

Notes

Forming part of the financial statements

1. Prior year adjustment

(a) Classification of trade incentives

Following a review of the classification of certain trade incentives, the Directors considered it appropriate to account for these transactions as a deduction from revenue in line with the accounting treatment outlined in the accounting policy for revenue recognition.

In previous years, the Group classified these costs within Direct Brand Marketing costs in operating expenses. This classification amendment has no impact on the profit for the financial year or previous financial year or on the financial position (net assets) of the Group as reported.

The impact of the classification change on revenue and operating expenses on continuing operations in both years is shown below:

	2009			2008		
	Revenue	Operating expenses	Operating profit	Revenue	Operating expenses	Operating profit
As previously stated	523.5	(423.1)	100.4	602.7	(479.1)	123.6
Impact of change	(9.1)	9.1	-	(5.2)	5.2	-
As restated	514.4	(414.0)	100.4	597.5	(473.9)	123.6

(b) Change of accounting policy in relation to property, plant & machinery

Following a review of the carrying value of the Group's Cider production facility and related assets, the Directors considered it more appropriate to measure the carrying value of these assets on a revaluation basis. In line with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the initial application of an accounting policy to revalue assets does not require a prior year adjustment. See note 13 for further details.

2. Segmental 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 wines & spirits and Soft drinks businesses is set out in note 9. 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 agency products 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, which can be allocated on a reasonable basis. Unallocated items comprise mainly current tax, deferred tax, derivative financial assets/liabilities, retirement benefit obligations, Group net borrowings and certain exceptional expense items.

2. Segmental reporting (continued)

Class of business analysis

	2009				2008			
	Revenue €m	Operating profit €m	Assets €m	Liabilities €m	Revenue (restated) €m	Operating profit €m	Assets €m	Liabilities €m
Cider	386.8	84.8	508.1	(69.6)	465.3	107.5	664.5	(55.4)
Spirits & liqueurs	85.9	15.3	73.9	(12.2)	87.5	15.8	74.1	(15.7)
Distribution	41.7	0.3	10.8	(4.9)	44.7	0.3	29.5	(11.4)
Total before unallocated items	514.4	100.4	592.8	(86.7)	597.5	123.6	768.1	(82.5)
Unallocated items:								
Exceptional items (note 6)	-	(159.6)*	-	-	-	(15.6)**	-	-
Current tax liabilities	-	-	-	(3.0)	-	-	-	(6.9)
Deferred tax assets/(liabilities)	-	-	15.0	-	-	-	2.9	(6.4)
Derivative financial assets/(liabilities)	-	-	11.6	(8.3)	-	-	29.3	(1.9)
Retirement benefit obligations	-	-	-	(45.5)	-	-	-	(27.2)
Group net borrowings	-	-	83.0	(309.2)	-	-	32.7	(288.9)
	514.4	(59.2)	702.4	(452.7)	597.5	108.0	833.0	(413.8)

* Of the exceptional items in the current year €2.7m relates to the Spirits & liqueurs segment and €156.9m relates to the Cider segment.

** Of the exceptional items in the prior year €10m of the exceptional cost is directly attributable to the Cider segment, while a further €0.4m is directly attributable to the Spirits and liqueurs segment.

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

	2009			2008		
	Revenue €m	Assets €m	Liabilities €m	Revenue (restated) €m	Assets €m	Liabilities €m
Republic of Ireland	452.3	577.3	(77.3)	524.6	749.3	(70.8)
Rest of the world	62.1	15.5	(9.4)	72.9	18.8	(11.7)
Total before unallocated items	514.4	592.8	(86.7)	597.5	768.1	(82.5)

Geographical analysis of revenue by country of destination

	2009 €m	2008 €m
Republic of Ireland	167.8	191.9
UK	249.4	308.5
Rest of Europe	53.2	54.0
North America	35.9	35.8
Rest of the world	8.1	7.3
Total	514.4	597.5

Notes *continued*

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2. Segmental reporting (continued)**Other segment information by class of business**

	2009			2008	
	Capital expenditure	Depreciation	Revaluation	Capital expenditure	Depreciation
	€m	€m	€m	€m	€m
Cider	18.0	18.5	128.2	89.2	14.8
Spirits & liqueurs	0.9	0.8	2.0	1.1	0.8
Distribution	-	0.1	0.4	-	0.1
Discontinued operations	-	-	-	2.0	4.6
	18.9	19.4	130.6	92.3	20.3

Other segment information by country of operation

	2009			2008	
	Capital expenditure	Depreciation	Revaluation	Capital expenditure	Depreciation
	€m	€m	€m	€m	€m
Republic of Ireland	18.8	19.2	130.2	92.0	19.8
Rest of the world	0.1	0.2	0.4	0.3	0.5
	18.9	19.4	130.6	92.3	20.3

3. Operating costs

	2009			2008		
	Before exceptional items	Exceptional items	Total	Before exceptional items (restated)	Exceptional items	Total (restated)
	€m	€m	€m	€m	€m	€m
Raw material cost of goods sold	168.4	-	168.4	289.4	-	289.4
Inventory write-down	1.3	11.1	12.4	2.4	-	2.4
Excise duties	98.8	-	98.8	124.1	-	124.1
Employee remuneration (note 4)	48.1	8.9	57.0	85.4	15.6	101.0
Direct brand marketing	74.0	-	74.0	96.0	-	96.0
Other operating, selling and administration costs	42.8	3.1	45.9	51.5	-	51.5
Depreciation	19.4	-	19.4	20.3	-	20.3
Revaluation of property, plant & machinery	-	136.5	136.5	-	-	-
Research and development costs	0.6	-	0.6	0.4	-	0.4
Auditor remuneration:						
- audit services	0.2	-	0.2	0.4	-	0.4
- non audit services	0.2	-	0.2	0.1	-	0.1
Operating lease rentals:						
- plant and machinery	1.9	-	1.9	1.2	-	1.2
- other	-	-	-	2.6	-	2.6
Total	455.7	159.6	615.3	673.8	15.6	689.4
Allocated to discontinued operations	(41.7)	-	(41.7)	(199.9)	-	(199.9)
Total relating to continuing operations	414.0	159.6	573.6	473.9	15.6	489.5

4. 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:-

	2009 Number	2008 Number
Production	210	465
Sales & marketing	250	316
Distribution	138	297
Administration	102	138
Total	700	1,216

The actual number of persons employed by the Group as at 28 February 2009 was 673 (29 February 2008: 821).

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

	2009 €m	2008 €m
Wages, salaries and other short term employee benefits	39.3	70.6
Severance costs (note 6)	10.4	15.6
Social welfare costs	3.7	7.0
Retirement benefit obligations – defined benefit schemes (note 22)	2.2	5.8
Retirement benefit obligations – defined contribution schemes	1.0	0.8
Equity settled share-based payments (note 5)	0.4	1.2
Charged to the income statement	57.0	101.0
Actuarial loss/(gain) on defined benefit pension schemes (note 22)	41.6	(2.0)
Total employee benefits	98.6	99.0

5. 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 basic salary in that year. Options were granted in May 2004 and in June of each year from 2005 through to 2008 under this scheme.

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 (i.e. 3 years from date of grant) 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 and in June of each year from 2006 through to 2008.

Under this plan, awards of up to 100% 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.

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5. Share-based payments (continued)

In December 2008, shareholders at an Extraordinary General Meeting approved the establishment of a Joint Share Ownership Plan where certain employees of the Company and its subsidiaries are eligible to participate in the Plan at the discretion of the Remuneration Committee. Under this plan, interests in the form of a restricted interest in ordinary shares in the Company are awarded to certain key executives on payment upfront to the Employee Benefit Trust of funding equal to 10% of the issue price on the acquisition of the interest.

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

When an Interest vests, the trustees will transfer shares to the participant of equal value to the participant's interest on receipt of payment of the residual 90% from the participant or the shares will be sold and the trustee will account to the participant for the balance i.e. the difference between the net sale proceeds and the Hurdle value (balance (90%) of the issue price on the acquisition of the Interest).

The fair value assigned to the options granted were computed in accordance with the trinomial valuation methodology, the fair value of the LTIP options granted were computed in accordance with a stochastic model and the fair value of the interests awarded under the Joint Share Ownership Plan were computed using a Monte Carlo simulation. As per IFRS 2 *Share-based Payment* market based vesting conditions, such as the LTIP TSR condition and the share price target condition in the Joint Share Ownership Plan, 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:-

	Joint share ownership plan shares granted December 2008	LTIP options granted June 2008	Options granted June 2008	LTIP options granted June 2007	Options granted June 2007
Exercise price	€1.15	€0.00	€5.11	€0.00	€11.53
Risk free interest rate	2.12% - 2.54%	n/a	4.33%	N/a	4.33%
Expected volatility	41.6% - 47.8%	45.7%	27.3%	30.2%	25%
Expected life	1.7 - 3.0 years	3.5 years	7 years	3.5 years	7 years
Dividend yield	6.0%	5.19%	5.19%	2.5%	2.5%

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.

5. 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/equity interests granted	Outstanding at 28 Feb 09	Grant price	Market value at grant date	Fair value at grant date	Expense in Income Statement	
				€	€	€	2009 €m	2008 €m
13 May 2004	3 years	4,914,900	657,500	2.26	2.26	0.49	-	0.1
20 June 2005	3 years	1,708,200	369,300	3.56	3.56	0.72	0.1	0.3
12 Jan 2006 (LTIP)	3 years	44,365	-	-	5.53	4.63	-	0.1
15 June 2006	3 years	846,900	383,300	6.52	6.52	1.24	0.1	0.5
15 June 2006 (LTIP)	3 years	127,600	48,100	-	6.52	4.48	-	0.2
13 June 2007	3 years	318,500	206,600	11.53	11.53	2.76	-	-
13 June 2007 (LTIP)	3 years	82,100	30,700	-	11.53	5.26	-	-
13 June 2008	3 years	1,013,700	767,500	5.11	5.11	0.98	-	-
13 June 2008 (LTIP)	3 years	59,600	-	-	5.11	3.38	-	-
18 Dec 2008 (Joint share ownership plan)	3 years	12,800,000	12,800,000	1.15	1,315	0.16 - 0.21	0.2	-
		21,915,865	15,263,000				0.4	1.2
APSS Scheme		189,061	-	11.39	11.39	11.39	-	-
		22,104,926	15,263,000				0.4	1.2

The amount charged to the income statement in respect of the above option grants assumes that all outstanding options granted during 2006 will vest and all qualifying conditions will be achieved, all outstanding options granted during 2005 vested in May 2008. 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 41% and fell a further 21% for the year ended 28 February 2009, the Directors consider the likelihood of achieving the non-market vesting conditions for the 2007 and 2008 options and LTIPs as remote and therefore it is currently assumed that no options granted during 2007 and 2008 will vest.

The amount charged to the income statement includes an accelerated charge of €0.1m (2008: €0.2m in relation to the disposal of the Soft drinks business to Britvic plc) in relation to employees leaving the Group as part of a restructuring programme for share option grants where the underlying conditions have been met at the date of departure. 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 and Joint Share Ownership Plan together with the weighted average exercise price of the share options is as follows:

	2009		2008	
	Number of options/equity interests	Weighted average exercise price €m	Number of options	Weighted average exercise price €m
Outstanding at beginning of year	4,571,365	3.61	6,787,265	3.02
Granted	13,873,300	1.43	400,600	9.17
Exercised	(156,500)	2.94	(2,354,900)	2.53
Forfeited / lapsed	(3,025,165)	3.14	(261,600)	6.52
Outstanding at end of year	15,263,000	1.72	4,571,365	3.61

The number of share options exercisable at 28 February 2009 was 1,026,800 (2008: 2,379,800).

The unvested options outstanding at 29 February 2008 have a weighted average vesting period outstanding of 2.7 years. The weighted average contractual life of vested and unvested share options is 6.6 years.

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5. Share-based payments (continued)

The weighted average share price at date of exercise of all options exercised during the period was €4.07 (2008: €8.84) and the share price as at 28 February 2009 was €0.935

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 prior financial year and placed these shares in Irish/UK Revenue approved employee trusts where they are held in the 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 these shares are awarded are entitled to all dividends declared and have full voting rights while the shares are held in the trusts.

6. Exceptional items

	2009 €m	2008 €m
Restructuring costs	12.0	15.6
Inventory write-down	11.1	-
Gain on mark to market of derivative financial instruments	(3.8)	(9.1)
Revaluation of property, plant & machinery	136.5	-
(Profit) on disposal of subsidiary undertakings, net of tax	(0.8)	(137.4)
Total	155.0	(130.9)
Allocated to discontinued operations	0.8	137.4
Total relating to continuing operations	155.8	6.5

(a) Restructuring costs

Restructuring costs comprising severance and other initiatives, including the costs associated with consolidating the Group's Dublin operations into a single location and net of defined benefit pension scheme past service costs of €0.7m and curtailment gains of €2.2m (2008: nil) relating to the restructuring programme, resulted in an exceptional charge before taxation of €12.0m (2008: €15.6m).

In February 2009, 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 and streamlining the Group's organisational structure thereby improving cost competitiveness, involving a head count reduction in the region of 121 people. The exceptional net pension credit of €1.5m arose as a result of a reduction in employee numbers following the Group's head-office restructuring programme. A reorganisation and cost reduction programme was also implemented during the previous financial year involving a headcount reduction in the region of 150 people across the Group.

(b) Inventory write-down

At 28 February 2009, the Group's stock holding of apple juice at circa 36 months of forecasted future sales was deemed excessive in light of anticipated future needs, forward purchase commitments and useful life of the stock on hand. Accordingly, the Group recorded an impairment charge in relation to excess apple juice stocks at the year-end.

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

During the current financial year, sterling hedge contracts with a notional value of Stg£24m were de-designated and the increase in fair value arising from the date of de-designation to the year-end date was accounted for within finance income. During the prior year, a shortfall in expected Sterling revenues resulted in surplus Sterling hedges in 2007/08 and 2008/09 that were effectively cancelled giving rise to a gain of €9.1m. Both these gains were classified within exceptional items on the basis of materiality and the unforeseen circumstances giving rise thereto (see note 7 for further details).

6. Exceptional items (continued)**(d) Revaluation of property, plant & machinery**

As a result of current levels of demand and expectations of future growth, the Group reviewed the carrying value of its property and production facilities. Lisney and Sanderson Weatherall, valuers, were instructed to complete an external valuation as at 28 February 2009. Using the valuation methodologies outlined in note 13, this resulted in a net revaluation loss of €130.6m, of which a loss of €136.5m is accounted for in the income statement and a surplus of €5.9m arising on the revaluation of land in the Statement of Recognised Income & Expense (SORIE).

(e) Profit on disposal of subsidiary

On 11 September 2008, the Group announced the disposal of its wine & spirit distribution business in the Republic of Ireland to a subsidiary of DCC plc for a consideration of €11.4m realising a profit after tax of €0.2m. On 26 February 2009, the Group agreed the disposal of its wine & spirit distribution business in Northern Ireland for a consideration of circa €3.7m resulting in a profit after tax of €0.6m.

During the prior year, 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 (see note 9 for further details).

The taxation implication of the exceptional items is a credit of €14.2m to continuing operations in relation to the revaluation of the property and production facilities, the write-off of excess apple juice stocks, the costs associated with the Group restructuring and the gain on the dedesignation of excess sterling hedges (2008: 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).

7. Finance income and expense

	2009 €m	2008 €m
Recognised in income statement		
<i>Finance income:</i>		
Interest income on bank deposits	(1.3)	(2.1)
Gain on mark to market of derivative financial instruments arising on surplus sterling hedges (note 23)	(3.8)	(9.1)
Ineffective portion of change in fair value of cash flow hedges	(1.0)	-
Total finance income	<u>(6.1)</u>	<u>(11.2)</u>
<i>Finance expenses:</i>		
Interest expense on interest bearing borrowings	13.5	17.2
Issue costs written off on refinancing of debt	-	1.9
Income arising on interest rate swaps designated as cash flow hedges against interest exposure	(0.7)	(2.0)
Ineffective portion of change in fair value of cash flow hedges	(0.1)	(0.2)
Total finance costs	<u>12.7</u>	<u>16.9</u>
Net finance expense	<u>6.6</u>	<u>5.7</u>
Recognised directly in equity		
Effective portion of changes in fair value of cash flow hedge	5.6	15.0
Fair value of cash flow hedges transferred to income statement	(26.9)	1.4
Fair value of cash flow hedges transferred to finance expenses on discontinuance of hedge accounting (note 23)	-	0.5
Deferred tax on cash flow hedges recognised directly in equity	2.2	(1.9)
Foreign currency translation differences for foreign operations	(1.6)	(1.8)
Net (expense)/income recognised directly in equity	<u>(20.7)</u>	<u>13.2</u>

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8. Income tax

	2009 €m	2008 €m
(a) Analysis of charge in year recognised in the income statement		
<i>Current tax:</i>		
Irish corporation tax	5.9	9.0
Foreign corporation tax	2.3	2.6
Adjustment in respect of previous years	(1.4)	(0.7)
	6.8	10.9
<i>Deferred tax:</i>		
Irish	(10.6)	1.2
Foreign	-	(0.1)
	(10.6)	1.1
Total income tax (credit)/expense recognised in income statement	(3.8)	12.0
Allocated to discontinued operations	(0.2)	(1.0)
	(4.0)	11.0
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.		
	2009 €m	2008 €m
(Loss)/profit before tax from continuing operations	(65.8)	102.3
Profit from discontinued operations	0.1	7.2
Profit on disposal of discontinued operations	1.0	141.9
	(64.7)	251.4
Tax at standard rate of corporation tax in the Republic of Ireland of 12.5%	(8.1)	31.4
Actual tax charge is affected by the following:		
Expenses not deductible for tax purposes	2.7	1.0
Adjustments in respect of prior years	(1.4)	(0.7)
Deferred tax provided for at a different rate to the standard corporation tax *	2.9	-
Differences in effective tax rates on overseas earnings	1.5	0.9
Manufacturing relief	(1.4)	(2.4)
Non taxable income (incl. disposal of subsidiary undertakings)	-	(17.7)
Other differences	-	(0.5)
Total income tax	(3.8)	12.0
(b) Deferred tax recognised directly in equity		
Deferred tax arising on movement in defined benefit pension obligations	(5.7)	1.0
Deferred tax arising on movement in derivatives designated as cashflow hedges	(2.2)	1.9
	(7.9)	2.9

* Deferred tax in relation to the Group's exceptional write-down of property, plant & machinery has been recognised at the tax rates expected to apply when the deferred tax assets arising are realised, taking into account the expiration of manufacturing relief in 2010.

(c) Factors that may affect future charges

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

9. Discontinued operations

The Group completed the disposal of its wine & spirit distribution business in the Republic of Ireland to a subsidiary of DCC plc during September 2008 and on 26 February 2009 agreed the disposal of its wine & spirit distribution business in Northern Ireland to Golf Holdings Ltd.

During the previous financial year, the Group completed the sale of its Soft drinks business to Britvic plc.

9. Discontinued operations (continued)

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

	Wines & spirits 2009 €m	Soft drinks/ wines & spirits 2008 €m
Revenue	41.8	207.1
Expenses	(41.7)	(199.9)
Results from discontinued operations before tax	0.1	7.2
Income tax expense	-	(1.0)
Results from discontinued operations	0.1	6.2
Gain on sale of discontinued operations	1.0	141.9
Income tax expense	(0.2)	-
Capital gains tax arising on sale of discontinued operations	-	(4.5)
Profit from discontinued operations (net of income tax)	0.9	143.6

Cash flows from discontinued operations

	2009 €m	2008 €m
Net cash from operating activities	0.4	0.8
Net cash from investing activities	12.9	234.5
Net cash from financing activities	-	(20.0)
Net cash inflow from discontinued operations	13.3	215.3
Depreciation	-	4.6
Capital expenditure	-	(2.0)

Effect of disposal on the financial position of the Group

	Wines & spirits 2009 €m	Soft drinks/ wines & spirits 2008 €m
Property, plant & equipment	0.1	57.1
Goodwill	-	32.2
Inventories	8.5	25.9
Trade & other receivables	10.4	63.0
Deferred tax assets	-	3.0
Trade & other payables	(5.4)	(54.5)
Provisions	-	(0.6)
Retirement benefit obligations	-	(19.0)
Foreign currency reserve de-recognised on disposal	-	(0.5)
Net assets and liabilities disposed of	13.6	106.6
Consideration receivable	15.1	246.6
Costs of disposal payable	(0.5)	(12.1)
Net proceeds receivable	14.6	234.5
Profit arising on disposal before tax	1.0	141.9
Tax payable	(0.2)	(4.5)
Profit arising on disposal after tax	0.8	137.4

Notes *continued*

Forming part of the financial statements

10. Dividends

	2009 €m	2008 €m
Dividends paid		
Final: paid 15.0c per ordinary share in July 2008 (2008: 15.0c paid in July 2007)	47.0	49.2
Interim: paid 6.0c per ordinary share in December 2008 (2008: 12.0c paid in December 2007)	18.8	38.1
Total equity dividends	65.8	87.3
Settled as follows:		
Paid in cash	60.2	81.1
Scrip dividend	5.6	6.2
	65.8	87.3

The Directors have proposed a final dividend of 3.0 cent per share (2008: 15.0 cent), which is subject to shareholder approval at the AGM, giving a proposed total dividend for the year of 9.0 cent per share (2008: 27.0 cent).

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

11. Earnings per ordinary share

	2009 €m	2008 €m
(Loss)/earnings as reported	(60.9)	234.9
Adjustment for exceptional items net of tax (note 6)	140.8	(131.6)
Earnings as adjusted for exceptional items net of tax	79.9	103.3
	Number '000	Number '000
Number of shares at beginning of year	312,993	327,569
Shares issued in lieu of dividend	2,634	727
Shares issued in respect of options exercised	156	2,355
Shares issued and held in trust in respect of joint share ownership plan	12,800	-
Own shares purchased and cancelled	-	(17,658)
Number of shares at end of year	328,583	312,993
Weighted average number of ordinary shares (basic)	313,925	321,229
Adjustment for the effect of conversion of options	94	2,361
Weighted average number of ordinary shares, including options (diluted)	314,019	323,590
Basic earnings per share	Cent	Cent
Basic (loss)/earnings per share	(19.4)	73.1
Adjusted basic earnings per share	25.5	32.2
Diluted earnings per share		
Diluted (loss)/earnings per share	(19.4)	72.6
Adjusted diluted earnings per share	25.4	31.9
Continuing operations	€m	€m
(Loss)/earnings from continuing operations as reported	(61.8)	91.3
Adjustment for exceptional items net of tax (note 6)	141.6	5.8
Earnings from continuing operations as adjusted for exceptional items net of tax	79.8	97.1

11. Earnings per ordinary share (continued)

Basic earnings per share	Cent	Cent
Basic (loss)/earnings per share	(19.7)	28.4
Adjusted basic earnings per share	25.4	30.2
Diluted earnings per share		
Diluted (loss)/earnings per share	(19.7)	28.2
Adjusted diluted earnings per share	25.4	30.0
Discontinued operations	€m	€m
Earnings from discontinued operations as reported	0.9	143.6
Adjustment for exceptional items net of tax (note 6)	(0.8)	(137.4)
Earnings from discontinued operations as adjusted for exceptional items net of tax	0.1	6.2
Basic earnings per share	Cent	Cent
Basic earnings per share	0.3	44.7
Adjusted basic earnings per share	-	1.9
Diluted earnings per share		
Diluted earnings per share	0.3	44.4
Adjusted diluted earnings per share	-	1.9

Basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased/issued by the Company and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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

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 1,004,800 at 28 February 2009 and 400,600 at 29 February 2008) are excluded from the computation of diluted earnings per share where the vesting conditions would not have been satisfied as at the end of the reporting period. Vesting of shares awarded under the Joint Share Ownership Plan (totalling 6,400,000 at 28 February 2009 and nil at 29 February 2008) is also contingent upon satisfaction of specified performance conditions and these have also been excluded from the computation of diluted earnings per share.

12. Goodwill

Goodwill is analysed by business segment as follows:-

	Cider €m	Spirits & liqueurs €m	Soft drinks €m	Total €m
Cost				
At 1 March 2007	345.1	49.6	32.2	426.9
Disposal of Soft drinks business (note 9)	-	-	(32.2)	(32.2)
At 29 February 2008	345.1	49.6	-	394.7
Movement	-	-	-	-
At 28 February 2009	345.1	49.6	-	394.7

The goodwill within each business segment is further allocated to a number of individual cash generating units (CGUs) for the purposes of impairment testing. The CGU's represent the lowest level within the Group at which the associated goodwill is monitored for management purposes and are not larger than the primary and secondary segments determined in accordance with IAS 14 *Segment Reporting*.

Notes *continued*

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12. Goodwill (continued)

Goodwill is subject to impairment testing on an annual basis, and whenever there is an indication that the unit may be impaired. No impairment losses were recognised by the Group in the current or previous financial year.

Impairment testing is carried out for each CGU on a value-in-use basis by comparing the carrying value of goodwill to its recoverable amount (generally its current value-in-use). For the purposes of the value-in-use computations, budgeted cashflows are employed for the first year and cash flow is then projected forward for the following four years based on assumed growth for each business averaging 1% per annum, based on current assessments of anticipated market conditions during those periods. All forecasts incorporate a 2.5% terminal growth factor into perpetuity.

The discount factor applied to future cash flows of each CGU was 12%.

The key assumptions used in the value-in-use and impairment review calculations include anticipated market conditions, management's estimates of future profitability, capital expenditure requirements, working capital investment and tax considerations.

The impairment testing carried out on the goodwill in the balance sheet at 28 February 2009 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. The key sensitivity for the impairment test is the growth in sales and EBIT margin. No reasonable adjustments to the assumptions underlying the impairment testing models applied would result in any foreseeable risk of an impairment charge arising.

13. Property, plant & equipment

	Land & buildings €m	Plant & machinery €m	Motor vehicles & other equipment €m	Total €m
Group				
Cost or valuation				
At 1 March 2007	58.3	209.3	81.2	348.8
Currency retranslation	(0.1)	-	(0.1)	(0.2)
Additions	19.7	69.2	3.4	92.3
Disposal of soft drinks business	(28.7)	(56.1)	(54.6)	(139.4)
At 29 February 2008	49.2	222.4	29.9	301.5
Currency retranslation	(0.1)	-	(0.2)	(0.3)
Additions	2.8	8.4	7.7	18.9
Disposal of wines & spirits	-	-	(0.6)	(0.6)
Reclassification	-	(9.2)	9.2	-
Revaluation loss	(28.0)	(102.6)	-	(130.6)
At 28 February 2009	23.9	119.0	46.0	188.9
Depreciation				
At 1 March 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)
At 29 February 2008	2.6	49.7	22.1	74.4
Currency retranslation	-	-	(0.1)	(0.1)
Charge for the year	2.1	13.5	3.8	19.4
Disposal of wines & spirits	-	-	(0.5)	(0.5)
Reclassification	-	(6.7)	6.7	-
At 28 February 2009	4.7	56.5	32.0	93.2
Net book value				
At 28 February 2009	19.2	62.5	14.0	95.7
At 29 February 2008	46.6	172.7	7.8	227.1

13. Property, plant & equipment (continued)

No depreciation is charged on land, which had a book value after revaluation of €8.5m at 28 February 2009 (29 February 2008: €2.6m).

Change in accounting policy

The Group's accounting policy has been to measure all items of property plant & equipment at historic cost or deemed cost less accumulated depreciation and impairment losses except for land, which is not depreciated. Certain items of property, plant & equipment that had been valued at fair value prior to the date of transition to IFRS as adopted by the EU were measured on the basis of deemed cost, being the revalued amount as at the date the revaluation was performed.

However, during the financial year ended 28 February 2009, the Directors undertook a review to determine the appropriateness of the accounting policy applied in relation to the Group's Cider production facility and related assets in light of the significant excess capacity levels at the production facility. They concluded that it was no longer appropriate to measure the carrying value of these assets at historic or deemed cost. Accordingly, the Group changed its accounting policy to recognise property at open market value and plant & machinery assets at a revalued amount. In light of the specialised nature of the plant & machinery assets and the lack of available evidence of open market value, the Group adopted a depreciated replacement cost approach.

The company's freehold properties were valued by external valuer, Paul McNamara, BSc FSCS FRICS MCI Arb - Lisney and its plant & machinery assets valued by external valuer, David Fawcett, FRICS - Sanderson Weatherall, on 28 February 2009. The valuations were in accordance with the requirements of the RICS Valuation Standards, sixth edition and the International Valuation Standards.

The valuation of each property was on the basis of market value, defined as 'the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion' and was subject to the assumption that the property be sold as part of a continuing business. The valuer's opinion of market value was primarily derived using comparable recent market transactions on an arm's length basis.

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

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

Following the valuation exercise, the carrying value of land was increased and the resulting gain of €5.9m was credited directly to a revaluation surplus reserve within equity. The carrying value of buildings, plant & machinery was reduced and the resulting loss of €136.5m was recognised in the income statement.

	Land €m	Buildings €m	Plant & Machinery €m	Total €m
Carrying value under revaluation model	8.5	10.7	62.5	81.7
Carrying value under cost model	2.6	44.6	165.1	212.3
Gain/(loss) on revaluation	5.9	(33.9)	(102.6)	(130.6)

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 revised carrying amounts.

Change in classification

The Group reclassified certain assets, which were previously classified within Plant & machinery, more appropriately within Motor vehicles & other equipment in the current financial year.

Notes *continued*

Forming part of the financial statements

14. Financial assets

	2009 €m	2008 €m
Company		
<i>Equity investment in subsidiary undertakings at cost</i>		
At beginning of year	788.3	710.4
Capital contribution impact of interest free funding loans, net of tax	-	76.7
Capital contribution in respect of share options granted to employees of subsidiary undertakings (note 5)	0.4	1.2
At end of year	788.7	788.3

The fair value adjustment to amounts receivable from subsidiary undertakings represents the value of notional interest arising on interest free loans. This amount was accounted for as an increase in the carrying value of financial assets in the year ended 29 February 2008.

The total expense of €0.4m (2008: €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 subsidiary undertakings are set out in note 29.

15. Inventories

	2009 €m	2008 €m
Group		
Raw materials & consumables	32.1	55.1
Finished goods & goods for resale	12.4	23.7
Total inventories at lower of cost and net realisable value	44.5	78.8

Inventory write-down recognised as an expense within operating costs amounted to €12.4m (2008: €2.4m). This predominantly represents an apple juice stock impairment charge of €11.1m that arose as a result of the Group's surplus apple juice stocks. At 28 February 2009, the Group's stock holding of apple juice at circa 36 months was deemed excessive in light of anticipated future needs, forward purchase commitments and useful life of stock on hand. The prior year write-down of €2.4m principally related to finished goods damaged in a third party warehouse.

16. Trade & other receivables

	Group		Company	
	2009 €m	2008 €m	2009 €m	2008 €m
<i>Amounts falling due within one year:</i>				
Trade receivables	46.7	56.5	-	-
Prepayments	11.2	11.0	-	-
	57.9	67.5	-	-
<i>Amounts falling due after one year:</i>				
Amounts due from Group undertakings	-	-	377.9	391.3
	-	-	377.9	391.3
Total	57.9	67.5	377.9	391.3

16. 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 28 February 2009 and 29 February 2008 were as follows:-

	Gross 2009 €m	Impairment 2009 €m	Gross 2008 €m	Impairment 2008 €m
Group				
Neither past due nor impaired	38.3	-	49.2	-
<i>Past due</i>				
Past due 0-30 days	5.7	(0.3)	4.7	(0.1)
Past due 31-120 days	2.8	(0.3)	3.0	(0.5)
Past due 121-365 days	1.0	(0.5)	0.9	(0.7)
More than one year	0.4	(0.4)	0.3	(0.3)
Total	48.2	(1.5)	58.1	(1.6)

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:-

	2009 €m	2008 €m
Group		
At beginning of year	1.6	1.8
Recovered during the year	(0.1)	(0.4)
Provided during the year	0.6	1.0
De-recognised on disposal	(0.3)	(0.1)
Written off during the year	(0.3)	(0.7)
At end of year	1.5	1.6

Company

The Company has guaranteed the liabilities of all its subsidiary companies incorporated in the Republic of Ireland. As at 28 February 2009, 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 as detailed in note 27.

17. Trade & other payables

	Group		Company	
	2009 €m	2008 €m	2009 €m	2008 €m
Trade payables	16.1	26.8	-	-
Payroll taxes & social security	0.8	1.3	-	-
VAT	0.5	1.3	-	-
Excise duty	7.6	6.5	-	-
Accruals	39.6	33.9	0.2	0.4
Total	64.6	69.8	0.2	0.4

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

Notes *continued*

Forming part of the financial statements

18. Provisions

	Group	
	2009	2008
	€m	€m
At beginning of year	12.7	1.3
Provided during the year	14.7	12.1
Utilised during the year	(5.3)	(0.1)
De-recognised on disposal	-	(0.6)
	<hr/>	<hr/>
At end of year	22.1	12.7
	<hr/>	<hr/>
Current	20.8	12.0
Non-current	1.3	0.7
	<hr/>	<hr/>
	22.1	12.7
	<hr/>	<hr/>

Included in the current year provision are: severance costs arising from the Group reorganisation; relocation costs with respect to the consolidation of the Group's Dublin offices into a single location; and dilapidation costs on the properties disposed of as part of the disposal of the Soft drinks business. Also provided against is the Group's exposure to employee and third party insurance claims. Under the terms of employer and public liability insurance policies, the Group bears a portion of the cost of each claim up to the specified excess. The provision is calculated based on the expected portion of settlement costs to be borne by the Group in respect of specific claims arising before the balance sheet date.

19. Interest bearing loans & borrowings**Maturity analysis
Group and Company**

	Payable by instalment 2009 €m	Repayable other than by instalment 2009 €m	Total 2009 €m
Non-current			
3-4 years	-	309.2	309.2
	<hr/>	<hr/>	<hr/>
Total	-	309.2	309.2
	<hr/>	<hr/>	<hr/>
	2008 €m	2008 €m	2008 €m
Non-current			
3-4 years	-	288.9	288.9
	<hr/>	<hr/>	<hr/>
Total	-	288.9	288.9
	<hr/>	<hr/>	<hr/>

Unamortised issue costs of €0.8m (2008: €1.1m) have been netted against outstanding bank loans and are being amortised to the income statement on an effective interest rate basis.

Borrowing facilities

The Group manages its borrowing ability by entering into committed borrowing agreements. During the previous financial year, the Group re-negotiated its debt facility and repaid all amounts owing under the previous debt facility. The current 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 27. 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.

Under the Loan Facility Agreement, an agreed excess of net disposal proceeds arising from the disposal of part of the business must be applied to repay outstanding loans and the available committed facility cancelled by that amount if the said net disposal proceeds are not reinvested within 12 months from the date of disposal. As a result, in the current year €170m of the Group's unutilised loan facility was cancelled. The undrawn committed facilities available to the Group as at 28 February 2009 amounted to €120m (2008: €310m).

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

20. Analysis of net debt

	1 March 2008 €m	Translation adjustment €m	Cash flow €m	Non-cash changes €m	28 February 2009 €m
Group					
Interest bearing loans & borrowings	288.9	-	20.0	0.3	309.2
Cash & cash equivalents	(32.7)	0.3	(50.6)	-	(83.0)
	256.2	0.3	(30.6)	0.3	226.2
Interest rate swaps (note 23)	0.6	-	(0.8)	6.5	6.3
	256.8	0.3	(31.4)	6.8	232.5
	1 March 2007 €m	Translation adjustment €m	Cash flow €m	Non-cash changes €m	29 February 2008 €m
Group					
Interest bearing loans & borrowings	346.1	-	(59.3)	2.1	288.9
Cash & cash equivalents	(40.7)	2.1	5.9	-	(32.7)
	305.4	2.1	(53.4)	2.1	256.2
Interest rate swaps (note 23)	(3.2)	-	(2.2)	6.0	0.6
	302.2	2.1	(55.6)	8.1	256.8

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

21. Recognised deferred tax assets and liabilities

	2009			2008		
	Assets €m	Liabilities €m	Net assets/ liabilities €m	Assets €m	Liabilities €m	Net assets/ liabilities €m
Group						
Property, plant & equipment	9.1	-	9.1	-	(4.3)	(4.3)
Defined benefit pension schemes	5.8	-	5.8	2.9	-	2.9
Derivative financial instruments	0.1	-	0.1	-	(2.1)	(2.1)
	15.0	-	15.0	2.9	(6.4)	(3.5)
	2009			2008		
	Assets €m	Liabilities €m	Net assets/ liabilities €m	Assets €m	Liabilities €m	Net assets/ liabilities €m
Company						
Derivative financial instruments	0.7	-	0.7	0.1	-	0.1
Interest free loans fair value adjustment	8.0	-	8.0	8.0	-	8.0
	8.7	-	8.7	8.1	-	8.1

Analysis of movement in net deferred tax asset/liability

	1 March 2008 €m	Recognised in income statement €m	De- recognised on disposal €m	Foreign currency movement €m	Recognised in equity €m	28 February 2009 €m
Group						
Property, plant & equipment	(4.3)	13.4	-	-	-	9.1
Defined benefit pension schemes	2.9	(2.8)	-	-	5.7	5.8
Derivative financial instruments	(2.1)	-	-	-	2.2	0.1
	(3.5)	10.6	-	-	7.9	15.0

Notes *continued*

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21. Recognised deferred tax assets and liabilities (continued)

	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
Group						
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)
	3.7	(1.1)	(3.0)	(0.2)	(2.9)	(3.5)

	1 March 2008 €m	Fair value adjustment €m	Recognised in income statement €m	Recognised in equity €m	28 February 2009 €m
Company					
Derivative financial instruments	0.1	-	-	0.6	0.7
Interest free loans fair value adjustment	8.0	-	-	-	8.0
	8.1	-	-	0.6	8.7

	1 March 2007 €m	Fair value adjustment €m	Recognised in income statement €m	Recognised in equity €m	29 February 2008 €m
Company					
Derivative financial instruments	-	-	-	0.1	0.1
Interest free loans fair value adjustment	-	8.0	-	-	8.0
	-	8.0	-	0.1	8.1

There are no unrecognised deferred tax assets or liabilities.

22. Retirement benefit obligations

The Group operates two defined benefit pension schemes for employees in the Republic of Ireland, both 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 defined benefit 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.

Both schemes are now closed to new members and the Executive Scheme is closed for future accruals.

On disposal of the Soft drinks business to Britvic plc during the previous financial year, it was agreed that:-

- 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 process of separating the pension schemes is largely completed and is due to be finalised by September 2009. The accounting treatment at the time of sale 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.

22. Retirement benefit obligations (continued)**Actuarial valuations – funding requirements**

As stated, 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. These valuations are currently being updated and are due to be completed by June 2009. 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 discount rate used to convert future pension liabilities to current values and the rate of increase in salaries. These and other assumptions used are set out below.

Mortality rates also have a significant impact on the actuarial valuations and the rates used 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

Scheme liabilities:

The average age of active members is between 42 and 48 years while the duration of liabilities ranges from 15 to 25 years. 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 28 February 2009 and 29 February 2008 are as follows:

	2009		2008	
	ROI	UK	ROI	UK
Salary increases	3.70%	4.20%	4.25%	4.50%
Increases to pensions in payment	3.00%	2.50%	3.00%	2.50%
Discount rate	5.50%	6.50%	5.45%	6.00%
Inflation rate	2.25%	3.50%	2.50%	3.50%

Scheme assets:

The long-term rates of return expected at 28 February 2009 and 29 February 2008, determined in conjunction with the Group's actuaries, analysed by the class of investments in which the schemes assets are invested, are as follows:

	2009 ROI	2008 ROI
Equity	9.40%	7.90%
Bonds	3.20%	3.80%
Property	6.20%	6.10%
Cash	2.50%	2.50%

Notes *continued*

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22. Retirement benefit obligations (continued)**a. Impact on Group Income Statement**

	2009			2008		
	ROI	UK	Total	ROI	UK	Total
	€m	€m	€m	€m	€m	€m
Analysis of defined benefit pension expense:						
Current service cost	3.5	0.1	3.6	7.6	0.5	8.1
Past service cost	0.7	-	0.7	-	-	-
Settlements and curtailments	(2.2)	-	(2.2)	-	-	-
Interest on scheme liabilities	8.2	0.2	8.4	8.8	1.0	9.8
Expected return on scheme assets	(8.1)	(0.2)	(8.3)	(11.3)	(0.8)	(12.1)
Total expense recognised in operating costs	2.1	0.1	2.2	5.1	0.7	5.8

Analysis of amount recognised in Statement of Recognised Income & Expense (SORIE)

	2009			2008			2007			2006			2005		
	ROI	UK	Total	ROI	UK	Total	ROI	UK	Total	ROI	UK	Total	ROI	UK	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Actual return less expected return on scheme assets	(44.0)	(0.8)	(44.8)	(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	0.1	(0.2)	(0.1)	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	3.2	0.1	3.3	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	(40.7)	(0.9)	(41.6)	0.1	1.9	2.0	4.7	(3.2)	1.5	(2.0)	(4.1)	(6.1)	(12.3)	0.5	(11.8)
Scheme assets	107.3	2.2	109.5	123.8	3.3	127.1	182.7	22.4	205.1	178.7	20.1	198.8	145.5	15.4	160.9
Scheme liabilities	(151.8)	(3.2)	(155.0)	(150.6)	(3.7)	(154.3)	(216.6)	(40.0)	(256.6)	(223.1)	(34.6)	(257.7)	(187.9)	(26.0)	(213.9)
Deficit in the scheme	(44.5)	(1.0)	(45.5)	(26.8)	(0.4)	(27.2)	(33.9)	(17.6)	(51.5)	(44.4)	(14.5)	(58.9)	(42.4)	(10.6)	(53.0)

The cumulative actuarial loss recognised to date in the SORIE is €56.0m (2008: €14.4m).

22. Retirement benefit obligations (continued)**b. Impact on Group balance sheet**

The net pension liability at 28 February 2009 is analysed as follows:

Analysis of net pension deficit

	2009			2008		
	ROI €m	UK €m	Total €m	ROI €m	UK €m	Total €m
Bid value of assets at end of year:						
Equity ⁽ⁱ⁾	63.4	-	63.4	111.9	-	111.9
Bonds	19.7	-	19.7	13.5	-	13.5
Property	8.5	-	8.5	18.9	-	18.9
Cash	42.2	-	42.2	25.8	-	25.8
	133.8	-	133.8	170.1	-	170.1
Attributed to disposal of Soft drinks business ⁽ⁱⁱ⁾	(26.5)	2.2	(24.3)	(46.3)	3.3	(43.0)
	107.3	2.2	109.5	123.8	3.3	127.1
Actuarial value of scheme liabilities	(151.8)	(3.2)	(155.0)	(150.6)	(3.7)	(154.3)
Deficit in the scheme	(44.5)	(1.0)	(45.5)	(26.8)	(0.4)	(27.2)
Related deferred tax asset	5.5	0.3	5.8	2.7	0.2	2.9
Net pension liabilities	(39.0)	(0.7)	(39.7)	(24.1)	(0.2)	(24.3)

(i) including a direct investment in C&C Group plc as at the year end of €nil (2008: €nil)

(ii) assets of €26.5m 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 2009/10. Assets of €2.2m are currently held in trust by Britvic plc for employees of the Group in Northern Ireland.

Reconciliation of scheme assets (bid values)

	2009			2008		
	ROI €m	UK €m	Total €m	ROI €m	UK €m	Total €m
Assets at beginning of year	123.8	3.3	127.1	182.7	22.4	205.1
<i>Movement in year</i>						
Translation adjustment	-	(0.5)	(0.5)	-	(0.1)	(0.1)
Expected return on assets	8.1	0.2	8.3	11.3	0.8	12.1
Actual return less expected return on scheme assets	(44.0)	(0.8)	(44.8)	(26.9)	(1.1)	(28.0)
Employer contributions	25.1	0.3	25.4	6.2	2.4	8.6
Member contributions	0.7	-	0.7	1.2	-	1.2
Premiums paid	(0.3)	-	(0.3)	-	-	-
Benefit payments	(6.1)	(0.3)	(6.4)	(4.4)	(0.3)	(4.7)
	107.3	2.2	109.5	170.1	24.1	194.2
Disposal of Soft drinks business	-	-	-	(46.3)	(20.8)	(67.1)
Assets at end of year	107.3	2.2	109.5	123.8	3.3	127.1

The expected employer contributions to defined benefit schemes for year ending 28 February 2010 is €3.6m.

Notes *continued*

Forming part of the financial statements

22. Retirement benefit obligations (continued)**b. Impact on Group balance sheet (continued)**

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

	2009		2008	
	ROI	NI	ROI	Total
Equities	47.0%	75.0%	67.0%	67.0%
Bonds	15.0%	14.0%	11.0%	11.0%
Property	6.0%	1.0%	8.0%	8.0%
Cash	32.0%	10.0%	14.0%	14.0%
	100.0%	100.0%	100.0%	100.0%

Reconciliation of actuarial value of liabilities

	2009			2008		
	ROI €m	UK €m	Total €m	ROI €m	UK €m	Total €m
Liabilities at beginning of year	150.6	3.7	154.3	216.6	40.0	256.6
<i>Movement in year</i>						
Translation adjustment	-	(0.6)	(0.6)	-	(0.6)	(0.6)
Current service cost	3.5	0.1	3.6	7.6	0.5	8.1
Past service cost	0.7	-	0.7	-	-	-
Settlements & curtailments	(2.2)	-	(2.2)	-	-	-
Interest cost on scheme liabilities	8.2	0.2	8.4	8.8	1.0	9.8
Member contributions	0.7	-	0.7	1.2	-	1.2
Actuarial (gain)/loss immediately recognised in equity	(3.3)	0.1	(3.2)	(27.0)	(3.0)	(30.0)
Premiums paid	(0.3)	-	(0.3)	-	-	-
Benefit payments	(6.1)	(0.3)	(6.4)	(4.4)	(0.3)	(4.7)
	151.8	3.2	155.0	202.8	37.6	240.4
Disposal of Soft drinks business	-	-	-	(52.2)	(33.9)	(86.1)
Liabilities at end of year	151.8	3.2	155.0	150.6	3.7	154.3

23. 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. Treasury activities are performed 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.

23. Financial instruments and financial risk management (continued)**(b) Financial assets and liabilities**

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

Group	Cashflow hedges €m	Fair value through income statement €m	Loans & receivables €m	Liabilities at amortised cost €m	Total carrying value €m	Fair value €m
28 February 2009						
Financial assets:						
Cash & cash equivalents	-	-	83.0	-	83.0	83.0
Derivative financial assets	5.6	6.0	-	-	11.6	11.6
Trade receivables	-	-	46.7	-	46.7	46.7
Financial liabilities:						
Interest bearing loans & borrowings	-	-	-	(309.2)	(309.2)	(262.2)
Derivative financial liabilities	(8.3)	-	-	-	(8.3)	(8.3)
Trade payables & accruals	-	-	-	(55.7)	(55.7)	(55.7)
Provisions	-	-	-	(22.1)	(22.1)	(22.1)
	(2.7)	6.0	129.7	(387.0)	(254.0)	(207.0)

Group	Cashflow hedges €m	Fair value through income statement €m	Loans & receivables €m	Liabilities at amortised cost €m	Total carrying value €m	Fair value €m
29 February 2008						
Financial assets:						
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
Financial liabilities:						
Interest bearing loans & borrowings	-	-	-	(288.9)	(288.9)	(245.5)
Derivative financial liabilities	(1.9)	-	-	-	(1.9)	(1.9)
Trade payables & 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)

Company	Cashflow hedges €m	Loans & receivables €m	Liabilities at amortised cost €m	Total carrying value €m	Fair value €m
28 February 2009					
Financial assets:					
Derivative financial assets	-	-	-	-	-
Amounts due from Group undertakings	-	377.9	-	377.9	377.9
Financial liabilities:					
Interest bearing loans & borrowings	-	-	(309.2)	(309.2)	(262.2)
Derivative financial liabilities	(6.3)	-	-	(6.3)	(6.3)
Accruals	-	-	(0.2)	(0.2)	(0.2)
	(6.3)	377.9	(309.4)	62.2	109.2

Notes *continued*

Forming part of the financial statements

23. Financial instruments and financial risk management (continued)**(b) Financial assets and liabilities (continued)**

Company

29 February 2008

Financial assets:

Derivative financial assets

Amounts due from Group undertakings

Financial liabilities:

Interest bearing loans & borrowings

Derivative financial liabilities

Accruals

	Cashflow hedges €m	Loans & receivables €m	Liabilities at amortised cost €m	Total carrying value €m	Fair value €m
Derivative financial assets	1.3	-	-	1.3	1.3
Amounts due from Group undertakings	-	391.3	-	391.3	391.3
Financial liabilities:					
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

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.

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	
	2009 €m	2008 €m	2009 €m	2008 €m
Financial assets: current				
Interest rate swaps	-	0.6	-	0.6
Forward exchange contracts	11.6	25.1	-	-
	11.6	25.7	-	0.6
Financial assets: non-current				
Interest rate swaps	-	0.7	-	0.7
Forward exchange contracts	-	2.9	-	-
	-	3.6	-	0.7
Financial liabilities: current				
Interest rate swaps	(3.0)	(0.6)	(3.0)	(0.6)
Forward exchange contracts	(2.0)	-	-	-
	(5.0)	(0.6)	(3.0)	(0.6)
Financial liabilities: non-current				
Interest rate swaps	(3.3)	(1.3)	(3.3)	(1.3)
Forward exchange contracts	-	-	-	-
	(3.3)	(1.3)	(3.3)	(1.3)

23. Financial instruments and financial risk management (continued)

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

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.

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 compared to the forecast transactions originally hedged resulted in the Group having surplus contracts to sell Sterling. 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 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 €3.8m (2008: €9.1m) being recognised within finance income in the income statement.

At 28 February 2009, 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 17.

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	
	2009 €m	2008 €m	2009 €m	2008 €m
Trade & other receivables	46.7	56.5	377.9	391.3
Cash & cash equivalents	83.0	32.7	-	-
Interest rate swaps used for hedging	-	1.3	-	1.3
Forward exchange contracts	11.6	28.0	-	-
	141.3	118.5	377.9	392.6

The ageing of trade receivables and an analysis of movement in the Group impairment provisions against trade receivables are disclosed in note 16. The Group does not have any significant concentrations of risk.

Notes *continued*

Forming part of the financial statements

23. 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 €120m.

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

	Carrying amount €m	Contractual cash flows €m	6 mths or less €m	6-12 mths €m	1-2 yrs €m	2-5 yrs €m
2009						
Interest bearing loans & borrowings	309.2	(325.0)	(2.4)	(2.3)	(4.6)	(315.7)
Interest rate swaps – net cash outflows	6.3	(9.5)	(1.9)	(2.1)	(2.9)	(2.6)
FX forward contracts – gross cash outflows	(9.6)	(85.5)	(61.6)	(23.9)	-	-
FX forward contracts – gross cash inflows	-	95.1	70.8	24.3	-	-
Trade payables & accruals	55.7	(55.7)	(55.7)	-	-	-
Provisions	22.1	(22.1)	(20.8)	-	(1.3)	-
Total contracted outflows	383.7	(402.7)	(71.6)	(4.0)	(8.8)	(318.3)
2008						
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 & accruals	60.7	(60.7)	(60.7)	-	-	-
Provisions	12.7	(12.7)	-	(12.0)	(0.7)	-
Total contracted outflows	334.9	(372.8)	(33.5)	(8.1)	(11.0)	(320.2)
Company						
2009						
Interest bearing loans & borrowings	309.2	(325.0)	(2.4)	(2.3)	(4.6)	(315.7)
Interest rate swaps – net cash outflows	6.3	(9.5)	(1.9)	(2.1)	(2.9)	(2.6)
Trade payables & accruals	0.2	(0.2)	(0.2)	-	-	-
Total contracted outflows	315.7	(334.7)	(4.5)	(4.4)	(7.5)	(318.3)
2008						
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 & accruals	0.4	(0.4)	(0.4)	-	-	-
Total contracted outflows	289.9	(345.8)	(6.8)	(6.3)	(12.5)	320.2

23. Financial instruments and financial risk management (continued)

(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.

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. Currency exposures for the entire Group are managed and controlled 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. Treasury operations are controlled within strict terms of reference that have been approved by the 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 28 February 2009 is as follows:-

	Euro €m	Sterling €m	USD/CAD €m	Not at risk €m	Total €m
Cash & cash equivalents	0.1	0.7	3.3	78.9	83.0
Trade receivables	-	15.6	4.3	26.8	46.7
Derivative financial assets and liabilities	-	11.5	(1.9)	(6.3)	3.3
Interest bearing bank loans	-	-	-	(309.2)	(309.2)
Trade payables & accruals	-	(2.9)	(0.5)	(52.3)	(55.7)
Provisions	-	-	-	(22.1)	(22.1)
Total	0.1	24.9	5.2	(284.2)	(254.0)

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

Foreign currency contracts in place at 28 February 2009 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 2010	56.0	0.75	24.0	1.41	6.0	1.58

A 10% strengthening in the euro against Sterling and the US Dollar, based on outstanding financial assets and liabilities at 28 February 2009, would have a €3.4m negative impact on the income statement and a €6.8m positive impact on the equity reserve. A 10% weakening in the Euro against Sterling and the US Dollar would have a €0.4m positive effect on the income statement and a €1.4m negative impact on the equity reserve. This analysis assumes that all other variables, in particular interest rates remain constant.

Notes *continued*

Forming part of the financial statements

23. 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	
	2009 €'m	2008 €'m	2009 €'m	2008 €'m
Variable rate instruments				
Interest bearing loans & borrowings	(310.0)	(290.0)	(310.0)	(290.0)
Cash & cash equivalents	83.0	32.7	-	-
Derivative assets	-	1.3	-	1.3
Derivative liabilities	(6.3)	(1.9)	(6.3)	(1.9)
	(233.3)	(257.9)	(316.3)	(290.6)

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 28 February 2009 have the effect of converting up to €150m (2008: €150m) 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 m	Weighted average fixed interest rate
Year ending 28 February 2010	150.0	3.60%
Year ending 28 February 2011	100.0	4.01%
Year ending 29 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 €1.6m (2008: €1.4m).

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

Group	Carrying amount €m	Expected cash flows €m	6 months or less €m	6-12 months €m	1-2 years €m	More than 2 years €m
28 February 2009						
Interest rate swaps						
- assets	-	-	-	-	-	-
- liabilities	(6.3)	(9.5)	(1.9)	(2.1)	(2.9)	(2.6)
Forward exchange contracts						
- assets	5.6	5.5	4.2	1.3	-	-
- liabilities	(2.0)	(1.9)	(1.0)	(0.9)	-	-
	(2.7)	(5.9)	1.3	(1.7)	(2.9)	(2.6)
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	46.0	33.6	10.2	2.2	-
- liabilities	-	-	-	-	-	-
	27.4	48.7	34.2	10.8	3.4	0.3

23. Financial instruments and financial risk management (continued)**(f) Market risk (continued)**

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 €m	Expected cash flows €m	6 months or less €m	6-12 months €m	1-2 years €m	More than 2 years €m
28 February 2009						
Interest rate swaps						
- assets	-	-	-	-	-	-
- liabilities	(6.3)	(9.5)	(1.9)	(2.1)	(2.9)	(2.6)
Forward exchange contracts						
- assets	5.6	4.7	3.7	1.0	-	-
- liabilities	(2.0)	(1.7)	(1.0)	(0.7)	-	-
	(2.7)	(6.5)	0.8	(1.8)	(2.9)	(2.6)
29 February 2008						
Interest rate swaps						
- assets	1.3	2.7	0.5	0.5	1.2	0.5
- liabilities	(1.9)	(0.2)	-	-	(0.2)	-
Forward exchange contracts						
- assets	28.0	46.1	33.6	10.2	2.3	-
- liabilities	-	-	-	-	-	-
	27.4	48.6	34.1	10.7	3.3	0.5

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

Company	Carrying amount €m	Expected cash flows €m	6 months or less €m	6-12 months €m	1-2 years €m	More than 2 years €m
28 February 2009						
Interest rate swaps						
- assets	-	-	-	-	-	-
- liabilities	(6.3)	(9.5)	(1.9)	(2.1)	(2.9)	(2.6)
	(6.3)	(9.5)	(1.9)	(2.1)	(2.9)	(2.6)
Company						
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*

Forming part of the financial statements

24. Share Capital and Reserves**Share capital**

	Authorised number	Allotted and called up number	Authorised €m	Allotted and called up* €m
At 28 February 2009				
Ordinary shares of €0.01 each	800,000,000	328,583,417*	8.0	3.3*
At 29 February 2008				
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

* inclusive of 12.8m treasury shares which are not fully paid up. The balance of 315,783,417 ordinary shares are fully paid

** fully paid up ordinary shares

All shares in issue carry equal voting and dividend rights. The beneficial owners of the 12.8m shares issued under the Joint Share Ownership Plan have waived their right to receive a dividend.

**Reserves
Group**

	Equity 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	Revaluation Reserve €m	Treasury Shares €m	Retained Income €m	Total €m
At 1 March 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
At 29 February 2008	3.1	44.9	0.5	24.9	16.9	2.7	(1.5)	-	-	327.7	419.2
Total recognised income and expense for the year	-	-	-	-	(19.1)	-	(1.6)	5.9	-	(96.8)	(111.6)
Dividend on ordinary shares	0.1	5.5	-	-	-	-	-	-	-	(65.8)	(60.2)
Exercised share options	-	0.4	-	-	-	-	-	-	-	-	0.4
Transfer on exercise/lapse of share options	-	-	-	-	-	(2.2)	-	-	-	2.2	-
Joint share ownership plan	0.1	14.6	-	-	-	1.5	-	-	(14.7)	-	1.5
Equity settled share-based payments	-	-	-	-	-	0.4	-	-	-	-	0.4
At 28 February 2009	3.3	65.4	0.5	24.9	(2.2)	2.4	(3.1)	5.9	(14.7)	167.3	249.7

24. Share Capital and Reserves (continued)

(i) *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.

(ii) *Movements in the year ended 28 February 2009*

In July 2008, 612,317 ordinary shares were issued to the holders of ordinary shares who elected to receive additional ordinary shares at a price of €5.12 per share, instead of part or all the cash element of their year ended 29 February 2008 final dividend. In December 2008, 2,021,764 ordinary shares were issued to the holders of ordinary shares who elected to receive additional ordinary shares at a price of €1.23 per share, instead of part or all the cash element of their year ended 28 February 2009 interim dividend.

Also, during the financial year, 156,500 ordinary shares were issued on the exercise of share options for a consideration of €0.4m and a further 12,800,000 shares were issued as part of an Joint Share Ownership Plan for a total consideration of €14.7m, of which €1.5m was funded by the participating Executives and the balance funded by the Group. These shares are held in trust with Kleinwort Benson (Guernsey) Trustees Limited and the entitlements associated with the shares fall to the benefit of the relevant executives if certain conditions in the Joint Share Ownership scheme are met over the life of the scheme.

Details of Directors' shareholdings and employee share ownership plans are set out in the Report of the Remuneration Committee on pages 34 to 35.

Company income statement

In accordance with Section 148(8) of the Companies (Amendment) Act, 1963, the income statement of the Company has not been presented separately in these consolidated financial statements. A profit of €11.6m (2008: €306.4m) 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 €767.3m as at 28 February 2009 (2008: €746.8m). The movement in the current year relates to the exercise of share options, the issuance of a scrip dividend to those who elected to receive additional ordinary shares in place of a cash dividend, and the issue of shares under the Joint Share Ownership plan.

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 prior 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 23 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 5.

Notes *continued*

Forming part of the financial statements

24. Share Capital and Reserves (continued)

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.

Treasury shares

This reserve arises when the Company issues equity share capital under its Joint Share Ownership Plan, which is held in trust by the Group's Employee Benefit Trust, the consideration paid is deducted from total shareholders' equity and classified as treasury shares on consolidation.

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. In order to maintain or adjust the capital structure, the Group may issue new shares, dispose of assets, alter dividend policy or return capital to shareholders. Prior to the year end the Directors undertook a decision to propose a reduction in the full year dividend per share payable to ordinary shareholders for the financial year ended 28 February 2009 from 27c per share to 9c per share, the final element (3.0c) is subject to shareholder approval at the AGM to be held on 28 August 2009.

In addition, as part of the Group's capital management strategy, a share buyback programme was implemented during the previous financial year. 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. There were no shares purchased during the current financial year and the programme is terminated. At the AGM held on 11 July 2008, shareholders granted the Company authority to make market purchases of up to 10% of its own shares.

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 1.9 at 29 February 2008 to 2.6 at 28 February 2009.

25. Capital commitments

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

	2009	2008
	€m	€m
Contracted	0.8	7.6
Not contracted	0.5	8.7
	1.3	16.3

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

26. Commitments under operating leases

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

	2009		2008	
	Land & buildings	Other	Land & buildings	Other
	€m	€m	€m	€m
Payable within one year	0.4	0.9	-	1.7
Payable in 2 to 5 years	1.6	3.0	-	3.7
	2.0	3.9	-	5.4

During the financial year, the Group entered into a number of lease agreements for the provision of office accommodation in Dublin.

27. Guarantees and contingencies

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

In the prior year, the Company drew down new debt and the Company, together with a number of its subsidiaries as outlined in note 29, gave a letter of guarantee to secure its obligations in respect of these bank loans. The actual loans outstanding at 28 February 2009 amounted to €310m (2008: €290m).

During the current year, Entrepise Ireland funding of €0.2m was received towards the costs of implementing a development plan. These funds are fully repayable should the company at any time during the term of the Agreement be in breach of the terms and conditions of the Agreement. The Agreement terminates after five years.

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 a claim relating to tax where the time limit is 4 years.

Under the terms of the Sale Purchase Agreements with respect to the disposal of the wines and spirits distribution businesses, the Group has a maximum exposure of €9.6m with respect to the Republic of Ireland business and Stg£1.9m with respect to the Northern Ireland business in relation to warranties undertaken. All claims with respect to these warranties must be presented in writing to the group within 21 months and 18 months respectively following completion of the sale, except for a claim relating to tax in Northern Ireland where the time limit is 7 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 28 February 2009 and as a result such subsidiaries are exempt from the filing provisions of Section 7, Companies (Amendment) Act, 1986 (note 29).

28. 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 29. 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*.

Notes *continued*

Forming part of the financial statements

28. Related party transactions (continued)

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 certain Directors behalf. Executive Directors also participate in the Group's share option programmes (note 5).

Details of key management remuneration are as follows:-

	2009 Number	2008 Number
Number of individuals	14	11
	€m	€m
Salaries and other short term employee benefits	2.6	4.0
Post employment benefits	0.5	0.6
Termination payments	4.4	1.9
Cash settled long term incentive plan	0.1	0.4
Equity settled share-based payments	0.2	0.5
	<hr/>	<hr/>
Charged to the Income statement	7.8	7.4
Actuarial loss recognised on defined benefit pension schemes	1.0	0.2
	<hr/>	<hr/>
Total	8.8	7.6

Provision has been made for termination payments in respect of Directors leaving service in the year ending 28 February 2010.

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	-
Expenses paid by subsidiaries on behalf of the Company	(13.7)
Equity settled share-based payments	0.4
Movement in loans with subsidiary undertakings	33.6
Funding of cash requirements of subsidiary undertakings	(20.0)

29. Subsidiary undertakings

Name	Nature of business	Class of shares held (100%)
Trading subsidiaries		
*^ 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
C&C Management Services (UK) Limited	Provision of management services	Ordinary
~ Hollywood & Donnelly Limited	Cider & beer distribution	Ordinary
~ Quinns of Cookstown (1964) Limited	Cider, beer & soft drinks distribution	Ordinary
*^ Wm. Magner Limited	Cider	Ordinary
Wm Magner GmbH	Cider	Ordinary
Wm. Magner, Inc	Cider	Ordinary
Other subsidiaries		
* Bestormel Limited	Non-trading	Ordinary
* Bouchel Limited	Non-trading	Ordinary
* C&C Agencies Limited	Land dealing	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 Pension Trust (1988) Limited	Holding company	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	Holding company	Ordinary
* Fruit of the Vine Limited	Non-trading	Ordinary
* Grants of Ireland Limited	Holding company	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	Non-trading	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 The Grange, Stillorgan Road, Blackrock, Co Dublin, with the exception of:-

- C&C Management Services (UK) Limited which has its registered office at Abbots House, Abbey Street, Reading, Berkshire, England,
- Cantrell & Cochrane B.V. which has its registered office at A.J. Ernststraat 595 H, 1082 LD, Amsterdam,
- Wm Magner GmbH which has its registered office at Hans-Steiberger-StraBe 2b, 85540 Harr,
- 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 27)

^ Original guarantors in respect of bank loans

Immediate subsidiary of C&C Group plc.

30. Approval of financial statements

These financial statements were approved by the Directors on 12 May 2009.