Decision-Maker and are accordingly omitted from the detailed segmental analysis below.

The identified business segments are as follows:-

- (i) Cider ROI  
This segment includes the results from sale of the Group's cider products in the Republic of Ireland, principally Bulmers.
- (ii) Cider GB  
This segment includes the results from sale of the Group's cider products in Great Britain, with Magners, Blackthorn, Olde English and Gaymers the principal brands.
- (iii) Cider NI  
This segment includes the results from sale of the Group's cider products in Northern Ireland, with Magners the principal brand.
- (iv) Cider Export  
This segment includes the results from sale of the Group's cider products, with Magners, Blackthorn and Hornsby's the principal brands, in all territories outside of the Republic of Ireland, Northern Ireland and Great Britain.
- (v) Tennent's  
This segment includes the results from sale of the Group's 'owned' beer brand - Tennent's.
- (vi) Third Party Brands  
This segment relates to the distribution of agency products, including AB InBev brands in the Republic of Ireland, Northern Ireland and Scotland.

Information regarding the results of each reportable segment is disclosed below for the Group's continuing business while the relevant information in relation to the Group's discontinued Northern Ireland wholesaling business which was previously reported within Third Party Brands (disposed 30 June 2011) and the Spirits & Liqueurs business (disposed 30 June 2010), is set out in note 8.

The analysis by segment includes both items directly attributable to a segment and those, including central overheads, which are allocated on a reasonable basis in presenting information to the Chief Operating Decision-Maker.

Inter-segment revenue is not material and thus not subject to separate disclosure.

Segment capital expenditure is the total amount incurred during the year to acquire segment assets, excluding those assets acquired in business combinations that are expected to be used for more than one accounting period.

## 1. SEGMENTAL REPORTING - CONTINUED

### (a) Operating segment disclosures

	2012			2011 {restated}		
	Revenue €m	Net revenue €m	Operating profit €m	Revenue €m	Net revenue €m	Operating profit €m
Cider – ROI	126.8	91.5	42.2	136.4	100.0	43.7
Cider – GB	249.8	172.8	29.5	281.6	192.2	25.6
Cider – NI	15.1	12.2	3.5	15.7	12.6	3.1
Cider – Export	30.3	30.2	6.6	24.5	24.5	4.1
Tennent's	216.8	100.1	22.3	227.2	103.5	18.5
Third party brands	77.9	74.0	7.1	84.6	77.1	5.9
Continuing operations	716.7	480.8	111.2	770.0	509.9	100.9
Discontinued operations (note 8)	5.2	5.2	(0.1)	40.6	40.6	4.1
Total before unallocated items	721.9	486.0	111.1	810.6	550.5	105.0
Unallocated items:						
Exceptional items (note 5)	-	-	4.9*	-	-	(11.1)**
<b>Total</b>	<b>721.9</b>	<b>486.0</b>	<b>116.0</b>	<b>810.6</b>	<b>550.5</b>	<b>93.9</b>

\* Of the exceptional items in the current year, €4.8m relates to Cider ROI, €0.7m to Cider GB, €0.7m to Cider NI, €1.3m to Cider Export, a (€2.7m) loss to Tennent's and a €0.1m income to discontinued operations.

\*\* Of the exceptional items in the prior year, (€0.9m) relates to Cider ROI, (€6.8m) to Cider GB, (€0.4m) to Cider NI, (€0.2m) to Cider Export, (€3.7m) to Tennent's, and a €0.9m income to discontinued operations.

The unallocated exceptional items exclude the loss on disposal of discontinued activities of €1.1m (FY2011: €224.7m profit) and a loss of €0.7m on the recycling of a foreign currency reserve to the income statement following the disposal of the Group's NI wholesaling business.

The impact of the reclassification of the financial results from the sale of the Gaymers cider brands to territories outside of GB from Cider GB to Cider Export are outlined below. This reclassification has no impact on the Revenue, Net revenue or Operating profit reported by the Group:-

	Revenue €m	Net revenue €m	Operating profit €m
<b>Cider – GB</b>			
Previously reported	284.6	195.2	27.0
Impact of change	(3.0)	(3.0)	(1.4)
<b>Current classification</b>	<b>281.6</b>	<b>192.2</b>	<b>25.6</b>
<b>Cider – Export</b>			
Previously reported	21.5	21.5	2.7
Impact of change	3.0	3.0	1.4
<b>Current classification</b>	<b>24.5</b>	<b>24.5</b>	<b>4.1</b>



NOTES - CONTINUED  
Forming part of the financial statements

1. SEGMENTAL REPORTING - CONTINUED

(b) Other operating segment information

	2012		2011	
	Capital expenditure €m	Depreciation €m	Capital expenditure €m	Depreciation €m
Cider – ROI	1.2	3.6	1.7	4.6
Cider – GB	8.7	8.1	5.2	8.9
Cider – NI	0.1	0.2	0.1	0.3
Cider – Export	0.6	0.6	-	0.4
Tennent's	7.6	7.4	12.2	6.8
Third party brands	0.4	0.3	-	0.1
<b>Total – continuing operations</b>	<b>18.6</b>	<b>20.2</b>	19.2	21.1
Discontinued operations	-	-	-	0.1
<b>Total</b>	<b>18.6</b>	<b>20.2</b>	19.2	21.2

(c) Geographical analysis of revenue, net revenue and non-current assets

	Revenue		Net revenue		Non-current assets	
	2012 €m	2011 €m	2012 €m	2011 €m	2012 €m	2011 €m
ROI	142.5	151.4	101.4	109.8	56.6	73.3
UK	543.6	597.1	348.9	378.6	144.1	133.9
Rest of Europe	10.4	6.5	10.4	6.5	-	-
North America	14.4	8.5	14.3	8.5	0.6	-
Rest of world	5.8	6.5	5.8	6.5	-	-
<b>Total</b>	<b>716.7</b>	770.0	<b>480.8</b>	509.9	<b>201.3</b>	207.2

The geographical analysis of revenue and net revenue is based on the location of the third party customers. The geographical analysis of non-current assets is based on the geographical location of the assets. Non-current assets comprise property, plant & equipment and advances to customers repayable beyond one year. Intangible assets, goodwill and deferred tax assets are not allocated.

2. OPERATING COSTS

	2012			2011		
	Before exceptional items €m	Exceptional items (note 5) €m	Total €m	Before exceptional items €m	Exceptional items (note 5) €m	Total €m
Raw material cost of goods sold	176.2	-	176.2	229.8	-	229.8
Inventory write-down/[recovered] (note 15)	0.3	(0.7)	(0.4)	1.1	(0.2)	0.9
Employee remuneration (note 3)	70.3	(10.2)	60.1	62.4	2.9	65.3
Direct brand marketing	48.2	-	48.2	59.0	-	59.0
Other operating, selling and administration costs	53.2	4.0	57.2	65.6	8.4	74.0
Depreciation	20.2	-	20.2	21.2	-	21.2
Amortisation	0.1	-	0.1	0.1	-	0.1
Research and development costs	0.5	-	0.5	0.9	-	0.9
Revaluation of property, plant & machinery (note 12)	-	2.0	2.0	-	-	-
Auditor remuneration (a):						
- audit services	0.3	-	0.3	0.4	-	0.4
- non audit services	0.3	-	0.3	0.6	-	0.6
Operating lease rentals:						
- land & buildings	4.0	-	4.0	3.0	-	3.0
- plant & machinery	0.4	-	0.4	0.8	-	0.8
- other	0.9	-	0.9	0.6	-	0.6
<b>Total</b>	<b>374.9</b>	<b>(4.9)</b>	<b>370.0</b>	445.5	11.1	456.6
Relating to discontinued operations (note 8)	(5.3)	0.1	(5.2)	(36.5)	0.9	(35.6)
<b>Relating to continuing operations</b>	<b>369.6</b>	<b>(4.8)</b>	<b>364.8</b>	409.0	12.0	421.0

## 2. OPERATING COSTS - CONTINUED

(a) **Auditor remuneration** The remuneration of the Group's statutory auditor, being the Irish firm of the principal auditor of the Group, KPMG, Chartered Accountants is as follows:

	2012 €m	2011 €m
Audit of the Group financial statements	0.3	0.3
Other assurance services	0.1	0.1
Tax advisory services	0.2	0.3
Other non audit services	-	0.2
<b>Total</b>	<b>0.6</b>	<b>0.9</b>

The audit fee for the audit of the financial statements of the Company was less than €0.1m in the current and prior financial year.

## 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:-

	2012 Number	2011 Number
Sales & marketing	295	312
Production & distribution	524	549
Administration	135	145
<b>Total</b>	<b>954</b>	<b>1,006</b>

The actual number of persons employed by the Group as at 29 February 2012 was 926 (28 February 2011: 972).

The aggregate remuneration costs of these employees can be analysed as follows:-

	2012 €m	2011 €m
Wages, salaries and other short term employee benefits	54.8	45.1
Severance costs (note 5)	4.6	4.9
Social welfare costs	5.6	5.4
Retirement benefit obligations – defined benefit schemes (note 22)	(13.3)	0.8
Retirement benefit obligations – defined contribution schemes	5.7	5.1
Equity settled share-based payments (note 4)	2.6	4.0
Partnership & matching share schemes (note 4)	0.1	-
<b>Charged to the income statement</b>	<b>60.1</b>	<b>65.3</b>
Actuarial loss/(gain) on retirement benefit obligations recognised in other comprehensive income (note 22)	19.0	(0.2)
<b>Total employee benefits</b>	<b>79.1</b>	<b>65.1</b>

## 4. SHARE-BASED PAYMENTS

In May 2004, the Group established an equity settled **Executive Share Option Scheme (ESOS)** under which options to purchase shares in C&C Group plc are granted to certain executive Directors and members of 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 basic salary in that year. Options have been granted under this scheme in each year since 2004.

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 (CPI) over three financial years on a compound basis, in order for options to vest. If after the relevant three-year period (i.e. 3 years from date of grant) the performance target is not met the options lapse. The performance target for options granted in June 2007 and 2008 was not achieved resulting in these awards lapsing.

In January 2006, the Group established a **Long Term Incentive Plan (LTIP (Part I))** under the terms of which options to purchase shares in C&C Group plc are granted at nil cost to certain executive Directors and key employees. Options under this scheme were granted in January 2006, in June of each year from 2006 through to 2008, and during the current financial year in June 2011 and February 2012.

Under this plan, awards of up to 100% of basic salary may normally be granted. All awards granted prior to 2011 were forfeited, lapsed or did not vest. The Remuneration Committee has adopted performance conditions for the options awarded during 2011 and 2012 as follows:

#### 4. SHARE-BASED PAYMENTS - CONTINUED

- With regard to 50% of the award, a performance condition relating to total shareholder return (TSR) applies. 30% of this part of the award vests if the Group's TSR over a three-year period equals the median TSR of a comparator group; 100% of this part of the award vests if the Group's TSR over a three-year period equals or exceeds the TSR of the upper quartile of the comparator group; for performance between the median and the upper quartile there is straight-line pro-rating between 30% and 100%.

None of this part of the award vests if the Group's TSR over a three-year period is less than the median TSR of a comparator group. In addition, the real growth in the Group's EPS over the three-year period must be 5% or more per annum (compared with Irish CPI) over the same period; alternatively the Remuneration Committee must be satisfied that the Group's underlying financial performance warrants that level of vesting; otherwise the award lapses.

- With regard to the remaining 50% of the award, a performance condition relating to growth in earnings per share (EPS) applies. 30% of this part of the award vests if the Group's EPS over a three year period achieves 4% per annum real growth (compared with Irish CPI). 100% of this part of the award vests if the Group's EPS over a three year period achieves 10% per annum real growth. There is straight-line pro-rating between 30% and 100% for performance between 4% and 10% per annum. None of this part of the award vests if the real growth in the Group's EPS over a three-year period is less than 4% per annum. EPS is calculated based on Earnings before exceptional items and net of other adjustments authorised by the Remuneration Committee.

In December 2008, shareholders at an Extraordinary General Meeting approved the establishment of a **Joint Share Ownership Plan (JSOP)** where certain employees of the Company and its subsidiaries are eligible to participate in the Plan at the discretion of the Remuneration Committee. Under this plan, Interests in the form of a restricted interest in ordinary shares in the Company are awarded to executive directors and key members of senior management on payment upfront to the Company of an amount equal to 10% of the initial issue price of the shares on the acquisition of the Interest. The participants are also required to pay a further amount if the tax value of their interest exceeds the price paid. When the further amount is paid, the Company compensates the participant for the obligation to pay this further amount by paying him an equivalent amount, which is, however, subject to income tax in the hands of the participant.

The vesting of Interests granted is subject to the following conditions. All of the Interests are subject to a time vesting condition with one-third of the Interest in the shares vesting on each of the first, second and third anniversary of acquisition. In addition, half of the Interests in the shares are subject to a pre-vesting share price target. In order to benefit from those Interests the Company's share price must be greater than €2.50 for 13,800,000 of the Interests initially awarded, and €4.00 for 2,200,000 of the Interests initially awarded, for at least 20 days out of 40 consecutive dealing days during the five-year period commencing on the date of acquisition of the Interest.

When an Interest vests, the trustees may, at the request of the participant and on payment of the further amount, if relevant, transfer shares to the participant of equal value to the participant's Interest or the shares may be sold by the trustees, who will account to the participant for the difference between the sale proceeds (less expenses) and the Hurdle Value (balancing 90% of the acquisition price on the acquisition of the Interest).

In February 2010, the Group established a **Restricted Share Award Scheme** under the terms of which options to purchase shares in C&C Group plc at nil or nominal cost are granted to certain key members of senior management.

The vesting conditions for these awards are similar to those for the JSOP award in that half of the awards will vest one-third on each of the first, second and third anniversary of date of grant subject to continued employment only and half will vest on the later of the achievement of the performance condition of meeting a €4.00 share price target and the third anniversary of the award date subject to continued employment.

In June 2010, the Group established a **Recruitment and Retention Plan** under the terms of which options to purchase shares in C&C Group plc at nil or nominal cost are granted to certain key employees.

The performance conditions and/or other terms and conditions for awards granted under this plan are specifically approved by the Board of Directors at the time of each individual award, following a recommendation by the Remuneration Committee. The Board approved the award of 81,000 options under this plan in June 2010 and an award of 33,166 options in August 2011, in each case subject to time vesting conditions only so as to normally vest in three equal tranches, on the first, second and third anniversaries of grant and a further award of 31,791 options granted in August 2011 are also subject to time vesting conditions only, so as to normally vest on the third anniversary of grant.

Obligations arising under the Restricted Share Award Scheme and the Recruitment and Retention Plan will be satisfied by the purchase of existing shares on the open market. On settlement any difference between the amount included in the Share-based payment reserve account and the cash paid to purchase the shares is recognised in retained income via the statement of changes in equity.

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#### 4. SHARE-BASED PAYMENTS - CONTINUED

In May 2011, the Group established a deferred equity settled share bonus scheme, **Long Term Incentive Plan (LTIP (Part II))**, under which shares are awarded to certain employees (excluding executive directors and senior management) at nil cost, at the end of the financial year in which the award is granted, if the performance conditions set by the Remuneration Committee are achieved and subject to a two year time vesting period post the end of the relevant financial year. For the current financial year, the Remuneration Committee agreed three levels of award linked to operating profit targets. Based on the actual results to 29 February 2012, a right to receive shares at nil cost equating to 23% of salary was granted to certain employees and a right to receive shares at a cost equating to 5% of salary was granted to other employees. The maximum number of shares over which awards were granted under the LTIP (Part II) in relation to the financial year ended 29 February 2012 was set by reference to a share price of €3.55, being the share price on the 18 May 2011, the date the results for the financial year ended 28 February 2011 were announced. Awards will vest in May 2014 subject to continued employment only.

In November 2011, the Group set up **Partnership and Matching Share Schemes** for all ROI and UK based employees of the Group under the approved profit sharing schemes referred to below. Under these schemes, employees can invest in shares in C&C Group plc ("contributory/partnership" shares) that will be matched on a 1:1 basis by the Company ("matching shares") subject to Revenue approved limits. Both the contributory and matching shares are held on behalf of the employee by the Scheme trustee, Capita Corporate Trustees Limited. The shares are purchased on the open market on a monthly basis at the market price prevailing at the date of purchase with any remaining cash amounts carried forward and used in the next share purchase. The shares are held in trust for the participating employee, who has full voting rights and dividend entitlements on both partnership and matching shares. Matching shares may be forfeited and/or tax penalties may apply if the employee leaves the Group or removes their contributory shares within the Revenue-stipulated vesting period. The Revenue stipulated vesting period for matching shares awarded under the ROI scheme is three years and under the UK scheme is five years. The Group held 33,047 matching shares in Trust at 29 February 2012.

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 **approved profit sharing schemes (APSS) in ROI and the UK**. 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 subject to a minimum allocation of €1,000 per employee. The cost, which was reflected in the income statement in the year ended 28 February 2007, was €2.5m. The Group purchased 189,061 shares 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. Tax penalties apply should the employees sell the shares before the vesting period expires. The vesting period for shares awarded to Republic of Ireland resident employees expired in June 2010 and all remaining shares were transferred out of the Employee Benefit Trust and into the Participants' individual names while the vesting period for shares awarded to UK resident employees will expire in June 2012.

##### **Award valuation**

The fair values assigned to the ESOS options granted were computed in accordance with a binomial valuation methodology; the fair value of options awarded under the LTIP (Part I) were computed in accordance with the stochastic model for the TSR element and the binomial model for the EPS element; the fair value of options awarded under the Recruitment and Retention Plan and LTIP (Part II) were computed in accordance with a binomial model; and the fair value of the Interests awarded under the Joint Share Ownership Plan and the Restricted Share Award Plan were computed using a Monte Carlo simulation model. As per IFRS 2 *Share-based Payment*, market based vesting conditions, such as the LTIP (Part I) TSR condition and the share price target conditions in the Joint Share Ownership Plan and the Restricted Share Award Plan, have been taken into account in establishing the fair value of equity instruments granted. 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.

NOTES - CONTINUED  
Forming part of the financial statements

4. SHARE-BASED PAYMENTS - CONTINUED

The main assumptions used in the valuations were as follows:-

	LTIP (Part I) options granted Feb 2012	Recruitment & retention plan August 2011	LTIP (Part I) options granted June 2011	ESOS options granted May 2011	LTIP (Part II) options granted May 2011	ESOS options granted July 2010	Recruitment & retention plan June 2010	ESOS options granted June 2010	ESOS options granted May 2010
Exercise price	-	-	-	€3.61	-	€3.32	-	€3.21	€3.21
Risk free interest rate	0.27%	-	1.66%	2.37%	-	1.47%	-	1.36%	1.58%
Expected volatility	26.0%	-	51.1%	55.1%	-	50.8%	-	50.8%	50.8%
Expected life	3 years	1-3 years	3 years	5 years	3 years	5 years	1-3 years	5 years	5 years
Dividend yield	1.90%	2.16%	1.87%	1.82%	1.86%	2.0%	1.6%	2.04%	1.99%

Details of the share entitlements and share options granted under these schemes together with the share option expense are as follows:

Grant date	Vesting period	Number of options/ equity interests granted	Outstanding at 29 February 12	Grant price €	Market value at date of grant €	Fair value at date of grant €	Expense in Income statement 2012 €m	Expense in Income statement 2011 €m
<b>Executive Share Option Scheme (ESOS)</b>								
20 June 2005	3 years	1,708,200	33,500	3.56	3.56	0.72	-	-
15 June 2006	3 years	846,900	38,300	6.52	6.52	1.24	-	-
13 June 2007	3 years	318,500	-	11.53	11.53	2.76	-	-
13 June 2008	3 years	1,013,700	-	5.11	5.11	0.98	-	-
13 May 2009	3 years	4,336,300	2,669,200	1.94	1.94	0.72	0.5	1.2
26 May 2010	3 years	803,900	374,600	3.21	3.21	1.21	-	0.3
2 June 2010	3 years	127,200	127,200	3.21	3.21	1.14	-	-
21 July 2010	3 years	2,944,400	2,612,600	3.32	3.32	1.16	1.1	0.8
24 May 2011	3 years	658,930	367,790	3.61	3.61	1.56	0.2	-
<b>Long Term Incentive Plan (Part I)</b>								
29 June 2011	3 years	192,662	192,662	-	3.53	2.18-3.34	0.1	-
29 February 2012	3 years	328,448	328,448	-	3.61	1.84-3.46	-	-
<b>Long Term Incentive Plan (Part II)</b>								
18 May 2011	3 years	154,993	154,993	-	3.55	3.36	0.1	-
<b>Joint Share Ownership Plan (JSOP)</b>								
18 December 2008	1-3 years	12,800,000	9,386,668	1.15	1.315	0.16 - 0.21	0.2	0.9
03 June 2009	1-3 years	1,000,000	1,000,000	1.15	2.32	1.01-1.09	0.2	0.4
17 December 2009	1-3 years	2,200,000	750,000	2.47	2.76	0.11-0.16	-	0.1
<b>Restricted Share Award Scheme</b>								
26 February 2010	1-3 years	429,148	89,406	-	2.70	2.26	0.1	0.3
<b>Recruitment &amp; Retention Plan</b>								
29 June 2010	1-3 years	81,000	54,000	-	3.20	2.94	0.1	-
31 August 2011	1-3 years	64,957	64,957	-	3.05	2.89-2.99	-	-
		<b>30,009,238</b>	<b>18,244,324</b>				<b>2.6</b>	<b>4.0</b>
APSS Scheme (2007)		<b>189,061</b>	-	11.39	11.39	11.39	-	-
Partnership and Matching Share Schemes		<b>66,094</b>	<b>33,047</b>				<b>0.1</b>	-
		<b>30,264,393</b>	<b>18,277,371</b>				<b>2.7</b>	<b>4.0</b>

The amount charged to the income statement in respect of the above award grants assumes that all outstanding options granted during 2011 and 2012 will vest and all qualifying conditions will be achieved. Options granted under the ESOS during 2007 and 2008 did not achieve the related performance condition and consequently all outstanding options lapsed. As the Directors considered the likelihood of achieving the non-market vesting conditions remote no charge had been taken to the income statement in prior years.

#### 4. SHARE-BASED PAYMENTS - CONTINUED

The amount charged to the income statement includes an accelerated charge of €0.5m (2011: €0.9m), in relation to employees leaving the Group as part of a restructuring programme, for share options granted under the executive share option scheme where the underlying conditions were deemed to have been met at the date of departure. These employees were deemed 'qualifying 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 and Joint Share Ownership Plan together with the weighted average exercise price of the share options is as follows:

	2012		2011	
	Number of options/ equity Interests	Weighted average exercise price €m	Number of options/ equity Interests	Weighted average exercise price €m
Outstanding at beginning of year	20,342,023	1.79	21,736,448	1.60
Granted	1,399,990	1.71	3,956,500	3.23
Exercised	(952,143)	2.02	(4,003,232)	1.18
Forfeited/lapsed	(2,545,546)	3.53	(1,347,693)	3.18
<b>Outstanding at end of year</b>	<b>18,244,324</b>	<b>1.73</b>	<b>20,342,023</b>	<b>1.79</b>

The aggregate number of share options/equity Interests exercisable at 29 February 2012 was 10,663,116 (2011: 6,545,377).

The unvested share options/equity Interests outstanding at 29 February 2012 have a weighted average vesting period outstanding of 1.0 years (2011: 1.4 years). The weighted average contractual life of vested and unvested share options/equity Interests is 4.2 years (5.2 years).

The weighted average market share price at date of exercise of all share options/equity Interests exercised during the year was €3.22 (2011: €3.28); the average share price for the year was €3.22 (2011: €3.26); and the market share price as at 29 February 2012 was €3.665 (28 February 2011: €3.535).

#### 5. EXCEPTIONAL ITEMS

	2012		Total €m	2011		Total €m
	Continuing operations €m	Discontinued operations €m		Continuing operations €m	Discontinued operations €m	
Restructuring costs	4.6	-	4.6	4.9	-	4.9
Retirement benefit obligations	(14.7)	(0.1)	(14.8)	(1.1)	(0.9)	(2.0)
Recovery of previously impaired inventory	(0.7)	-	(0.7)	(0.2)	-	(0.2)
IT systems implementation and integration costs	4.0	-	4.0	8.4	-	8.4
Revaluation of property, plant & equipment (note 12)	2.0	-	2.0	-	-	-
Loss/(profit) from discontinued operations (note 8)	-	1.1	1.1	-	(224.7)	(224.7)
Foreign currency reserve recycled to the income statement on disposal	-	0.7	0.7	-	-	-
<b>Total (profit)/loss before tax</b>	<b>(4.8)</b>	<b>1.7</b>	<b>(3.1)</b>	<b>12.0</b>	<b>(225.6)</b>	<b>(213.6)</b>
Income tax (credit)/expense	(0.4)	-	(0.4)	(2.9)	0.1	(2.8)
<b>Total (profit)/loss after tax</b>	<b>(5.2)</b>	<b>1.7</b>	<b>(3.5)</b>	<b>9.1</b>	<b>(225.5)</b>	<b>(216.4)</b>

##### (a) Restructuring costs

Restructuring costs, comprising severance and other initiatives arising from cost cutting initiatives, resulted in an exceptional charge before taxation of €4.6m (2011: €4.9m).

##### (b) Retirement benefit obligations

The exceptional gain of €14.8m in the current year relates both to:

- the recognition of a past service gain, net of expenses, of €14.7m following the conclusion of the Group's pension reform programme and the receipt of a Pensions Board direction under Section 50 of the Pensions Act 1990, removing guaranteed pension increases and replacing them with a reduced level of guaranteed increase for three years commencing 2012 and thereafter for all future pension increases to be on a discretionary basis, resulting in a positive impact on the valuation of the Group's retirement benefit obligations; and,
- a curtailment gain of €0.1m arising from the Group's disposal of the Northern Ireland wholesale business and the reclassification of these employees from active to deferred members.

The past service gain represents the difference between liabilities valued using a pension increase assumption of 3% per annum versus 2.25% per annum, assumed to be the average discretionary increase rate. A curtailment gain arises where the value of the pension benefit of a deferred member is less than that of an active member. This occurs when the long term salary increase assumption is greater than the long term inflation expectation.



5. EXCEPTIONAL ITEMS - CONTINUED

The exceptional gain of €2.0m in the prior financial year relates to defined benefit pension scheme curtailment gains arising as a result of the following: the Group's disposal of its Spirits & Liqueurs business to William Grant & Sons Holdings Limited and the reclassification of these employees from active to deferred members (€0.9m); restructuring initiatives in Northern Ireland following the integration of the acquired Tennent's business (€0.1m); and a cost reduction programme in the Group's cider manufacturing facility in Clonmel, Co. Tipperary (€1.0m).

(c) Recovery of previously impaired inventory

During the financial year ended 28 February 2009, the Group's stock holding of apple juice at circa 36 months of forecasted future sales was deemed excessive in light of anticipated future needs, forward purchase commitments and useful life of the stock on hand. Accordingly the Group recorded an impairment charge in relation to excess apple juice stocks. During the current and previous financial year, some of the previously impaired juice stocks were recovered and used by the Group. As a result this stock was written back to operating profit at its recoverable value resulting in a gain of €0.7m (2011: €0.2m). The Group has recovered total juice stocks of €0.9m in relation to stocks for which an impairment charge was recognised in FY2009.

(d) IT systems implementation and integration costs

During the financial year, the Group incurred consultancy costs in relation to the commencement of the process of integrating the acquired Hornsby's brand with the Group's existing business; and the completion of the second phase of the IT systems implementation project with respect to the migration of the Gaymers cider business onto a new IT system, allowing the business to fully integrate with the existing Magners business. The 'first phase' of the systems implementation moved Gaymers off the transitional services arrangement onto a standalone IT system platform, this phase together with the transfer of the Tennent's business onto a new IT systems platform was completed and accounted for in the prior year.

The costs have been classified as exceptional on the basis of materiality. These costs primarily relate to external consultant fees and other costs associated with the implementation of the new IT systems platform and which both, in accordance with IAS 16 *Property, Plant and Equipment*, were not appropriate for capitalisation within Property, plant & equipment in the balance sheet.

(e) Revaluation of property, plant & machinery

Property (comprising land and buildings) and plant & machinery are valued at fair value on the balance sheet and reviewed for impairment on an annual basis. During the financial year, the Group engaged external valuers Ronan Diamond BSc (Hons) MSCSI MRICS and Brian Gilson, BSc (Surv) MSCSI MRICS MCI Arb - Lisney to value its freehold properties in the Republic of Ireland; David Fawcett, FRICS RICS Registered Valuer - Sanderson Weatherall to value its plant & machinery in the Republic of Ireland, and, Timothy Smith BSc MRICS RICS Registered Valuer and Joseph ML Funtek BSc MRICS RICS Registered Valuer - Gerald Eve to value both its freehold properties and plant & machinery in the United Kingdom. Using the valuation methodologies outlined in note 12, this resulted in a net revaluation loss of €2.0m accounted for in the income statement and a further net loss of €1.7m accounted for within other comprehensive income on the basis that it reduced a revaluation surplus previously recognised in respect of an asset in Clonmel and created a revaluation surplus in respect of the Group's Scottish buildings.

(f) Loss/(profit) from discontinued operations, net of tax /Recycling of Foreign Currency Reserve on disposal

The loss on discontinued operations of €1.1m relates to a €0.1m profit arising on the disposal of the Group's Northern Ireland wholesaling business (Quinns of Cookstown) to Britvic Northern Ireland Limited on 30 June 2011 for a gross consideration of €4.8m (€4.3 m) and a loss of €1.2 m in relation to a working capital settlement to reflect 'normalised working capital' as set out in the Sale and Purchase Agreement following the prior year disposal of the Group's Spirits & Liqueurs business. The Group also recognised a loss of €0.7m on the recycling of a foreign currency reserve to the income statement following the disposal of the Group's NI wholesaling business.

During the prior year, the Group completed the disposal of its Spirits & Liqueurs division to William Grant & Sons Holdings Limited for a gross cash consideration of €300.0m realising a profit of €224.7m.

## 6. FINANCE INCOME AND EXPENSE

	2012 €m	2011 €m
<b>Recognised in income statement</b>		
<i>Finance income:</i>		
Interest income on bank deposits	(0.7)	(1.2)
<b>Total finance income</b>	<b>(0.7)</b>	<b>(1.2)</b>
<i>Finance expense:</i>		
Interest expense on interest bearing bank borrowings	2.4	6.6
Expense arising on interest rate swaps designated as cash flow hedges against interest exposure	2.5	3.1
Ineffective portion of change in fair value of cash flow hedges	(0.1)	(0.1)
Unwinding of discount on provisions	1.0	1.0
<b>Total finance expense</b>	<b>5.8</b>	<b>10.6</b>
<b>Net finance expense</b>	<b>5.1</b>	<b>9.4</b>
<b>Recognised directly in other comprehensive income</b>		
Effective portion of change in fair value of cash flow hedges	(1.1)	(2.9)
Fair value of foreign exchange cash flow hedges transferred to income statement	0.1	4.3
Fair value of interest rate swap cash flow hedges transferred to income statement	2.4	3.0
Deferred tax on cash flow hedges recognised directly in other comprehensive income	(0.1)	(0.5)
Foreign currency translation differences arising on foreign currency borrowings designated as net investment hedges	1.7	(3.3)
Foreign currency translation differences arising on the net investment in foreign operations	3.6	16.5
Foreign currency reserve recycled to income statement on disposal of foreign currency subsidiary (note 8)	0.7	-
<b>Net income recognised directly in other comprehensive income</b>	<b>7.3</b>	<b>17.1</b>

## 7. INCOME TAX

	2012 €m	2011 €m
<b>(a) Analysis of charge in year recognised in the income statement</b>		
<i>Current tax:</i>		
Irish corporation tax	5.3	4.1
Foreign corporation tax	2.6	2.3
Adjustment in respect of previous years	(0.2)	(1.8)
	<b>7.7</b>	<b>4.6</b>
<i>Deferred tax:</i>		
Irish	4.5	3.1
Foreign	1.2	1.1
	<b>5.7</b>	<b>4.2</b>
<b>Total income tax expense recognised in income statement</b>	<b>13.4</b>	<b>8.8</b>
Relating to discontinued operations		
- discontinued operations before exceptional items	-	0.4
- discontinued operations exceptional items	-	0.1
Relating to continuing operations		
- continuing operations before exceptional items	13.8	11.2
- continuing operations exceptional items	(0.4)	(2.9)
<b>Total</b>	<b>13.4</b>	<b>8.8</b>

NOTES - CONTINUED  
Forming part of the financial statements

7. INCOME TAX - CONTINUED

The tax assessed for the year is different from that calculated at the standard rate of corporation tax in the Republic of Ireland, as explained below.

	2012 €m	2011 €m
Profit before tax from continuing operations	110.9	79.5
Profit from discontinued operations (note 8)	-	5.0
Foreign currency reserve recycled to the income statement (note 8)	(0.7)	-
(Loss)/profit on disposal of discontinued operations (note 8)	(1.1)	224.7
	109.1	309.2
Tax at standard rate of corporation tax in the Republic of Ireland of 12.5%	13.6	38.7
Actual tax charge is affected by the following:		
Expenses not deductible for tax purposes	0.7	1.1
Adjustments in respect of prior years	(0.2)	(1.8)
Differences in effective tax rates on overseas earnings	0.8	0.5
Manufacturing relief	-	(0.8)
Non taxable loss/(profit)	0.2	(28.1)
Other differences	(1.7)	(0.8)
<b>Total income tax</b>	<b>13.4</b>	<b>8.8</b>
<b>(b) Deferred tax recognised directly in other comprehensive income</b>		
Deferred tax arising on movement in defined benefit pension obligations	(2.4)	-
Deferred tax arising on movement in derivatives designated as cash flow hedges	0.1	0.5
	(2.3)	0.5

(c) Factors that may affect future charges

Future income tax charges may be impacted by changes to the corporation tax rates and/or changes to corporation tax legislation in force in the jurisdictions in which the Group operates and by any adoption or implementation of the current draft EU Directive and proposal in relation to the Common Consolidated Corporate Tax Base "CCCTB" which seeks to alter the existing system of allocating a group's taxable profits between different territories.

8. DISCONTINUED OPERATIONS

On 30 June 2011, the Group completed the disposal of its Northern Ireland wholesaling business (Quinns of Cookstown) to Britvic Northern Ireland Limited for a consideration of €4.8m (£4.3m), while on 30 June 2010, the Group completed the disposal of its Spirits & Liqueurs business to William Grant & Sons Holdings Limited for a gross cash consideration of €300.0m.

The Group, having considered IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* para 32, believe that the classification of the Group's disposed Northern Ireland wholesaling business as a discontinued operation and as a consequence the provision of directly comparable information better assists the users of these financial statements in evaluating both the financial performance of the Group and more specifically the financial performance of its third party brand distribution activities.

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

	2012			2011		
	Before exceptional items €m	Exceptional items (note 5) €m	Total €m	Before exceptional items €m	Exceptional items (note 5) €m	Total €m
Revenue	5.2	-	5.2	40.6	-	40.6
<b>Net revenue</b>	<b>5.2</b>	<b>-</b>	<b>5.2</b>	<b>40.6</b>	<b>-</b>	<b>40.6</b>
Expenses, net	(5.3)	0.1	(5.2)	(36.5)	0.9	(35.6)
<b>Operating (loss)/profit</b>	<b>(0.1)</b>	<b>0.1</b>	<b>-</b>	<b>4.1</b>	<b>0.9</b>	<b>5.0</b>
Income tax expense	-	-	-	(0.4)	(0.1)	(0.5)
Trading (loss)/profit from discontinued operations	(0.1)	0.1	-	3.7	0.8	4.5
Foreign currency reserve recycled to the income statement on disposal	-	(0.7)	(0.7)	-	-	-
(Loss)/gain on sale of discontinued operations	-	(1.1)	(1.1)	-	224.7	224.7
<b>(Loss)/profit from discontinued operations</b>	<b>(0.1)</b>	<b>(1.7)</b>	<b>(1.8)</b>	<b>3.7</b>	<b>225.5</b>	<b>229.2</b>

## 8. DISCONTINUED OPERATIONS - CONTINUED

The exceptional operating profit before tax relates to curtailment gains on the Group's defined benefit pension schemes; a current year gain of €0.1m following the disposal of Group's Northern Ireland wholesaling business (Quinns of Cookstown) and a prior year gain of €0.9m following the June 2010 disposal of the Group's Spirits & Liqueurs business and the reclassification of those employees from active to deferred members.

The loss on discontinued operations of €1.1m relates to a €0.1m profit arising on the disposal of the Group's Northern Ireland wholesaling business to Britvic Northern Ireland Limited on 30 June 2011 for a gross consideration of €4.8m (€4.3m) and a loss of €1.2m in relation to a working capital settlement to reflect 'normalised' working capital' as set out in the Sale and Purchase Agreement following the prior year disposal of the Group's Spirits & Liqueurs business.

During the prior year, the Group completed the disposal of its Spirits & Liqueurs division to William Grant & Sons Holdings Limited for a gross cash consideration of €300.0m realising a profit of €224.7m.

### Cash flows from discontinued operations

	2012 €m	2011 €m
Net cash (outflow)/inflow from operating activities	(1.0)	0.8
Net cash inflow from investing activities	4.7	294.9
<b>Net cash inflow from discontinued operations</b>	<b>3.7</b>	<b>295.7</b>

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

	NI wholesaling business 2012 €m	Spirits and Liqueurs 2011 €m
Property, plant & equipment	0.9	2.5
Goodwill	-	49.6
Inventories	1.2	6.6
Trade & other receivables	2.5	17.1
Derivative financial instruments	-	(3.0)
Trade & other payables	-	(4.5)
<b>Net assets and liabilities disposed of</b>	<b>4.6</b>	<b>68.3</b>
Consideration receivable	4.8	302.0
Costs of disposal payable	(0.1)	(6.0)
<b>Net proceeds receivable</b>	<b>4.7</b>	<b>296.0</b>
<b>Profit on disposal of net assets and liabilities</b>	<b>0.1</b>	<b>227.7</b>
Fair value of derivative financial instruments transferred from cashflow hedge reserve to income statement	-	(3.0)
<b>Gain on sale of discontinued operations</b>	<b>0.1</b>	<b>224.7</b>
Working capital settlement - Spirits & Liqueurs	(1.2)	-
<b>(Loss)/ profit from discontinued operations</b>	<b>(1.1)</b>	<b>224.7</b>

In the prior year, the consideration receivable included a working capital settlement to reflect the level of working capital disposed of and that considered 'normalised' as set out in the Sale and Purchase Agreement, while costs of disposal payable included an accrual for costs not yet paid.

NOTES - CONTINUED  
Forming part of the financial statements

9. DIVIDENDS

	2012 €m	2011 €m
Dividends paid:		
Final: paid 3.3c per ordinary share in July 2011 (2011: 3.0c paid in September 2010)	10.7	9.5
Interim: paid 3.67c per ordinary share in December 2011 (2011: 3.3c paid in December 2010)	12.0	10.7
<b>Total equity dividends</b>	<b>22.7</b>	<b>20.2</b>
Settled as follows:		
Paid in cash	18.5	12.1
Scrip dividend	4.2	8.1
	<b>22.7</b>	<b>20.2</b>

The Directors have proposed a final dividend of 4.5 cent per share (2011:3.3 cent), which is subject to shareholder approval at the Annual General Meeting, giving a proposed total dividend for the year of 8.17 cent per share (2011: 6.6 cent).

Dividends of 6.97 cent per ordinary share were recognised as a deduction from the retained income reserve in the year ended 29 February 2012 (2011: 6.3 cent).

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

10. EARNINGS PER ORDINARY SHARE

<b>Denominator computations</b>	<b>Number '000</b>	<b>Number '000</b>
Number of shares at beginning of year	337,196	334,068
Shares issued in lieu of dividend	1,370	2,538
Shares issued in respect of options exercised	709	590
<b>Number of shares at end of year</b>	<b>339,275</b>	<b>337,196</b>
Weighted average number of ordinary shares (basic)*	325,509	321,579
Adjustment for the effect of conversion of options	8,294	8,492
Weighted average number of ordinary shares, including options (diluted)	333,803	330,071
* excludes 12.4m treasury shares (2011: 12.6m)		
<b>Profit attributable to ordinary shareholders</b>	<b>2012 €m</b>	<b>2011 €m</b>
Earnings as reported	95.7	300.4
Adjustment for exceptional items, net of tax (note 5)	(3.5)	(216.4)
Earnings as adjusted for exceptional items, net of tax	92.2	84.0
<b>Basic earnings per share</b>	<b>Cent</b>	<b>Cent</b>
Basic earnings per share	29.4	93.4
Adjusted basic earnings per share	28.3	26.1
<b>Diluted earnings per share</b>		
Diluted earnings per share	28.7	91.0
Adjusted diluted earnings per share	27.6	25.4
<b>Continuing operations</b>	<b>€m</b>	<b>€m</b>
Earnings from continuing operations as reported	97.5	71.2
Adjustment for exceptional items, net of tax (note 5)	(5.2)	9.1
Earnings from continuing operations as adjusted for exceptional items, net of tax	92.3	80.3
<b>Basic earnings per share</b>	<b>Cent</b>	<b>Cent</b>
Basic earnings per share	30.0	22.1
Adjusted basic earnings per share	28.3	25.0

## 10. EARNINGS PER ORDINARY SHARE - CONTINUED

<b>Diluted earnings per share</b>		
Diluted earnings per share	29.2	21.6
Adjusted diluted earnings per share	27.6	24.3
<b>Discontinued operations</b>	€m	€m
Earnings from discontinued operations as reported	(1.8)	229.2
Adjustment for exceptional items, net of tax (note 5)	1.7	(225.5)
Earnings from discontinued operations as adjusted for exceptional items, net of tax	(0.1)	3.7
<b>Basic earnings per share</b>	Cent	Cent
Basic earnings per share	(0.6)	71.3
Adjusted basic earnings per share	-	1.1
<b>Diluted earnings per share</b>		
Diluted earnings per share	(0.5)	69.4
Adjusted diluted earnings per share	-	1.1

Basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased/issued by the Company and held as treasury shares on the basis that there is further consideration receivable in respect of these shares (at 29 February 2012: 12.4m shares; at 28 February 2011: 12.6m shares).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. 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.

Employee share options, which are performance-based, are treated as contingently issuable shares because their issue is contingent upon 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 at 53,643 at 29 February 2012 and 324,487 at 28 February 2011) 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. Vesting of certain Interests awarded under the Joint Share Ownership Plan (totalling 375,000 at 29 February 2012 and 750,000 at 28 February 2011) are also contingent upon satisfaction of specified performance conditions and these have also been excluded from the computation of diluted earnings per share.

## 11. BUSINESS COMBINATIONS

During the financial year ended 28 February 2010, the Group completed the acquisitions of the Tennent's beer business and the Gaymers Cider business and completed a provisional assignment of fair values to identifiable net assets acquired. As permitted under IFRS 3 (2004) *Business Combinations*, these provisional valuations were amended during the financial year ended 28 February 2011. The adjustments to the original fair values are set out below and relate to the costs of acquisition, the fair values of trade receivables & accruals and the recognition of an onerous lease obligation.

The Tennent's beer business includes the assets and goodwill of the Tennent's beer business, including the rights to the Tennent's brand worldwide (with the exception of Tennent's Super and Tennent's Pilsner in certain territories), the Wellpark Brewery in Glasgow and certain distribution rights in relation to AB InBev products in Ireland, Northern Ireland and Scotland, while the Gaymer Cider business includes the assets and goodwill of the business, an established manufacturer and supplier of cider in the UK, including the rights to the Gaymers, Blackthorn, Olde English and other brands.

11. BUSINESS COMBINATIONS - CONTINUED

	Initial fair value assigned 28 February 2010 €m	Adjustment to initial fair value in 2011 €m	Revised fair value 28 February 2011 €m
<b>Tennent's</b>			
Property, plant & equipment	65.5	-	65.5
Brands & other intangible assets	70.8	-	70.8
Inventories	6.0	-	6.0
Trade & other receivables – current	49.4	0.7	50.1
Trade & other receivables – non current	23.6	-	23.6
Trade & other payables	(25.0)	4.0	(21.0)
Deferred tax assets	0.5	-	0.5
<b>Net identifiable assets and liabilities acquired</b>	<b>190.8</b>	<b>4.7</b>	<b>195.5</b>
Goodwill arising on acquisition	25.7	(4.3)	21.4
<b>Total consideration</b>	<b>216.5</b>	<b>0.4</b>	<b>216.9</b>
<b>Gaymers</b>			
Property, plant & equipment	35.8	-	35.8
Brands & other intangible assets	10.9	-	10.9
Inventories	12.5	-	12.5
Trade & other receivables – current	1.4	-	1.4
Trade & other payables	(2.4)	-	(2.4)
Provisions	(5.3)	(6.3)	(11.6)
Deferred tax liabilities	(4.5)	-	(4.5)
<b>Net identifiable assets and liabilities acquired</b>	<b>48.4</b>	<b>(6.3)</b>	<b>42.1</b>
Goodwill arising on acquisition	3.7	6.7	10.4
<b>Total consideration</b>	<b>52.1</b>	<b>0.4</b>	<b>52.5</b>
<b>Total</b>			
Property, plant & equipment	101.3	-	101.3
Brands & other intangible assets	81.7	-	81.7
Inventories	18.5	-	18.5
Trade & other receivables – current	50.8	0.7	51.5
Trade & other receivables – non current	23.6	-	23.6
Trade & other payables	(27.4)	4.0	(23.4)
Provisions	(5.3)	(6.3)	(11.6)
Deferred tax liabilities (net)	(4.0)	-	(4.0)
<b>Net identifiable assets and liabilities acquired</b>	<b>239.2</b>	<b>(1.6)</b>	<b>237.6</b>
Goodwill arising on acquisition	29.4	2.4	31.8
<b>Total consideration</b>	<b>268.6</b>	<b>0.8</b>	<b>269.4</b>



## 12. PROPERTY, PLANT & EQUIPMENT

Group	Freehold land & buildings €m	Plant & machinery €m	Motor vehicles & other equipment €m	Total €m
<b>Cost or valuation</b>				
At 1 March 2010	72.3	157.7	65.8	295.8
Translation adjustment	2.8	2.1	1.0	5.9
Additions	-	4.0	15.2	19.2
Disposals	-	-	(1.5)	(1.5)
Disposal of Spirits & Liqueurs	-	(7.7)	(0.7)	(8.4)
<b>At 28 February 2011</b>	<b>75.1</b>	<b>156.1</b>	<b>79.8</b>	<b>311.0</b>
Translation adjustment	0.6	0.9	1.0	2.5
Additions	0.2	6.2	12.2	18.6
Disposals	-	(0.3)	(0.9)	(1.2)
Disposal of Northern Ireland wholesaling business	(0.8)	-	(1.1)	(1.9)
Revaluation of property, plant & machinery	(2.8)	(0.9)	-	(3.7)
<b>At 29 February 2012</b>	<b>72.3</b>	<b>162.0</b>	<b>91.0</b>	<b>325.3</b>
<b>Depreciation</b>				
At 1 March 2010	5.2	67.2	36.2	108.6
Translation adjustment	0.1	-	0.1	0.2
Charge for the year	1.1	11.4	8.7	21.2
Disposals	-	-	(0.3)	(0.3)
Disposal of Spirits & Liqueurs	-	(5.2)	(0.7)	(5.9)
<b>At 28 February 2011</b>	<b>6.4</b>	<b>73.4</b>	<b>44.0</b>	<b>123.8</b>
Translation adjustment	-	0.2	0.6	0.8
Charge for the year	1.1	9.7	9.4	20.2
Disposals	-	(0.1)	(0.2)	(0.3)
Disposal of Northern Ireland wholesaling business	-	-	(1.0)	(1.0)
<b>At 29 February 2012</b>	<b>7.5</b>	<b>83.2</b>	<b>52.8</b>	<b>143.5</b>
<b>Net book value</b>				
<b>At 29 February 2012</b>	<b>64.8</b>	<b>78.8</b>	<b>38.2</b>	<b>181.8</b>
At 28 February 2011	68.7	82.7	35.8	187.2

No depreciation is charged on freehold land, which had a book value of €9.3m at 29 February 2012 (28 February 2011: €12.7m).

### Depreciated replacement cost – 28 February 2011

An internal valuation was undertaken of all property, plant & machinery assets at 28 February 2011 that were valued on a Fair Value basis. As part of this valuation the Directors considered land values, projected asset utilisations, changes in useful lives and obsolescence. The valuations resulted in no revaluation of this property, plant & machinery.

### Depreciated replacement cost – 29 February 2012

The Group engaged external valuers Ronan Diamond BSc (Hons) MSCSI MRICS and Brian Gilson, BSc (Surv) MSCSI MRICS MCI Arb - Lisney to value its freehold properties in ROI; David Fawcett, FRICS RICS Registered Valuer - Sanderson Weatherall to value its plant & machinery in ROI, and, Timothy Smith BSc MRICS RICS Registered Valuer and Joseph ML Funtek BSc MRICS RICS Registered Valuer - Gerald Eve to value both its freehold properties and plant & machinery in the UK as at 29 February 2012. The valuations were in accordance with the requirements of the RICS Valuation Standards, seventh edition and the International Valuation Standards.

## 12. PROPERTY, PLANT & EQUIPMENT - CONTINUED

The valuation of ROI property was on the basis of market value, defined as 'the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion' and was subject to the assumption that the property be sold as part of a continuing business. IAS 16 *Property, Plant and Equipment* prescribes that where there is no market based evidence of Fair Value because of the specialist nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business, an entity may need to estimate Fair Value using an income or a Depreciated Replacement Cost approach to valuation. The valuer's opinion of Fair Value of the ROI properties was primarily derived using comparable recent market transactions on an arm's-length basis while the Fair Value of those in GB was derived based on the Depreciated Replacement Cost approach to valuation in light of the lack of comparative recent market transactions.

In view of the specialised nature of the Group's plant & machinery assets and the lack of comparable market evidence of similar plant being sold as a 'going concern', a Depreciated Replacement Cost approach was used to assess a Fair Value of the Group's plant & machinery assets. This methodology takes a gross current replacement cost for each class of plant & machinery and applies a depreciation factor to reflect both physical and functional obsolescence. An economic obsolescence factor is then applied to the net current replacement cost. This factor takes into account the anticipated capacity utilisation of plant relative to total available production capacity. The significant additional assumptions applied in valuing the plant & machinery include useful lives and asset utilisations, the following useful lives were attributed to the assets:-

Asset category	Useful life
Tanks	30 - 35 years
Process equipment	20 years
Bottling & packaging equipment	15 - 20 years
Process automation	10 years

Following the valuation exercise, the carrying value of land was reduced as outlined below and the resulting loss of €3.4m was debited directly to a revaluation reserve within equity (€3.0m) to the extent that it reduced a previously recognised gain and to the income statement (€0.4m) to the extent it arose on revaluation and there were no previously recognised gains in the revaluation reserve in respect of previous revaluations of that asset.

An increase in the carrying value of buildings in Glasgow of €1.3m was credited directly to a revaluation surplus reserve within equity while the reduction in the carrying value of buildings in Clonmel and Shepton Mallet of (€0.7m) was recognised directly in the income statement as there were no previously recognised gains in the revaluation reserve by which to offset. The carrying value of plant & machinery was reduced and the resulting loss of (€0.9m) was recognised in the income statement.

	Land €m	Buildings €m	Plant & machinery €m	Total €m
Carrying value at 29 February 2012 post revaluation	9.3	55.5	78.8	143.6
Carrying value at 29 February 2012 pre revaluation	12.7	54.9	79.7	147.3
<b>(Loss)/gain on revaluation</b>	<b>(3.4)</b>	<b>0.6</b>	<b>(0.9)</b>	<b>(3.7)</b>
<b>Classified within:</b>				
Income statement	(0.4)	(0.7)	(0.9)	(2.0)
Other comprehensive income	(3.0)	1.3	-	(1.7)
<b>Loss)/gain on revaluation</b>	<b>(3.4)</b>	<b>0.6</b>	<b>(0.9)</b>	<b>(3.7)</b>

### Company

The Company has no property, plant & equipment.

### 13. GOODWILL & INTANGIBLE ASSETS

	Goodwill €m	Brands €m	Other intangible assets €m	Total €m
<b>Cost</b>				
At 1 March 2010	424.0	82.1	1.6	507.7
Fair value adjustment (note 11)	2.4	-	-	2.4
Disposal of Spirits & Liqueurs (note 8)	(49.6)	-	-	(49.6)
Translation adjustment	1.3	4.5	0.1	5.9
At 28 February 2011	378.1	86.6	1.7	466.4
Translation adjustment	0.4	1.6	0.1	2.1
Acquisition of Hornsby's cider brand	-	16.6	-	16.6
<b>At 29 February 2012</b>	<b>378.5</b>	<b>104.8</b>	<b>1.8</b>	<b>485.1</b>
<b>Amortisation</b>				
At 1 March 2010	-	-	-	-
Charge for the year	-	-	0.1	0.1
At 28 February 2011	-	-	0.1	0.1
Charge for the year	-	-	0.1	0.1
<b>At 29 February 2012</b>	<b>-</b>	<b>-</b>	<b>0.2</b>	<b>0.2</b>
<b>Net book value</b>				
<b>At 29 February 2012</b>	<b>378.5</b>	<b>104.8</b>	<b>1.6</b>	<b>484.9</b>
At 28 February 2011	378.1	86.6	1.6	466.3

#### Goodwill

Goodwill has been attributed to operating segments (as identified under IFRS 8 *Operating Segments*) as follows:-

	Cider - ROI €m	Cider - GB €m	Cider - NI €m	Cider - Export €m	Spirits & Liqueurs €m	Tennent's €m	Total €m
<b>Cost</b>							
At 1 March 2010	116.5	190.8	19.6	21.9	49.6	25.6	424.0
Disposal of Spirits & Liqueurs	-	-	-	-	(49.6)	-	(49.6)
Fair value adjustment	-	6.7	-	-	-	(4.3)	2.4
Translation adjustment	-	0.5	-	-	-	0.8	1.3
At 28 February 2011	116.5	198.0	19.6	21.9	-	22.1	378.1
Translation adjustment	-	0.2	-	-	-	0.2	0.4
<b>At 29 February 2012</b>	<b>116.5</b>	<b>198.2</b>	<b>19.6</b>	<b>21.9</b>	<b>-</b>	<b>22.3</b>	<b>378.5</b>

Goodwill consists both of goodwill capitalised under Irish GAAP which at the transition date to IFRS was treated as deemed cost and goodwill that arose on the acquisition of businesses since that date which was capitalised at cost and represents the synergies arising from cost savings and the opportunity to utilise the extended distribution network of the Group to leverage the marketing of acquired products.

In line with IAS 36 *Impairment of Assets*, goodwill is allocated to each of the cash generating units expected to benefit from the combinations synergies. The cash generating units represent the lowest level within the Group at which goodwill is monitored for internal management purposes. These units are not larger than the Group's operating segments determined in accordance with IFRS 8 *Operating Segments*. The fair value of goodwill previously reported within Tennent's Ireland and Tennent's GB is now consolidated and reported within the Tennent's operating segment.

As permitted under IFRS 3 (2004) *Business Combinations*, the provisional valuations assigned to the assets and liabilities acquired were amended resulting in an increase to the value of goodwill of a net €2.4m in the prior year. The amendments to the originally assigned fair values giving rise to this adjustment are set out in note 11 and relate to the costs of acquisition and the fair value of trade receivables, accruals and provisions.

All goodwill is regarded as having an indefinite life and is not subject to amortisation under IFRS but is subject to an annual impairment assessment.

### 13. GOODWILL & INTANGIBLE ASSETS - CONTINUED

#### Brands

On 8 November 2011, the Group completed the acquisition of the Hornsby's cider brand from E & J Gallo Winery comprising the global intellectual property rights to the Hornsby's brand. In addition, the Group acquired inventory valued at €1.7m. The Group entered into a Transitional Services Arrangement with E & J Gallo Winery for the production and distribution of the brand for a period of one year and for the provision of all sales, commercial, accounting and back office services for a period of seven months.

The transaction was completed for an initial cash consideration of €16.4m (\$22.5m), including a payment of €1.7m (\$2.4m) equating to a normal level of inventory. Costs totalling €0.2m were incurred in acquiring the brand. The final valuation of inventory acquired will be determined at the end of the transitional services agreement. In addition, contingent consideration of up to €3.6m (US\$5.0m) is payable subject to the performance of the brand during a transitional period. In line with the Agreement, the amount of contingent consideration payable is based on volume performance with €1.8m (euro equivalent of \$2.5m at year end date) payable if the brand continues to perform in line with recent trends. If the brand outperforms a volume ratchet mechanism is linked to a payment range of €1.8m to €3.6m (euro equivalent of \$2.5m to \$5.0m at year end date). The Directors have assumed the amount payable to be €1.8m (\$2.5m) based on their expectation of performance in the transitional period.

	€m
<b>Hornsby's cider brand</b>	
Brand	16.6
Inventories	1.7
<b>Total consideration</b>	<b>18.3</b>
<b>Satisfied by:</b>	
Cash	16.4
Contingent consideration (euro equivalent at date of acquisition)	1.7
Acquisition costs paid	0.2
<b>Total consideration</b>	<b>18.3</b>

Brands have been attributed to operating segments (as identified under IFRS 8 *Operating Segments*) as follows:-

	Cider - GB €m	Cider - Export €m	Tennent's €m	Total €m
At 1 March 2010	10.8	-	71.3	82.1
Translation adjustment	0.6	-	3.9	4.5
At 28 February 2011	11.4	-	75.2	86.6
Translation adjustment	0.2	0.3	1.1	1.6
Acquisition of Hornsby's cider brand	-	16.6	-	16.6
<b>At 29 February 2012</b>	<b>11.6</b>	<b>16.9</b>	<b>76.3</b>	<b>104.8</b>

Capitalised brands include the Tennent's beer brands and a number of cider brands, including Gaymers, Blackthorn and Olde English acquired during the financial year ended 28 February 2010 and the Hornsby's cider brand acquired during the current financial year. The Tennent's and Gaymers brands were valued at fair value on the date of acquisition in accordance with the requirements of *IFRS 3 Business Combinations (2004)* by independent professional valuers. The Hornsby's cider brand was valued at cost.

In line with *IAS 36 Impairment of Assets*, and as discussed above, the fair value of the Tennent's beer brand which was previously reported within Tennent's Ireland and Tennent's GB is now consolidated and reported within the Tennent's operating segment.

Capitalised brands are regarded as having indefinite useful economic lives and therefore have not been amortised. The brands are protected by trademarks, which are renewable indefinitely in all major markets where they are sold and it is the Group's policy to support them with the appropriate level of brand advertising. In addition, there are not believed to be any legal, regulatory or contractual provisions that limit the useful lives of these brands. Accordingly, the Directors believe that it is appropriate that the brands be treated as having indefinite lives for accounting purposes.

#### Other intangible assets

Other intangible assets comprise 20 year distribution rights for third party beer products. These were valued at fair value on the date of acquisition in accordance with the requirements of *IFRS 3 Business Combinations (2004)* by independent professional valuers. Other intangible assets have finite lives and are subject to amortisation on a straight line basis over the length of the distribution arrangements. The amortisation charge for the year ended 29 February 2012 is €0.1m (2011: €0.1m).

### 13. GOODWILL & INTANGIBLE ASSETS - CONTINUED

#### *Impairment testing*

To ensure that goodwill and brands considered to have an indefinite useful economic life are not carried at above their recoverable amount, impairment reviews are performed comparing the carrying value ('value-in-use') of the assets with their recoverable amount using value-in-use computations. Impairment testing is performed annually or more frequently if there is an indication that the carrying amount may not be recoverable.

For goodwill, the recoverable amount is calculated in respect of each business segment (which may comprise of more than one cash generating unit). The business segments represents the lowest levels within the Group at which the associated goodwill and indefinite life brands are monitored for management purposes and are not larger than the reported segments determined in accordance with *IFRS 8 Operating Segments*.

Value-in-use is calculated on the basis of estimated future cash flows discounted to present value and terminal values calculated on the assumption that cash flows continue in perpetuity. The key assumptions used in the value-in-use computations are:-

- Expected volume, net revenue and operating profit growth rates - cash flows for each business segment are based on detailed financial budgets and plans, formally approved by the Board, for years one to three,
- Long term growth rate - cash flows after the first three years were extrapolated using a long term growth rate, on the assumption that cash flows for the first three years will increase at a nominal growth rate in perpetuity,
- Discount rate.

The key assumptions used in the value-in-use computations were based on management assessment of anticipated market conditions for each segment. A terminal growth rate of 2.5% (2011: 2.5%) in perpetuity was assumed based on an assessment of the likely long term growth prospects for the sectors in which the Group operates. The resulting cash flows were discounted to present value using a range of discount rates between 8-12% (2011: 8-12%).

No impairment losses were recognised by the Group in the current or previous financial year.

#### *Sensitivity analysis*

The impairment testing carried out at 29 February 2012 identified significant headroom in the recoverable amount of the brands and goodwill compared to their carrying values in all business segments. The key sensitivities for the impairment testing are net revenue and operating profit growth assumptions, discount rates applied to the resulting cashflows and the expected long term growth rates. No material adjustments to the assumptions underlying the impairment testing models applied would result in any foreseeable risk of an impairment arising.

### 14. FINANCIAL ASSETS

Company	2012 €m	2011 €m
<i>Equity investment in subsidiary undertakings at cost</i>		
At beginning of year	966.2	962.2
Capital contribution in respect of share options granted to employees of subsidiary undertakings	2.6	4.0
<b>At end of year</b>	<b>968.8</b>	<b>966.2</b>

The total expense of €2.6m (2011: €4.0m) attributable to 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 subsidiary undertakings are set out in note 28.

### 15. INVENTORIES

Group	2012 €m	2011 €m
Raw materials & consumables	29.0	26.7
Finished goods & goods for resale	17.1	14.0
<b>Total inventories at lower of cost and net realisable value</b>	<b>46.1</b>	<b>40.7</b>

Inventory write-downs recognised as an expense within operating costs amounted to €0.3 m (2011: €1.1m). Previously impaired inventory recovered during the financial year and recognised as exceptional income (note 5) amounted to €0.7m (2011: €0.2m).

16. TRADE & OTHER RECEIVABLES

	Group		Company	
	2012 €m	2011 €m	2012 €m	2011 €m
<b>Amounts falling due within one year:</b>				
Trade receivables	79.8	91.0	-	-
Advances to customers	5.2	4.4	-	-
Prepayments and other receivables	8.4	10.1	-	-
	93.4	105.5	-	-
<b>Amounts falling due after one year:</b>				
Advances to customers	19.5	20.0	-	-
Amounts due from Group undertakings	-	-	30.6	24.9
	19.5	20.0	30.6	24.9
<b>Total</b>	<b>112.9</b>	<b>125.5</b>	<b>30.6</b>	<b>24.9</b>

The book value of trade & other receivables approximates their fair value on the basis that all amounts are falling due within one year.

The aged analysis of trade receivables and advances to customers analysed between amounts that were neither past due nor impaired and amounts past due at 29 February 2012 and 28 February 2011 were as follows:-

	Gross	Impairment	Gross	Impairment
	2012 €m	2012 €m	2011 €m	2011 €m
<b>Group</b>				
Neither past due nor impaired	101.8	-	109.1	-
<i>Past due</i>				
Past due 0-30 days	1.9	(0.8)	2.2	-
Past due 31-120 days	3.0	(1.8)	2.3	(0.5)
Past due 121-365 days	1.1	(1.1)	1.6	(1.3)
More than one year	4.3	(3.9)	3.1	(1.1)
<b>Total</b>	<b>112.1</b>	<b>(7.6)</b>	<b>118.3</b>	<b>(2.9)</b>

All trade & other receivables and advances to customers are monitored on an on-going basis for evidence of impairment; assessments are undertaken for individual accounts. A provision for impairment is created where the Group is not able to collect all amounts due in accordance with the original terms of the agreement with the customer. Balances charged to the impairment provision are generally written off when there is no expectation of recovering additional cash. The exposure highlighted above for amounts past due more than one year and not impaired predominantly relates to advances to customers which are adequately secured.

Trade receivables are on average receivable within 41 days (2011: 42 days) of the balance sheet date, are unsecured and are not interest-bearing. All advances to customers acquired on acquisition of the Tennent's business were recorded at fair value; the current year balance includes the creation of an impairment provision in relation to advances to customers considered receivable in a period outside that originally contracted. The movement in the allowance for impairment in respect of trade receivables and advances to customers during the year was as follows:-

	2012 €m	2011 €m
<b>Group</b>		
At beginning of year	2.9	1.6
Recovered during the year	(0.3)	(0.1)
Provided during the year	6.3	1.9
De-recognised on disposal	(0.2)	(0.1)
Written off during the year	(1.2)	(0.4)
Translation adjustment	0.1	-
<b>At end of year</b>	<b>7.6</b>	<b>2.9</b>

## 17. TRADE & OTHER PAYABLES

	Group		Company	
	2012 €m	2011 €m	2012 €m	2011 €m
Trade payables	44.3	30.3	-	-
Payroll taxes & social security	1.9	1.3	-	-
VAT	4.8	4.2	-	-
Excise duty	11.7	16.2	-	-
Accruals	79.2	87.1	0.2	0.4
Amounts due to Group undertakings	-	-	10.0	-
<b>Total</b>	<b>141.9</b>	<b>139.1</b>	<b>10.2</b>	<b>0.4</b>

The Group's exposure to currency and liquidity risk related to trade & other payables is disclosed in note 23.

### Company

The Company has guaranteed the liabilities of its subsidiary companies incorporated in the Republic of Ireland. As at 29 February 2012, 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 discloses them as a contingent liability as detailed in note 26.

## 18. PROVISIONS

	Restructuring 2012 €m	Onerous lease 2012 €m	Other 2012 €m	Total 2012 €m	Total 2011 €m
At beginning of year	2.1	13.1	0.5	15.7	12.6
Translation adjustment	-	0.1	0.1	0.2	0.6
Arising on acquisition	-	-	1.7	1.7	6.3
Charged during the year	4.6	-	0.6	5.2	5.1
Released during the year	-	-	(0.2)	(0.2)	(0.6)
Utilised during the year	(4.7)	(0.6)	-	(5.3)	(8.3)
<b>At end of year</b>	<b>2.0</b>	<b>12.6</b>	<b>2.7</b>	<b>17.3</b>	<b>15.7</b>
Current				5.8	4.2
Non-current				11.5	11.5
				<b>17.3</b>	<b>15.7</b>

### Restructuring

The restructuring provision relates to severance costs arising from the Group's ongoing reorganisation programme and is expected to be utilised in the next financial year.

### Onerous lease

The opening onerous lease provision relates to both an onerous lease agreement to which the Group remains committed following the consolidation of the Group's Dublin offices into a single location in 2009, and two onerous leases in relation to warehousing facilities acquired as part of the acquisition of the Gaymers cider business in 2010. The onerous leases expire in 2013, 2017 and 2026.

### Other

Other provisions primarily relate to a provision for the Group's exposure to employee and third party insurance claims. Under the terms of employer 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.

Also included within other provisions in the current year is a litigation provision of €0.6m and a provision for contingent consideration of €1.8m (euro equivalent of \$2.5m at year end date) payable to E & J Gallo Winery on the seven month anniversary of the completion of the acquisition of the Hornsby's brand, the ultimate contingent consideration payable is, as outlined in note 13, based on sales volume performance.



## 19. INTEREST BEARING LOANS & BORROWINGS

### Group and Company

	2012 €m	2011 €m
<b>Non-current liabilities</b>		
Unsecured bank loans repayable by one repayment on maturity	-	99.8
<b>Current liabilities</b>		
Unsecured bank loans repayable by one repayment on maturity	60.0	-
Unsecured bank loans repayable by instalments	-	35.2
<b>Total borrowings</b>	<b>60.0</b>	<b>135.0</b>

Unamortised issue costs are netted against outstanding bank loans and are being amortised to the income statement on an effective interest rate basis. The value of unamortised issue costs at 29 February 2012 was nil (2011: €0.3m)

### Terms and debt repayment schedule

	Currency	Nominal rates of interest	Year of maturity	2012 Carrying value €m	2011 Carrying value €m
Unsecured bank loans	Euro	Euribor + 0.35%	2012	60.0	100.0
Unsecured bank loans	GBP	Libor + 2.75%	2011	-	35.3
				<b>60.0</b>	<b>135.3</b>

### Borrowing facilities

The Group manages its borrowing ability by entering into committed loan facility agreements.

In February 2012, the Group entered into a committed €250.0m multi-currency five year syndicated revolving loan facility with seven banks, including Bank of Ireland, Bank of Scotland, Barclays Bank, Danske Bank, HSBC, Rabobank, and Ulster Bank, repayable in a single instalment on 28 February 2017. The facility agreement provides for a further €100.0m in the form of an uncommitted accordion facility and permits the Group to avail of further financial indebtedness, excluding working capital and guarantee facilities, to a maximum value of €150.0m. Consequently, the Group is permitted, under the terms of the agreement, to have debt capacity of €500.0m.

Under the terms of the agreement, the Group must pay a commitment fee based on 40% of the applicable margin on undrawn committed amounts and variable interest on drawn amounts based on variable Euribor/Libor interest rates plus a margin, the level of which is dependent on the net debt:EBITDA ratio, plus an utilisation fee, the level of which is dependent on percentage utilisation. The Group may select an interest period of one, two, three or six months. There were no drawn funds under this facility as at 29 February 2012.

During the financial year, the Group, using surplus cash resources, repaid and cancelled all funds (£30.0m) drawn under its maturing sterling revolving loan facility and reduced drawings under its primary euro revolving loan facility by €40.0m. The sterling loan facility matured on 30 June 2011, while the euro loan facility, although not maturing until 28 May 2012, was voluntarily repaid in full and cancelled post year end, on 30 March 2012.

During the previous financial year, and in accordance with the terms of the euro facility agreement whereby net proceeds, in excess of an agreed de minimis, must be applied to repay outstanding loans, net disposal proceeds of €245.0m arising from the disposal of the Group's Spirits & Liqueurs business, were used to part repay the facility and the available committed facility was cancelled by the same amount. In addition, voluntary repayments of €55.0m and €30.0m were completed in January and February 2011 respectively from surplus cash resources.

All bank loans are guaranteed by a number of the Group's subsidiary undertakings. The loan facility agreements allow the early repayment of debt without incurring additional charges or penalties. All bank loans are repayable in full on change of control of the Group.

The Group's debt facilities (2007 euro and 2012 multi-currency facilities) incorporate two financial covenants:

- Interest cover: The ratio of EBITDA to net interest for a period of 12 months ending on each half year date will not be less than 3.5:1
- Net debt/EBITDA: The ratio of net debt on each half year date to EBITDA for a period of 12 months ending on a half year date will not exceed 3.5:1

Further information about the Group's exposure to interest rate, foreign currency and liquidity risk is disclosed in note 23.

## 20. ANALYSIS OF NET DEBT

	1 March 2011 €m	Translation adjustment €m	Cash flow €m	Non-cash changes €m	29 February 2012 €m
<b>Group</b>					
Interest bearing loans & borrowings	135.0	(1.7)	(73.6)	0.3	60.0
Cash & cash equivalents	(128.7)	0.6	(0.2)	-	(128.3)
	6.3	(1.1)	(73.8)	0.3	(68.3)
Interest rate swaps (note 23)	2.0	-	(2.4)	0.4	-
	8.3	(1.1)	(76.2)	0.7	(68.3)

	1 March 2010 €m	Translation adjustment €m	Cash flow €m	Non-cash changes €m	28 February 2011 €m
<b>Group</b>					
Interest bearing loans & borrowings	478.4	3.3	(348.2)	1.5	135.0
Cash & cash equivalents	(113.5)	(0.7)	(14.5)	-	(128.7)
	364.9	2.6	(362.7)	1.5	6.3
Interest rate swaps (note 23)	4.9	-	3.0	(5.9)	2.0
	369.8	2.6	(359.7)	(4.4)	8.3

The non-cash changes to the Group's debt relate to the amortisation of issue costs.

	1 March 2011 €m	Translation adjustment €m	Cash flow €m	Non-cash changes €m	29 February 2012 €m
<b>Company</b>					
Interest bearing loans & borrowings	135.0	(1.7)	(73.6)	0.3	60.0
Cash & cash equivalents	-	-	(9.3)	-	(9.3)
	135.0	(1.7)	(82.9)	0.3	50.7
Interest rate swaps (note 23)	2.0	-	(2.4)	0.4	-
	137.0	(1.7)	(85.3)	0.7	50.7

	1 March 2010 €m	Translation adjustment €m	Cash flow €m	Non-cash changes €m	28 February 2011 €m
<b>Company</b>					
Interest bearing loans & borrowings	478.4	3.3	(348.2)	1.5	135.0
Interest rate swaps (note 23)	4.9	-	3.0	(5.9)	2.0
	483.3	3.3	(345.2)	(4.4)	137.0

The non-cash changes to the Group's debt relate to the amortisation of issue costs.

## 21. RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	2012			2011		
	Assets €m	Liabilities €m	Net assets/ liabilities €m	Assets €m	Liabilities €m	Net assets/ liabilities €m
<b>Group</b>						
Property, plant & equipment	4.5	-	4.5	5.9	-	5.9
Provision for ROI trade related items	-	-	-	0.6	-	0.6
Provision for UK trade related items	-	(7.2)	(7.2)	-	(5.9)	(5.9)
Retirement benefit obligations	1.9	-	1.9	2.0	-	2.0
Derivative financial instruments	0.1	-	0.1	0.2	-	0.2
	6.5	(7.2)	(0.7)	8.7	(5.9)	2.8

21. RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES - CONTINUED

	2012			2011		
	Assets €m	Liabilities €m	Net assets/ liabilities €m	Assets €m	Liabilities €m	Net assets/ liabilities €m
<b>Company</b>						
Derivative financial instruments	-	-	-	0.2	-	0.2
Interest free loans fair value adjustment	-	-	-	0.4	-	0.4
	-	-	-	0.6	-	0.6

Analysis of movement in net deferred tax assets/liabilities

	1 March 2011 €m	Recognised in income statement €m	Translation adjustment €m	Recognised in other comprehensive income €m	29 February 2012 €m
<b>Group</b>					
Property, plant & equipment	5.9	(1.4)	-	-	4.5
Provision for ROI trade related items	0.6	(0.6)	-	-	-
Provision for UK trade related items	(5.9)	(1.2)	(0.1)	-	(7.2)
Retirement benefit obligations	2.0	(2.5)	-	2.4	1.9
Derivative financial instruments	0.2	-	-	(0.1)	0.1
	2.8	(5.7)	(0.1)	2.3	(0.7)

	1 March 2010 €m	Recognised in income statement €m	Translation adjustment €m	Recognised in other comprehensive income €m	28 February 2011 €m
<b>Group</b>					
Property, plant & equipment	7.6	(1.7)	-	-	5.9
Provision for ROI trade related items	1.2	(0.6)	-	-	0.6
Provision for UK trade related items	(4.6)	(1.1)	(0.2)	-	(5.9)
Retirement benefit obligations	2.8	(0.8)	-	-	2.0
Derivative financial instruments	0.7	-	-	(0.5)	0.2
	7.7	(4.2)	(0.2)	(0.5)	2.8

	1 March 2011 €m	Recognised in income statement €m	Recognised in other comprehensive income €m	29 February 2012 €m
<b>Company</b>				
Derivative financial instruments	0.2	-	(0.2)	-
Interest free loans fair value adjustment	0.4	(0.4)	-	-
	0.6	(0.4)	(0.2)	-

	1 March 2010 €m	Recognised in income statement €m	Recognised in other comprehensive income €m	28 February 2011 €m
<b>Company</b>				
Derivative financial instruments	0.5	-	(0.3)	0.2
Interest free loans fair value adjustment	8.0	(7.6)	-	0.4
	8.5	(7.6)	(0.3)	0.6

There are no unrecognised deferred tax liabilities.

## 22. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a number of defined benefit pension schemes for certain employees in the Republic of Ireland (ROI) and in Northern 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 provides permanent health insurance cover for the benefit of its employees and separately charges this to the income statement.

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.

All schemes are closed to new members since April 2007. There are now no active members in the Executive defined benefit pension scheme (FY2011: 3 active members), while active members of the Staff defined benefit pension scheme represent less than 10% of total membership. There are 9 active members in the NI scheme (FY2011: 33 active members). The Group's ROI defined benefit pension reform programme concluded during the financial year with the Pensions Board issuing a directive under Section 50 of the Pensions Act 1990 to remove the mandatory pension increase rule, which guaranteed 3% per annum increases to certain pensions in payment, and to replace it with guaranteed pension increases of 2% per annum for each year 2012 to 2014 and thereafter for all future pension increases to be awarded on a discretionary basis.

### Actuarial valuations – funding requirements

Independent actuarial valuations of the defined benefit schemes are carried out on a triennial basis using the attained age method. The funding requirements in relation to the Group's ROI defined benefit schemes are assessed at each valuation date and are implemented in accordance with the advice of the actuaries. The most recently completed formal actuarial valuations of the main schemes were carried out on 1 January 2009 and the actuary, Mercer (Ireland) Limited, submitted Actuarial Funding Certificates to the Pensions Board confirming that the Schemes did not satisfy the Minimum Funding Standard at that date. Given that the removal of guaranteed pension increases would not correct this situation, Funding Proposals were submitted to, and approved by the Pensions Board on 23 February 2012, which the Directors believe will enable the schemes to meet the Minimum Funding Standard by 31 December 2016. The actuarial valuations are not available for public inspection; however the results of the valuations are advised to members of the various schemes.

The Trustees were required to update the actuarial valuations and funding requirements of both ROI pension schemes for the Funding Proposal submissions. The Funding Proposals commit the Group to contributions of 14% of Pensionable Salaries to fund future pension accrual of benefits [previously 38.1% of Pensionable Salaries], a deficit contribution of €3.4m and an additional supplementary deficit contribution of €1.9m for which the Group reserves the right to reduce or terminate if on consultation with the Trustees, and if the Scheme Actuary advises that it is no longer required due to a correction in market conditions.

### Method and assumptions

Independent actuaries, Mercer (Ireland) Limited, have employed the projected unit credit method to determine the present value of the defined benefit obligations arising and the related current service cost.

The financial assumptions that have the most significant impact on the results of the actuarial valuations are those relating to the discount rate used to convert future pension liabilities to current values and the rate of increase in salaries. These and other assumptions used to determine the retirement benefits obligations and service cost under IAS 19 *Employee Benefits* are set out below.

Mortality rates also have a significant impact on the actuarial valuations, and as the number of deaths within the scheme have been too small to analyse and produce any meaningful scheme-specific estimates of future levels of mortality, the rates used have been based on the most up-to-date mortality tables, PNL00 62% (males) and PNL00 70% (females), with age ratings and loading factors to allow for future mortality improvements. These tables conform to best practice. The growing trend for people to live longer and the expectation that this will continue has been reflected in the mortality assumptions used for this valuation as indicated below. This assumption will continue to be monitored in light of general trends in mortality experience. Based on these tables, the assumed life expectations on retirement are:

		2012 No of years	2011 No of years
Future life expectations at age 65			
	Current retirees – no allowance for future improvements		
	Male	23.2	19.5
	Female	24.6	21.8
Future retirees – with allowance for future improvements			
	Male	24.7	24.3
	Female	25.8	26.3

### Scheme liabilities:

The average age of active members is 42 and 49 years for the ROI Staff and the UK defined benefit pension schemes respectively (the executive defined benefit pension scheme has no active members), while the average duration of liabilities ranges from 14 to 22 years.

NOTES - CONTINUED  
Forming part of the financial statements

22. RETIREMENT BENEFIT OBLIGATIONS- CONTINUED

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 2012 and 28 February 2011 are as follows:

	2012		2011	
	ROI	UK	ROI	UK
Salary increases	0.0% - 3.0%	3.7%	0.0% - 3.0%	4.2%
Increases to pensions in payment	2.0% - 2.25%	2.5%	3.0%	2.5%
Discount rate	4.7% - 4.9%	4.75%	5.3% - 5.5%	5.5%
Inflation rate	2.0%	3.0%	2.0%	3.5%

Scheme assets:

The long-term rates of return expected at 29 February 2012 and 28 February 2011, determined in conjunction with the Group's actuaries and based on market expectations at the beginning of the financial year for investment returns over the entire life of the related obligation, analysed by the class of investments in which the schemes' assets are invested, are as follows:

	2012		2011	
	ROI	UK	ROI	UK
Equity	6.90%	6.25%	7.00%	7.43%
Bonds	4.40%	3.25%	4.50%	4.43%
Property	5.90%	-	6.00%	-
Cash	2.50%	0.50%	2.50%	0.50%
Alternatives	5.90%	-	-	-

The assumption used is the average of the above assumptions, appropriate to the individual asset classes, weighted by the proportion of the assets in the particular asset class. The investment return on bonds has been based on market yield of the bond fund's benchmark index at the balance sheet date. The assumed investment return on equities allows for a 3.8% (2011:3.1%) equity risk premium over the 30 year government bond yield.

a. Impact on Group income statement

	2012			2011		
	ROI €m	UK €m	Total €m	ROI €m	UK €m	Total €m
Analysis of defined benefit pension expense:						
Current service cost	0.6	0.1	0.7	1.0	0.2	1.2
Past service cost	(14.8)	-	(14.8)	-	-	-
Curtailment gain	-	(0.1)	(0.1)	(1.9)	(0.1)	(2.0)
Interest on scheme liabilities	8.1	0.2	8.3	8.2	0.2	8.4
Expected return on scheme assets	(7.1)	(0.3)	(7.4)	(6.6)	(0.2)	(6.8)
<b>Total (income)/expense recognised in income statement</b>	<b>(13.2)</b>	<b>(0.1)</b>	<b>(13.3)</b>	<b>0.7</b>	<b>0.1</b>	<b>0.8</b>

Analysis of amount recognised in other comprehensive income

	2012			2011			2010			2009			2008		
	ROI €m	UK €m	Total €m	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	(0.8)	0.3	(0.5)	(0.9)	0.2	(0.7)	15.3	0.6	15.9	(44.0)	(0.8)	(44.8)	(26.9)	(1.1)	(28.0)
Experience gains and losses on scheme liabilities	(0.8)	-	(0.8)	1.1	-	1.1	3.2	0.4	3.6	0.1	(0.2)	(0.1)	4.4	(0.4)	4.0
Effect of changes in assumptions on value of liabilities	(17.3)	(0.4)	(17.7)	(0.1)	(0.1)	(0.2)	(2.0)	(0.8)	(2.8)	3.2	0.1	3.3	22.6	3.4	26.0
<b>Total</b>	<b>(18.9)</b>	<b>(0.1)</b>	<b>(19.0)</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>16.5</b>	<b>0.2</b>	<b>16.7</b>	<b>(40.7)</b>	<b>(0.9)</b>	<b>(41.6)</b>	<b>0.1</b>	<b>1.9</b>	<b>2.0</b>
Scheme assets	142.9	5.3	148.2	136.9	4.3	141.2	131.5	3.1	134.6	107.3	2.2	109.5	123.8	3.3	127.1
Scheme liabilities	(158.2)	(5.1)	(163.3)	(151.9)	(4.6)	(156.5)	(151.9)	(3.9)	(155.8)	(151.8)	(3.2)	(155.0)	(150.6)	(3.7)	(154.3)
<b>Deficit in scheme</b>	<b>(15.3)</b>	<b>-</b>	<b>(15.3)</b>	<b>(15.0)</b>	<b>(0.3)</b>	<b>(15.3)</b>	<b>(20.4)</b>	<b>(0.8)</b>	<b>(21.2)</b>	<b>(44.5)</b>	<b>(1.0)</b>	<b>(45.5)</b>	<b>(26.8)</b>	<b>(0.4)</b>	<b>(27.2)</b>
<b>Surplus in scheme</b>	<b>-</b>	<b>0.2</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 22. RETIREMENT BENEFIT OBLIGATIONS - CONTINUED

### b. Impact on Group balance sheet

The net pension liability at 29 February 2012 is analysed as follows:

#### Analysis of net pension deficit

	ROI €m	2012 UK €m	Total €m	ROI €m	2011 UK €m	Total €m
Bid value of assets at end of year:						
Equity <sup>(i)</sup>	36.6	2.6	39.2	51.7	2.1	53.8
Bonds	66.1	2.6	68.7	61.7	2.1	63.8
Property	4.9	-	4.9	5.1	-	5.1
Cash	20.3	0.1	20.4	18.4	0.1	18.5
Alternatives	15.0	-	15.0	-	-	-
	142.9	5.3	148.2	136.9	4.3	141.2
Actuarial value of scheme liabilities	(158.2)	(5.1)	(163.3)	(151.9)	(4.6)	(156.5)
(Deficit)/surplus in the scheme	(15.3)	0.2	(15.1)	(15.0)	(0.3)	(15.3)
Related deferred tax asset	1.9	-	1.9	1.9	0.1	2.0
Net pension (deficit)/surplus	(13.4)	0.2	(13.2)	(13.1)	(0.2)	(13.3)

(i) The defined benefit pension schemes have a passive self investment in C&C Group plc of €nil (2011: €16,000).

The alternative investment category includes investments in various asset classes including equities, commodities, currencies and hedge funds. The investments are managed by fund managers.

#### Reconciliation of scheme assets

	ROI €m	2012 UK €m	Total €m	ROI €m	2011 UK €m	Total €m
Assets at beginning of year	136.9	4.3	141.2	131.5	3.1	134.6
<i>Movement in year</i>						
Translation adjustment	-	0.1	0.1	-	0.2	0.2
Expected return on scheme assets	7.1	0.3	7.4	6.6	0.2	6.8
Actual return less expected return on scheme assets	(0.8)	0.3	(0.5)	(0.9)	0.2	(0.7)
Employer contributions	5.4	0.5	5.9	6.0	0.6	6.6
Member contributions	0.3	-	0.3	0.2	0.1	0.3
Benefit payments	(6.0)	(0.2)	(6.2)	(6.5)	(0.1)	(6.6)
<b>Assets at end of year</b>	<b>142.9</b>	<b>5.3</b>	<b>148.2</b>	<b>136.9</b>	<b>4.3</b>	<b>141.2</b>

The expected employer contributions to defined benefit schemes for year ending 28 February 2013 is €6.5m.

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

	2012		2011	
	ROI	NI	ROI	NI
Equities	26%	49%	38%	50%
Bonds	46%	49%	45%	48%
Property	3%	-	4%	-
Cash	14%	2%	13%	2%
Alternatives	11%	-	-	-
	100%	100%	100%	100%

## 22. RETIREMENT BENEFIT OBLIGATIONS - CONTINUED

### Reconciliation of actuarial value of liabilities

	ROI €m	2012 UK €m	Total €m	ROI €m	2011 UK €m	Total €m
Liabilities at beginning of year	151.9	4.6	156.5	151.9	3.9	155.8
<i>Movement in year</i>						
Translation adjustment	-	0.1	0.1	-	0.3	0.3
Current service cost	0.6	0.1	0.7	1.0	0.2	1.2
Past service gain	(14.8)	-	(14.8)	-	-	-
Curtailment gain	-	(0.1)	(0.1)	(1.9)	(0.1)	(2.0)
Interest cost on scheme liabilities	8.1	0.2	8.3	8.2	0.2	8.4
Member contributions	0.3	-	0.3	0.2	0.1	0.3
Actuarial loss/(gain) immediately recognised in equity	18.1	0.4	18.5	(1.0)	0.1	(0.9)
Benefit payments	(6.0)	(0.2)	(6.2)	(6.5)	(0.1)	(6.6)
<b>Liabilities at end of year</b>	<b>158.2</b>	<b>5.1</b>	<b>163.3</b>	<b>151.9</b>	<b>4.6</b>	<b>156.5</b>

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's multinational operations expose it to various financial risks in the ordinary course of business that include credit risk, liquidity risk, commodity price risk, currency risk and interest rate risk. This note discusses the Group's exposure to each of these financial risks, summarises the risk management strategy for managing these risks and details the accounting treatment applied to the Group's derivative financial instruments and hedging activities. The note is presented as follows:-

- Overview of the Group's risk exposures and management strategy
- Financial assets and liabilities as at 29 February 2012/28 February 2011 and Determination of Fair Value
- Market risk
- Credit risk
- Liquidity risk
- Accounting for derivative financial instruments and hedging activities

### (a) Overview of the Group's risk exposures and management strategy

The most significant financial market risks that the Group is exposed to include foreign currency exchange rate risk, commodity price fluctuations, interest rate risk and financial counterparty creditworthiness. There has been no significant change during the financial year to either the financial risks faced by the Group or the Board's approach to the management of these risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. This is executed through various committees to which the Board has delegated appropriate levels of authority. An essential part of this framework is the role undertaken by the audit committee, supported by the internal audit function, and the Group Chief Financial Officer. The Board, through its Committees, has reviewed the internal control environment and the risk management systems and 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 risk management programme seeks to minimise the potential adverse effects, arising from fluctuations in financial markets, on the Group's financial performance in a non speculative manner at a reasonable cost when economically viable to do so. The Group achieves the management of these risks in part, where appropriate, through the use of derivative financial instruments. All derivative financial contracts entered into are in liquid markets with credit rated parties. Treasury activities are performed within strict terms of reference that have been approved by the Board.



## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - CONTINUED

### (b) Financial assets and liabilities

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

Group	Derivative financial instruments €m	Other financial assets €m	Other financial liabilities €m	Carrying value €m	Fair value €m
<b>29 February 2012</b>					
<b>Financial assets:</b>					
Cash & cash equivalents	-	128.3	-	128.3	128.3
Derivative financial assets	0.1	-	-	0.1	0.1
Trade receivables	-	79.8	-	79.8	79.8
Advances to customers	-	24.7	-	24.7	24.7
<b>Financial liabilities:</b>					
Interest bearing loans & borrowings	-	-	(60.0)	(60.0)	(60.0)
Derivative financial liabilities	(0.9)	-	-	(0.9)	(0.9)
Trade payables & accruals	-	-	(141.9)	(141.9)	(141.9)
Provisions	-	-	(17.3)	(17.3)	(17.3)
	(0.8)	232.8	(219.2)	12.8	12.8
<hr/>					
Group	Derivative financial instruments €m	Other financial assets €m	Other financial liabilities €m	Carrying value €m	Fair value €m
<b>28 February 2011</b>					
<b>Financial assets:</b>					
Cash & cash equivalents	-	128.7	-	128.7	128.7
Derivative financial assets	0.4	-	-	0.4	0.4
Trade receivables	-	91.0	-	91.0	91.0
Advances to customers	-	24.4	-	24.4	24.4
<b>Financial liabilities:</b>					
Interest bearing loans & borrowings	-	-	(135.0)	(135.0)	(129.0)
Derivative financial liabilities	(2.1)	-	-	(2.1)	(2.1)
Trade payables & accruals	-	-	(139.1)	(139.1)	(139.1)
Provisions	-	-	(15.7)	(15.7)	(15.7)
	(1.7)	244.1	(289.8)	(47.4)	(41.4)
<hr/>					
Company	Derivative financial instruments €m	Other financial assets €m	Other financial liabilities €m	Carrying value €m	Fair value €m
<b>29 February 2012</b>					
<b>Financial assets:</b>					
Cash & cash equivalents	-	9.3	-	9.3	9.3
Amounts due from Group undertakings	-	30.6	-	30.6	30.6
<b>Financial liabilities:</b>					
Interest bearing loans & borrowings	-	-	(60.0)	(60.0)	(60.0)
Amounts due to Group undertakings	-	-	(10.0)	(10.0)	(10.0)
Trade payables & accruals	-	-	(0.2)	(0.2)	(0.2)
	-	39.9	(70.2)	(30.3)	(30.3)

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - CONTINUED

Company	Derivative financial instruments €m	Other financial assets €m	Other financial liabilities €m	Carrying value €m	Fair value €m
28 February 2011					
Financial assets:					
Amounts due from Group undertakings	-	24.9	-	24.9	24.9
Financial liabilities:					
Interest bearing loans & borrowings	-	-	(135.0)	(135.0)	(129.0)
Derivative financial liabilities	(2.0)	-	-	(2.0)	(2.0)
Accruals	-	-	(0.4)	(0.4)	(0.4)
	(2.0)	24.9	(135.4)	(112.5)	(106.5)

**Determination of Fair Value**

The Group's accounting policies require the determination of fair value, for both financial and non-financial assets and liabilities. Set out below are the major methods and assumptions used in estimating the fair values of the Group's financial assets and liabilities. There is no material difference between the fair value of financial assets and liabilities falling due within one year and their carrying amount as due to the short term maturity of these financial assets and liabilities their carrying amount is deemed to approximate fair value.

*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.

*Advances to customers*

The nominal amount of all advances to customers, after provision for impairment, is considered to reflect fair value. The commercial rationale for such advances is to develop good customer relations rather than to make financial investments.

*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 with the exception of provisions and amounts due from Group undertakings which are discounted to fair value.

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

The fair values of forward currency contracts and interest rate swaps are based on market price calculations using financial models.

The Group has adopted the following fair value measurement hierarchy for financial derivatives that are measured in the balance sheet at fair value:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.

The fair value of financial instruments that are not traded in an active market (e.g. over the counter derivatives) are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The carrying values of all derivative financial assets and liabilities held by the Group at 29 February 2012 and 28 February 2011 were based on fair values arrived at using Level 2 inputs.

*Interest bearing loans & borrowings*

The fair value of all interest bearing loans & borrowings have been calculated by discounting all future cash flows 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. At 29 February 2012, the nominal amount of drawn debt is deemed to reflect fair value due to the short term maturity of the debt.

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - CONTINUED

### (c) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, 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 derivative financial contracts to mitigate risks arising in the ordinary course of business from foreign exchange rate and interest rate movements, and also incurs financial liabilities, in order to manage these 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 the income statement.

#### **Commodity price risk**

The Group is exposed to variability in the price of commodities used in the production or in the packaging of finished products, such as malt, barley, sugar, apple concentrate and aluminium. Commodity price risk is managed, where economically viable, through fixed price contracts with suppliers incorporating appropriate commodity hedging and pricing mechanisms. The Group does not directly enter into commodity hedge contracts. The cost of production is also sensitive to variability in the price of energy, primarily gas and electricity. It is Group policy to fix the cost of a certain level of its energy requirement through fixed price contractual arrangements directly with its energy suppliers.

#### **Currency risk**

The Company's functional and reporting currency and that of its share capital is euro. The euro is also the Group's reporting currency and the currency used for all planning and budgetary purposes. However, as the Group both transacts in foreign currencies and consolidates the results of a number of subsidiary entities with functional currencies other than euro, namely sterling and US Dollar, it is exposed to currency risk. The Group's primary currency exposures relate to sales transactions by Group companies in currencies other than their functional currency (transaction risk), and fluctuations in the euro value of the Group's net investment in foreign currency (primarily sterling) denominated subsidiary undertakings (translation risk). Currency exposures for the entire Group are managed and controlled centrally.

The Group seeks to minimise its foreign currency transaction exposure when economically viable by maximising the value of its foreign currency input costs and creating a natural hedge. Group policy is to manage its remaining net exposure by hedging a portion of the projected non-euro forecast sales revenue up to a maximum of two years ahead. Forward foreign currency contracts are used to manage this risk. The Group does not enter into derivative financial instruments for speculative purposes. All derivative contracts entered into are in liquid markets with credit-approved counterparties. Treasury operations are controlled within strict terms of reference that have been approved by the Board.

The Group seeks to partially manage foreign currency translation risk through borrowings denominated in sterling. The Group's sterling debt facility (note 19), which had been repaid in full at the year end, was designated as a net investment hedge of its sterling subsidiaries. In addition, the Group has a number of long term sterling intra group loans for which settlement is neither planned nor likely to happen in the foreseeable future, and as a consequence are deemed quasi equity in nature and are therefore part of the Group's net investment in its foreign operations. The Group does not hedge the translation exposure arising on the translation of the profits of foreign currency subsidiaries.

The net currency gains and losses on transactional currency exposures are recognised in the income statement and the changes arising from fluctuations in the euro value of the Group's net investment in foreign currency subsidiaries are reported separately within other comprehensive income.

The currency profile of the Group's financial instruments subject to transactional exposure as at 29 February 2012 is as follows:-

Group	Euro €m	Sterling €m	USD/CAD €m	Not at risk €m	Total €m
Cash & cash equivalents	0.7	13.5	3.4	110.7	128.3
Trade receivables	0.1	1.0	3.0	75.7	79.8
Advances to customers	-	-	-	24.7	24.7
Derivative financial assets and liabilities	-	(0.8)	-	-	(0.8)
Interest bearing loans & borrowings	-	-	-	(60.0)	(60.0)
Trade payables & accruals	(0.6)	(6.3)	(0.8)	(134.2)	(141.9)
Provisions	-	-	-	(17.3)	(17.3)
<b>Total</b>	<b>0.2</b>	<b>7.4</b>	<b>5.6</b>	<b>(0.4)</b>	<b>12.8</b>

### 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - CONTINUED

The currency profile of the Company's financial instruments as at 29 February 2012 is as follows:-

Company	Euro €m	Sterling €m	USD/CAD €m	Not at risk €m	Total €m
Cash & cash equivalents	-	-	-	9.3	9.3
Amounts due (to)/from subsidiary undertakings	-	(53.7)	-	74.3	20.6
Interest bearing loans & borrowings	-	-	-	(60.0)	(60.0)
Trade payables & accruals	-	-	-	(0.2)	(0.2)
<b>Total</b>	-	<b>(53.7)</b>	-	<b>23.4</b>	<b>(30.3)</b>

Foreign currency contracts in place at 29 February 2012 to sell fixed amounts of sterling and US dollars for contracted euro amounts can be summarised as follows:-

	USD \$m	Average forward rate	Sterling €m	Average forward rate
Year ended 28 February 2013	1.0	1.321	35.0	0.857

A 10% strengthening in the euro against sterling, Canadian dollar and the US dollar, based on outstanding financial assets and liabilities at 29 February 2012, would have a €1.2m negative impact on the income statement and a €3.9m positive impact on the cashflow hedging reserve. A 10% weakening in the euro against sterling, Canadian dollar and the US dollar would have a €1.5m positive effect on the income statement and a €4.7m negative impact on the cash flow hedging reserve. This analysis assumes that all other variables, in particular interest rates, remain constant.

#### 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	
	2012 €m	2011 €m	2012 €m	2011 €m
<b>Variable rate instruments</b>				
Interest bearing loans & borrowings	(60.0)	(135.3)	(60.0)	(135.3)
Cash & cash equivalents	128.3	128.7	9.3	-
Derivative financial instruments - notional amounts	-	(50.0)	-	(50.0)
	<b>68.3</b>	<b>(56.6)</b>	<b>(50.7)</b>	<b>(185.3)</b>

The Group and Company's exposure to interest rate risk arises principally from its long-term debt obligations. It is Group policy to manage interest cost and exposure to market risk centrally by using interest rate swaps to give the desired mix of fixed and floating rate debt. With the objective of managing this mix in a cost-efficient manner, the Group and Company enter into interest rate swap agreements 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 *Financial Instruments: Recognition and Measurement* as cash flow hedges to hedge the exposure to variability in cash flow arising from the changes in benchmark interest rates.

No outstanding interest rate swap contract existed at the 29 February 2012. At 28 February 2011, the Group had a €50m interest rate swap in place.

### 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - CONTINUED

#### Financial instruments: Cash flow hedges

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 €m	Expected cash flows €m	6 months or less €m	6-12 months €m	1-2 years €m	More than 2 years €m
<b>29 February 2012</b>						
Forward exchange contracts						
- assets	0.1	0.1	0.1	-	-	-
- liabilities	(0.9)	(1.0)	(0.3)	(0.7)	-	-
	(0.8)	(0.9)	(0.2)	(0.7)	-	-
<b>28 February 2011</b>						
Interest rate swaps						
- liabilities	(2.0)	(2.4)	(0.8)	(0.8)	(0.8)	-
Forward exchange contracts						
- assets	0.4	0.4	0.4	-	-	-
- liabilities	(0.1)	(0.1)	-	(0.1)	-	-
	(1.7)	(2.1)	(0.4)	(0.9)	(0.8)	-

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

Group	Carrying amount €m	Expected cash flows €m	6 months or less €m	6-12 months €m	1-2 years €m	More than 2 years €m
<b>29 February 2012</b>						
Forward exchange contracts						
- assets	0.1	0.1	0.1	-	-	-
- liabilities	(0.9)	(0.7)	(0.3)	(0.4)	-	-
	(0.8)	(0.6)	(0.2)	(0.4)	-	-
<b>28 February 2011</b>						
Interest rate swaps						
- liabilities	(2.0)	(2.4)	(0.8)	(0.8)	(0.8)	-
Forward exchange contracts						
- assets	0.4	0.3	0.3	-	-	-
- liabilities	(0.1)	(0.1)	-	(0.1)	-	-
	(1.7)	(2.2)	(0.5)	(0.9)	(0.8)	-

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 €m	Expected cash flows €m	6 months or less €m	6-12 months €m	1-2 years €m	More than 2 years €m
<b>29 February 2012</b>						
Interest rate swaps						
- liabilities	-	-	-	-	-	-
<b>28 February 2011</b>						
Interest rate swaps						
- liabilities	(2.0)	(2.4)	(0.8)	(0.8)	(0.8)	-
	(2.0)	(2.4)	(0.8)	(0.8)	(0.8)	-

The cash flows associated with derivatives that are cash flow hedges are expected to impact the income statement in the same periods.

### 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - CONTINUED

#### (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 trade receivables, its cash advances to customers, cash & cash equivalents including deposits with banks and derivative financial instruments contracted with banks. The Group has an indirect exposure to European Sovereigns via its defined benefit pension scheme investment portfolio. In the context of the Group's operations, credit risk is mainly influenced by the individual characteristics of individual counterparties and is not considered particularly concentrated as primarily arises from a wide and varied customer base.

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables and advances to customers 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.

Advances to customers are generally secured by, amongst others, rights over property or intangible assets, such as the right to take possession of the premises of the customer. Interest rates calculated on repayment/annuity advances are generally based on the risk-free rate plus a margin, which takes into account the risk profile of the customer and value of security given. In some circumstances, the interest rate charged may be reduced to reflect the margins earned by the Group from trading activity with that customer. The Group establishes an allowance for impairment of advances that represents its estimate of potential future losses.

From time to time, the Group holds significant cash balances, which are invested on a short-term basis and disclosed under cash & cash equivalents in the balance sheet. Risk of counterparty default arising on short term cash deposits is controlled within a framework of dealing with banks who are members of the Group's banking syndicate, and by limiting the credit exposure to any one of these banks or institutions. Management does not anticipate any counterparty to fail to meet its obligations.

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 28.

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	
	2012 €m	2011 €m	2012 €m	2011 €m
Trade receivables	79.8	91.0	-	-
Advances to customers	24.7	24.4	-	-
Amounts due from Group undertakings	-	-	30.6	24.9
Cash & cash equivalents	128.3	128.7	9.3	-
Forward exchange contracts	0.1	0.4	-	-
	<b>232.9</b>	<b>244.5</b>	<b>39.9</b>	<b>24.9</b>

The ageing of trade receivables and advances to customers together with an analysis of movement in the Group impairment provisions against these receivables are disclosed in note 16. The Group does not have any significant concentrations of risk.

#### (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 finances its operations through cash generated by the business and medium term bank credit facilities; the Group does not use off-balance sheet special purpose entities as a source of liquidity or financing.

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. In addition, the Group maintains an overdraft facility that is unsecured.

The Group entered into a €250.0m committed multi-currency five year syndicated revolving loan facility repayable in full on maturity (28 February 2017) with seven banks, including Bank of Ireland, Bank of Scotland, Barclays Bank, Danske Bank, HSBC, Rabobank and Ulster Bank. There were no drawn funds under this facility as at 29 February 2012.

Compliance with the Group's bi-annual debt covenants (net debt:EBITDA and interest cover) is monitored continuously.

The Group's main liquidity risk relates to maturing debt. The strong cash generative nature of the business and the disposal, during the previous financial year, of the Group's Spirits and Liqueurs business for a gross consideration of €300.0m significantly reduced this risk. The Directors consider the risk low at the year end date as the Group ended the year in

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - CONTINUED

a strong cash position reporting net cash of €68.3m and, as noted above, concluded negotiations on a committed €250.0m five year multi-currency syndicated facility in February 2012 (note 19). As at 29 February 2012, undrawn borrowing capacity under committed bank facilities amounted to €375.0m, of which €125.0m was subsequently cancelled on repayment of the 2007 syndicated revolving debt facility on 30 March 2012.

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

Group	Carrying amount €m	Contractual cash flows €m	6 mths or less €m	6-12 months €m	1-2 years €m	>2 years €m
<b>2012</b>						
Interest bearing loans & borrowings	(60.0)	(60.0)	(60.0)	-	-	-
FX forward contracts – gross cash outflows	(0.9)	(35.7)	(11.9)	(23.8)	-	-
FX forward contracts – gross cash inflows	-	34.8	11.6	23.2	-	-
Trade payables & accruals	(141.9)	(141.9)	(141.9)	-	-	-
Provisions	(17.3)	(21.0)	(5.5)	(0.9)	(2.2)	(12.4)
<b>Total contracted outflows</b>	<b>(220.1)</b>	<b>(223.8)</b>	<b>(207.7)</b>	<b>(1.5)</b>	<b>(2.2)</b>	<b>(12.4)</b>
<b>2011</b>						
Interest bearing loans & borrowings	(135.0)	(137.8)	(36.6)	(0.9)	(100.3)	-
Interest rate swaps – net cash outflows	(2.0)	(2.4)	(0.8)	(0.8)	(0.8)	-
FX forward contracts – gross cash outflows	(0.1)	(23.6)	(11.8)	(11.8)	-	-
FX forward contracts – gross cash inflows	-	23.8	12.2	11.6	-	-
Trade payables & accruals	(139.1)	(139.1)	(139.1)	-	-	-
Provisions	(15.7)	(24.4)	(3.2)	(0.6)	(1.7)	(18.9)
<b>Total contracted outflows</b>	<b>(291.9)</b>	<b>(303.5)</b>	<b>(179.3)</b>	<b>(2.5)</b>	<b>(102.8)</b>	<b>(18.9)</b>
<b>Company</b>						
<b>2012</b>						
Interest bearing loans & borrowings	(60.0)	(60.0)	(60.0)	-	-	-
Amounts due to Group undertakings	(10.0)	(10.0)	(10.0)	-	-	-
Trade payables & accruals	(0.2)	(0.2)	(0.2)	-	-	-
<b>Total contracted outflows</b>	<b>(70.2)</b>	<b>(70.2)</b>	<b>(70.2)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2011</b>						
Interest bearing loans & borrowings	(135.0)	(137.8)	(36.6)	(0.9)	(100.3)	-
Interest rate swaps – net cash outflows	(2.0)	(2.4)	(0.8)	(0.8)	(0.8)	-
Trade payables & accruals	(0.4)	(0.4)	(0.4)	-	-	-
<b>Total contracted outflows</b>	<b>(137.4)</b>	<b>(140.6)</b>	<b>(37.8)</b>	<b>(1.7)</b>	<b>(101.1)</b>	<b>-</b>

### (f) Accounting for derivative financial instruments and hedging activities

Group	Group		Company	
	2012 €m	2011 €m	2012 €m	2011 €m
<b>Financial assets: current</b>				
Forward exchange contracts	0.1	0.4	-	-
	<b>0.1</b>	0.4	-	-
<b>Financial liabilities: current</b>				
Interest rate swaps	-	(1.3)	-	(1.3)
Forward exchange contracts	(0.9)	(0.1)	-	-
	<b>(0.9)</b>	(1.4)	-	(1.3)
<b>Financial liabilities: non-current</b>				
Interest rate swaps	-	(0.7)	-	(0.7)
	-	(0.7)	-	(0.7)

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 cash flow hedging model.



## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - CONTINUED

### Cash flow hedges

The Group enters into interest rate swap agreements designated as cash flow hedges to manage the interest cost on borrowings. The Group had no interest rate swap contracts outstanding at 29 February 2012 (28 February 2011: €50m). The Group also enters into forward exchange contracts designated as cash flow hedges to manage short term foreign currency exposures to expected future sales. As at 29 February 2012, the notional amount of these contracts was Stg£35.0m and US\$1.0m (28 February 2011: Stg£20.0m).

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 other comprehensive income and then reflected in a cash flow hedging reserve within equity to the extent that they are actually effective. When the related forecasted transaction occurs, the deferred gains or losses are reclassified from other comprehensive income to the income statement. Ineffective portions of the gain or loss on the hedging instrument are recognised immediately in the income statement.

All interest rate swaps entered into by the Group and Company are designated as cash flow 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.

The Group ordinarily seeks to apply the hedge accounting model to all forward currency contracts.

At 29 February 2012, the effective portion of gains and losses arising on derivative financial contracts have been deferred in other comprehensive income only to the extent that they relate to highly probable forecast transactions and where all the hedge accounting criteria in IAS 39 *Financial Instruments: Recognition and Measurement* have been met.

## 24. SHARE CAPITAL AND RESERVES

### Share capital

	Authorised Number	Allotted and called up Number	Authorised €m	Allotted and called up €m
<b>At 29 February 2012</b>				
Ordinary shares of €0.01 each	800,000,000	339,274,722*	8.0	3.4
At 28 February 2011				
Ordinary shares of €0.01 each	800,000,000	337,196,128**	8.0	3.4
At 28 February 2010				
Ordinary shares of €0.01 each	800,000,000	334,068,149***	8.0	3.3

\* inclusive of 12.4m treasury shares which are not fully paid up. The balance of 326,911,485 ordinary shares are fully paid

\*\* inclusive of 12.6m treasury shares which are not fully paid up. The balance of 324,609,460 ordinary shares are fully paid

\*\*\* inclusive of 16.0m treasury shares which are not fully paid up. The balance of 318,068,149 ordinary shares are fully paid

All shares in issue carry equal voting and dividend rights. The beneficial owners of the 12.4m (2011:12.6m) shares issued under the Joint Share Ownership Plan have waived their right to receive dividends under the terms of the Plan.

### Reserves

#### Group

	Allotted and called up Ordinary Shares		Ordinary Shares held by the Trustee of the Employee Benefit Trust	
	2012 '000	2011 '000	2012 '000	2011 '000
As at 1 March	337,196	334,068	12,587	16,000
Shares issued in lieu of dividend	1,370	2,538	-	-
Shares issued in respect of options exercised	709	590	-	-
Shares disposed of or transferred to Participants	-	-	(224)	(3,413)
<b>As at 29/(28) February</b>	<b>339,275</b>	<b>337,196</b>	<b>12,363*</b>	<b>12,587</b>

\* 1,226,669 (2011:650,000) shares are held in the sole name of the Trustee of the Employee Benefit Trust.

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## 24. SHARE CAPITAL AND RESERVES - CONTINUED

### *Movements in the year ended 29 February 2012*

In July 2011, 316,818 ordinary shares were issued to the holders of ordinary shares who elected to receive additional ordinary shares at a price of €3.59 per share, instead of part or all the cash element of their final dividend entitlement for the year ended 28 February 2011. In December 2011, 1,053,176 ordinary shares were issued to the holders of ordinary shares who elected to receive additional ordinary shares at a price of €2.89 per share, instead of part or all the cash element of their interim dividend entitlement for the year ended 29 February 2012. Also during the financial year, 708,600 ordinary shares were issued on the exercise of share options for a net consideration of €1.5m.

During the financial year, 625,000 unvested Interests and 175,000 vested Interests awarded under the Joint Share Ownership Plan and held by participants who had left the Group were acquired by Kleinwort Benson (Guernsey) Trustees Limited as trustees of the C&C Employee Benefit Trust and held in trust on behalf of employees. 223,431 shares were either sold by the Trustees or transferred to participants on the vesting of Interests and are no longer accounted for as Treasury shares. All shares held by Kleinwort Benson (Guernsey) Trustees Limited as trustees of the C&C Employee Benefit Trust which were neither cancelled nor disposed of by the Trust at 29 February 2012 continue to be included in the treasury share reserve.

### *Movements in the year ended 28 February 2011*

In September 2010, 1,276,318 ordinary shares were issued to the holders of ordinary shares who elected to receive additional ordinary shares at a price of €3.19 per share, instead of part or all the cash element of their final dividend entitlement for the year ended 28 February 2010. In December 2010, 1,261,761 ordinary shares were issued to the holders of ordinary shares who elected to receive additional ordinary shares at a price of €3.17 per share, instead of part or all the cash element of their interim dividend entitlement for the year ended 28 February 2011. Also during the financial year, 589,900 ordinary shares were issued on the exercise of share options for a consideration of €1.2m.

In June 2010, 3,413,332 vested Interests awarded under the Joint Share Ownership Plan in December 2008 were sold and are no longer accounted for as Treasury shares. In addition, 650,000 unvested Interests held by participants who had left the Group were acquired by Kleinwort Benson (Guernsey) Trustees Limited as trustees of the C&C Employee Benefit Trust and continue to be held in trust by them while a further 50,000 vested Interests held by a participant who had left the Group had not been sold at 28 February 2011. As these shares were neither cancelled nor disposed of by the Trust at 28 February 2011 they continue to be included in the treasury share reserve.

### **Share premium - Group**

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.

### **Share premium - Company**

The share premium, as stated in the Company balance sheet, represents the premium recognised on shares issued and amounts to €793.9m as at 29 February 2012 (2011: €788.2m). The current year movement 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.

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

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. These reserves are not distributable.

### **Cash flow hedging reserve**

The hedging reserve includes 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 23 together with any deferred gains or losses on hedging contracts where hedge accounting was discontinued but the forecast transaction was still anticipated to occur.

### **Share-based payment reserve**

The reserve relates to amounts expensed in the income statement in connection with share option grants falling within the scope of IFRS 2 *Share-based Payment* plus amounts received from participants on award of Interests under the Group's Joint Share Ownership Plan less reclassifications to retained income following exercise/forfeit post vesting or lapse of such share options and Interests, 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 Group's net investment in its 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, as adjusted for the translation of foreign currency borrowings designated as net investment hedges.

### **Treasury shares**

This reserve arises when the Company issues equity share capital under its Joint Share Ownership Plan, which is held in trust by the Group's Employee Benefit Trust. The consideration paid, 90% by a Group company and 10% by the participants, in respect of these shares is deducted from total shareholders' equity and classified as treasury shares on consolidation until such time as the Interests vest and the participant acquires the shares from the Trust or the Interests lapse and the shares are cancelled or disposed of by the Trust.

## 24. SHARE CAPITAL AND RESERVES - CONTINUED

### Capital management

The Board's policy is to maintain a strong capital base so as to safeguard the Group's ability: to continue as a going concern for the benefit of shareholders and stakeholders; to maintain investor, creditor and market confidence; and, to sustain the future development of the business through the optimisation of the value of its debt and equity shareholding balance.

The Board considers capital to comprise long-term debt and equity. There are no externally imposed requirements with respect to capital with the exception of a financial covenant in the Group's debt facilities which limits the net debt:EBITDA ratio to a maximum of 3.5 times. This financial covenant was complied with throughout the year.

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. In order to maintain or adjust the capital structure, the Group may issue new shares, dispose of assets to reduce debt, alter dividend policy by increasing or reducing the dividend paid to shareholders, return capital to shareholders and/or buy back shares. In respect of the financial year ended 29 February 2012, the Company paid an interim dividend on ordinary shares of 3.67c per share (2011: 3.3c per share) and the Directors propose, subject to shareholder approval, that a final dividend of 4.5c per share be paid, bringing the total dividend for the year to 8.17c per share (2011: 6.6c per share).

The Group monitors debt capital on the basis of interest cover and by the ratio of Net debt:EBITDA before exceptional items. At 29 February 2012, the Group was net cash positive. During the financial year, the Group entered into a new five year committed €250.0m multi-currency syndicated revolving debt facility with seven banks and repaid the outstanding amounts drawn under its sterling debt facility. The Group's 2007 Euro facility, which was due to mature in May 2012, was voluntarily repaid and cancelled on 30 March 2012 from surplus cash resources (note 19).

### Company income statement

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 €96.8m (2011: €5.6m loss) was recognised in the individual Company income statement of C&C Group plc.

## 25. COMMITMENTS

### (a) Capital commitments

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

	2012 €m	2011 €m
Contracted	3.7	7.0
Not contracted	6.7	11.7
	<b>10.4</b>	<b>18.7</b>

The contracted capital commitments at 29 February 2012 primarily relate to capital expenditure associated with the bottling line at Shepton Mallet while those at 28 February 2011 primarily relate to costs associated with transferring the Gaymers cider business onto a new IT systems platform. The transfer of the Gaymers cider business onto the new platform was completed in August 2011.

### (b) Commitments under operating leases

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

	2012				2011			
	Land & buildings €m	Plant & machinery €m	Other €m	Total €m	Land & buildings €m	Plant & machinery €m	Other €m	Total €m
Payable in less than one year	4.0	0.4	0.4	4.8	4.0	0.8	0.6	5.4
Payable between 1 and 5 years	14.8	1.1	1.2	17.1	14.7	2.0	0.1	16.8
Payable greater than 5 years	15.6	0.1	0.2	15.9	18.9	-	-	18.9
	<b>34.4</b>	<b>1.6</b>	<b>1.8</b>	<b>37.8</b>	<b>37.6</b>	<b>2.8</b>	<b>0.7</b>	<b>41.1</b>

### (c) Other commitments

At the year end, the value of contracts placed for future expenditure was :-

	2012 €m	2011 €m
Other commitments	40.5	33.3

Commitments for future expenditure primarily relate to minimum purchase commitments for packaging materials, fixed charge commitments in relation to logistics and warehousing services and commitments under the Group's sponsorship agreements. The commitments are principally due within a period of twenty four months.

## 26. GUARANTEES AND CONTINGENCIES

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 it will be required to make a payment under the guarantee.

As outlined in note 19, the Company has two syndicated bank loan facilities in place at year end, a euro loan facility entered into in May 2007, scheduled to mature in May 2012, and a multi-currency loan facility entered into in February 2012. The Company, together with a number of its subsidiaries, gave a letter of guarantee to secure its obligations in respect of these loans. The actual loans outstanding at 29 February 2012 amounted to €60.0m (2011: €135.3m).

During the previous financial year, Tennent Caledonian Breweries UK Limited, entered into a guarantee with Clydesdale Bank plc whereby it guaranteed £250,000 plus interest and charges of the drawn debt of one of its customers. The guarantee expires on the earliest of; 10 years from the date on which the guarantee becomes effective, the secure liabilities are repaid, or by mutual agreement with Clydesdale Bank plc.

Enterprise Ireland funding of €0.9m (€0.3m in the current financial year) was received towards the costs of implementing developmental projects. Scottish Enterprise Board funding of €0.3m (€0.1m in the current financial year) was received under the terms of its Regional Selective Assistance Scotland Scheme. These funds are fully repayable should the Company at any time during the term of the Agreements be in breach of the terms and conditions of the Agreements. The Agreements terminate five years from inception.

Under the terms of the Sale and Purchase Agreements with respect to the disposal of the Wines and Spirits distribution businesses in the year to 28 February 2009, the Group had a maximum exposure of €9.6m with respect to the Republic of Ireland business and €1.9m with respect to the Northern Ireland business in relation to warranties undertaken. The time limit for all claims with respect to these warranties expired on 13 June 2010 and 26 August 2010 respectively, except for any claim relating to tax in Northern Ireland where the time limit is 7 years from the transaction date.

Under the terms of the Sale and Purchase Agreement with respect to the prior year disposal of the Group's Spirits & Liqueurs business to William Grant & Sons Holdings Limited, the Group had a maximum aggregate exposure of €300.0m in relation to warranties (€99.0m in relation to tax warranties). The time limit for the notification of all claims with respect to all warranties with the exception of tax claims expired in December 2011. The time limit for any claim relating to tax is 5 years from the transaction date and is due to expire in June 2015.

Under the terms of the Sale and Purchase Agreement with respect to the current year disposal of the Group's Northern Ireland wholesaling business, the Group has a maximum aggregate exposure of €4.3m in relation to warranties. The time limit for notification of all claims with respect to these warranties is 18 months from the transaction date, with the exception of a claim relating to tax where the time limit is 7 years from the transaction date.

Pursuant to the provisions of Section 17 of the Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of its subsidiary companies incorporated in the Republic of Ireland for the financial year to 29 February 2012 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

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 subsidiary undertakings, transactions entered into by the Group with these subsidiary undertakings and the identification and compensation of key management personnel.

### (a) Group

#### *Transactions*

Transactions between the Group and its related parties are made on terms equivalent to those that prevail in arm's length transactions.

#### *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 Related Party Disclosures*, the Group has defined the term 'key management personnel', as its executive and non-executive Directors. Executive Directors participate in the Group's share option programmes (note 4). No other non-cash benefits are provided. Non-executive Directors do not receive share-based payments or post employment benefits.

Details of key management remuneration are as follows:-

	2012 Number	2011 Number
Number of individuals	10	11
	€m	€m
Salaries and other short term employee benefits	3.6	2.4
Post employment benefits	0.4	0.4
Equity settled share-based payments	0.3	1.4
<b>Total</b>	<b>4.3</b>	<b>4.2</b>

## 27. RELATED PARTY TRANSACTIONS - CONTINUED

John Dunsmore, who resigned from the Board on 29 February 2012, has been included in the headcount numbers and in the disclosure of remuneration charged to the income statement. Tony O'Brien, who resigned from the Board on 5 August 2010, has been included in the prior year headcount and remuneration charged to the income statement.

The Group accepted the resignation of John Dunsmore and agreed with him that he would cease to be Group Chief Executive Officer on 31 December 2011 and would cease to be an executive Director and employee of the Group on 29 February 2012. It was agreed that he would continue to be entitled to a payment equal to his bonus (subject to achievement of bonus targets) in respect of FY2012 but no other compensation for loss of office was paid. Any notice due under his service contract was waived. All his interests in the Joint Share Ownership Plan vested prior to the cessation of his employment and it was agreed that he was entitled to retain them within the Plan, which he has elected to do. It was also agreed that any options held by him under the Executive Share Option Scheme lapsed upon cessation of his employment.

The relevant disclosure of Directors remuneration as required under the Companies Act, 1963 is as outlined above.

When an award is granted to an executive under the Group's Joint Share Ownership Plan, its value is assessed for tax purposes with the resulting value being deemed to fall due for payment on the date of grant. Under the terms of the Plan, the executive must pay the Entry Price at the date of grant and, if the tax value exceeds the Entry Price, he must pay a further amount, equating to the amount of such excess, before a sale of the awarded Interests. The deferral of the payment of the further amount is considered to be an interest-free loan by the Company to the executive and a taxable benefit-in-kind arises, charged at the Revenue stipulated rates (Ireland 12.5%; UK 4%). The balances of the loans outstanding to the executive Directors in the context of the above as at 29 February 2012 and 28 February 2011 are as follows:

	29 February 2012 €'000	28 February 2011 €'000
John Dunsmore	-	111
Stephen Glancey	111	111
Kenny Neison	83	83
<b>Total</b>	<b>194</b>	<b>305</b>

John Dunsmore repaid all loans outstanding on 29 February 2012.

### (b) Company

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

	2012 €m	2011 €m
Dividend income	100.0	-
Expenses paid on behalf of and recharged by subsidiary undertakings to the Company	(7.1)	(12.1)
Equity settled share-based payments for employees of subsidiary undertakings	2.6	4.0
Repayment of cash funding and other cash movements with subsidiary undertakings	9.4	371.2

## 28. SUBSIDIARY UNDERTAKINGS

### Trading subsidiaries

#### Incorporated and registered in Republic of Ireland

	Nature of business	Class of shares held (100%)
Bulmers Limited	Cider	Ordinary
* C&C Financing Limited	Financing company	Ordinary
#* C&C Group International Holdings Limited	Holding company	Ordinary
* C&C Group Irish Holdings Limited	Holding company	Ordinary
* C&C Group Sterling Holdings Limited	Holding company	Ordinary
* C&C (Holdings) Limited	Holding company	Ordinary
* C&C Management Services 2007 Limited	Provision of management services	Ordinary
* Cantrell & Cochrane Limited	Holding company	Ordinary
* Findlater (Wine Merchants) Limited	Holding company	Ordinary
* Tennent's Beer Limited	Beer distribution	Ordinary
* Wm. Magner Limited	Cider distribution	Ordinary

#### Incorporated and registered in Northern Ireland

C&C Holdings (NI) Limited	Holding company	Ordinary
Tennent's NI Limited	Cider & beer distribution	Ordinary

#### Incorporated and registered in England and Wales

C&C Management Services (UK) Limited	Provision of management services	Ordinary
Magners GB Limited	Cider & Beer	Ordinary

#### Incorporated and registered in Scotland

Tennent Caledonian Breweries UK Limited	Beer & Cider	Ordinary
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## 28. SUBSIDIARY UNDERTAKINGS - CONTINUED

### Trading subsidiaries - continued

	Nature of business	Class of shares held (100%)
<b>Incorporated and registered in Luxembourg</b>		
C&C IP Sàrl	Licensing activity	Ordinary
C&C Luxembourg Sàrl	Holding and financing company	Ordinary
<b>Incorporated and registered in Delaware, USA</b>		
C&C Beverages, Inc.	Cider & Beer	Ordinary
Wm. Magner, Inc.	Cider distribution	Ordinary
<b>Non-trading subsidiaries</b>		
<b>Incorporated and registered in Republic of Ireland</b>		
* Bestormel Limited	Non-trading	Ordinary
* Bouchel Limited	Non-trading	Ordinary
* C&C Agencies Limited	Non-trading	Ordinary
* C&C Brands 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 Profit Sharing Trustee Limited	Non-trading	Ordinary
* Ciscan Net Limited	Non-trading	Ordinary
* Cravenby Limited	Non-trading	Ordinary
* Edward and John Burke (1968) Limited	Non-trading	Ordinary
* Fruit of the Vine Limited	Non-trading	Ordinary
* Magners Irish Cider Limited	Non-trading	Ordinary
* Sceptis Limited	Non-trading	Ordinary
* Showerings (Ireland) Limited	Non-trading	Ordinary
* Thwaites Limited	Non-trading	Ordinary
* Vandamin Limited	Non-trading	Ordinary
<b>Incorporated and registered in Northern Ireland</b>		
C&C 2011 (NI) Limited (formerly Quinns of Cookstown (1964) Limited)	Non-trading	Ordinary
C&C Logistics (NI) Limited	Non-trading	Ordinary
C&C Profit Sharing Trustee (NI) Limited	Non-trading	Ordinary
Reihill McKeown Limited	Non-trading	Ordinary
<b>Incorporated and registered in England and Wales</b>		
Gaymer Cider Company Limited	Non-trading	Ordinary
<b>Incorporated and registered in Germany</b>		
Wm. Magner GmbH (in liquidation)	Non-trading	Ordinary

# Immediate subsidiary of C&C Group plc

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

All the above companies that are incorporated and registered in Republic of Ireland have their registered office at Annerville, Clonmel, Co Tipperary with the exception of C&C Group plc, C&C Financing Limited and C&C Group Sterling Holdings Limited which have their registered office at Block 71, The Plaza, Parkwest Business Park, Dublin 12.

All the above companies that are incorporated and registered in Northern Ireland have their registered offices at Hawthorn House, 6 Wildflower Way, Belfast, Antrim BT12 6TA.

C&C Beverages Inc has its registered office at 2711 Centerville Road, Suite 400, Wilmington, New Castle, 19808 Delaware.

C&C Luxembourg Sàrl and C&C IP Sarl have their registered offices at L-1232 Luxembourg, 18 avenue Marie-Thérèse.

C&C Management Services (UK) Limited and Magners GB Limited have their registered offices at The Communications Building, 48 Leicester Square, London, WC2H 7LT.

Gaymer Cider Company Limited has its registered office at Kilver Street, Shepton Mallet, Somerset, BA4, 5ND.

Tennent Caledonian Breweries UK Limited has its registered office at Wellpark Brewery, 161 Duke Street, Glasgow, G31 1JD.

Wm Magner GmbH has its registered office at Hans-Steiberger-StraBe 2b, 85540 Harr, Germany.

Wm Magner, Inc. has its registered office at 1013 Centre Road, Wilmington, Delaware 19805, County of New Castle.

Cantrell & Cochrane BV was dissolved on 11 March 2011, while C&C Investments Limited, Lough Corrib Mineral Water Company Limited, M O'Sullivan & Sons Limited were dissolved on 15 July 2011.

## 29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Directors on 16 May 2012.

## DEFINITIONS

### FINANCIAL DEFINITIONS

Adjusted earnings	Earnings as adjusted for exceptional items
Company	C&C Group plc
Constant Currency	Prior year revenue, net revenue and operating profit for each of the Group's operating segments is restated to constant exchange rates for transactions by subsidiary undertakings in currencies other than their functional currency and for translation in relation to the Group's sterling denominated subsidiaries by revaluing the prior year figures using the current year effective foreign currency rates
DWT	Dividend withholding tax
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation charges
Adjusted EBITDA	EBITDA as adjusted for exceptional items
EBIT	Earnings before Interest and Tax
Effective tax rate (%)	Income and deferred tax charges relating to continuing activities before the tax impact of exceptional items calculated as a percentage of Profit before tax for continuing activities before exceptional items.
EPS	Earnings per Share
Exceptional	Significant items of income and expense within Group results for the year
EU	European Union
Export	Sales in territories outside of the United Kingdom (UK) and Republic of Ireland (ROI)
Free cash flow	Free Cash Flow is a non-GAAP measure that comprises cash flow from operating activities net of capital investment cash outflows which form part of investing activities. Free Cash Flow highlights the underlying cash generating performance of the ongoing business
GB	Great Britain (i.e. England, Wales and Scotland)
Group	C&C Group plc and its subsidiaries
HL	Hectolitre (100 Litres) kHL = kile hectolitre (100,000 litres) mHL = millions of hectolitres (100 million litres)
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee

IFRS	International Financial Reporting Standards as adopted by the EU
Interest cover	Calculated by dividing the Group's earnings before interest, tax, depreciation and amortisation charges (EBITDA) excluding exceptional items and discontinued activities of one period by the Group's interest expense, excluding issue cost write-offs and unwind of discounts on provisions, of the same period
LAD	Long Alcoholic Drinks
NI	Northern Ireland
Revenue	Revenue comprises the fair value of goods supplied to external customers exclusive of intercompany sales and value added tax, after allowing for discounts, rebates, allowances for customer loyalty and other pricing related allowances and incentives
ROI	Republic of Ireland
UK	United Kingdom (Great Britain and Northern Ireland)
US	United States of America
Net (cash)/debt	Net (cash)/debt comprises cash, borrowings net of issue costs and the fair value of interest rate derivative financial instruments
Net debt:EBITDA	A measurement of leverage, calculated as the Group's interest-bearing liabilities and derivative financial liabilities less cash & cash equivalents, divided by its EBITDA excluding exceptional items and discontinued activities. The net debt to EBITDA ratio is a debt ratio that shows how many years it would take for the Group to pay back its debt if net debt and EBITDA are held constant
Net revenue	Net revenue is defined by the Group as Revenue less Excise duty. Excise duties, which represent a significant proportion of Revenue, are set by external regulators over which the Group has no control and are generally passed on to the consumer, consequently the Directors consider that the disclosure of Net Revenue enhances the transparency and provides a more meaningful analysis of underlying sales performance
Off-trade	All venues where drinks are sold for off-premise consumption including shops, supermarkets and cash & carry outlets selling alcohol for consumption off the premises
On-trade	All venues where drinks are sold at retail for on-premise consumption including pubs, hotels and clubs selling alcohol for consumption on the premises
TSR	Total Shareholder Return



## 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 Group plc also has a Level 1 American Depository Receipts (ADR) programme for which Deutsche Bank acts as depository (symbol CCGY). Each ADR share represents three C&C Group plc ordinary shares. The authorised share capital of the Company at 29 February 2012 was 800,000,000 ordinary shares at €0.01 each. The issued share capital at 29 February 2012 was 339,274,722 ordinary shares of €0.01 each.

### CREST

C&C Group plc is a member of the CREST share settlement system therefore transfers 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. Shareholders should consult their stockbroker if they wish to hold their shares in electronic form.

### SHARE PRICE DATA

Share price at 29/[28] February	2012 €3.665	2011 €3.535
No of Shares in issue at 29/[28] February	Number 339,274,722	Number 337,196,128
Market capitalisation	€1,243m	€1,192m
Share price movement during the financial year		
-high	€3.69	€3.60
-low	€2.70	€2.75

### DIVIDEND PAYMENTS

The Company may, by ordinary resolution declare dividends in accordance with the respective rights of shareholders, but no dividend shall exceed the amount recommended by the Directors. The Directors may also declare and pay interim dividends if they believe they are justified by the profits of the Company available for distribution.

An interim dividend of 3.67 cent per share was paid in respect of ordinary shares on 16 December 2011.

A final dividend of 4.5 cent, if approved by shareholders at the 2012 Annual General Meeting, will be paid in respect of ordinary shares on 13 July 2012. 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, companies resident in any member state of the European Union and charities may be entitled to claim exemption from DWT and have been sent the relevant exemption form. Further copies of the form may be obtained from the Company's Registrars. Shareholders should note that DWT will be deducted from dividends in cases where a properly completed exemption 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.

#### **CREST members**

Shareholders who hold their shares via CREST will automatically receive dividends in euro unless they elect otherwise.

#### **Non-CREST members**

Shareholders who hold their shares in certificate form will automatically receive dividends in euro with the following exceptions:

- Shareholders with an address in the United Kingdom (UK) will automatically receive dividends in sterling,
- Shareholders who had previously elected to receive dividends in a particular currency will continue to receive dividends in that currency.

Shareholders who wish to receive dividends in a currency other than that which will be automatically used should contact the Company's Registrars.

### ELECTRONIC COMMUNICATIONS

Following the introduction of the Transparency Regulations 2007, and in order to promote a more cost effective and environmentally friendly approach, the Company provides the Annual Report electronically to shareholders via the Group's website and only sends a printed copy to those who specifically request one. Shareholders who wish to alter the method by which they receive communications should contact the Company's registrar. All shareholders will continue to receive printed proxy forms, dividend documentation, shareholder circulars, and, where the Company deems it appropriate, other documentation by post.

## SHAREHOLDER AND OTHER INFORMATION - CONTINUED

### FINANCIAL CALENDAR

	Date
Annual General Meeting	27 June 2012
Ex-dividend date	23 May 2012
Record date for dividend	25 May 2012
Latest date for receipt of elections and mandates	22 June 2012
Payment date for final dividend	13 July 2012
Interim results announcement	October 2012
Interim dividend payment	December 2012
Financial year-end	28 February 2013

### COMPANY SECRETARY AND REGISTERED OFFICE

Paul Walker  
C&C Group plc  
Block 71, The Plaza, Parkwest Business Park, Dublin 12.  
Tel: +353 1 616 1100  
Fax: +353 1 654 6272

### REGISTRARS

Shareholders with queries concerning their holdings, dividend information or administrative matters should contact the Group's registrars:

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

### AMERICAN DEPOSITARY RECEIPTS (ADR)

Shareholder with queries concerning their ADR holdings should contact:

Deutsche Bank Trust Company Americas  
C/o American Stock Transfer & Trust Company, Peck Slip Station, P.O. Box 2050, New York, NY 10272-2050.  
Tel: Toll free +1 866 249 2593  
International +1 718 921 8137  
Email: [DB@amstock.com](mailto:DB@amstock.com)

### INVESTOR RELATIONS

FTI Consulting  
10 Merrion Square, Dublin 2

### PRINCIPAL BANKERS

AIB  
Bank of Ireland  
Lloyds TSB  
Ulster Bank

### SOLICITORS

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

### STOCKBROKERS

Davy  
49 Dawson Street, Dublin 2

Goldman Sachs International  
Peterborough Court, 133 Fleet Street, London, EC4A 2BB

### AUDITOR

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

### WEBSITE

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







**C&C** group plc



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