

Report of the Remuneration Committee on Directors' remuneration

The Remuneration Committee of the Board, whose membership is set out on page 27, consists solely of non-executive directors. Its terms of reference include making recommendations to the Board in respect of the Group policy on executive remuneration, and the consideration and determination of the remuneration of the executive directors and senior management. It also oversees all employee share ownership schemes. The Chairman and Chief Executive are fully consulted on remuneration proposals.

Remuneration policy

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

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

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

Basic salary and benefits

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

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

Performance related annual bonus

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

Pensions

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

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

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Executive share option scheme

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

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

Details of directors' share options are set out on page 41.

Long term incentive plans

A share-based Long Term Incentive Plan ("LTIP") for executive directors and senior management was established at the time of the Group's admission to listing in May 2004. The relevant performance criteria were not specified at the time but an undertaking was given to consult with the Irish Association of Investment Managers ("IAIM") on the Committee's choice of performance criteria before granting an award under the LTIP.

During the year, the Remuneration Committee considered this and concluded that a total shareholder return performance condition ("TSR") would be appropriate for the LTIP. For an award to vest fully, total shareholder return must be in the top quartile of a comparator group, comprising other international and Irish food and beverage companies specified at the time of grant, 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 must increase by 5% in excess of the Irish Consumer Price Index on a compound basis over the same three-year period, or the Committee must be satisfied that the underlying financial performance of the company over the performance period warrants the degree of vesting as calculated under the TSR condition. If both these conditions are not met at the end of the relevant period the options lapse. The IAIM was consulted on this performance condition under the LTIP.

In January 2006, Maurice Pratt was awarded an option over 44,365 shares (representing 40% of his salary) under the LTIP. While there is no certainty that this award will vest, the estimated fair value of the award is being amortised over the three year vesting period.

In October 2005, the Committee also granted a special once-off cash-based long-term incentive to Brendan McGuinness.

The Listing Rules generally require that any long-term incentive plan is approved by shareholders before it is adopted. However, this rule does not apply to a scheme where the only participant is one director and the arrangement is established specifically to facilitate, in unusual circumstances, the recruitment or retention of the relevant director.

In this case, Brendan McGuinness had reached an age, and had sufficient service, to allow him retire on a full pension should he choose to do so. It was considered that his retirement would not be in the best interests of shareholders given the expansion plans for the Magners cider business, for which he is responsible. It was therefore agreed, that the circumstances were sufficiently unusual to warrant the grant of this award. The vesting of this award will be based on the operating profits of Magners in Great Britain. The vesting schedule operates on a sliding scale and the maximum payment of €1 million, requires outstanding profit creation over the three years. The Committee believes that the target is sufficiently stretching, and if reached, will benefit all shareholders. Full payment will be made only if the target is reached. There is also a minimum target below which no payment will be made. The payment is non-pensionable and is not payable if he leaves the business before 29 February 2008 at his own behest. Finally, it is the Committee's view, that by having this award, Brendan McGuinness will not be selected to participate in any other long-term incentive scheme. While there is no certainty that the performance condition will be met, the estimated cost of the maximum payment is being amortised over the vesting period.

Non-executive directors' remuneration

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

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

Promoting all-employee share ownership

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

On admission, 9.4 million ordinary shares with an aggregate value of €21.3 million were issued to fulfil the Group's obligations under the free share arrangements. Currently 6.3 million of these shares are held by employee trusts approved by the Irish/UK Revenue, in order to distribute these shares to employees in a tax efficient manner after the required holding periods expire.

The Group is currently in discussion with its employees regarding the other elements of this agreement. Pending the outcome of these discussions, a discretionary scheme will be put in place for the year ending 28 February 2007. Under this scheme, the Remuneration Committee and the Board may, at their discretion, allocate shares up to a maximum value of 3% of total basic salary remuneration. The maximum payment of 3% of basic salary would cost c. €2 million. It is envisaged that these shares would be issued as much as possible to the Irish/UK Revenue approved employee trusts.

Service contracts

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

Directors' remuneration and interest in share capital

Details of the overall directors' remuneration charged to the income statement and individual directors' remuneration and pension benefits for the year ended 28 February 2006 are given on page 40. Directors' share options and the interests of the directors and secretary in the share capital of the Company are shown on page 41.

Directors' retirement benefits

In accordance with IAS 19, *Employee benefits*, the pension expense recognised in the income statement for executive directors amounted to €0.5 million while actuarial losses recognised in the Statement of recognised income and expense amounted to €1.8 million.

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Directors' remuneration

| | Basic Salary €000 | Other Remuneration €000 | Benefits in Kind €000 | Annual Bonus €000 | Pension Contributions €000 | Total 2006 €000 | Total 2005 €000 |
|----------------------------|-------------------------|-------------------------------|-----------------------------|-------------------------|----------------------------------|-----------------------|-----------------------|
| Executive Directors | | | | | | | |
| Maurice Pratt | 590 | 29 | 13 | 400 | 168 | 1,200 | 1,140 |
| Brendan Dwan | 313 | - | 22 | 135 | 88 | 558 | 542 |
| Brendan McGuinness | 334 | - | 22 | 159 | 94 | 609 | 569 |
| James Muldowney | 252 | - | 22 | 107 | 71 | 452 | 478 |
| Total | 1,489 | 29 | 79 | 801 | 421 | 2,819 | 2,729 |

Provision for long term incentive plans

| | | | | | | | |
|--------------------|--|--|--|--|--|--------------|-------|
| Maurice Pratt | | | | | | 9 | - |
| Brendan McGuinness | | | | | | 77 | - |
| | | | | | | 2,905 | 2,729 |

Average number of Executive Directors

| | | | | | | | |
|--|--|--|--|--|--|----------|---|
| | | | | | | 4 | 4 |
|--|--|--|--|--|--|----------|---|

| | Basic Fees €000 | Other Fees €000 | Benefits in kind €000 | Total 2006 €000 | Total 2005 €000 |
|--------------------------------|-----------------------|-----------------------|-----------------------------|-----------------------|-----------------------|
| Non-Executive Directors | | | | | |
| Tony O'Brien | | | 165 | 190 | 208 |
| John Burgess | | | 52 | 52 | 42 |
| Liam FitzGerald | | | 52 | 52 | 42 |
| John Hogan | | 20 | | 72 | 59 |
| Richard Holroyd | | | 52 | 52 | 42 |
| Philip Lynch | | 20 | | 72 | 59 |
| Breege O'Donoghue | | | 52 | 52 | 42 |
| Total | | 40 | 477 | 542 | 494 |

Average number of Non-Executive Directors

| | | | | | | | |
|--|--|--|--|--|--|----------|---|
| | | | | | | 7 | 6 |
|--|--|--|--|--|--|----------|---|

Total Directors' remuneration

| | | | | | | | |
|--|--|--|--|--|--|--------------|-------|
| | | | | | | 3,447 | 3,223 |
|--|--|--|--|--|--|--------------|-------|

Directors' pension benefits

Executive Directors

| | Employer Contributions | | Increase in Accrued Pension in Year €000 | Transfer Value of Increase | | Total Accrued Pension at Year End | |
|--------------------|---------------------------|-----------------|------------------------------------------------------|-------------------------------|--------------|--------------------------------------|--------------|
| | DC Plan €000 | DB Plan €000 | | 2006 €000 | 2005 €000 | 2006 €000 | 2005 €000 |
| Maurice Pratt | 1 | 167 | 12 | 174 | 136 | 49 | 35 |
| Brendan Dwan | 10 | 78 | 5 | 101 | 281 | 168 | 159 |
| Brendan McGuinness | 11 | 83 | 5 | 104 | 300 | 201 | 190 |
| James Muldowney | 4 | 67 | 5 | 44 | 40 | 25 | 19 |
| Total | 26 | 395 | 27 | 423 | 757 | 443 | 403 |

Directors and their interests

The interests of the directors and secretary in the share capital of C&C Group plc at the beginning of the year (or date of appointment if later) and the end of the year were:

Interests in C&C Group plc

Ordinary shares of €0.01 each

| | 28-Feb 2006 | 28-Feb 2005 |
|--------------------|------------------|------------------|
| Directors | | |
| Tony O'Brien | 1,697,290 | 1,679,992 |
| John Burgess | - | - |
| Brendan Dwan | 1,039,005* | 1,019,999 |
| Liam FitzGerald | 9,400 | 9,400 |
| John Hogan | 9,461 | 4,515 |
| Richard Holroyd | - | - |
| Philip Lynch | 30,102 | 10,000 |
| Brendan McGuinness | 1,196,395 | 1,174,510 |
| James Muldowney | 309,840 | 301,073 |
| Breege O'Donoghue | 41,162 | 40,000 |
| Maurice Pratt | 1,000,000 | 993,310 |
| Total | 5,332,655 | 5,232,799 |

* 700,000 of these shares are held non-beneficially.

Company Secretary

| | | |
|----------------|---------|---------|
| Noreen O'Kelly | 134,000 | 130,960 |
|----------------|---------|---------|

The directors and secretary have no beneficial interests in any of the Group's subsidiary undertakings.

Between 28 February 2006 and 2 May 2006 there were no transactions in the Directors' or Secretary's interests.

Interests in Share Options – Executive Share Option Scheme

Share Options over Ordinary Shares of €0.01 each in C&C Group plc

| | 01-Mar-05 | Granted during Year | Exercised during year | 28-Feb-06 | Weighted Average Option Price |
|--------------------|-----------|---------------------|-----------------------|-----------|-------------------------------|
| Directors | | | | | |
| Brendan Dwan | 322,200 | 80,900 | - | 403,100 | 2.52 |
| Brendan McGuinness | 340,800 | 85,400 | - | 426,200 | 2.52 |
| James Muldowney | 277,000 | 66,600 | - | 343,600 | 2.51 |
| Maurice Pratt | 1,104,500 | 246,400 | - | 1,350,900 | 2.50 |

Options granted at €2.26 in May 2004 are exercisable in the period from 15/05/2007 to 14/05/2011. Options granted at €3.56 in June 2005 are exercisable in the period from 20/06/2008 to 19/06/2012.

In addition, Maurice Pratt has a nil-cost option over 44,365 shares under the long-term incentive plan. These are exercisable in the period from 12/1/2009 to 12/7/2009.

The market price of the Company's shares at 28 February 2006 was €5.60 and ranged during the year from €3.07 to €5.88.

In accordance with IFRS 2, *Share based payments*, an expense of €1.1 million (2005: €0.6 million) has been recognised in the Group income statement in respect of options granted to Directors.