

Statement of accounting policies

Significant accounting policies

C&C Group plc (the 'Company') was incorporated on 19 March 2004 and is tax resident and incorporated in Ireland. The Group's financial statements for the year ended 28 February 2006 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as "the Group").

The Company and Group financial statements, together the "financial statements", were authorised for issue by the directors on 9 May 2006.

The accounting policies applied in the preparation of the financial statements for the year ended 28 February 2006 are set out below. These have been applied consistently for all periods presented in these financial statements and in the preparation of the opening balance sheet as at 1 March 2004 with the exception of those accounting policies pertaining to IAS 32 *Financial Instruments: Disclosure and Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement* which, in accordance with the transitional provisions of IFRS 1 *First-time Adoption of International Financial Reporting Standards*, were not applied in the restatement of the 2005 comparatives presented in these financial statements. Accounting policies affected by IAS 32 and IAS 39 are highlighted and details of the policies applied in the 2005 comparatives are also set out below.

Statement of compliance

As required by European Union (EU) law, from 1 March 2005, the Company and Group financial statements have been prepared in accordance with IFRS and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU. IFRS as adopted by the EU differ in certain respects from IFRS as issued by the IASB. However, the consolidated financial statements for the financial years presented would be no different had IFRS as issued by the IASB been applied.

These are the Company's and the Group's first financial statements prepared in accordance with IFRS as adopted by the EU and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. An explanation of how the transition to IFRS has impacted the reported financial position, financial performance and cash flows of the Company and Group is provided in note 29 to the financial statements.

IFRS applied by the Company and Group in the preparation of these financial statements are those that were effective at 28 February 2006 together with the early adoption of the Amendment to IAS 19 *Actuarial Gains and Losses, Group Plans and Disclosures*. The following provides a brief outline of the likely impact on future financial statements of relevant IFRS adopted by the EU which are not yet effective and have not been early adopted in these financial statements:

- Amendment to IAS 1 *Capital Disclosures*: This amendment will require additional disclosures regarding the capital structure of the Company and Group.
- Amendments to IAS 39 *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*: This amendment is not expected to impact on the Company or Group significantly.
- Amendments to IAS 39 *The Fair Value Option*: This amendment is not expected to impact on the Company or Group significantly.
- Amendments to IAS 39 and IFRS 4: *Financial Guarantee Contracts*: As explained in note 22, where the Company has issued a guarantee over the performance of a company in the Group, this is considered to be in the nature of an insurance contract and consequently the impact of this amendment is likely to be minimal.
- IFRS 7 *Financial Instruments: Disclosures*: This standard updates and extends the existing disclosure requirements of IAS 32 and will require significant additional disclosures relating to risk management policies and processes.

First time adoption of IFRS

The Company and Group are required to determine their IFRS accounting policies and apply them retrospectively to establish their opening balance sheets under IFRS at the date of transition. IFRS 1 *First-time Adoption of International Financial Reporting Standards* allows a number of exemptions on adoption of IFRS for the first time. The date of transition to IFRS as adopted by the EU for the Company and Group is 1 March 2004. Where estimates had been made under Irish GAAP, consistent estimates, after adjustments to reflect any difference in accounting policies, have been made on transition to IFRS. Judgements affecting the balance sheets of the Company and Group have not been revisited with the benefit of hindsight. The Company and Group has taken advantage of the following exemptions as permitted by IFRS 1:

Business combinations

The Group has elected not to apply the provisions of IFRS 3 *Business Combinations* retrospectively to business combinations before 1 March 2004. Accordingly, no adjustments have been made for historical business combinations and accumulated amortisation on goodwill arising before 1 March 2004 has not been reversed. The net carrying value of goodwill under Irish GAAP has been designated as the deemed cost of goodwill under IFRS.

Cumulative translation differences

Cumulative translation differences of foreign operations have not been restated on an IFRS basis. These are deemed to be zero at the date of transition.

Financial instruments

The Group has availed of the exemptions not to restate comparative amounts for 2005 for the impacts of IAS 32 and IAS 39. These are treated as changes in accounting policies and shown as opening adjustments on 1 March 2005 and in the statement of recognised income and expenses.

Property revaluation as deemed cost

The Group has elected to treat previous Irish GAAP revaluations of property as deemed cost on transition.

Basis of preparation

The Group and individual financial statements of the Company are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, pension obligations and share based payments. The accounting policies have been applied consistently by Group entities. The financial statements are presented in euro millions to one decimal place.

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

Basis of consolidation

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

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

Statement of accounting policies *continued*

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 these consolidated financial statements are prepared on the basis of the new legal parent having been acquired by the existing Group. The Company financial statements presented relate to C&C Group plc as a single entity from the date of incorporation to 28 February 2005 and for the year ended 28 February 2006.

All inter-company balances and transactions, including unrealised gains arising from inter-group transactions, have been eliminated in full. Unrealised losses are eliminated in the same manner as unrealised 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

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

Foreign currency translation

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to euro at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to euro at the average exchange rate for the financial period. Foreign exchange movements arising on translation of the net investment in a foreign operation, including those arising on long term intra Group loans, deemed to be quasi equity in nature, are recognised directly in equity, in the translation reserve.

The portion of exchange gains or losses on foreign currency borrowings used to provide a hedge against a net investment in a foreign operation that are determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the income statement.

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 in respect of all non-euro denominated operations are not presented separately.

Property, plant & equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses except for land, which is not depreciated. Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. Property, plant and equipment is depreciated over its expected useful economic life on a straight line basis at the following rates:

Buildings	2%
Plant & machinery	10%
Motor vehicles	15%
Other equipment	5-20%
Returnable bottles, cases and kegs	10-25%

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

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

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

Goodwill

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

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

Goodwill on acquisitions is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill relating to acquisitions from 1 March 2004 and goodwill carried in the balance sheet at 1 March 2004 is not amortised. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

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

Leases

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

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

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

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

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.

Statement of accounting policies continued

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.

Trade & other receivables

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less an allowance for incurred losses. Provision is made when there is objective evidence that the Group will not be in a position to collect the associated debts. Bad debts are written-off in the income statement on identification.

Cash & cash equivalents

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

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 would be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at an appropriate rate.

Pensions & other post-employment benefits

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

Obligations to the defined contribution pension plans are recognised as an expense in the income statement as the related employee service is received.

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 or the attained age method by professionally qualified actuaries and are arrived at using actuarial assumptions based on market expectations at the balance sheet date. The discount rates employed in determining the present value of the schemes' liabilities are determined by reference to market yields at the balance sheet date on high-quality corporate bonds of a currency and term consistent with the currency and term of the associated post-employment benefit obligations. When the benefits of a defined benefit scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the enhanced benefits vest immediately, the related expense is recognised immediately in the income statement. The net surplus or deficit arising on the Group's defined benefit pension schemes, are shown either within non-current assets or liabilities on the face of the Group balance sheet. The deferred tax impact of pension scheme surpluses and deficits is disclosed separately within deferred tax assets or liabilities, as appropriate. The Group has elected to early adopt the Amendment to IAS 19 *Actuarial Gains and Losses, Group Plans and Disclosures* to recognise post transition date actuarial gains and losses immediately in the statement of recognised income and expense.

Company

The Company is not the sponsoring employer for any of the Group's defined benefit pension schemes nor does it have any employees. 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 payment transactions

Equity settled share based payment transactions

Group share schemes allow employees to acquire shares in the Company. The fair value of share entitlements granted is recognised as an employee expense in the income statement with a corresponding increase in equity. An external valuer using a trinomial model determines the fair value. Share entitlements granted by the Company are subject to certain non market-based vesting conditions. Non-market vesting conditions are not taken into account when estimating the fair value of entitlements as at the grant date. The expense for the share entitlements shown in the income statement is based on the fair value of the total number of entitlements expected to vest and is allocated to accounting periods on a straight line basis over the vesting period. The cumulative charge to the income statement is reversed only where entitlements do not vest because all 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.

The proceeds received by the Company on the vesting of share entitlements are credited to share capital and share premium when the share entitlements are exercised.

Tax

Current tax

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

Deferred tax

Deferred tax is provided on the basis of the balance sheet liability method on all temporary differences at the balance sheet date. Temporary differences are defined as the difference between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised 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 the timing of the reversal of the temporary difference is subject to control and it is probable that a reversal will not materialise in the foreseeable future.

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

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

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.

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.

Statement of accounting policies continued

Assets held for resale

Non-current assets which are held for and available for immediate sale are measured at the lower of their previous carrying value or fair value less costs to sell.

Financial instruments – from 1 March 2005 on the adoption of IAS 32 & 39

Interest-bearing borrowings

From 1 March 2005, interest-bearing borrowings are recognised initially at fair value less attributable transaction costs but subsequently are 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.

Derivative financial instruments

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

With effect from 1 March 2005, derivative financial instruments are measured at fair value at each reporting date. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into the account current interest and currency exchange rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles and equates to the quoted market price at the balance sheet date, being the present value of the quoted forward price.

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

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

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

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

Financial instruments – up to 28 February 2005

Up to 28 February 2005, all interest-bearing borrowings were initially recognised at cost being fair value less attributable transaction costs. Transaction costs were amortised over the expected life of the relevant borrowing. Gains and losses on derivative financial instruments used to hedge foreign exchange and interest rate exposures arising on future planned transactions were recognised in the income statement when the hedged transactions occurred.