

# Notes

forming part of the financial statements

## 1 Segment reporting

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

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

(i) Cider

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

(ii) Spirits & liqueurs

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

(iii) Distribution

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

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

### Class of business analysis

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

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## 1 Segment reporting (continued)

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

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

### Geographical analysis of revenue by country of destination

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

### Other segment information by class of business

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

### Other segment information by country of operation

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

## 2 Operating costs

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

## 3 Employee numbers & remuneration costs

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

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

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

The aggregate remuneration costs of these employees were:

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

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### 4 Share-based payments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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### 5 Exceptional items

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

(a) Severance costs associated with Group restructuring

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

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

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

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

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

(d) Profit on disposal of subsidiary

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

(e) Impairment of goodwill

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

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

## 6 Finance income and expense

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

## 7 Income tax expense

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

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### 7 Income tax expense (continued)

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

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

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

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

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

### 8 Discontinued operations

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

#### Results of discontinued operations

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

#### Discontinued operations – exceptional items

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

## 8 Discontinued operations (continued)

### Cash flows from discontinued operations

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

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

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

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

## 9 Dividends

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

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

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

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## 10 Earnings per ordinary share

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

## 10 Earnings per ordinary share (continued)

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

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

## 11 Goodwill

Goodwill is analysed by business segment as follows:-

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

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

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

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

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

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

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

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### 12 Property, plant & equipment

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

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

#### Change in classification

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

#### Change in estimates

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

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

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

## 12 Property, plant & equipment (continued)

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

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

## 13 Financial assets

### Company

*Equity investment in subsidiary undertakings at cost*

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

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

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

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

## 14 Inventories

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

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

## 15 Trade & other receivables

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

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### 15 Trade & other receivables (continued)

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

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

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

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

#### Company

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

### 16 Trade & other payables

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

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

## 17 Provisions

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

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

## 18 Details of borrowings

### Maturity analysis

#### Group and Company

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

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

The Company had no borrowings as at 28 February 2007.

## Notes continued

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### 18 Details of borrowings (continued)

#### Borrowing facilities

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

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

### 19 Analysis of net debt

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

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

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

## 20 Recognised deferred tax assets and liabilities

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

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

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

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

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

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

There are no unrecognised deferred tax assets or liabilities.

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### 21 Retirement benefit obligations

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

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

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

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

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

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

#### Actuarial valuations – funding requirements

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

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

#### Assumptions

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

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

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

## 21 Retirement benefit obligations (continued)

### Scheme liabilities:

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

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

### Scheme assets:

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

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

### a. Impact on Group Income Statement

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

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

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

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

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

## Notes continued

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### 21 Retirement benefit obligations (continued)

#### b. Impact on Group balance sheet

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

##### Analysis of net pension deficit

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

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

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

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

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

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

## 21 Retirement benefit obligations (continued)

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

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

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

### Reconciliation of actuarial value of liabilities

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

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### 22 Financial instruments and financial risk management

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

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

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

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

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

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

#### (b) Financial assets and liabilities

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

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

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

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

#### Group

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

#### Company

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

28 February 2007

#### Financial assets

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

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

#### Estimation of fair values

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### (d) Credit risk

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

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

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

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

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

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

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

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

#### (e) Liquidity risk

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

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

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

#### (f) Market risk

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

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

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

### (f) Market risk (continued)

#### Currency risk

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

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

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

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

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

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

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

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

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

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

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

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

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

##### Interest rate risk

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

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

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

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

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

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

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

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

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

### (f) Market risk (continued)

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

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

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

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

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

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

## Notes continued

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### 23 Share capital and Reserves

#### Share capital

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

All shares in issue carry equal voting and dividend rights.

#### Reserves

##### Group

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

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

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

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

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

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

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

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

## 23 Share capital and Reserves (continued)

### Company Profit and Loss account

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

#### *Share premium*

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

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

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

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

#### *Cashflow hedging reserve*

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

#### *Share-based payment reserve*

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

#### *Currency translation reserve*

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

#### *Capital management*

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

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

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

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

## Notes continued

forming part of the financial statements

### 24 Capital commitments

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

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

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

### 25 Commitments under operating leases

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

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

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

### 26 Guarantees

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

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

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

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

## 27 Related party transactions

### (a) Group

#### *Identity of related parties*

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

#### *Subsidiary undertakings*

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

#### *Key management personnel*

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

Details of key management remuneration are as follows:

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

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

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

### (b) Company

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

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

## Notes continued

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### 28 Subsidiary undertakings

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

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

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

^ Original guarantors in respect of bank loans

# Immediate subsidiaries of C&C Group plc.

### 29 Approval of financial statements

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