# Notes forming part of the financial statements

## 1. SEGMENTAL REPORTING

The Group's business activity is the manufacturing, marketing and distribution of alcoholic and soft drinks. Five operating segments have been identified in the current and prior financial periods; Ireland, Scotland, C&C Brands, North America and Export.

The Group continually reviews and updates the manner in which it monitors and controls its financial operations resulting in changes in the manner in which information is classified and reported to the Chief Operating Decision Maker ("CODM"). The CODM, identified as the executive Directors comprising Stephen Glancey, Kenny Neison and Joris Brams, assesses and monitors the operating results of segments separately via internal management reports in order to effectively manage the business and allocate resources.

The identified business segments are as follows:-

(i) Ireland
This segment includes the financial results from sale of own branded products in the Island of Ireland, principally Bulmers, Tennent's, Magners, Clonmel 1650, Heverlee, Roundstone Irish Ale, Finches and Tipperary Water. It also includes the financial results from beer and wines and spirits distribution and wholesaling following the acquisition of Gleeson, and the results from sale of third party brands as permitted under the terms of a distribution agreement with AB InBev.

(ii) Scotland
This segment includes the results from sale of the Group's own branded products in Scotland, with Tennent's, Heverlee, Caledonia Premium Bottled Ales, Caledonia Best and Magners the principal brands. It also includes the financial results from third party brand distribution and wholesaling in Scotland following the acquisition of the Wallaces Express wholesale business.

(iii) C&C Brands
This segment includes the results from sale of the Group's own branded products in England & Wales, principally Magners, Tennent's, Chaplin & Cork's and K Cider. It also includes the distribution of the Italian lager Menabrea and the production and distribution of private label cider products.

(iv) North America
This segment includes the results from sale of the Group's cider and beer products, principally Woodchuck, Wyders, Magners, Blackthorn, Hornsby's and Tennent's in the United States and Canada.

(v) Export
This segment includes the sale and distribution of the Group's own branded products, principally Magners, Gaymers, Blackthorn, Hornsby's and Tennent's outside of Ireland, Great Britain and North America. It also includes the sale of some third party brands.

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

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

## 1. SEGMENTAL REPORTING (CONTINUED)

### (a) Reporting segment disclosures

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Revenue €m | Net revenue €m | Operating profit €m | Revenue €m | Net revenue €m | Operating profit €m |
| Ireland | **338.9** | **242.3** | **48.6** | 358.1 | 261.6 | 49.0 |
| Scotland | **285.0** | **186.6** | **32.6** | 339.8 | 227.4 | 37.9 |
| C&C Brands | **145.9** | **83.8** | **7.3** | 177.0 | 103.8 | 10.5 |
| North America | **24.5** | **23.1** | **0.7** | 47.5 | 45.3 | 0.6 |
| Export | **23.8** | **23.7** | **5.8** | 24.5 | 24.5 | 5.2 |
| **Total before exceptional items** | **818.1** | **559.5** | **95.0** | 946.9 | 662.6 | 103.2 |
| Exceptional items (note 5) | **-** | **-** | **(150.1)*** | - | - | (38.4)** |
| **Total** | **818.1** | **559.5** | **(55.1)** | 946.9 | 662.6 | 64.8 |

* Of the exceptional loss in the current year, €10.3m relates to Ireland, €1.2m relates to Scotland, €7.9m relates to C&C Brands, €129.8m relates to North America and €0.9m remains unallocated.
** Of the exceptional loss in the prior year, €12.9m relates to Ireland, €4.5m relates to Scotland, €19.7m relates to C&C Brands, €1.1m relates to North America and €0.2m relates to Export.

Total assets for the period ended 28 February 2017 amounted to €1,088.1m (2016: €1,267.1m).

### (b) Other operating segment information

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Capital expenditure €m | Depreciation /amortisation / impairment €m | Capital expenditure €m | Depreciation / amortisation / impairment €m |
| Ireland | **20.3** | **8.1** | 6.0 | 7.5 |
| Scotland | **2.1** | **5.3** | 1.7 | 6.7 |
| C&C Brands | **-** | **2.2** | 0.2 | 2.7 |
| North America | **2.8** | **108.4** | 0.4 | 2.0 |
| Export | **0.6** | **0.6** | 0.5 | 0.5 |
| **Total** | **25.8** | **124.6** | 8.8 | 19.4 |

### (c) Geographical analysis of revenue and net revenue

| | Revenue | | Net revenue | |
|---|---|---|---|---|
| | 2017 €m | 2016 €m | 2017 €m | 2016 €m |
| Ireland | **338.9** | 358.1 | **242.3** | 261.6 |
| Scotland | **285.0** | 339.8 | **186.6** | 227.4 |
| England and Wales* | **145.9** | 177.0 | **83.8** | 103.8 |
| US and Canada** | **24.5** | 47.5 | **23.1** | 45.3 |
| Other*** | **23.8** | 24.5 | **23.7** | 24.5 |
| **Total** | **818.1** | 946.9 | **559.5** | 662.6 |

* England and Wales reflects the C&C Brands segment.
** US and Canada reflects the North America segment.
***Other reflects the Export segment, being all other geographical locations excluding Ireland, Great Britain, the US and Canada.

The geographical analysis of revenue and net revenue is based on the location of the third party customers.

# Notes forming part of the financial statements
(continued)

## 1. SEGMENTAL REPORTING (CONTINUED)

### (d) Geographical analysis of non-current assets

| | Ireland | Scotland | England and Wales* | US and Canada** | Other*** | Total |
|---|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m | €m |
| **28 February 2017** | | | | | | |
| Property, plant & equipment | **70.3** | **58.0** | **0.3** | **9.9** | **6.0** | **144.5** |
| Goodwill & intangible assets | **156.1** | **126.4** | **187.2** | **44.6** | **16.0** | **530.3** |
| Equity accounted investees | **0.3** | **0.3** | **-** | **1.8** | **-** | **2.4** |
| Retirement benefits | **4.5** | **-** | **-** | **-** | **-** | **4.5** |
| Deferred tax assets | **3.2** | **-** | **-** | **-** | **-** | **3.2** |
| Trade & other receivables | **20.6** | **25.6** | **1.2** | **1.8** | **0.4** | **49.6** |
| **Total** | **255.0** | **210.3** | **188.7** | **58.1** | **22.4** | **734.5** |

| | Ireland | Scotland | England and Wales* | US and Canada** | Other*** | Total |
|---|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m | €m |
| **29 February 2016** | | | | | | |
| Property, plant & equipment | 60.3 | 67.1 | 16.1 | 30.8 | 5.7 | 180.0 |
| Goodwill & intangible assets | 156.2 | 135.6 | 189.2 | 147.1 | 16.0 | 644.1 |
| Equity accounted investees | - | 0.3 | - | - | - | 0.3 |
| Retirement benefits | 4.7 | - | - | - | - | 4.7 |
| Deferred tax assets | 4.4 | - | - | - | - | 4.4 |
| Trade & other receivables | 15.0 | 29.7 | 1.3 | - | - | 46.0 |
| **Total** | 240.6 | 232.7 | 206.6 | 177.9 | 21.7 | 879.5 |

* England and Wales reflects the C&C Brands segment.
** US and Canada reflects the North America segment.
***Other reflects the Export segment, being all other geographical locations excluding Ireland, Great Britain, the US and Canada.

The geographical analysis of non-current assets, with the exception of Goodwill & intangible assets, is based on the geographical location of the assets. The geographical analysis of Goodwill & intangible assets is allocated based on the country of destination of sales at date of application of IFRS 8 *Operating Segments* or date of acquisition, if later.

## 2. OPERATING COSTS

| | 2017 Before exceptional items €m | 2017 Exceptional items (note 5) €m | 2017 Total €m | 2016 Before exceptional items €m | 2016 Exceptional items (note 5) €m | 2016 Total €m |
|---|---|---|---|---|---|---|
| Raw material cost of goods sold/bought in finished goods | **274.4** | **-** | **274.4** | 335.7 | - | 335.7 |
| Inventory write-down/(recovered) (note 14) | **2.9** | **-** | **2.9** | 3.8 | - | 3.8 |
| Employee remuneration (note 3) | **65.7** | **7.2** | **72.9** | 85.2 | 14.5 | 99.7 |
| Direct brand marketing | **28.2** | **-** | **28.2** | 34.6 | - | 34.6 |
| Other operating, selling and administration costs | **64.0** | **13.4** | **77.4** | 65.6 | 7.9 | 73.5 |
| Depreciation (note 11) | **14.7** | **-** | **14.7** | 19.1 | - | 19.1 |
| Amortisation (note 12) | **0.3** | **-** | **0.3** | 0.3 | - | 0.3 |
| Net profit on disposal of property, plant & equipment | **(1.0)** | **(2.9)** | **(3.9)** | (0.2) | - | (0.2) |
| Research and development costs | **0.1** | **-** | **0.1** | 0.1 | - | 0.1 |
| Auditors remuneration | **0.9** | **-** | **0.9** | 0.9 | - | 0.9 |
| Impairment of intangible assets (note 12) | **-** | **106.6** | **106.6** | - | - | - |
| Revaluation/impairment of property, plant & machinery (note 11) | **-** | **25.8** | **25.8** | - | 16.0 | 16.0 |
| Operating lease rentals: | | | | | | |
| - land & buildings | **5.2** | **-** | **5.2** | 5.8 | - | 5.8 |
| - plant & machinery | **1.1** | **-** | **1.1** | 1.0 | - | 1.0 |
| - other | **8.0** | **-** | **8.0** | 7.5 | - | 7.5 |
| **Total operating expenses** | **464.5** | **150.1** | **614.6** | 559.4 | 38.4 | 597.8 |

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

| | 2017 €m | 2016 €m |
|---|---|---|
| Audit of the Group financial statements | **0.4** | 0.4 |
| Tax advisory services | **0.3** | 0.3 |
| Total | **0.7** | 0.7 |

The audit fee for the audit of the financial statements of the Company was less than €0.1m in the current and prior financial year. Amounts paid to other KPMG offices in relation to subsidiary undertakings in the current financial year was €0.2m (2016: €0.2m).

# Notes forming part of the financial statements
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## 3. EMPLOYEE NUMBERS & REMUNERATION COSTS

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

| | 2017 Number | 2016 Number |
|---|---|---|
| Sales & marketing | **238** | 385 |
| Production & distribution | **848** | 1,090 |
| Administration | **239** | 260 |
| **Total** | **1,325** | 1,735 |

The actual number of persons employed by the Group as at 28 February 2017 was 1,201 (29 February 2016: 1,483).

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

| | 2017 €m | 2016 €m |
|---|---|---|
| Wages, salaries and other short-term employee benefits | **59.4** | 77.7 |
| Restructuring costs (note 5) | **7.2** | 14.5 |
| Social welfare costs | **6.4** | 7.3 |
| Retirement benefits – defined benefit schemes (note 21) | **(3.6)** | (4.5) |
| Retirement benefits – defined contribution schemes, including pension related expenses | **2.7** | 4.1 |
| Equity settled share-based payments (note 4) | **0.7** | 0.5 |
| Cash settled share-based payments (note 4) | **-** | (0.1) |
| Partnership & matching share schemes (note 4) | **0.1** | 0.2 |
| **Charged to the Income Statement** | **72.9** | 99.7 |
| Actuarial (gain)/loss on retirement benefits recognised in Other Comprehensive Income (note 21) | **(3.6)** | 5.1 |
| **Total employee benefits** | **69.3** | 104.8 |

**Directors' remuneration**

| | 2017 €'m | 2016 €'m |
|---|---|---|
| Directors' remuneration (note 26) | **3.6** | 3.6 |

In addition to the amounts disclosed above, during the year, a Group subsidiary paid fees for services to Joris Brams BVBA (a company wholly owned by Joris Brams and family) see further details disclosed in note 26 Related Party Transactions.

## 4. SHARE-BASED PAYMENTS

**Equity settled awards**

In April 2004, the Group established an equity settled **Executive Share Option Scheme (ESOS 2004)** under which options to purchase shares in C&C Group plc are granted to certain executive Directors and members of management. Under the terms of the scheme, the options were exercisable at the market price prevailing at the date of the grant of the option. Options have been granted under this scheme in each year between 2004 and 2015. A number of options granted under the scheme in FY2011 have vested but have not yet been exercised. In the current financial year options awarded in June 2014 were deemed to be not capable of achieving their performance targets and consequently they were deemed to have lapsed in accordance with IFRS 2 *Share-Based Payment*. Options granted in July 2015 will be exercisable in July 2018 subject to meeting the following performance conditions. In addition to continued employment, the options are subject to meeting a specific performance target relating to growth in earnings per share (EPS). EPS is calculated using earnings per share before exceptional items, as disclosed in the financial statements of the Group, subject to any further adjustments approved by the Remuneration Committee. If adjusted EPS growth is 3% per annum over the performance period, 50% of the awards vest and if adjusted EPS growth is 6% per annum or more over the performance period (i.e. 3 years from date of grant), the award vests in full. There will be straight-line vesting between both points and no reward for below threshold performance. 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 July 2015 a **new Executive Share Option Scheme (ESOS 2015)** was adopted following shareholder approval at the AGM. Options were granted in May 2016 under this new scheme. The vesting of the May 2016 awards, in addition to continuous employment, is based on compound annual growth in underlying EPS over the three year performance period FY2017-FY2019. If compound annual growth in underlying EPS over the performance period is 3% per annum then 50% of the awards vest. If the compound annual growth in underlying EPS over the performance period is 6% per annum then 100% of the awards vest. There is straight-line vesting between both points and no reward for below threshold performance.

In April 2004, the Group established a **Long-Term Incentive Plan (Part I) (LTIP 2004 (Part I))** under the terms of which options to purchase shares in C&C Group plc are granted at nominal cost to certain executive Directors and members of management. A number of options granted under the scheme in FY2012 have vested but have not yet been exercised. In the current financial year the options granted in June 2014 were deemed to be not capable of achieving their performance targets and consequently they were deemed to have lapsed in accordance with IFRS 2 *Share-Based Payment*. Options granted in July 2015 are subject to the following performance conditions:

- With regard to 25% of the award, a performance condition relating to total shareholder return ("TSR") applies and achievement of a financial underpin as mentioned below. 30% of this part of the award vests if the Group's TSR over a three year period equals the median TSR of a comparator group; 100% of this part of the award vests if the Group's TSR over a three year period equals or exceeds the TSR of the upper quartile of the comparator group; for performance between the median and the upper quartile there is straight-line pro-rating between 30% and 100%. None of this part of the award vests if the Group's TSR over a three year period is less than the median TSR of a comparator group. In respect of the TSR condition, a financial underpin applies; the growth in the Group's earnings per share (EPS) over the three year period must be 4% or more per annum over the same period; alternatively the Remuneration Committee must be satisfied that the Group's underlying financial performance warrants that level of vesting; otherwise the award lapses. EPS is calculated using earnings per share before exceptional items, as disclosed in the financial statements of the Group, subject to any further adjustments approved by the Remuneration Committee.
- With regard to the remaining 75% of the award, a performance condition relating to growth in EPS applies. 30% of this part of the award vests if the Group's aggregate EPS in a three year period achieves 4% per annum compound growth. 100% of this part of the award vests if the Group's aggregate EPS in a three year period achieves 10% per annum compound growth. There is straight-line pro-rating between 30% and 100% vesting for performance between 4% and 10% per annum compound growth. None of this part of the award vests if the growth in the Group's aggregate EPS in a three year period is less than 4% per annum.

In July 2015 a new **Long-Term Incentive Plan (Part I) (LTIP 2015 (Part I))** was adopted following shareholder approval at the AGM. Options were granted in May 2016 and October 2016 under this new scheme. The awards are subject to the following three performance conditions:

- 33% of the award is subject to the performance condition that the average annual EPS growth is 3% in which case 25% of this element of the award would vest. If the average annual EPS growth is 8% then 100% of this element of the award would vest.
- 33% of the award is subject to the performance condition that the Free Cash Flow Conversion ratio ('FCF') of the Group (excluding the impact of exceptional items) would be 65% conversion at which case 25% of this element of the award would vest. If the FCF was 75% then 100% of this element of the award would vest.
- 33% of the award is subject to a Return on Capital Employed ('ROCE') target. If the ROCE is 9.3% then 25% of this element of the award would vest. If the ROCE was 10% then 100% of this element of the award would vest.

# Notes forming part of the financial statements
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## 4. SHARE-BASED PAYMENTS (CONTINUED)

In all three components of the award above there is straight-line vesting between both points and no reward for below threshold performance.

If awards are made under both the ESOS 2015 and the LTIP 2015 (Part I) in respect of the same financial year the overall maximum award, other than in exceptional circumstances, will be capped at 250% of salary. In exceptional circumstances the maximum combined ESOS 2015 and LTIP 2015 (Part I) award in respect of any financial year is 500% of salary.

In December 2008, the Group established a **Joint Share Ownership Plan (JSOP)** whereby certain executive Directors and members of management were 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 were awarded to executive Directors and key members of senior management on payment upfront to the Company of an amount equal to 10% of the initial issue price of the shares on the acquisition of the Interest. The participants are also required to pay a further amount if the tax value of their Interest exceeds the price paid. When the further amount is paid, the Company compensates the participant for the obligation to pay this further amount by paying him an equivalent amount, which is, however, subject to income tax in the hands of the participant.

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

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

In June 2010, the Group established a **Recruitment and Retention Plan** under the terms of which options to purchase shares in C&C Group plc at nominal cost are granted to certain members of management, excluding executive Directors.

The performance conditions and/or other terms and conditions for awards granted under this plan are specifically approved by the Board of Directors at the time of each individual award, following a recommendation by the Remuneration Committee.

In May 2012 and May 2013, awards of 1,036,255 and 252,672 respectively, were granted under the Recruitment and Retention Plan subject to continuous employment and the performance condition that the Company's TSR must grow by not less than 25% between 17 May 2012 and 16 May 2014 for the May 2012 awards and between 16 May 2013 and 15 May 2015 for the May 2013 awards. Awards would have vested in full if the growth in TSR was at least 50% over that period and the Remuneration Committee were satisfied that the extent to which the award vested was appropriate given the general financial performance of the Group over the performance period. Where TSR growth was between 25% and 50% the percentage of the award that vested was calculated on a straight-line basis between 25% and 100%. Options awarded in May 2012 were deemed to have only partially achieved their performance conditions and consequently 65% of the outstanding awards lapsed. Options granted in May 2013 were deemed to be not capable of achieving their performance conditions and consequently the outstanding awards have now lapsed in accordance with IFRS 2 *Share-Based Payment*.

In May 2014 awards of 823,233 were granted under the Recruitment and Retention Plan subject to continuous employment. Of these awards, 547,382 are subject to continued employment and the achievement of annual performance targets related to the business unit to which each recipient is aligned to. Options will vest in May 2017 on achievement of these conditions. Also in May 2014, an award of 92,111 was made subject to continued employment only and this award vested in May 2016 and an award of 183,740 was also made subject to continued employment only to vest in May 2017.

## 4. SHARE-BASED PAYMENTS (CONTINUED)

In July 2015, 74,956 awards were granted and 490,387 awards were granted in October 2015 under the Recruitment and Retention plan. Of the July 2015 awards, all are subject to continued employment and the achievement of annual performance targets related to the business unit to which each recipient is aligned to. On achievement of both conditions the awards granted will vest in June 2017. Of the October 2015 awards, all are subject to continued employment and the achievement of specific performance targets related to the business unit to which each recipient is aligned to and also specific performance targets related to the specific role of each recipient. Each award has its own vesting period ranging from May 2016 to October 2018.

In the current financial year, 193,817 awards were granted in May 2016 under the Recruitment and Retention plan. All of these awards are subject to continued employment and the achievement of performance targets relating to the business unit to which each recipient is aligned to. Each award has its own vesting period ranging from October 2017 to October 2018.

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

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

The Group held 227,275 matching shares (454,550 partnership and matching) in trust at 28 February 2017 (2016: 298,202 matching shares (596,404 partnership and matching shares held)).

### Cash-settled awards

In December 2012, the Group granted 150,786 cash-settled awards on terms equivalent to the rules of the Recruitment and Retention Plan. The awards were subject to continued employment and performance conditions linked to the achievement of annual performance targets with respect to the business unit to which the participant is aligned to. The operating profit targets were deemed not to have been achieved however and consequently the awards have now lapsed in accordance with IFRS 2 *Share-Based Payment*.

In July 2013, the Group granted 28,279 cash-settled awards on terms equivalent to the rules of the Recruitment and Retention Plan but subject to a time and service vesting condition only. The awards vested in July 2016.

In May 2014, the Group granted 16,723 cash-settled awards on terms equivalent to the rules of the Recruitment and Retention Plan. The awards are subject to continued employment and performance conditions linked to the achievement of performance targets with respect to the business unit to which the participant is aligned to. These awards will vest in May 2017 on the achievement of these conditions.

### Award valuation

The fair values assigned to the ESOS options granted were computed in accordance with a Black Scholes valuation methodology; the fair value of options awarded under the LTIP (Part I) and Recruitment and Retention Plan were computed in accordance with the stochastic model for the TSR element and the Black Scholes model for the EPS element; and the fair value of the Interests awarded under the JSOP and the Restricted Share Award Plan were computed using a Monte Carlo simulation model.

As per IFRS 2 *Share-based Payment*, market based vesting conditions, such as the LTIP (Part I) and Recruitment and Retention Plan TSR condition and the share price target conditions in the JSOP and the Restricted Share Award Plan, have been taken into account in establishing the fair value of equity instruments granted. Non-market or performance related conditions were not taken into account in establishing the fair value of equity instruments granted, instead these non-market vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately the amount recognised for time and services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest, unless the failure to vest is due to failure to meet a market condition.

# Notes forming part of the financial statements
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## 4. SHARE-BASED PAYMENTS (CONTINUED)

The main assumptions used in the valuations for equity settled share-based payment awards were as follows:-

| | LTIP (Part I) options granted Oct 2016 | Recruitment & Retention Plan May 2016 | LTIP (Part I) options granted May 2016 | ESOS options granted May 2016 | Recruitment & Retention Plan October 2015 | Recruitment & Retention Plan July 2015 | LTIP (Part I) options granted July 2015 | ESOS options granted July 2015 |
|---|---|---|---|---|---|---|---|---|
| Fair value at date of grant | €3.48 | €3.71 - €3.84 | €4.041 | €0.4245 | €3.27-€3.53 | €3.159 | €1.7131 - €3.435 | €0.4904 |
| Exercise price | - | - | - | €4.18 | - | - | - | €3.483 |
| Risk free interest rate | - | 0.33%-0.44% | - | 0.5% | - | - | - | 1.46% |
| Expected volatility | - | 21.53%-23.5% | - | 23.68% | - | - | - | 23.77% |
| Expected term until exercise | 3 years | 1.5 - 2.5years | 3 years | 3 years | 0.6-3 years | 2.5 years | 3 years | 5 years |
| Dividend yield | - | 3.38% | - | 3.38% | 3.19% | 3.35% | - | 3.35% |

Expected volatility is calculated by reference to historic share price movements prior to the date of grant over a period of time commensurate with the expected term until exercise. The dividends which would be paid on a share reduces the fair value of an award since, in not owning the underlying shares, a recipient does not receive the dividend income on these shares. For LTIP (Part I) awards, the participants are entitled to receive dividends, and therefore the dividend yield has been set to zero to reflect this.

The main assumptions used in the valuations of cash-settled share-based payment awards were as follows:-

| | Granted May 2014 |
|---|---|
| Fair value at date of grant | €4.04 |
| Exercise price | - |
| **Main assumptions used in determining the fair value at date of grant:** | |
| Expected term until exercise | 3 years |
| Dividend yield | 2.31% |

## 4. SHARE-BASED PAYMENTS (CONTINUED)

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

| Grant date | Vesting period | Number of options/ equity Interests granted | Number outstanding at 28 February 2017 | Grant price € | Market value at date of Grant € | Fair value at date of grant € | Expense / (income) in Income Statement 2017 €m | 2016 €m |
|---|---|---|---|---|---|---|---|---|
| **Executive Share Option Scheme (ESOS 2004)** | | | | | | | | |
| 26 May 2010 | 3 years | 803,900 | 374,600 | 3.21 | 3.21 | 1.21 | **-** | - |
| 21 July 2010 | 3 years | 2,944,400 | 369,700 | 3.32 | 3.32 | 1.16 | **-** | - |
| 27 June 2014 | 3 years | 527,151 | 527,151 | 4.621 | 4.56 | 1.01 | **-** | (0.1) |
| 2 July 2015 | 3 years | 768,495 | 768,495 | 3.48 | 3.48 | 0.4904 | **(0.1)** | 0.1 |
| **Executive Share Option Scheme (ESOS 2015)** | | | | | | | | |
| 12 May 2016 | 3 years | 593,700 | 593,700 | 4.18 | 4.041 | 0.4245 | **0.1** | - |
| **Long-Term Incentive Plan 2004 (Part I)** | | | | | | | | |
| 29 February 2012 | 3 years | 328,448 | 49,431 | - | 3.61 | 1.84-3.46 | **-** | - |
| 27 June 2014 | 3 years | 539,894 | 539,894 | - | 4.56 | 2.53-4.56 | **-** | (0.4) |
| 2 July 2015 | 3 years | 558,266 | 558,266 | - | 3.48 | 1.71-3.44 | **(0.4)** | 0.4 |
| **Long-Term Incentive Plan 2015 (Part I)** | | | | | | | | |
| 12 May 2016 | 3 years | 395,800 | 395,800 | - | 4.041 | 4.041 | **0.4** | - |
| 28 Oct 2016 | 3 years | 41,389 | 41,389 | - | 3.48 | 3.48 | **-** | - |
| **Joint Share Ownership Plan (JSOP)** | | | | | | | | |
| 18 December 2008 | 1-3 years | 12,800,000 | - | 1.15 | 1.315 | 0.16-0.21 | **-** | - |
| 03 June 2009 | 1-3 years | 1,000,000 | 1,000,000 | 1.15 | 2.32 | 1.01-1.09 | **-** | - |
| 17 December 2009 | 1-3 years | 2,200,000 | 250,000 | 2.47 | 2.76 | 0.11-0.16 | **-** | - |
| **Recruitment & Retention Plan** | | | | | | | | |
| 17 May 2012 | 2-3 years | 1,036,255 | 49,953 | - | 3.525 | 0.58-0.59 | **-** | - |
| 16 May 2013 | 2-3 years | 252,672 | - | - | 4.76 | 0.96 | **-** | (0.2) |
| 21 May 2014 | 1-3 years | 823,233 | 233,757 | - | 4.34 | 1.91-4.19 | **-** | 0.5 |
| 2 July 2015 | 0.6-3 years | 74,956 | - | - | 3.435 | 3.16 | **0.1** | 0.1 |
| 30 October 2015 | 2 years | 490,387 | 84,274 | - | 3.60 | 3.27-3.53 | **0.2** | 0.1 |
| 12 May 2016 | 1.5-2.5years | 193,817 | 193,817 | - | 4.041 | 3.71-3.84 | **0.4** | - |
| | | **26,372,763** | **6,030,227** | | | | **0.7** | 0.5 |
| **Cash-settled awards** | | | | | | | | |
| 21 December 2012 | 1-3 years | 150,786 | - | - | 4.52 | 4.24 | **-** | (0.1) |
| 21 May 2014 | 3 years | 16,723 | 16,723 | - | 4.34 | 4.04 | **-** | - |
| | | **167,509** | **16,723** | | | | **-** | (0.1) |
| Partnership and Matching Share Schemes | | | | | | | | |
| | | | **454,550*** | | | | **0.1** | 0.2 |

* Includes both partnership and matching shares.

# Notes forming part of the financial statements
(continued)

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

The amount charged to the Income Statement includes a credit of €0.8m (2016: €0.7m), being the reversal of previously expensed charges on equity settled option schemes where the non-market performance conditions were deemed no longer likely to be achieved.

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

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Number of options/ equity Interests | Weighted average exercise price € | Number of options/ equity Interests | Weighted average exercise price € |
| Outstanding at beginning of year | **12,110,887** | **1.38** | 12,473,849 | 1.33 |
| Granted | **1,224,706** | **2.03** | 1,892,104 | 1.41 |
| Exercised | **(6,499,177)** | **1.07** | (260,732) | 1.76 |
| Forfeited/lapsed | **(806,189)** | **0.76** | (1,994,334) | 1.03 |
| **Outstanding at end of year** | **6,030,227** | **1.93** | 12,110,887 | 1.38 |

The aggregate number of share options/equity Interests exercisable at 28 February 2017 was 2,093,685 (2016: 8,421,621).

The unvested share options/equity Interests outstanding at 28 February 2017 have a weighted average vesting period outstanding of 1.2 years (2016: 1.5 years). The weighted average contractual life of vested and unvested share options/equity Interests is 2.7 years (2016: 2.0 years).

The weighted average market share price at date of exercise of all share options/equity Interests exercised during the year was €3.73 (2016: €3.69); the average share price for the year was €3.76 (2016: €3.63); and the market share price as at 28 February 2017 was €3.87 (29 February 2016: €3.45).

## 5. EXCEPTIONAL ITEMS

| | 2017 Total €m | 2016 Total €m |
|---|---|---|
| **Operating costs** | | |
| Impairment of intangible asset | **106.6** | - |
| Restructuring costs | **12.7** | 18.2 |
| Revaluation/impairment of property, plant & equipment | **25.8** | 16.0 |
| Onerous lease | **7.0** | - |
| Acquisition related expenditure | **0.9** | 0.7 |
| Net profit on disposal of property, plant & equipment | **(2.9)** | - |
| Integration costs | **-** | 3.0 |
| Other | **-** | 0.5 |
| | **150.1** | 38.4 |
| Foreign currency reclassified on deemed disposal of equity accounted investee | **-** | (0.1) |
| **Total loss before tax** | **150.1** | 38.3 |
| Income tax credit | **(3.0)** | (4.9) |
| **Total loss after tax** | **147.1** | 33.4 |

**(a) Impairment of intangible asset**
To ensure that goodwill and brands considered to have an indefinite useful economic life are not carried at above their recoverable amount, impairment reviews are performed annually or more frequently if there is an indication that their carrying amount(s) may not be recoverable, comparing the carrying value of the assets with their recoverable amount using value-in-use computations. In the current financial year, as a result of such a review, the Group impaired the value of its intangible assets with respect to the Group's North American business segment by €106.6m as outlined in more detail in note 12.

**(b) Restructuring costs**
Restructuring costs of €12.7m were incurred in the current financial year (2016: €18.2m). These restructuring costs comprised of severance costs of €7.2m (2016: €14.5m) primarily arising from the Group's previously announced consolidation of its production sites in Borrisoleigh and Shepton Mallet into the Group's manufacturing site in Clonmel and the consequential reduction in staff numbers as a result of this consolidation and other smaller reorganisation programmes during the year across the Group. Other costs of €5.5m (2016: €3.7m) are directly associated with the restructure of the Group's production sites and included costs from the closure of the Group's operations in Borrisoleigh and Shepton Mallet until their final disposal and other costs directly associated with the closures.

**(c) Revaluation/impairment of property, plant & equipment**
Property (comprising land and buildings) and plant & machinery are valued at fair value on the Balance Sheet and reviewed for impairment on an annual basis.

During the current financial year, the Group engaged external valuers, Lawrence K. Martin, MAI, Certified General Real Estate Appraiser - Martin Appraisal Services, Inc. to value the land and buildings at the Group's Vermont site and John Coto, Certified Machine & Equipment Appraiser, Alliance Machinery & Equipment Appraisals to value the plant and machinery at the Group's Vermont site. Using the valuation methodologies as outlined in note 11, this resulted in a revaluation loss of €17.7m with respect to the land and buildings and a revaluation loss of €5.1m with respect to the plant and machinery which was accounted for in the Income Statement. Also during the current financial year the Group took the decision to market value some of our assets at Borrisoleigh, Ireland, which resulted in the booking of an impairment charge of €1.5m and we took a decision to impair an element of the Group's IT system by €1.5m post the closure of Shepton Mallet.

# Notes forming part of the financial statements
(continued)

## 5. EXCEPTIONAL ITEMS (CONTINUED)

During the prior financial year, the Group engaged external valuers Timothy Smith, BSc MRICS, RICS Registered Valuer and Daniel Tompkinson BSc MRICS RICS Registered Valuer - Gerald Eve LLP to value the land and buildings at the Shepton Mallet site; Derek Elston FRCIS RICS Registered Valuer - Elston Sutton Industrial Appraisal Limited to value the plant and equipment at the Shepton Mallet site; Ronan Diamond RICS Registered Valuer (VRS) BSc (Hons) Dip MSCSI MRICS and Brian Gilson RICS Registered Valuer (VRS) Dip Prop Inv MSCSI MRICS FCI Arb - Lisney to value the freehold property at the Borrisoleigh site; and Don Meghen - Lisney to value the plant & machinery at Borrisoleigh. This resulted in a revaluation loss of €16.0m accounted for in the Income Statement.

**(d) Onerous lease**

During the current financial year the Group reviewed the carrying value of its onerous lease provision to take into account the latest estimate of associated costs less economic value with regard to the two pre-existing onerous leases up until their final disposal. The discount rate applied to the liability was also re-assessed. This resulted in an increase in the provision of €6.8m. This element of the onerous lease provision relates to two onerous leases in relation to warehousing facilities acquired as part of the acquisition of the Gaymers cider business in 2010. These onerous leases will expire in 2017 and 2026 respectively.

The Group also recognised an onerous lease with regard to a surplus facility at its US business of €0.2m in the current financial year. This lease will expire in 2018.

**(e) Acquisition related expenditure**

In the current financial year the Group incurred professional fees of €0.9m (2016:€0.7m) associated with the assessment and consideration of strategic opportunities by the Group during the year.

**(f) Net profit on disposal of property, plant & equipment**

In the current financial year the Group disposed of land & buildings and plant & machinery which were surplus to requirements arising from the Group's consolidation of its production facilities realising a net profit of €2.9m.

**(g) Integration costs**

During the prior financial year the Group incurred costs of €3.0m primarily in relation to the continued integration of the previously acquired Wallaces Express with the Group's existing Scottish business.

**(h) Other**

During the prior financial year the Group incurred costs of €0.5m in relation to a one-off shortage in a key process gas. The business was forced to limit production for a period and incur additional costs in sourcing gas due to a plant failure at its key supplier.

**(i) Foreign currency reclassified on deemed disposal of equity accounted investee**

In the prior financial year, on 3 August 2015, the Group acquired the remaining equity share capital of Thistle Pub Company Limited. This purchase followed the acquisition of an initial stake in the business in November 2012. Under IAS 28 *Investments in Associates and Joint Ventures* this necessitated the deemed disposal of the Group's initial investment which was classified as an equity accounted investee and the recognition of the acquisition of control of the business under IFRS 3 *Business Combinations*. The Group recognised a cumulative gain of €0.1m in the foreign currency reserve from date of initial investment which was recycled to the Income Statement following the deemed disposal.

## 6. FINANCE INCOME AND EXPENSE

| | 2017 €m | 2016 €m |
|---|---|---|
| **Recognised in Income Statement** | | |
| Finance income: | | |
| Interest income | **(0.1)** | (0.2) |
| Total finance income | **(0.1)** | (0.2) |
| Finance expense: | | |
| Interest expense | **6.5** | 7.6 |
| Other finance expense | **0.6** | 0.4 |
| Unwinding of discount on provisions | **0.8** | 0.8 |
| Total finance expense | **7.9** | 8.8 |
| **Net finance expense** | **7.8** | 8.6 |

| | 2017 €m | 2016 €m |
|---|---|---|
| **Recognised directly in Other Comprehensive Income** | | |
| Foreign currency translation differences arising on the net investment in foreign operations | **(17.8)** | (20.9) |
| Foreign currency reserve recycled to Income Statement on deemed disposal of equity accounted investee | **-** | (0.1) |
| **Net expense recognised directly in Other Comprehensive Income** | **(17.8)** | (21.0) |

## 7. INCOME TAX

### (a) Analysis of charge in year recognised in the Income Statement

| | 2017 €m | 2016 €m |
|---|---|---|
| Current tax: | | |
| Irish corporation tax | **3.2** | 1.7 |
| Foreign corporation tax | **6.1** | 6.9 |
| Adjustment in respect of previous years | **(0.9)** | (0.1) |
| | **8.4** | 8.5 |
| Deferred tax: | | |
| Irish | **0.5** | 1.4 |
| Foreign | **0.5** | (1.0) |
| Adjustment in respect of previous years | **0.6** | - |
| | **1.6** | 0.4 |
| **Total income tax expense recognised in Income Statement** | **10.0** | 8.9 |
| Relating to continuing operations | | |
| - continuing operations before exceptional items | **13.0** | 13.8 |
| - continuing operations exceptional items | **(3.0)** | (4.9) |
| **Total** | **10.0** | 8.9 |

# Notes forming part of the financial statements
(continued)

## 7. INCOME TAX (CONTINUED)

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

| | 2017<br>€m | 2016<br>€m |
|---|---|---|
| (Loss)/profit before tax | **(62.9)** | 56.3 |
| Less: Group's share of equity accounted investees' profit after tax | **-** | (0.1) |
| Adjusted (loss)/profit before tax | **(62.9)** | 56.2 |
| Tax at standard rate of corporation tax in the Republic of Ireland of 12.5% | **(7.9)** | 7.0 |
| | | |
| Actual tax charge is affected by the following: | | |
| Expenses not deductible for tax purposes | **16.7** | 0.7 |
| Adjustments in respect of prior years | **(0.3)** | (0.1) |
| Income taxed at rates other than the standard rate of tax | **(0.5)** | (0.7) |
| Other differences | **1.0** | 0.4 |
| Non-recognition of deferred tax assets | **1.0** | 1.6 |
| | | |
| **Total income tax** | **10.0** | 8.9 |

**(b) Deferred tax recognised directly in Other Comprehensive Income**

| | 2017<br>€m | 2016<br>€m |
|---|---|---|
| Deferred tax arising on movement in retirement benefits | **0.4** | (0.6) |

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

Future income tax charges may be impacted by changes to the corporation tax rates and/or changes to corporation tax legislation in force in the jurisdictions in which the Group operates.

## 8. DIVIDENDS

| | 2017 €m | 2016 €m |
|---|---|---|
| Dividends paid: | | |
| Final: paid 8.92c per ordinary share in July 2016 (2016: 7.0c paid in July 2015) | **27.7** | 23.6 |
| Interim: paid 4.96c per ordinary share in December 2016 (2016: 4.73c paid in December 2015) | **15.3** | 16.0 |
| **Total equity dividends** | **43.0** | 39.6 |
| Settled as follows: | | |
| Paid in cash | **34.9** | 34.8 |
| Scrip dividend | **8.1** | 4.8 |
| | **43.0** | 39.6 |

The Directors have proposed a final dividend of 9.37 cent per share (2016: 8.92 cent), to ordinary shareholders registered at the close of business on 26 May 2017, which is subject to shareholder approval at the Annual General Meeting, giving a proposed total dividend for the year of 14.33 cent per share (2016: 13.65 cent). Using the number of shares in issue at 28 February 2017 and excluding those shares for which it is assumed that the right to dividend will be waived, this would equate to a distribution of €29.5m.

Total dividends of 13.88 cent per ordinary share were recognised as a deduction from the retained income reserve in the year ended 28 February 2017 (2016: 11.73 cent).

Final dividends on ordinary shares are recognised as a liability in the financial statements only after they have been approved at an Annual General Meeting of the Company. Interim dividends on ordinary shares are recognised when they are paid.

## 9. EARNINGS PER ORDINARY SHARE

### Denominator computations

| | 2017 Number '000 | 2016 Number '000 |
|---|---|---|
| Number of shares at beginning of year | **329,158** | 348,547 |
| Shares issued in lieu of dividend | **2,209** | 1,312 |
| Shares issued in respect of options exercised | **318** | 146 |
| Share repurchased and subsequently cancelled | **(6,139)** | (20,847) |
| **Number of shares at end of year** | **325,546** | 329,158 |
| Weighted average number of ordinary shares (basic)* | **310,431** | 329,044 |
| Adjustment for the effect of conversion of options | **995** | 5,316 |
| Weighted average number of ordinary shares, including options (diluted) | **311,426** | 334,360 |

* Excludes 11.9m treasury shares (2016: 16.4m).

# Notes forming part of the financial statements
(continued)

## 9. EARNINGS PER ORDINARY SHARE (CONTINUED)

### Profit attributable to ordinary shareholders

| | 2017 €m | 2016 €m |
|---|---|---|
| Earnings as reported | **(72.9)** | 47.4 |
| Adjustment for exceptional items, net of tax (note 5) | **147.1** | 33.4 |
| Earnings as adjusted for exceptional items, net of tax | **74.2** | 80.8 |

| | Cent | Cent |
|---|---|---|
| **Basic earnings per share** | | |
| Basic earnings per share | **(23.5)** | 14.4 |
| Adjusted basic earnings per share | **23.9** | 24.6 |
| **Diluted earnings per share** | | |
| Diluted earnings per share | **(23.5)*** | 14.2 |
| Adjusted diluted earnings per share | **23.8** | 24.2 |

* Due to the reported loss for the year the basic and adjusted earnings per share are the same.

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 accounted for as treasury shares (at 28 February 2017: 11.9m shares; at 29 February 2016: 16.4m shares).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period of the year that the options were outstanding.

Employee share awards (excluding awards which were granted under plans where the rules stipulate that obligations must be satisfied by the purchase of existing shares (note 4)), which are performance-based are treated as contingently issuable shares because their issue is contingent upon satisfaction of specified performance conditions in addition to the passage of time and continuous employment. In accordance with IAS 33 *Earnings per Share*, these contingently issuable shares 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 (3,424,695 at 28 February 2017 and 2,244,908 at 29 February 2016). If dilutive other contingently issuable ordinary shares are included in diluted EPS based on the number of shares that would be issuable if the end of the reporting period was the end of the contingency period.

## 10. BUSINESS COMBINATIONS

### Acquisition of businesses

During the prior financial year, on 3 August 2015, the Group announced the acquisition of the remaining equity share capital of Thistle Pub Company Limited. This purchase followed the acquisition of an initial stake in the business in November 2012. As outlined in further detail in note 13, under IAS 28 *Investments in Associates and Joint Ventures* this necessitated the deemed disposal of the Group's initial investment which was classified as an equity accounted investee and the recognition of the acquisition of control of the business under IFRS 3 *Business Combinations*.

## 10. BUSINESS COMBINATIONS (CONTINUED)

The book values of the assets and liabilities acquired, together with the fair value adjustments made to those carrying values, were as follows:-

**Thistle Pub Company Limited - year ended 29 February 2016**

| | Initial value assigned €m | Adjustment to initial fair value €m | Revised fair value €m |
|---|---|---|---|
| Property, plant & equipment | 6.2 | - | 6.2 |
| Inventories | 0.1 | - | 0.1 |
| Trade & other receivables | 0.2 | (0.2) | - |
| Trade & other payables | (3.6) | (0.2) | (3.8) |
| Interest bearing loans & borrowings | (2.4) | - | (2.4) |
| **Net identifiable assets and liabilities acquired** | 0.5 | (0.4) | 0.1 |
| **Satisfied by:** | | | |
| Cash consideration (paid in prior financial year) | | | 0.1 |

**Post acquisition impact**

The post acquisition impact of the Thistle Pub Company Limited acquisition completed during the prior financial year on Group operating profit for the prior financial year was as follows:-

| | 2016 €m |
|---|---|
| **Revenue** | 2.9 |
| Excise duties | - |
| **Net revenue** | 2.9 |
| Operating costs | (2.5) |
| **Operating profit** | 0.4 |
| Finance expense | (0.2) |
| **Profit before tax** | 0.2 |
| Income tax expense | - |
| **Result from acquired business** | 0.2 |

The Thistle Pub Company business was acquired on 3 August 2015. The business made a profit of €0.2m in the period since acquisition to 29 February 2016. The revenue, net revenue and operating profit of the Group for the financial year ended 29 February 2016 determined in accordance with IFRS as though the acquisitions effected during that year had been at the beginning of that year would therefore not have been materially different from that reported.

All intra group balances, transactions, income and expenses are eliminated on consolidation in accordance with IFRS 10 *Consolidated Financial Statements.*

Also in the prior financial year the Group paid €3.2m with respect to Green Light Brands which the Group had acquired in FY2015.

**Acquisition of equity accounted investees**

Details of the Group's investments in equity accounted investees in the current and prior financial year are outlined in note 13.

# Notes forming part of the financial statements
(continued)

## 11. PROPERTY, PLANT & EQUIPMENT

| | Freehold land & buildings €m | Plant & machinery €m | Motor vehicles & other equipment €m | Total €m |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost or valuation** | | | | |
| **At 1 March 2015** | 121.2 | 211.4 | 73.5 | 406.1 |
| Translation adjustment | (4.4) | (7.0) | (4.1) | (15.5) |
| Additions | 0.4 | 4.0 | 4.4 | 8.8 |
| Disposals | - | - | (2.2) | (2.2) |
| Revaluation/impairment of property, plant & equipment | (6.9) | (9.1) | - | (16.0) |
| Acquisition of business Thistle Pub Company (note 10) | 5.1 | 1.1 | - | 6.2 |
| **At 29 February 2016** | 115.4 | 200.4 | 71.6 | 387.4 |
| Translation adjustment | **(3.0)** | **(5.1)** | **(3.8)** | **(11.9)** |
| Additions | **0.1** | **19.3** | **6.4** | **25.8** |
| Disposals | **(11.5)** | **(22.5)** | **(2.0)** | **(36.0)** |
| Revaluation/impairment of property, plant & equipment | **(18.2)** | **(6.1)** | **(1.5)** | **(25.8)** |
| **At 28 February 2017** | **82.8** | **186.0** | **70.7** | **339.5** |
| **Depreciation** | | | | |
| At 1 March 2015 | 12.9 | 122.7 | 51.6 | 187.2 |
| Translation adjustment | (0.6) | (3.9) | (2.8) | (7.3) |
| Disposals | - | - | (1.9) | (1.9) |
| Charge for the year | 2.1 | 10.3 | 6.7 | 19.1 |
| At 29 February 2016 | 14.4 | 129.1 | 53.6 | 197.1 |
| Translation adjustment | **(0.6)** | **(2.7)** | **(3.0)** | **(6.3)** |
| Disposals | **(2.7)** | **(8.1)** | **(1.4)** | **(12.2)** |
| Charge for the year | **1.6** | **7.5** | **5.6** | **14.7** |
| **At 28 February 2017** | **12.7** | **125.8** | **54.8** | **193.3** |
| **Net book value** | | | | |
| **At 28 February 2017** | **70.1** | **60.2** | **15.9** | **146.2** |
| At 29 February 2016 | 101.0 | 71.3 | 18.0 | 190.3 |

**Classified within:**

| | 2017 | 2016 |
|---|---|---|
| Non-current assets: Property, plant and equipment | **144.5** | 180.0 |
| Current assets: Assets held for resale | **1.7** | 10.3 |
| | **146.2** | 190.3 |

No depreciation is charged on freehold land which had a book value of €12.9m at 28 February 2017 (29 February 2016: €16.2m).

## 11. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

**Valuation of freehold land, buildings and plant & machinery - 28 February 2017**

In the current financial year, the Group engaged the following external valuers to value the Group's land & buildings and plant & machinery at Exchange street, Middlebury, Vermont, U.S.A.;

- Lawerence K. Martin, MAI, Certified General Real Estate Appraiser - Martin Appraisal Services, Inc. to value the land and buildings, and;
- John Coto, Certified Machinery/Equipment Appraiser, Alliance Machinery & Equipment Appraisals, to value the Plant & Machinery.

The "Appraisal" reports were completed in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP).

The result of the external valuations as at 28 February 2017, was a revaluation loss with respect to the Group's land and buildings of €17.7m and a revaluation loss with respect to the Group's plant and machinery of €5.1m. Both were recognised as an expense to the Income Statement as there was no previously recognised gain in the revaluation reserve against which to offset.

In addition the Group impaired an element of its IT equipment that became redundant as a consequence of the rationalization of the Group's manufacturing footprint resulting in an impairment of €1.5m and the Group also took the decision to market value some of our assets in Ireland resulting in an impairment of €1.5m.

For all other freehold land & buildings and plant & machinery assets held by the Group an internal valuation was completed by the Directors as at 28 February 2017. As part of their valuation assessment, the Directors considered the following factors and their impact in determining year end valuation of the Group's property, plant & equipment:-

- market fluctuations of land and industrial property prices since the date of the last external valuation,
- fluctuations driven by market commodity prices, of the gross replacement cost of property, plant & machinery,
- projected asset utilisation rates based on FY2018 budgeted/forecasted production volumes,
- changes to functional and physical obsolescence of plant & machinery beyond that which would normally be expected, and continued appropriateness of the assumed useful lives of property, plant & machinery.

Having considered the above variables, the Directors estimate that the changes arising from market fluctuations and anticipated utilisation rates would not result in a material change to the valuation of the carrying value of these items of property, plant & equipment and hence no adjustment to their carrying value was deemed necessary.

Also in the current financial year, the Group disposed of assets which had a previously recognised revaluation gain in the revaluation reserve of €2.1m. The loss on disposal in the current financial year was offset in the first instance again this previously recognised revaluation gain and the remaining loss was booked in operating profit.

**Valuation of freehold land, buildings and plant & machinery - 29 February 2016**

In the prior financial year, the Group engaged the following external valuers to value the land & buildings and plant & machinery at the Group's facilities in Shepton Mallet, UK and Borrisoleigh, Ireland;

- Timothy Smith, BSc MRICS, RICS Registered Valuer and Daniel Tompkinson BSc MRICS RICS Registered Valuer - Gerald Eve LLP to value the land and buildings at the Shepton Mallet site;
- Derek Elston FRCIS RICS Registered Valuer - Elston Sutton Industrial Appraisal Limited to value the plant and equipment at the Shepton Mallet site;
- Ronan Diamond RICS Registered Valuer (VRS) BSc (Hons) Dip MSCSI MRICS and Brian Gilson RICS Registered Valuer (VRS) Dip Prop Inv MSCSI MRICS FCI Arb - Lisney to value the freehold property at the Borrisoleigh site; and
- Don Meghen - Lisney to value the plant & machinery at Borrisoleigh.

# Notes forming part of the financial statements
(continued)

## 11. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

These valuations were in accordance with the requirements of the RICS Valuation - Professional Standards, January 2014 edition and the International Valuation Standards.

The Fair Value of operational land & buildings and plant & machinery in Shepton Mallet was based on the Depreciated Replacement Cost approach in light of the lack of comparative market transactions and on the market approach for the non-operational land & buildings and plant & machinery. The valuation of the land & buildings and plant & machinery in Borrisoleigh was on the basis of market value. Market value is defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. The market approach was considered to be the most appropriate valuation approach for the non-operational assets in Shepton Mallet, and the assets held in Borrisoleigh, as the Group has announced consolidation of its production sites in Borrisoleigh and Shepton Mallet into the Group's manufacturing site in Clonmel.

In view of the specialised nature of Shepton Mallet operational land & buildings and plant & machinery, a Depreciated Replacement Cost approach was used to assess as Fair Value. IAS 16 *Property, Plant and Equipment* prescribes that where there is no market based evidence of Fair Value because of the specialist nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business, an entity may need to estimate Fair Value using an income or a Depreciated Replacement Cost approach to valuation.

The result of these external valuations, as at 29 February 2016, was a decrease in the value of land and buildings of €6.9m which was expensed to the Income Statement as there was no previously recognised gain in the revaluation reserve against which to offset. The value of plant and machinery decreased by €9.1m as a result of this valuation which was expensed to the Income Statement as there was no previously recognised gain in the revaluation reserve against which to offset.

On the acquisition of Thistle Pub Company the valuation of the land and buildings was on the basis of market value. In April 2016, land and buildings were disposed of for a value consistent with their carrying value as at 29 February 2016.

For all other freehold land & buildings and plant & machinery assets held by the Group an internal valuation was completed by the Directors as at 29 February 2016 and no adjustment to their carrying value was deemed necessary as a result of this internal valuation.

### Useful Lives

The following useful lives were attributed to the assets:-

| Asset category | Useful life |
|---|---|
| Tanks | 30 - 35 years |
| Process equipment | 20 years |
| Bottling & packaging equipment | 15 - 20 years |
| Process automation | 10 years |
| Buildings | 50 years |

| | Land & buildings €m | Plant & machinery €m | Motor vehicles & other equipment €m | Total €m |
|---|---|---|---|---|
| **Net book value** | | | | |
| Carrying value at 28 February 2017 post revaluation | **70.1** | **60.2** | **15.9** | **146.2** |
| Carrying value at 28 February 2017 pre revaluation | **88.3** | **66.3** | **17.4** | **172.0** |
| Loss on revaluation | **(18.2)** | **(6.1)** | **(1.5)** | **(25.8)** |
| **Classified within:** | | | | |
| Income Statement | **(18.2)** | **(6.1)** | **(1.5)** | **(25.8)** |

## 11. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

| | Land & buildings €m | Plant & machinery €m | Motor vehicles & other equipment €m | Total €m |
|---|---|---|---|---|
| **Net book value** | | | | |
| Carrying value at 29 February 2016 post revaluation | 101.0 | 71.3 | 18.0 | 190.3 |
| Carrying value at 29 February 2016 pre revaluation | 107.9 | 80.4 | 18.0 | 206.3 |
| Loss on revaluation | (6.9) | (9.1) | - | (16.0) |
| | | | | |
| **Classified within:** | | | | |
| Income Statement | (6.9) | (9.1) | (16.0) | |

### Fair value hierarchy

The valuations of land & buildings and plant & machinery are derived using data from sources which are not widely available to the public and involve a degree of judgement. For these reasons, the valuations of the Group's land & buildings and plant & machinery are classified as 'Level 3' as defined by IFRS 13 *Fair Value Measurement*, and as illustrated below:

| | Carrying amount €m | Quoted prices Level 1 €m | Significant observable Level 2 €m | Significant unobservable Level 3 €m |
|---|---|---|---|---|
| **Recurring measurements** | | | | |
| Freehold land & buildings measured at market value | **39.9** | - | - | **39.9** |
| Freehold land & buildings measured at depreciated replacement cost | **30.2** | - | - | **30.2** |
| Plant & machinery | **60.2** | - | - | **60.2** |
| | | | | |
| **At 28 February 2017** | **130.3** | - | - | **130.3** |

### Measurement techniques

The Group used the following techniques to determine the fair value measurements categorised in Level 3:

- Land & buildings in Ireland, US, Wallaces Express and Portugal and plant & machinery located in Portugal and Borrisoleigh, and all assets held for resale, are valued using a market value approach. The market value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- Land & buildings and plant & machinery in the UK, and plant & machinery located in Ireland and the US have been valued using the depreciated replacement cost approach. Depreciated replacement cost is assessed, firstly, by the identification of the gross replacement cost for each class of asset at each of the Group's plants. A depreciation factor derived from both the physical and functional obsolescence of each class of asset, taking into account estimated residual values at the end of the life of each class of asset, is then applied to the gross replacement cost to determine the net replacement cost. An economic obsolescence factor, which is derived based on current and anticipated capacity or utilisation of each plant and machinery asset, at each of the Group's plants, as a function of total available production capacity, is applied to determine the depreciated replacement cost.

# Notes forming part of the financial statements
(continued)

## 11. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

### Unobservable inputs

The significant unobservable inputs used in the market value measurement of land and buildings is as follows:

| Valuation technique | Significant unobservable inputs | Range of unobservable inputs - Land ('000) | Range of unobservable inputs - Buildings | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| Comparable market transactions | Price per square foot/acre | | | The higher the price per square foot/acre, the higher the fair value. |
| | Republic of Ireland | €13 – €29 per hectare | €47 – €257 per square meter | |
| | United States | $25 – $70 per acre | $7– $50 per square foot | |
| | United Kingdom | £300 to £350 per acre | £10 to £65 per square foot | |

The significant unobservable inputs used in the depreciated cost measurement of land & buildings and plant & machinery are as follows:-

| | |
|---|---|
| Gross replacement cost adjustment | Increase in gross replacement cost of plant and machinery of 0% (2016: 0%), based on management's judgment supported by discussions with valuers |
| Economic obsolescence adjustment factor | Economic obsolescence, considered on an asset by asset basis, for each plant, ranging from 0% to 100% (2016: 0% to 100%). The weighted average obsolescence factor by site is as follows: Cidery, Ireland - 59%; Brewery Scotland - 64% and Cidery, United States - 54% |
| Physical and functional obsolescence adjustment factor | Adjustment for changes to physical and functional obsolescence - nil (2016: nil) |

The carrying value of plant & machinery in the Group which is valued on the depreciated replacement cost basis, would increase/(decrease) by €3.0m if the economic obsolescence adjustment factor was increased/(decreased) by 5%. If the gross replacement cost was increased/(decreased) by 2% the carrying value of the Group's plant & machinery would increase/(decrease) by €1.2m.

The carrying value of freehold land & buildings which is valued on the depreciated replacement cost basis, would increase/(decrease) by €1.5m if the economic obsolescence adjustment factor was increased/(decreased) by 5%. The estimated carrying value of the same land & buildings would increase/(decrease) by €0.6m if the gross replacement cost was increased/(decreased) by 2%.

The carrying value of freehold land & buildings located in Ireland, the US, Wallaces Express and Portugal would increase/(decrease) by €2.0m if the comparable open market value increased/(decreased) by 5%.

### Assets held for resale

As at 28 February 2017, the Group holds property, plant and equipment of €1.7m (FY2016: €10.3m) as assets held for resale which is comprised of land & buildings of €1.0m and plant & machinery of €0.7m.

### Company

The Company has no property, plant & equipment.

## 12. GOODWILL & INTANGIBLE ASSETS

| | Goodwill €m | Brands €m | Other intangible assets €m | Total €m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 28 February 2015 | 487.1 | 310.9 | 5.0 | 803.0 |
| Translation adjustment | (3.4) | (4.2) | (0.2) | (7.8) |
| At 29 February 2016 | 483.7 | 306.7 | 4.8 | 795.2 |
| Translation adjustment | **(3.3)** | **(3.4)** | **(0.2)** | **(6.9)** |
| **At 28 February 2017** | **480.4** | **303.3** | **4.6** | **788.3** |
| **Amortisation and impairment** | | | | |
| At 28 February 2015 | 76.2 | 73.8 | 0.8 | 150.8 |
| Amortisation charge for the year | - | - | 0.3 | 0.3 |
| At 29 February 2016 | 76.2 | 73.8 | 1.1 | 151.1 |
| Amortisation charge for the year | **-** | **-** | **0.3** | **0.3** |
| Impairment charge for the year | **-** | **106.6** | **-** | **106.6** |
| **At 28 February 2017** | **76.2** | **180.4** | **1.4** | **258.0** |
| **Net book value** | | | | |
| **At 28 February 2017** | **404.2** | **122.9** | **3.2** | **530.3** |
| At 29 February 2016 | 407.5 | 232.9 | 3.7 | 644.1 |

**Goodwill**

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

| | Ireland €m | Scotland €m | C&C Brands €m | North America €m | Export €m | Total €m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 28 February 2015 | 154.5 | 54.6 | 176.6 | 9.2 | 16.0 | 410.9 |
| Translation adjustment | - | (2.4) | (1.0) | - | - | (3.4) |
| At 29 February 2016 | 154.5 | 52.2 | 175.6 | 9.2 | 16.0 | 407.5 |
| Translation adjustment | **-** | **(2.4)** | **(0.9)** | **-** | **-** | **(3.3)** |
| **At 28 February 2017** | **154.5** | **49.8** | **174.7** | **9.2** | **16.0** | **404.2** |

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

# Notes forming part of the financial statements
(continued)

## 12. GOODWILL & INTANGIBLE ASSETS (CONTINUED)

In line with IAS 36 *Impairment of Assets* goodwill is allocated to each operating segment (which may comprise more than one cash generating unit) which is expected to benefit from the combination synergies. These operating segments represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

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

**Brands**

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

| | Scotland €m | C&C Brands €m | North America €m | Total €m |
|---|---|---|---|---|
| At 28 February 2015 | 88.1 | 14.7 | 134.3 | 237.1 |
| Translation adjustment | (6.7) | (1.1) | 3.6 | (4.2) |
| At 29 February 2016 | 81.4 | 13.6 | 137.9 | 232.9 |
| Translation adjustment | **(6.4)** | **(1.1)** | **4.1** | **(3.4)** |
| Impairment charge for the year | **-** | **-** | **(106.6)** | **(106.6)** |
| **At 28 February 2017** | **75.0** | **12.5** | **35.4** | **122.9** |

Capitalised brands include the Tennent's beer brands and the Gaymers cider brands acquired during the financial year ended 28 February 2010 and the Vermont Hard Cider Company cider brands and Waverley wine brands acquired during the financial year ended 28 February 2013.

The Tennent's, Gaymers and Vermont Hard Cider Company brands were valued at fair value on the date of acquisition in accordance with the requirements of IFRS 3 (2004) *Business Combinations* by independent professional valuers. The Waverley wine brands were valued at cost.

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

No intangible assets were acquired by way of government grant, there is no title restriction on any of the capitalised intangible assets and no intangible assets are pledged as security. There are no contractual commitments in relation to the acquisition of intangible assets at year end.

## 12. GOODWILL & INTANGIBLE ASSETS (CONTINUED)

**Other intangible assets**

Other intangible assets have been attributed to reporting segments (as identified under IFRS 8 *Operating Segments*) as follows:-

| | Ireland €m | Scotland €m | Total €m |
|---|---|---|---|
| **Cost** | | | |
| At 28 February 2015 | 2.0 | 3.0 | 5.0 |
| Translation adjustment | - | (0.2) | (0.2) |
| At 29 February 2016 | 2.0 | 2.8 | 4.8 |
| Translation adjustment | **-** | **(0.2)** | **(0.2)** |
| **At 28 February 2017** | **2.0** | **2.6** | **4.6** |
| **Amortisation** | | | |
| At 28 February 2015 | 0.2 | 0.6 | 0.8 |
| Amortisation charge for the year | 0.1 | 0.2 | 0.3 |
| At 29 February 2016 | 0.3 | 0.8 | 1.1 |
| Amortisation charge for the year | **0.1** | **0.2** | **0.3** |
| **At 28 February 2017** | **0.4** | **1.0** | **1.4** |
| **Net book value** | | | |
| **At 28 February 2017** | **1.6** | **1.6** | **3.2** |
| At 29 February 2016 | 1.7 | 2.0 | 3.7 |

Other intangible assets comprise the fair value of trade relationships acquired as part of the acquisition of Wallaces Express during FY2015, the Gleeson trade relationships acquired during FY2014 and 20 year distribution rights for third party beer products acquired as part of the acquisition of the Tennent's business during FY2010. These were valued at fair value on the date of acquisition in accordance with the requirements of IFRS 3 (2004) *Business Combinations* by independent professional valuers. The intangible assets have a finite life and are subject to amortisation on a straight-line basis. The amortisation charge for the year ended 28 February 2017 with respect to intangible assets was €0.3m (2016: €0.3m).

**Impairment testing**

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

As permitted by IAS 36 *Impairment of Assets*, the value of the Group's intangible assets (goodwill and brands) has been allocated to groups of cash generating units (referred to in this note as a business segment), which are not larger than an operating segment determined in accordance with IFRS 8 *Operating Segments*. These business segments represent the lowest levels within the Group at which the associated goodwill and indefinite life brands are monitored for management purposes.

The recoverable amount is calculated in respect of each business segment using value-in-use computations based on estimated future cash flows discounted to present value using a discount rate appropriate to each cash generating unit and terminal values calculated on the assumption that cash flows continue in perpetuity.

# Notes forming part of the financial statements
(continued)

## 12. GOODWILL & INTANGIBLE ASSETS (CONTINUED)

The key assumptions used in the value-in-use computations are:-

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

The key assumptions were based on management assessment of anticipated market conditions for each business segment. A terminal growth rate of 0% -1.75% (2016: 1.25%-1.75%) in perpetuity was assumed based on an assessment of the likely long-term growth prospects for the sectors and geographies in which the Group operates. The resulting cash flows were discounted to present value using a range of discount rates between 6.1%-8.5% (2016: 6.5%-9.8%); these rates are in line with the Group's estimated pre-tax weighted average cost of capital for the three main geographies in which the Group operates (Ireland, Great Britain and North America), arrived at using the Capital Asset Pricing Model as adjusted for asset and country specific factors.

In formulating the budget and three year plan the Group takes into account historical experience, an appreciation of its core strengths and weaknesses in the markets in which it operates and external factors such as macro economic factors, inflation expectations by geography, regulation and expected changes in regulation (such as expected changes to duty rates and minimum pricing), market growth rates, sales price trend, competitor activity, market share targets and strategic plans and initiatives.

The Group has performed the detailed impairment testing calculations by business segment with the following discount rates being applied:

| Market | Discount rate 2017 | Discount rate 2016 | Terminal growth rate 2017 | Terminal growth rate 2016 |
|---|---|---|---|---|
| Ireland | **8.5%** | 9.8% | **1.25%** | 1.25% |
| Scotland | **6.5%** | 6.5% | **1.25%** | 1.25% |
| C&C Brands | **6.1%** | 6.5% | **1.25%** | 1.25% |
| North America | **6.7%** | 6.7% | **0.00%** | 1.75% |
| Export | **6.7%** | 6.7% | **1.75%** | 1.75% |

The impairment testing carried out at 28 February 2017 identified headroom in the recoverable amount of all of the Group's Goodwill & intangible assets excluding North America. The impairment testing carried out at 29 February 2016 identified headroom in the recoverable amount of all of the Group's Goodwill & intangible assets.

In the current financial year, the impairment testing carried out by the Group led to an impairment charge of €106.6m with respect to the Group's North American business segment. This has resulted in the write-down of the carrying value of the associated brand of €106.6m.

In the US, the cider category remains in double digit decline and the Group's US cider brands are lagging behind the category. The outcome of the "Spring Sets" negotiations were not as originally envisaged with new account wins significantly behind expectation. As a consequence the Group has rebased its profit expectations and terminal growth rate for the US business and this has resulted in the impairment charge in the current financial year. All other segments had sufficient headroom in the current and prior financial year.

In the current financial year the Group commenced a long-term partnership agreement in the US with Pabst Brewing Company ("Pabst") for the sale and distribution of the Group's cider brands within the US. Under the terms of the partnership, Pabst has an option to acquire C&C Group's US Cider Brands and related assets, subject to any shareholder and regulatory approval. The option is exercisable from 2017. Consideration, which is not to be below US$150.0m, will be determined at the time of the exercise of the option.

**Sensitivity analysis**

In the current financial year the impairment testing carried out as at 28 February 2017 identified headroom in the recoverable amount of the brands and goodwill compared to their carrying values in all business segments excluding North America. The testing identified an impairment charge in North America of €106.6m.

The key sensitivities for the impairment testing are net revenue and operating profit assumptions, discount rates applied to the resulting cash flows and the expected long-term growth rates.

## 12. GOODWILL & INTANGIBLE ASSETS (CONTINUED)

The value-in-use calculations indicate significant headroom in respect of the Ireland, Scotland and Export operating segments. In the case of the C&C Brands, the level of headroom is in excess of €80m.

For C&C Brands, an increase and a decrease in the operating profit assumption applied by 2.5% would impact the headroom by €7.7m. An increase in the discount rate assumption by 0.25% would decrease the headroom by €16.3m and a decrease by 0.25% would increase the headroom by €18.1m. An increase in the terminal growth rate assumption by 0.25% would increase the headroom by €14.9m and a decrease by 0.25% would decrease the headroom by €13.5m.

The Group concludes that no reasonable movement in any of the underlying assumptions would result in a further material impairment in any of the Group's business segments except for North America as noted below.

For North America segment, an increase and a decrease in the operating profit assumption applied by 2.5% would impact the headroom/ impairment charge by €1.3m. An increase in the discount rate assumption by 0.25% would increase the impairment by €1.8m and a decrease in the discount rate by 0.25% would increase the headroom by €2m. An increase in the terminal growth rate assumption by 0.25% would increase the headroom by €1.5m and a decrease in the terminal value growth rate by 0.25% would increase the impairment charge by €1.4m.

## 13. EQUITY ACCOUNTED INVESTEES/FINANCIAL ASSETS

### (a) Equity accounted investees - Group

| | Drygate Brewing Company Limited | Thistle Pub Company | Canadian Investment | Whitewater Brewing Company Limited | Total |
|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m |
| **Investment in equity accounted investees** | | | | | |
| Carrying amount at 1 March 2015 | 0.4 | 0.5 | - | - | 0.9 |
| Reclassification of loan note | - | (0.4) | - | - | (0.4) |
| Share of (loss)/profit after tax | (0.1) | 0.1 | - | - | - |
| Impairment of financial liability on disposal | - | (0.2) | - | - | (0.2) |
| Carrying amount at 29 February 2016 | 0.3 | - | - | - | 0.3 |
| Purchase price paid | **-** | **-** | **1.7** | **0.3** | **2.0** |
| Translation adjustment | **-** | **-** | **0.1** | **-** | **0.1** |
| **Carrying amount at 28 February 2017** | **0.3** | **-** | **1.8** | **0.3** | **2.4** |

***Whitewater Brewing Company Limited***

In the current financial year, on 20 December 2016, the Group acquired 25% of the equity share capital of Whitewater Brewing Company Limited, an Irish Craft brewer for £0.3m (€0.3m).

***Canadian Investment***

Also in the current financial year, on 11 May 2016, the Group acquired 14% of the equity share capital of a Canadian Company, for CAD$2.5m (€1.7m euro equivalent on date of investment, €1.8m euro equivalent at balance sheet date).

***Drygate Brewing Company Limited***

In FY2015, the Group entered into a joint venture arrangement with Heather Ale Limited, run by the Williams brothers who are recognised as leading family craft brewers in Scotland, to form a new entity Drygate Brewing Company Limited. The joint venture, which is run independently of the joint venture partners existing businesses, operates a craft brewing and retail facility adjacent to Wellpark brewery. The financial result for the current financial year attributable to the Group was less than €0.1m (2016: loss of €0.1m).

***Maclay Group plc***

On 21 March 2012, the Group acquired a 25% equity investment in Maclay Group plc. The Maclay Group plc went into administration during FY2015 and accordingly the Group fully impaired its investment and related derivative financial instruments in this entity as at 28 February 2015. During the current financial year the Group recovered €0.5m as part of the administration process.

# Notes forming part of the financial statements
(continued)

## 13. EQUITY ACCOUNTED INVESTEES/FINANCIAL ASSETS (CONTINUED)

***Thistle Pub Company Limited***

On 3 August 2015, the Group acquired the remaining equity share capital of Thistle Pub Company Limited. This purchase followed the acquisition of an initial stake in the business in November 2012. Under IAS 28 *Investments in Associates and Joint Ventures* this necessitated, in the prior financial year, the deemed disposal of the Group's initial investment which was classified as an equity accounted investee and the recognition of the acquisition of control of the business under IFRS 3 *Business Combinations.*

The Group had recognised a profit of €0.1m being the financial result for the prior financial year, to date of deemed disposal, attributable to the Group. Also in the prior financial year the Group reclassified €0.4m of loan notes which inadvertently had been classified as part of the initial investment and derecognized the Group's financial liability of €0.2m with respect to its initial investment in the business on its deemed disposal. In addition the Group had recognised €0.1m in the foreign currency reserve which was recycled to the Income Statement following the deemed disposal.

**Other**

The Group also has an equity investment in Shanter Inns Limited, Beck & Scott (Services) Limited (Northern Ireland) and The Irish Brewing Company Limited (Ireland). The value of these investments is less than €0.1m in the current and prior financial year.

**(b) Financial Assets - Company**

| | 2017<br>€m | 2016<br>€m |
|---|---|---|
| **Equity investment in subsidiary undertakings at cost** | | |
| At beginning of year | **978.6** | 978.1 |
| Capital contribution in respect of share options granted to employees of subsidiary undertakings | **0.7** | 0.5 |
| **At end of year** | **979.3** | 978.6 |

The total expense of €0.7m (2016: €0.5m) attributable to equity settled awards 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 27.

## 14. INVENTORIES

| | 2017<br>€m | 2016<br>€m |
|---|---|---|
| **Group** | | |
| Raw materials & consumables | **39.7** | 36.9 |
| Finished goods & goods for resale | **46.1** | 49.0 |
| **Total inventories at lower of cost and net realisable value** | **85.8** | 85.9 |

Inventory write-down recognised as an expense within operating costs amounted to €2.9m (2016: €3.8m). The level of inventory write-down in the current financial year is primarily as a result of the write off of raw materials and packaging stocks that became obsolete in the process of consolidating the Group's production sites. The inventory write-down in the prior financial year is primarily as a result of the write-off of finished goods and packaging stocks in the Group's US business due to rebranding which took place during the prior financial year, and the write-off of obsolete stock in various locations.

## 15. TRADE & OTHER RECEIVABLES

| | Group 2017 €m | Group 2016 €m | Company 2017 €m | Company 2016 €m |
|---|---|---|---|---|
| **Amounts falling due within one year:** | | | | |
| Trade receivables | **49.4** | 69.6 | **-** | - |
| Amounts due from Group undertakings | **-** | - | **335.1** | 238.2 |
| Advances to customers | **9.1** | 7.0 | **-** | - |
| Prepayments and other receivables | **20.0** | 17.5 | **0.4** | 0.5 |
| | **78.5** | 94.1 | **335.5** | 238.7 |
| **Amounts falling due after one year:** | | | | |
| Advances to customers | **49.2** | 46.0 | **-** | - |
| Prepayments and other receivables | **0.4** | - | **0.7** | 1.2 |
| | **49.6** | 46.0 | **0.7** | 1.2 |
| **Total** | **128.1** | 140.1 | **336.2** | 239.9 |

Amounts due from Group undertakings includes a combination of interest free and interest bearing loans and receivables are all repayable on demand.

The aged analysis of trade receivables and advances to customers analysed between amounts that were neither past due nor impaired and amounts past due at 28 February 2017 and 29 February 2016 were as follows:-

| | Gross 2017 €m | Impairment 2017 €m | Gross 2016 €m | Impairment 2016 €m |
|---|---|---|---|---|
| **Group** | | | | |
| Neither past due nor impaired | **95.0** | **-** | 102.2 | - |
| Past due:- | | | | |
| Past due 0-30 days | **5.5** | **(0.1)** | 9.4 | (0.3) |
| Past due 31-120 days | **6.3** | **(0.1)** | 8.5 | (2.0) |
| Past due 121-365 days | **5.2** | **(4.1)** | 8.2 | (3.4) |
| Past due more than one year | **11.4** | **(11.4)** | 8.2 | (8.2) |
| **Total** | **123.4** | **(15.7)** | 136.5 | (13.9) |

All trade & other receivables and advances to customers are monitored on an on-going basis for evidence of impairment and assessments are undertaken for individual accounts. A provision for impairment with respect to trade and other receivables is created where the Group expects it may not be able to collect all amounts due in accordance with the original terms of the agreement with the customer. An impairment provision is created in relation to advances to customers considered receivable in a period outside that originally contracted. Balances included in the impairment provision are generally written off when there is no expectation of recovery.

Trade receivables are on average receivable within 26 days (2016: 30 days) of the balance sheet date, are unsecured and are not interest bearing.

# Notes forming part of the financial statements
(continued)

## 15. TRADE & OTHER RECEIVABLES (CONTINUED)

The movement in the allowance for impairment in respect of trade receivables and advances to customers during the year was as follows:-

| | 2017<br>€m | 2016<br>€m |
|---|---|---|
| **Group** | | |
| At beginning of year | **13.9** | 12.6 |
| Recovered during the year | **(1.6)** | (2.1) |
| Provided during the year | **5.6** | 5.2 |
| Written off during the year | **(1.6)** | (1.1) |
| Translation adjustment | **(0.6)** | (0.7) |
| **At end of year** | **15.7** | 13.9 |

## 16. TRADE & OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017<br>€m | 2016<br>€m | 2017<br>€m | 2016<br>€m |
| Trade payables | **61.9** | 72.4 | **-** | - |
| Payroll taxes & social security | **4.0** | 2.9 | **-** | - |
| VAT | **6.3** | 6.5 | **-** | - |
| Excise duty | **16.0** | 15.7 | **-** | - |
| Accruals | **55.9** | 63.4 | **0.3** | 0.5 |
| Amounts due to Group undertakings | **-** | - | **281.1** | 273.3 |
| **Total** | **144.1** | 160.9 | **281.4** | 273.8 |

Amounts due to Group undertakings include a combination of interest free and interest bearing loans and are payable on demand.

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

**Company**

The Company has entered into financial guarantee contracts to guarantee the indebtedness of the liabilities of certain of its subsidiary undertakings. As at 28 February 2017, the Directors consider these to be in the nature of insurance contracts and do not consider it probable that the Company will have to make a payment under these guarantees and as such discloses them as a contingent liability as detailed in note 25.

## 17. PROVISIONS

| | Restructuring 2017 €m | Onerous lease 2017 €m | Other 2017 €m | Total 2017 €m | Total 2016 €m |
|---|---|---|---|---|---|
| At beginning of year | **10.7** | **8.0** | **0.2** | **18.9** | 12.2 |
| Translation adjustment | **-** | **(0.7)** | **-** | **(0.7)** | (1.2) |
| Charged during the year | **12.7** | **7.0** | **0.1** | **19.8** | 18.3 |
| Unwind of discount on provisions | **-** | **0.8** | **-** | **0.8** | 0.8 |
| Utilised during the year | **(21.9)** | **(2.7)** | **-** | **(24.6)** | (11.2) |
| **At end of year** | **1.5** | **12.4** | **0.3** | **14.2** | 18.9 |
| **Classified within:** | | | | | |
| Current liabilities | | | | **6.5** | 12.6 |
| Non-current liabilities | | | | **7.7** | 6.3 |
| | | | | **14.2** | 18.9 |

**Restructuring**
The restructuring provision utilised and charged during the current financial year primarily relates to severance costs arising from the prior year announcement of the Group's consolidation of its production sites in Borrisoleigh and Shepton Mallet into the Group's manufacturing site in Clonmel and the consequential reduction in head count as a result of this consolidation and other smaller reorganisation programmes during the year across the Group. Also included were costs incurred from the closure of the Group's operations in Borrisoleigh and Shepton Mallet until their final disposal and other costs directly associated with the closure.

**Onerous leases**
The onerous lease provision carried forward relates to two onerous leases in relation to warehousing facilities acquired as part of the acquisition of the Gaymers cider business in 2010. In the current financial year the provision was reassessed to take into account the latest estimate of associated costs less economic value with regard to these two existing onerous leases up until their final disposal. The discount rate applied to the liability was also re-assessed. This resulted in an increase in the provision of €6.8m. These onerous leases will expire in 2017 and 2026 respectively.

The Group also recognised an onerous lease with regard to a surplus facility at its US business of €0.2m in the current financial year. This lease will expire in 2018.

**Other**
Other provisions relate to a provision for the Group's exposure to employee and third party insurance claims. Under the terms of employer and public liability insurance policies, the Group bears a portion of the cost of each claim up to the specified excess. The provision is calculated based on the expected portion of settlement costs to be borne by the Group in respect of specific claims arising before the Balance Sheet date.

# Notes forming part of the financial statements
(continued)

## 18. INTEREST BEARING LOANS & BORROWINGS

| Group | 2017 €m | 2016 €m |
|---|---|---|
| **Current assets** | | |
| Unsecured bank loans repayable by one repayment on maturity | **(0.4)** | (1.0) |
| **Non-current liabilities** | | |
| Unsecured bank loans repayable by one repayment on maturity | **358.6** | 359.3 |
| Secured bank loans repayable in instalments* | **-** | 1.8 |
| **Total non-current liabilities** | **358.6** | 361.1 |
| **Current liabilities** | | |
| Secured bank loans repayable in instalments* | **-** | 0.2 |
| **Total borrowings** | **358.2** | 360.3 |

* Acquired in the prior financial year on acquisition of Thistle Pub Company Limited and the outstanding balance was repaid in full in the current financial year.

Outstanding non-current unsecured bank loans are net of unamortised issue costs which are being amortised to the Income Statement over the remaining life of the Group's multi-currency facility. The value of unamortised issue costs at 28 February 2017 was €1.1m (2016: €2.1m) of which €0.7m is netted against non-current unsecured liabilities (2016: €1.1m) and €0.4m is shown as a current asset on the Balance Sheet (2016: €1.0m).

### Terms and debt repayment schedule

| | Currency | Nominal rates of interest | Year of maturity | 2017 Carrying value €m | 2016 Carrying value €m |
|---|---|---|---|---|---|
| Unsecured bank loans repayable by one repayment on maturity | Multi | Euribor/Libor + 1.2% | 2019 | **359.3** | 360.4 |
| Secured bank loan repayable in instalments* | GBP | Libor + 3.0 % | - | **-** | 2.0 |
| | | | | **359.3** | 362.4 |

* Acquired in the prior financial year on acquisition of Thistle Pub Company Limited and the outstanding balance was repaid in full in the current financial year.

### Borrowing facilities

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

In December 2014, the Group amended and updated its committed €450m multi-currency five year syndicated revolving loan facility with seven banks, namely Bank of Ireland, Bank of Scotland, Barclays Bank, Danske Bank, HSBC, Rabobank, and Ulster Bank, repayable in a single instalment on 22 December 2019. The facility agreement provides for a further €100m in the form of an uncommitted accordion facility and permits the Group to avail of further financial indebtedness, excluding working capital and guarantee facilities, to a maximum value of €150m, subject to agreeing the terms and conditions with the lenders. Consequently the Group is permitted under the terms of the agreement, to have debt capacity of €700m of which €359.3m was drawn at 28 February 2017 (2016: €360.4m).

## 18. INTEREST BEARING LOANS & BORROWINGS (CONTINUED)

Under the terms of the agreement, the Group must pay a commitment fee based on 40% of the applicable margin on undrawn committed amounts and variable interest on drawn amounts based on variable Euribor/Libor interest rates plus a margin, the level of which is dependent on the net debt:EBITDA ratio, plus a utilisation fee, the level of which is dependent on percentage utilisation. The Group may select an interest period of one, two, three or six months.

All non-current bank loans drawn under the Group's multi-currency revolving loan facility are guaranteed by a number of the Group's subsidiary undertakings. The facility agreement allows the early repayment of debt without incurring additional charges or penalties. All such non-current bank loans under the Group's multi-currency revolving loan facility are repayable in full on change of control of the Group.

The Group's multi-currency debt facility incorporates two financial covenants:

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

The Group complied with both covenants throughout the current and prior financial year.

In addition during the prior financial year, the Group acquired debt of €2.0m following the acquisition of Thistle Pub Company Limited. This was repaid in full in the current financial year.

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

## 19. ANALYSIS OF NET DEBT

| | 1 March 2016 €m | Translation adjustment €m | Debt arising on acquisition €m | Cash Flow, net €m | Non-cash changes €m | 28 February 2017 €m |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Interest bearing loans & borrowings | **360.3** | **(7.8)** | **-** | **4.7** | **1.0** | **358.2*** |
| Cash & cash equivalents | **(197.3)** | **9.9** | **-** | **(0.2)** | **-** | **(187.6)** |
| | **163.0** | **2.1** | **-** | **4.5** | **1.0** | **170.6** |

*Interest bearing loans & borrowings at 28 February 2017 are net of unamortised issue costs of €1.1m of which €0.4m is classified on the balance sheet as a current asset.

| | 1 March 2015 €m | Translation Adjustment €m | Debt arising on acquisition €m | Cash Flow, net €m | Non-cash changes €m | 29 February 2016 €m |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Interest bearing loans & borrowings | 339.7 | (7.7) | 2.4 | 24.9 | 1.0 | 360.3* |
| Cash & cash equivalents | (181.9) | 8.7 | - | (24.1) | - | (197.3) |
| | 157.8 | 1.0 | 2.4 | 0.8 | 1.0 | 163.0 |

*Interest bearing loans & borrowings at 29 February 2016 are net of unamortised issue costs of €2.1m of which €1.0m is classified on the balance sheet as a current asset.

The non-cash change to the Group's interest bearing loans and borrowings in the current and prior financial years relate to the amortisation of issue costs of €1.0m (2016: €1.0m).

# Notes forming part of the financial statements
(continued)

## 19. ANALYSIS OF NET DEBT (CONTINUED)

| | 1 March 2016 €m | Cash Flow €m | Non-cash changes €m | 28 February 2017 €m |
|---|---|---|---|---|
| **Company** | | | | |
| Prepaid issue costs | **(1.6)** | **-** | **0.5** | **(1.1)*** |
| Cash & cash equivalents | **-** | **-** | **-** | **-** |
| | **(1.6)** | **-** | **0.5** | **(1.1)** |

*Prepaid issues costs at 28 February 2017 amounted to €1.1m of which €0.4m is classified as a current asset on the balance sheet.

| | 1 March 2015 €m | Cash Flow €m | Non-cash changes €m | 29 February 2016 €m |
|---|---|---|---|---|
| **Company** | | | | |
| Prepaid issue costs | (2.0) | - | 0.4 | (1.6) |
| Cash & cash equivalents | - | - | - | - |
| | (2.0) | - | 0.4 | (1.6) |

The Company is an original borrower under the terms of the Group's revolving credit facility but is not a borrower in relation to the Group's drawn debt as at 28 February 2017 or 29 February 2016. As outlined in further detail in note 25, the Company, together with a number of its subsidiaries, gave a letter of guarantee to secure its obligations in respect of debt drawn by the Group under the terms of the Group's revolving credit facility agreement. The Company's prepaid issue costs relate to issue costs with respect to the Group's 2014 revolving credit facility; the amortisation of such issue costs was €0.5m in the current financial year (2016: €0.4m).

## 20. RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Assets €m | Liabilities €m | Net assets/ (liabilities) €m | Assets €m | Liabilities €m | Net assets/ (liabilities) €m |
| **Group** | | | | | | |
| Property, plant & equipment | **-** | **(2.2)** | **(2.2)** | - | (1.3) | (1.3) |
| Intangible assets | **-** | **(3.0)** | **(3.0)** | - | (3.3) | (3.3) |
| Retirement benefits | **2.7** | **(0.8)** | **1.9** | 4.0 | (0.9) | 3.1 |
| Trade related items & losses | **0.5** | **-** | **0.5** | 0.4 | - | 0.4 |
| | **3.2** | **(6.0)** | **(2.8)** | 4.4 | (5.5) | (1.1) |

The Group has not recognised deferred tax in relation to temporary differences applicable to investments in subsidiaries on the basis that the Group can control the timing and the realisation of these temporary differences and it is unlikely that the temporary differences will reverse in the foreseeable future. The aggregate amount of temporary differences applicable to investments in subsidiaries and equity accounted investees in respect of which deferred tax liabilities have not been recognised is immaterial on the basis that the participation exemptions and foreign tax credits should be available such that no material temporary differences arise. There are no other unrecognised deferred tax liabilities.

## 20. RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

In addition, no deferred tax asset has been recognised in respect of certain tax losses incurred by the Group on the basis that the recovery is considered unlikely in the foreseeable future. The cumulative value of such tax losses is €21.1m. In the event that sufficient taxable profits arise in the relevant jurisdictions in future years, these losses may be utilised. The vast majority of these losses are due to expire in 2035.

### Company

The company had no deferred tax assets or liabilities at 28 February 2017 or at 29 February 2016.

### Analysis of movement in net deferred tax assets/(liabilities)

| | 1 March 2016 €m | Recognised in Income Statement €m | Recognised in Other Comprehensive Income €m | Translation adjustment €m | 28 February 2017 €m |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Property, plant & equipment: ROI | **(0.6)** | **0.3** | **-** | **-** | **(0.3)** |
| Property, plant and equipment: other | **(0.7)** | **(1.3)** | **-** | **0.1** | **(1.9)** |
| Provision for trade related items | **0.4** | **0.1** | **-** | **-** | **0.5** |
| Intangible assets | **(3.3)** | **0.1** | **-** | **0.2** | **(3.0)** |
| Retirement benefits | **3.1** | **(0.8)** | **(0.4)** | **-** | **1.9** |
| | **(1.1)** | **(1.6)** | **(0.4)** | **0.3** | **(2.8)** |

| | 1 March 2015 €m | Recognised in Income Statement €m | Recognised in Other Comprehensive Income €m | Translation adjustment €m | 29 February 2016 €m |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Property, plant & equipment: ROI | (0.6) | - | - | - | (0.6) |
| Property, plant and equipment: other | (2.3) | 1.5 | - | 0.1 | (0.7) |
| Provision for trade related items | 0.4 | - | - | - | 0.4 |
| Intangible assets | (3.1) | (0.5) | - | 0.3 | (3.3) |
| Retirement benefits | 3.9 | (1.4) | 0.6 | - | 3.1 |
| | (1.7) | (0.4) | 0.6 | 0.4 | (1.1) |

## 21. RETIREMENT BENEFITS

The Group operates a number of defined benefit pension schemes for certain employees, past and present, in the Republic of Ireland (ROI) and in Northern Ireland (NI), all of which provide pension benefits based on final salary and the assets of which are held in separate trustee administered funds. The Group closed its defined benefit pension schemes to new members in March 2006 and provides only defined contribution pension schemes for employees joining the Group since that date. The Group provides permanent health insurance cover for the benefit of certain employees and separately charges this to the Income Statement.

The defined benefit 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.

# Notes forming part of the financial statements
(continued)

## 21. RETIREMENT BENEFITS (CONTINUED)

There are no active members remaining in the Executive defined benefit pension scheme (2016: no active members). There are 62 active members, representing less than 10% of total membership, in the ROI Staff defined benefit pension scheme (2016: 63 active members) and 4 active members in the NI defined benefit pension scheme (2016: 4 active members). The Group's ROI defined benefit pension reform programme concluded during the financial year ended 29 February 2012 with the Pensions Board issuing a directive under Section 50 of the Pensions Act 1990 to remove the mandatory pension increase rule, which guaranteed 3% per annum increase to certain pensions in payment, and to replace it with guaranteed pension increases of 2% per annum for each year 2012 to 2015 and thereafter for all future pension increases to be awarded on a discretionary basis.

In the prior financial year, the Group offered deferred members of its two ROI defined benefit pension schemes an opportunity to transfer out of the schemes, giving the deferred member greater control and flexibility over their pension arrangements. This offer concluded in the current financial year. In total 119 deferred members availed of the offer and have transferred out of the scheme. The closing liability of the two ROI defined benefit pension schemes as at 28 February 2017 is a deficit of €22.3m. The NI defined benefit pension scheme is reporting a surplus of €4.5m as at 28 February 2017.

**Actuarial valuations – funding requirements**

Independent actuarial valuations of the defined benefit pension schemes are carried out on a triennial basis using the attained age method. The most recent actuarial valuations of the ROI defined benefit pension schemes were carried out with an effective date of 1 January 2015 while the date of the most recent actuarial valuation of the NI defined benefit pension scheme was 31 December 2014. The actuarial valuations are not available for public inspection; however the results of the valuations are advised to members of the various schemes.

The funding requirements in relation to the Group's ROI defined benefit pension schemes are assessed at each valuation date and are implemented in accordance with the advice of the actuaries. Arising from the formal actuarial valuations of the main schemes the Group has committed to contributions of 22% of pensionable salaries along with a deficit contribution of €1.2m per annum until the next valuation date for the Group's Staff defined benefit pension scheme. There is no funding requirement with respect to the Group's Executive defined benefit pension scheme in 2017. The funding requirement will be reviewed again as part of the next triennial valuation in January 2018. The 2014 actuarial valuation of the NI defined benefit pension scheme confirmed it was in surplus and the scheme remains in surplus.

The Group is exposed to a number of risks in relation to the funding position of these schemes, namely:-

Asset volatility: It is the Group's intention to pursue a long-term investment policy that emphasises investment in secure monetary assets to provide for the contractual benefits payable to members. The investment portfolio has exposure to equities, other growth assets and fixed interest investments, the returns from which are uncertain and may fluctuate significantly in line with market movements. Assets held are valued at fair value using bid prices where relevant.

Discount rate: The discount rate is the rate of interest used to discount post-employment benefit obligations and is determined by reference to market yields at the balance sheet date on high quality corporate bonds with a currency and term consistent with the currency and estimated term of the Group's post employment benefit obligations. Movements in discount rates have a significant impact on the value of the schemes' liabilities.

Longevity: The value of the defined benefit obligations is influenced by demographic factors such as mortality experience and retirement patterns. Changes to life expectancy have a significant impact on the value of the schemes' liabilities.

**Method and assumptions**

The schemes' independent actuary, Mercer (Ireland) Limited, has employed the projected unit credit method to determine the present value of the defined benefit obligations arising and the related current service cost.

The financial assumptions that have the most significant impact on the results of the actuarial valuations are those relating to the discount rate used to convert future pension liabilities to current values and the rate of inflation/salary increase. These and other assumptions used to determine the retirement benefits and current service cost under IAS19(R) *Employee Benefits* are set out below.

## 21. RETIREMENT BENEFITS (CONTINUED)

Mortality rates also have a significant impact on the actuarial valuations, as the number of deaths within the scheme have been too small to analyse and produce any meaningful scheme-specific estimates of future levels of mortality, the rates used have been based on the most up-to-date mortality tables, (the S2PMA CMI 2013 (males) and S2PFA CMI 2013 (females) for the ROI schemes and SPA07M year of birth tables with CMI 2014 projections for the NI scheme) with age ratings and loading factors to allow for future mortality improvements. These tables conform to best practice. The growing trend for people to live longer and the expectation that this will continue has been reflected in the mortality assumptions used for this valuation as indicated below. This assumption will continue to be monitored in light of general trends in mortality experience. Based on these tables, the assumed life expectations on retirement are:-

| | | ROI | | NI | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| Future life expectations at age 65 | | No. of years | No. of years | No. of years | No. of years |
| Current retirees – no allowance for future improvements | Male | **23.8** | 23.7 | **22.9** | 22.8 |
| | Female | **25.8** | 25.7 | **25.0** | 24.9 |
| Future retirees – with allowance for future improvements | Male | **25.0** | 24.9 | **25.0** | 24.9 |
| | Female | **27.1** | 26.9 | **27.3** | 27.2 |

Scheme liabilities:-

The average age of active members is 47 and 52 years for the ROI Staff and the NI defined benefit pension schemes respectively (the Executive defined benefit pension scheme has no active members), while the average duration of liabilities ranges from 15 to 23 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 2017 and 29 February 2016 are as follows:-

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | ROI | NI | ROI | NI |
| Salary increases | **0.00%-2.5%** | **3.7%** | 0.0%-2.5% | 3.4% |
| Increases to pensions in payment | **1.5%** | **1.8%** | 1.5% | 1.7% |
| Discount rate | **1.70%-1.95%** | **2.6%** | 1.95%-2.15% | 3.9% |
| Inflation rate | **1.5%** | **3.3%** | 1.5% | 3.0% |

A reduction in discount rate used to value the schemes' liabilities by ¼% would increase the valuation of liabilities by €10.2m while an increase in inflation/salary increase expectations of ¼% would increase the valuation of liabilities by €10.1m. The sensitivity is calculated by changing the individual assumption while holding all other assumptions constant.

The pension assets and liabilities on the following pages have been prepared in accordance with IAS19(R) *Employee Benefits*.

# Notes forming part of the financial statements
(continued)

## 21. RETIREMENT BENEFITS (CONTINUED)
### a. Impact on Group Income Statement

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | ROI €m | NI €m | Total €m | ROI €m | NI €m | Total €m |
| **Analysis of defined benefit pension expense:** | | | | | | |
| Current service cost | **1.1** | **-** | **1.1** | 1.0 | 0.1 | 1.1 |
| Past service gain | **-** | **-** | **-** | (0.8) | - | (0.8) |
| Gain on settlement | **(5.1)** | **-** | **(5.1)** | (5.4) | - | (5.4) |
| Interest cost on scheme liabilities | **4.0** | **0.2** | **4.2** | 4.2 | 0.3 | 4.5 |
| Interest income on scheme assets | **(3.4)** | **(0.4)** | **(3.8)** | (3.5) | (0.4) | (3.9) |
| Total income recognised in Income Statement | **(3.4)** | **(0.2)** | **(3.6)** | (4.5) | - | (4.5) |

**Analysis of amount recognised in Other Comprehensive Income:**

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | ROI €m | NI €m | Total €m | ROI €m | NI €m | Total €m |
| Actual return on scheme assets | **(13.2)** | **(2.3)** | **(15.5)** | 4.4 | 0.1 | 4.5 |
| Expected interest income on scheme assets | **3.4** | **0.4** | **3.8** | 3.5 | 0.4 | 3.9 |
| Experience gains and losses on scheme liabilities | **(1.8)** | **-** | **(1.8)** | 7.5 | (0.5) | 7.0 |
| Effect of changes in assumptions on scheme liabilities | **7.7** | **2.2** | **9.9** | (9.7) | (0.6) | (10.3) |
| **Total (income)/expense** | **(3.9)** | **0.3** | **(3.6)** | 5.7 | (0.6) | 5.1 |
| Scheme assets | **176.7** | **11.8** | **188.5** | 184.8 | 10.3 | 195.1 |
| Scheme liabilities | **(199.0)** | **(7.3)** | **(206.3)** | (217.5) | (5.6) | (223.1) |
| **Deficit in scheme** | **(22.3)** | **-** | **(22.3)** | (32.7) | - | (32.7)* |
| **Surplus in scheme** | **-** | **4.5** | **4.5** | - | 4.7 | 4.7 |

*Prior year pension liability of €32.7m is classified on the face of the Balance Sheet in current liabilities (€10.0m) and non-current liabilities (€22.7m).

## 21. RETIREMENT BENEFITS (CONTINUED)

### b. Impact on Group Balance Sheet

The retirement benefits (deficit)/surplus at 28 February 2017 and 29 February 2016 is analysed as follows:-

**Analysis of net pension deficit:**

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | ROI | NI | Total | ROI | NI | Total |
| | €m | €m | €m | €m | €m | €m |
| Bid value of assets at end of year: | | | | | | |
| Equity* | **49.4** | **5.9** | **55.3** | 49.1 | 5.3 | 54.4 |
| Bonds | **86.5** | **5.9** | **92.4** | 84.5 | 5.0 | 89.5 |
| Property | **11.5** | **-** | **11.5** | 10.6 | - | 10.6 |
| Cash | **0.5** | **-** | **0.5** | 0.2 | - | 0.2 |
| Alternatives | **28.8** | **-** | **28.8** | 40.4 | - | 40.4 |
| | **176.7** | **11.8** | **188.5** | 184.8 | 10.3 | 195.1 |
| Actuarial value of scheme liabilities | **(199.0)** | **(7.3)** | **(206.3)** | (217.5) | (5.6) | (223.1) |
| (Deficit)/surplus in the scheme | **(22.3)** | **4.5** | **(17.8)** | (32.7) | 4.7 | (28.0) |
| Related deferred tax asset/(liability) | **2.7** | **(0.8)** | **1.9** | 4.0 | (0.9) | 3.1 |
| Net pension (deficit)/surplus | **(19.6)** | **3.7** | **(15.9)** | (28.7) | 3.8 | (24.9) |

* The defined benefit pension schemes have a passive self investment in C&C Group plc of €nil (2016: €nil).

The alternative investment category includes investments in various asset classes including equities, commodities, currencies and funds. The investments are managed by fund managers.

**Reconciliation of scheme assets**

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | ROI | NI | Total | ROI | NI | Total |
| | €m | €m | €m | €m | €m | €m |
| Assets at beginning of year | **184.8** | **10.3** | **195.1** | 192.6 | 10.7 | 203.3 |
| **Movement in year:** | | | | | | |
| Translation adjustment | **-** | **(0.9)** | **(0.9)** | - | (0.8) | (0.8) |
| Expected interest income on scheme assets, net of pension levy | **3.4** | **0.4** | **3.8** | 3.5 | 0.4 | 3.9 |
| Actual return less interest income on scheme assets | **9.8** | **1.9** | **11.7** | (7.9) | (0.5) | (8.4) |
| Employer contributions | **3.1** | **0.3** | **3.4** | 5.8 | 0.7 | 6.5 |
| Member contributions | **0.2** | **-** | **0.2** | 0.2 | - | 0.2 |
| Benefit payments | **(24.6)** | **(0.2)** | **(24.8)** | (9.4) | (0.2) | (9.6) |
| **Assets at end of year** | **176.7** | **11.8** | **188.5** | 184.8 | 10.3 | 195.1 |

The expected employer contributions to fund defined benefit scheme obligations for year ending 28 February 2018 is €1.4m.

# Notes forming part of the financial statements
(continued)

## 21. RETIREMENT BENEFITS (CONTINUED)

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

| | 2017 ROI | 2017 NI | 2016 ROI | 2016 NI |
|---|---|---|---|---|
| Equities | **28%** | **50%** | 26% | 51% |
| Bonds | **49%** | **50%** | 46% | 49% |
| Property | **7%** | **-** | 6% | - |
| Cash | **-** | **-** | - | - |
| Alternatives | **16%** | **-** | 22% | - |
| | **100%** | **100%** | 100% | 100% |

**Reconciliation of actuarial value of scheme liabilities**

| | 2017 ROI €m | 2017 NI €m | 2017 Total €m | 2016 ROI €m | 2016 NI €m | 2016 Total €m |
|---|---|---|---|---|---|---|
| Liabilities at beginning of year | **217.5** | **5.6** | **223.1** | 229.9 | 7.0 | 236.9 |
| **Movement in year:** | | | | | | |
| Translation adjustment | **-** | **(0.5)** | **(0.5)** | - | (0.5) | (0.5) |
| Current service cost | **1.1** | **-** | **1.1** | 1.0 | 0.1 | 1.1 |
| Past service gain | **-** | **-** | **-** | (0.8) | - | (0.8) |
| Gain on settlement | **(5.1)** | **-** | **(5.1)** | (5.4) | - | (5.4) |
| Interest cost on scheme liabilities | **4.0** | **0.2** | **4.2** | 4.2 | 0.3 | 4.5 |
| Member contributions | **0.2** | **-** | **0.2** | 0.2 | - | 0.2 |
| Actuarial loss/(gain) immediately recognised in equity | **5.9** | **2.2** | **8.1** | (2.2) | (1.1) | (3.3) |
| Benefit payments | **(24.6)** | **(0.2)** | **(24.8)** | (9.4) | (0.2) | (9.6) |
| **Liabilities at end of year** | **199.0** | **7.3** | **206.3** | 217.5 | 5.6 | 223.1 |

## 22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's multinational operations expose it to various financial risks in the ordinary course of business that include credit risk, liquidity risk, commodity price risk, currency risk and interest rate risk. This note discusses the Group's exposure to each of these financial risks and summarises the risk management strategy for managing these risks. The note is presented as follows:-

(a) Overview of the Group's risk exposures and management strategy
(b) Financial assets and liabilities as at 28 February 2017/29 February 2016 and determination of fair value
(c) Market risk
(d) Credit risk
(e) Liquidity risk

**(a) Overview of the Group's risk exposures and management strategy**

The most significant financial market risks that the Group is exposed to include foreign currency exchange rate risk, commodity price fluctuations, interest rate risk and financial counterparty creditworthiness. The most significant change during the financial year to the financial risks faced by the Group is the potential impact of Brexit and the Group and the Board continues to monitor and manage this and all financial risks faced by the Group very closely.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. This is executed through various committees to which the Board has delegated appropriate levels of authority. An essential part of this framework is the role undertaken by the Audit Committee, supported by the internal audit function, and the Group Chief Financial Officer. The Board, through its Committees, has reviewed the internal control environment and the risk management systems and process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks will be managed effectively. The Board has embedded these structures and procedures throughout the Group and considers them to be a robust and efficient mechanism for creating a culture of risk awareness at every level of management.

The Group's risk management programme seeks to minimise the potential adverse effects, arising from fluctuations in financial markets, on the Group's financial performance in a non speculative manner at a reasonable cost when economically viable to do so. The Group achieves the management of these risks in part, where appropriate, through the use of derivative financial instruments. All derivative financial contracts entered into in this regard are in liquid markets with credit rated parties. Treasury activities are performed within strict terms of reference that have been approved by the Board. The Board had no derivative financial instruments in the current or prior financial periods.

**(b) Financial assets and liabilities**

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

| | Other financial assets €m | Other financial liabilities €m | Carrying value €m | Fair value €m |
|---|---|---|---|---|
| **Group** | | | | |
| **28 February 2017** | | | | |
| **Financial assets:** | | | | |
| Cash & cash equivalents | **187.6** | **-** | **187.6** | **187.6** |
| Trade receivables | **49.4** | **-** | **49.4** | **49.4** |
| Advances to customers | **58.3** | **-** | **58.3** | **58.3** |
| | | | | |
| **Financial liabilities:** | | | | |
| Interest bearing loans & borrowings | **-** | **(358.2)** | **(358.2)** | **(359.3)** |
| Trade & other payables | **-** | **(144.1)** | **(144.1)** | **(144.1)** |
| Provisions | **-** | **(14.2)** | **(14.2)** | **(14.2)** |
| | **295.3** | **(516.5)** | **(221.2)** | **(222.3)** |

# **Notes forming part of the financial statements**
(continued)

## 22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

| | Other financial assets €m | Other financial liabilities €m | Carrying value €m | Fair value €m |
|---|---|---|---|---|
| Group | | | | |
| 29 February 2016 | | | | |
| Financial assets: | | | | |
| Cash & cash equivalents | 197.3 | - | 197.3 | 197.3 |
| Trade receivables | 69.6 | - | 69.6 | 69.6 |
| Advances to customers | 53.0 | - | 53.0 | 53.0 |
| Financial liabilities: | | | | |
| Interest bearing loans & borrowings | - | (360.3) | (360.3) | (362.4) |
| Trade & other payables | - | (160.9) | (160.9) | (160.9) |
| Provisions | - | (18.9) | (18.9) | (18.9) |
| | 319.9 | (540.1) | (220.2) | (222.3) |

| | Other financial assets €m | Other financial liabilities €m | Carrying value €m | Fair value €m |
|---|---|---|---|---|
| **Company** | | | | |
| **28 February 2017** | | | | |
| **Financial assets:** | | | | |
| Amounts due from Group undertakings | **335.1** | **-** | **335.1** | **335.1** |
| **Financial liabilities:** | | | | |
| Amounts due to Group undertakings | **-** | **(281.1)** | **(281.1)** | **(281.1)** |
| Trade & other payables | **-** | **(0.3)** | **(0.3)** | **(0.3)** |
| | **335.1** | **(281.4)** | **53.7** | **53.7** |

| | Other financial assets €m | Other financial liabilities €m | Carrying value €m | Fair value €m |
|---|---|---|---|---|
| Company | | | | |
| 29 February 2016 | | | | |
| Financial assets: | | | | |
| Amounts due from Group undertakings | 238.2 | - | 238.2 | 238.2 |
| Financial liabilities: | | | | |
| Amounts due to Group undertakings | - | (273.3) | (273.3) | (273.3) |
| Trade & other payables | - | (0.5) | (0.5) | (0.5) |
| | 238.2 | (273.8) | (35.6) | (35.6) |

## 22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

**Determination of Fair Value**

Set out below are the main methods and assumptions used in estimating the fair values of the Group's financial assets and liabilities. There is no material difference between the fair value of financial assets and liabilities falling due within one year and their carrying amount as due to the short-term maturity of these financial assets and liabilities their carrying amount is deemed to approximate fair value.

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

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

***Advances to customers***

The nominal amount of all advances to customers, after provision for impairment, is considered to reflect fair value.

**Trade & other receivables/payables**

The nominal amount of all trade & other receivables/payables after provision for impairment is deemed to reflect fair value at the balance sheet date with the exception of provisions and amounts due from Group undertakings after more than one year which are discounted to fair value.

***Interest bearing loans & borrowings***

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

**(c) Market risk**

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

The Group enters into derivative financial contracts, when deemed economically viable to do so, to mitigate risks arising in the ordinary course of business from foreign exchange rate and interest rate movements, and also incurs financial liabilities, in order to manage these market risks. The Group carries out all such transactions within the Treasury policy as set down by the Board of Directors. The Group had no derivative financial instruments in the current or prior financial periods.

**Commodity price risk**

The Group is exposed to variability in the price of commodities used in the production or in the packaging of finished products, such as apple concentrate, glass, barley, aluminium, polymer, wheat and sugar/glucose. Commodity price risk is managed, where economically viable, through fixed price contracts with suppliers incorporating appropriate commodity hedging and pricing mechanisms. The Group does not directly enter into commodity hedge contracts. The cost of production is also sensitive to variability in the price of energy, primarily gas and electricity. It is Group policy to fix the cost of a certain level of its energy requirement through fixed price contractual arrangements directly with its energy suppliers.

**Currency risk**

The Company's functional and reporting currency and that of its share capital is Euro. The Euro is also the Group's reporting currency and the currency used for all planning and budgetary purposes. The Group is exposed to currency risk in relation to sales and purchase transactions by Group companies in currencies other than their functional currency (transaction risk), and fluctuations in the Euro value of the Group's net investment in foreign currency (Sterling and US Dollar) denominated subsidiary undertakings (translation risk). Currency exposures for the entire Group are managed and controlled centrally. The Group seeks to minimise its foreign currency transaction exposure when economically viable by maximising the value of its foreign currency input costs and creating a natural hedge.

In addition, the Group has a number of long-term US Dollar and Sterling intra group loans for which settlement is neither planned nor likely to happen in the foreseeable future, and as a consequence of which are deemed quasi equity in nature and are therefore part of the Group's net investment in its foreign operations. The Group does not hedge the translation exposure arising on the translation of the profits of foreign currency subsidiaries.

# Notes forming part of the financial statements
(continued)

## 22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The net currency gains and losses on transactional currency exposures are recognised in the Income Statement and the changes arising from fluctuations in the Euro value of the Group's net investment in foreign operations are reported separately within Other Comprehensive Income.

**The currency profile of the Group and Company's financial instruments subject to transactional exposure as at 28 February 2017 is as follows:-**

| Group | Euro €m | Sterling €m | USD €m | CAD/AUD €m | Not at risk €m | Total €m |
|---|---|---|---|---|---|---|
| Cash & cash equivalents | **1.1** | **3.9** | **1.0** | **0.6** | **181.0** | **187.6** |
| Trade receivables | **-** | **0.8** | **0.2** | **0.5** | **47.9** | **49.4** |
| Advances to customers | **-** | **-** | **-** | **-** | **58.3** | **58.3** |
| Interest bearing loans & borrowings | **-** | **-** | **-** | **-** | **(358.2)** | **(358.2)** |
| Trade & other payables | **(0.4)** | **(4.5)** | **(0.1)** | **-** | **(139.1)** | **(144.1)** |
| Provisions | **-** | **-** | **-** | **-** | **(14.2)** | **(14.2)** |
| **Gross currency exposure** | **0.7** | **0.2** | **1.1** | **1.1** | **(224.3)** | **(221.2)** |

The Group had no outstanding forward foreign currency contracts in place at 28 February 2017 (2016: €nil).

| Company | Sterling €m | Not at risk €m | Total €m |
|---|---|---|---|
| Net amounts due to Group undertakings | **(20.4)** | **74.4** | **54.0** |
| Accruals | **-** | **(0.3)** | **(0.3)** |
| **Total** | **(20.4)** | **74.1** | **53.7** |

The currency profile of the Group and Company's financial instruments subject to transactional exposure as at 29 February 2016 is as follows:-

| Group | Euro €m | Sterling €m | USD €m | CAD/AUD €m | Not at risk €m | Total €m |
|---|---|---|---|---|---|---|
| Cash & cash equivalents | 4.6 | 2.8 | 0.7 | 2.8 | 186.4 | 197.3 |
| Trade & other receivables | 1.8 | 1.0 | 0.2 | 0.5 | 66.1 | 69.6 |
| Advances to customers | - | - | - | - | 53.0 | 53.0 |
| Interest bearing loans & borrowings | - | - | - | - | (360.3) | (360.3) |
| Trade & other payables | (0.7) | (7.0) | - | (0.1) | (153.1) | (160.9) |
| Provisions | - | - | - | - | (18.9) | (18.9) |
| Gross currency exposure | 5.7 | (3.2) | 0.9 | 3.2 | (226.8) | (220.2) |

## 22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

| Company | Sterling €m | Not at risk €m | Total €m |
|---|---|---|---|
| Net amounts due to Group undertakings | (24.6) | (10.5) | (35.1) |
| Accruals | - | (0.5) | (0.5) |
| **Total** | (24.6) | (11.0) | (35.6) |

A 10% strengthening in the Euro against Sterling and the Australian, Canadian and US Dollars, based on outstanding financial assets and liabilities at 28 February 2017, would have a €0.3m negative impact on the Income Statement. A 10% weakening in the Euro against Sterling, and the Australian, Canadian and US Dollars would have a €0.3m positive effect on the Income Statement. This analysis assumes that all other variables, in particular interest rates, remain constant.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 €m | 2016 €m | 2017 €m | 2016 €m |
| **Variable rate instruments** | | | | |
| Interest bearing loans & borrowings | **(359.3)** | (362.4) | **-** | - |
| Cash & cash equivalents | **187.6** | 197.3 | **-** | - |
| | **(171.7)** | (165.1) | **-** | - |

The Group and Company's exposure to interest rate risk arises principally from its long-term debt obligations.

**Financial instruments: Cash flow hedges**
The Group had no outstanding cash flow hedges as at 28 February 2017 or 29 February 2016.

**(d) Credit risk**
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables, its cash advances to customers, cash & cash equivalents including deposits with banks and derivative financial instruments contracted with banks. The Group has an indirect exposure to European Sovereigns via its defined benefit pension scheme investment portfolio. In the context of the Group's operations, credit risk is mainly influenced by the individual characteristics of individual counterparties and is not considered particularly concentrated as it primarily arises from a wide and varied customer base; there are no material dependencies or concentrations of individual customers which would warrant disclosure under IFRS 8 *Operating Segments*.

# Notes forming part of the financial statements
(continued)

## 22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables and advances to customers based on experience, customer track records and historic default rates. Generally, individual 'risk limits' are set by customer and risk is only accepted above such limits in defined circumstances. A strict credit assessment is made of all new applicants who request credit-trading terms. The utilisation and revision, where appropriate, of credit limits is regularly monitored. Impairment provision accounts are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the amount is considered irrecoverable and is written off directly against the trade receivable/advance to customer. The Group also manages credit risk through the use of a receivables purchase arrangement, for an element of its trade receivables. Under the terms of this arrangement, the Group transfers the credit risk, late payment risk and control of the receivables sold. The total receivables sold at 28 February 2017 was €53.4m.

Advances to customers are generally secured by, amongst others, rights over property or intangible assets, such as the right to take possession of the premises of the customer. Interest rates calculated on repayment/annuity advances are generally based on the risk-free rate plus a margin, which takes into account the risk profile of the customer and value of security given. The Group establishes an allowance for impairment of customers advances that represents its estimate of potential future losses.

From time to time, the Group holds significant cash balances, which are invested on a short-term basis and disclosed under cash & cash equivalents in the Balance Sheet. Risk of counterparty default arising on short-term cash deposits is controlled within a framework of dealing primarily with banks who are members of the Group's banking syndicate, and by limiting the credit exposure to any one of these banks or institutions. Management does not expect any counterparty to fail to meet its obligations.

The Company also bears credit risk in relation to amounts owed by Group undertakings and from guarantees provided in respect of the liabilities of wholly owned subsidiaries as disclosed in note 25.

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 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | €m | €m | €m | €m |
| Trade receivables | **49.4** | 69.6 | **-** | - |
| Advances to customers | **58.3** | 53.0 | **-** | - |
| Amounts due from Group undertakings | **-** | - | **335.1** | 238.2 |
| Cash & cash equivalents | **187.6** | 197.3 | **-** | - |
| | **295.3** | 319.9 | **335.1** | 238.2 |

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

**(e) Liquidity risk**

Liquidity risk is the risk that the Group or Company will not be able to meet its financial obligations as they fall due. Liquid resources are defined as the total of cash & cash equivalents. The Group finances its operations through cash generated by the business and medium term bank credit facilities; the Group does not use off-balance sheet special purpose entities as a source of liquidity or financing.

The Group's policy is to ensure that sufficient resources are available either from cash balances, cash flows or committed bank facilities to meet all debt obligations as they fall due. To achieve this, the Group (a) maintains adequate cash or cash equivalent balances; (b) prepares detailed 3 year cash projections; and (c) keeps refinancing options under review. In addition, the Group maintains an overdraft facility that is unsecured.

In December 2014, the Group updated and amended its committed €450m multi-currency five year syndicated revolving loan facility with seven banks, namely Bank of Ireland, Bank of Scotland, Barclays Bank, Danske Bank, HSBC, Rabobank, and Ulster Bank, repayable in a single instalment on 22 December 2019. The facility agreement provides for a further €100m in the form of an uncommitted accordion facility and permits the Group to avail of further financial indebtedness, excluding working capital and guarantee facilities, to a maximum value of €150m, subject to agreeing the terms and conditions with the lenders. Consequently the Group is permitted under the terms of the agreement, to have debt capacity of €700m of which €359.3m was drawn at 28 February 2017 (2016: €360.4m).

## 22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group's debt facility incorporates two financial covenants:

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

Compliance with these debt covenants is monitored continuously.

The Group's main liquidity risk relates to maturing debt, however this risk is considered low at year end given the current facility extends to December 2019 as outlined above.

At the year end, the Group had net debt, net of unamortised issue costs, of €170.6m (29 February 2016: €163.0m), with a Net debt/ EBITDA ratio of 1.55:1.

The following are the contractual maturities of financial liabilities, including interest payments-

| **Group** | Carrying amount €m | Contractual cash flows €m | 6 months or less €m | 6-12 months €m | 1-2 years €m | Greater than 2 years €m |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| Interest bearing loans & borrowings | **(358.2)** | **(374.3)** | **(2.7)** | **(2.7)** | **(5.3)** | **(363.6)** |
| Trade & other payables | **(144.1)** | **(144.1)** | **(144.1)** | **-** | **-** | **-** |
| Provisions | **(14.2)** | **(15.4)** | **(3.8)** | **(2.8)** | **(0.9)** | **(7.9)** |
| Total contracted outflows | **(516.5)** | **(533.8)** | **(150.6)** | **(5.5)** | **(6.2)** | **(371.5)** |
| 2016 | | | | | | |
| Interest bearing loans & borrowings | (360.3) | (384.4) | (3.0) | (3.0) | (6.0) | (372.4) |
| Trade & other payables | (160.9) | (160.9) | (160.9) | - | - | - |
| Provisions | (18.9) | (22.6) | (12.2) | (1.1) | (0.9) | (8.4) |
| Total contracted outflows | (540.1) | (567.9) | (176.1) | (4.1) | (6.9) | (380.8) |

| **Company** | Carrying amount €m | Contractual cash flows €m | 6 months or less €m | 6-12 months €m | 1-2 years €m | Greater than 2 years €m |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| Amounts due to Group undertakings | **(281.1)** | **(281.1)** | **(281.1)** | **-** | **-** | **-** |
| Trade & other payables | **(0.3)** | **(0.3)** | **(0.3)** | **-** | **-** | **-** |
| **Total contracted outflows** | **(281.4)** | **(281.4)** | **(281.4)** | **-** | **-** | **-** |
| 2016 | | | | | | |
| Amounts due to Group undertakings | (273.3) | (273.3) | (273.3) | - | - | - |
| Trade & other payables | (0.5) | (0.5) | (0.5) | - | - | - |
| Total contracted outflows | (273.8) | (273.8) | (273.8) | - | - | - |

# Notes forming part of the financial statements
(continued)

## 23. SHARE CAPITAL AND RESERVES SHARE CAPITAL

| | Authorised number | Allotted and called up Number | Authorised €m | Allotted and called up €m |
|---|---|---|---|---|
| **At 28 February 2017** | | | | |
| **Ordinary shares of €0.01 each** | **800,000,000** | **325,546,201*** | **8.0** | **3.3** |
| At 29 February 2016 | | | | |
| Ordinary shares of €0.01 each | 800,000,000 | 329,157,714** | 8.0 | 3.3 |
| At 28 February 2015 | | | | |
| Ordinary shares of €0.01 each | 800,000,000 | 348,547,138*** | 8.0 | 3.5 |

* Inclusive of 11.9m treasury shares.
** Inclusive of 16.4m treasury shares.
*** Inclusive of 16.5m treasury shares.

All shares in issue carry equal voting and dividend rights.

Following shareholder approval at the Annual General Meeting on 27 June 2012, where Interests under the Joint Share Ownership Plan have vested and if the participant is a continuing employee and so agrees, the participant is entitled to dividends on the relevant Plan Shares in proportion to his economic interest. The Trustees of the Employee Trust are entitled to the dividends otherwise but have waived their entitlement. In the year to 28 February 2017, dividends of less than €0.1m were paid to Plan participants (2016: €0.4m).

### Reserves
### Group

| | Allotted and called up Ordinary Shares | | Ordinary Shares held by the Trustee of the Employee Trust* | |
|---|---|---|---|---|
| | 2017 '000 | 2016 '000 | 2017 '000 | 2016 '000 |
| As at 1 March | **329,158** | 348,547 | **7,354** | 7,473 |
| Shares issued in lieu of dividend | **2,209** | 1,312 | **-** | - |
| Shares issued in respect of options exercised | **318** | 146 | **-** | - |
| Shares cancelled following share buyback programme | **(6,139)** | (20,847) | **-** | - |
| Shares disposed of or transferred to Participants | **-** | - | **(4,442)** | (119) |
| As at 28 (29) February | **325,546**** | 329,158** | **2,912** | 7,354 |

*1.7m shares are held in the sole name of the Trustee of the Employee Trust (2016: 0.1m).
** Includes 9.025m shares bought by the Group during the financial year ended 28 February 2015 which continue to be held as Treasury shares.

### Movements in the year ended 28 February 2017

In July 2016, 1,067,162 ordinary shares were issued to the holders of ordinary shares who elected to receive additional ordinary shares at a price of €3.95476 per share, instead of part or all the cash element of their final dividend entitlement for the year ended 29 February 2016. In December 2016, 1,142,613 ordinary shares were issued to the holders of ordinary shares who elected to receive additional ordinary shares at a price of €3.44324 per share, instead of part or all the cash element of their interim dividend entitlement for the year ended 28 February 2017. During the current financial year 318,150 ordinary shares were issued on the exercise of share options for a net consideration of €0.8m.

## 23. SHARE CAPITAL AND RESERVES SHARE CAPITAL (CONTINUED)

All shares held by Kleinwort Benson (Guernsey) Trustees Limited as trustees of the C&C Employee Trust which were neither cancelled nor disposed of by the Trust at 28 February 2017 continue to be included in the treasury share reserve. During the financial year, 130,513 shares were sold by the Trustees and are no longer accounted for as treasury shares and 4,311,889 shares were transferred to participants on exercise of their entitlements under the Group's Joint Share Ownership Plan and therefore are also no longer accounted for as treasury shares.

Also during the current financial year, as part of the Group's capital management strategy, the Group invested €23.2m in an on-market share buyback programme (inclusive of commission and related costs) in which it repurchased and subsequently cancelled 6,139,438 of the Group's shares. This was in accordance with shareholder authority granted at the Group's AGM, in July 2016, to make market purchases of up to 10% of its own shares.

**Movements in the year ended 29 February 2016**

In July 2015, 663,539 ordinary shares were issued to the holders of ordinary shares who elected to receive additional ordinary shares at a price of €3.68 per share, instead of part or all the cash element of their final dividend entitlement for the year ended 28 February 2015. In December 2015, 647,937 ordinary shares were issued to the holders of ordinary shares who elected to receive additional ordinary shares at a price of €3.67 per share, instead of part or all the cash element of their interim dividend entitlement for the year ended 29 February 2016. During the financial year 146,000 ordinary shares were issued on the exercise of share options for a net consideration of €0.5m.

All shares held by Kleinwort Benson (Guernsey) Trustees Limited as trustees of the C&C Employee Trust which were neither cancelled nor disposed of by the Trust at 29 February 2016 continue to be included in the treasury share reserve. During the financial year, 119,244 shares were sold by the Trustees and therefore are no longer accounted for as treasury shares.

Also during the prior financial year, as part of the Group's capital management strategy, the Group invested €76.6m (inclusive of commission and related costs) in an on-market share buyback programme in which it repurchased and subsequently cancelled 20,846,900 of the Group's shares.

**Share premium - Group**

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

**Share premium - Company**

The share premium, as stated in the Company Balance Sheet, represents the premium recognised on shares issued and amounts to €838.6m as at 28 February 2017 (2016: €829.7m). The current financial year movement relates to the exercise of share options, and the issuance of a scrip dividend to those who elected to receive additional ordinary shares in place of a cash dividend.

**Other undenominated reserve and capital reserve**

These reserves initially arose on the conversion of preference shares into share capital of the Company and other changes and reorganisations of the Group's capital structure. The current and prior financial year movement relates to the on-market share buyback programme undertaken by the Group during both periods as outlined in further detail below.

**Share-based payment reserve**

The reserve relates to amounts expensed in the Income Statement in connection with share option grants falling within the scope of IFRS 2 *Share-Based Payment*, plus amounts received from participants on award of Interests under the Group's Joint Share Ownership Plan, less reclassifications to retained income following exercise/forfeit post vesting or lapse of such share options and Interests, as set out in note 4.

**Currency translation reserve**

The translation reserve comprises all foreign exchange differences from 1 March 2004, arising from the translation of the Group's net investment in its non-Euro denominated operations, including the translation of the profits of such operations from the average exchange rate for the year to the exchange rate at the Balance Sheet date, as adjusted for the translation of foreign currency borrowings designated as net investment hedges and long-term intra group loans for which settlement is neither planned nor likely to happen in the foreseeable future, and as a consequence are deemed quasi equity in nature and are therefore part of the Group's net investment in foreign operations.

# Notes forming part of the financial statements
(continued)

## 23. SHARE CAPITAL AND RESERVES SHARE CAPITAL (CONTINUED)

**Revaluation reserve**

Since 2009 the Group has completed a number of external valuations on its property, plant and equipment. Gains arising from such revaluations are posted to the Group's revaluation reserve. Any decreases in the value of the Group's property, plant and equipment as a result of external or internal valuations are recognised in the Income Statement except where there had been a previously recognised gain in the revaluation reserve as a result of the same asset, in which case, the gain is eliminated from the revaluation reserve to offset the loss in the first instance.

The movement in the current financial year is the removal of a previously recognised gain on an element of the Group's property, plant and equipment which was disposed of during the year.

**Treasury shares**

Included in this reserve is where the Company issues equity share capital under its Joint Share Ownership Plan, which is held in trust by the Group's Employee Trust. The consideration paid, 90% by a Group company and 10% by the participants, in respect of these shares is deducted from total shareholders' equity and classified as treasury shares on consolidation until such time as the Interests vest and the participant acquires the shares from the Trust or the Interests lapse and the shares are cancelled or disposed of by the Trust. Also included in the reserve is the purchase of 9,025,000 of the Company's own shares in the financial year ended 28 February 2015 at an average price of €3.29 per share under the Group's share buyback programme.

The current year movement in the reserve relates to Interests under the Joint Share Ownership Plan being acquired by participants from the Trust.

**Capital management**

The Board's policy is to maintain a strong capital base so as to safeguard the Group's ability: to continue as a going concern for the benefit of shareholders and stakeholders; to maintain investor, creditor and market confidence; and, to sustain the future development of the business through the optimisation of the value of its debt and equity shareholding balance.

The Board considers capital to comprise long-term debt and equity. There are no externally imposed requirements with respect to capital with the exception of a financial covenant in the Group's debt facilities which limits the Net debt:EBITDA ratio to a maximum of 3.5 times. This financial covenant was complied with throughout the year.

The Board periodically reviews the capital structure of the Group, considering the cost of capital and the risks associated with each class of capital. The Board approves any material adjustments to the capital structure in terms of the relative proportions of debt and equity. In order to maintain or adjust the capital structure, the Group may issue new shares, dispose of assets to reduce debt, alter dividend policy by increasing or reducing the dividend paid to shareholders, return capital to shareholders and/or buyback shares. In respect of the financial year ended 28 February 2017, the Company paid an interim dividend on ordinary shares of 4.96c per share (2016: 4.73c per share) and the Directors propose, subject to shareholder approval, that a final dividend of 9.37c per share (2016: 8.92c per share) be paid, bringing the total dividend for the year to 14.33c per share (2016: 13.65c per share).

In addition, as part of the Group's capital management strategy, the Group participated in a share buyback programme during the financial year. At the AGM held on 7 July 2016, shareholders granted the Group authority to make market purchases of up to 10% of its own shares.

The Group invested €22.9m (€23.2m including commission and related fees) as part of this on-market buyback programme, purchasing 6,139,438 of the Company's shares at an average price of €3.73. The Group's stockbrokers, Investec, conducted the share buyback programme. All shares acquired as part of the share buyback programme in the current financial year were subsequently cancelled by the Group. In the prior financial year, the Group invested €75.7m (€76.6m including commission and related fees) as part of this on-market share buyback programme, purchasing 20,846,900 of the Company's shares at an average price of €3.63. All shares acquired were subsequently cancelled by the Group. In the financial year ended 28 February 2015, a subsidiary of the Group invested €30.0m as part of an on-market share buyback programme, purchasing 9,025,000 of the Company's shares at an average price of €3.29. All shares acquired as part of this share buyback programme in the prior financial year are held as Treasury shares.

The Group monitors debt capital on the basis of interest cover and by the ratio of Net debt:EBITDA before exceptional items. In December 2014, the Group updated and amended its committed €450m multi-currency five year syndicated revolving facility with 7 banks which is repayable in a single instalment on 22 December 2019.

## 23. SHARE CAPITAL AND RESERVES SHARE CAPITAL (CONTINUED)

**Company Income Statement**

In accordance with Section 304 of the Companies Act 2014, the Income Statement of the Company has not been presented separately in these consolidated financial statements. A profit of €146.0m (2016: €0.7m loss) was recognised in the individual Company Income Statement of C&C Group plc.

## 24. COMMITMENTS

**(a) Capital commitments**

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

| | 2017 €m | 2016 €m |
|---|---|---|
| Contracted | **0.3** | 11.8 |
| Not contracted | **12.9** | 10.1 |
| | **13.2** | 21.9 |

The contracted capital commitments at 28 February 2017 primarily relates to improvements to the Wellpark visitor centre. Commitments at 29 February 2016 primarily relate to commitments at the Group's manufacturing facilities in Clonmel as a result of the announced consolidation of production sites across the Group during the prior financial year and the consequential announced investment in enhancing packaging and logistics capabilities at the Group's Clonmel site.

**(b) Commitments under operating leases**

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

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Land & buildings €m | Plant & machinery €m | Other €m | Total €m | Land & buildings €m | Plant & machinery €m | Other €m | Total €m |
| Payable in less than one year | **3.9** | **0.6** | **10.0** | **14.5** | 5.5 | 0.8 | 6.2 | 12.5 |
| Payable between 1 and 5 years | **7.0** | **1.2** | **22.7** | **30.9** | 8.2 | 2.0 | 15.3 | 25.5 |
| Payable greater than 5 years | **7.6** | **-** | **1.3** | **8.9** | 9.7 | - | - | 9.7 |
| | **18.5** | **1.8** | **34.0** | **54.3** | 23.4 | 2.8 | 21.5 | 47.7 |

The land & buildings operating lease commitments primarily relate to two leases of warehousing facilities in the UK acquired as part of the acquisition of the Gaymers cider business in 2010. These leases are due to expire in 2017 and 2026 respectively. A related onerous lease provision is included in Provisions – note 17. The other operating lease commitments primarily relate to on trade assets across the Group.

# Notes forming part of the financial statements
(continued)

## 24. COMMITMENTS (CONTINUED)

### (c) Other commitments

At the year end, the value of contracts placed for future expenditure was:-

| 2017 | Apple concentrate €m | Glass €m | Marketing €m | Barley €m | Aluminium €m | Polymer €m | Wheat €m | Sugar/ glucose €m | Natural gas | Total* €m |
|---|---|---|---|---|---|---|---|---|---|---|
| Payable in less than one year | **0.7** | **4.5** | **2.2** | **6.9** | **1.6** | **0.3** | **0.7** | **10.2** | **0.8** | **27.9** |
| Payable between 1 and 5 years | **-** | **-** | **3.5** | **13.2** | **-** | **-** | **-** | **-** | **-** | **16.7** |
| | **0.7** | **4.5** | **5.7** | **20.1** | **1.6** | **0.3** | **0.7** | **10.2** | **0.8** | **44.6** |

*Commitment obligations range from between 1 month to 60 months.

| 2016 | Apple concentrate €m | Glass €m | Marketing €m | Barley €m | Aluminium €m | Polymer €m | Wheat €m | Sugar/ glucose €m | Natural gas €m | Total €m |
|---|---|---|---|---|---|---|---|---|---|---|
| Payable in less than one year | 1.7 | 5.0 | 3.8 | 7.2 | 7.5 | - | 0.3 | 11.8 | - | 37.3 |
| Payable between 1 and 5 years | 0.4 | - | 3.3 | 21.1 | - | - | - | 1.6 | - | 26.4 |
| | 2.1 | 5.0 | 7.1 | 28.3 | 7.5 | - | 0.3 | 13.4 | - | 63.7 |

## 25. GUARANTEES AND CONTINGENCIES

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

As outlined in note 18, the Group has a multi-currency loan facility in place at year end, which it re-negotiated in December 2014. The Company, together with a number of its subsidiaries, gave a letter of guarantee to secure its obligations in respect of these loans. The actual loans outstanding at 28 February 2017 amounted to €359.3m (2016: €360.4m).

During the financial year ended 28 February 2015, a subsidiary of the Group entered into guarantees in favour of HSBC Bank plc, HSBC Asset Finance (UK) Limited and HSBC Equipment Finance Limited whereby it guaranteed drawn debt plus interest charges by Drygate Brewing Company Limited to HSBC Bank PLC of up to £540,000 and to HSBC Asset Finance (UK) and HSBC Equipment Finance Limited of up to £225,000 in aggregate. The guarantees reduce on a pound for pound basis to the extent of capital repayments in respect of the drawn debt and any amounts realised by the bank pursuant to any security provided in respect of the debt. The Guarantee with respect to HSBC Bank plc expires on the earlier of eleven years and three months from the date on which the guarantee became effective, the secured liabilities are repaid, or by mutual agreement with HSBC Bank plc. The Guarantees with HSBC Asset Finance (UK) Limited and HSBC Equipment Finance Limited expire after the secured liabilities are repaid, or by mutual agreement with HSBC Asset Finance (UK) Limited and HSBC Equipment Finance Limited respectively.

## 25. GUARANTEES AND CONTINGENCIES (CONTINUED)

Also during the financial year ended 28 February 2015, a subsidiary of the Group entered into a guarantee with Ulster Bank Limited whereby it guaranteed repayment of a loan plus interest and charges, to a maximum value of €1,150,000, which was drawn by one of its customers. The guarantee expires on the earlier of three years from the date of the first drawdown or the date on which the customer discharges its liability in its entirety.

During the 2014 financial year, a subsidiary of the Group entered into a guarantee in favour of Bank of Scotland plc whereby it guaranteed repayment of a five year term loan facility of up to €1,000,000 made by Bank of Scotland plc to a customer of a subsidiary of C&C Group plc, together with interest and other charges due under the facility and account charges.

During the 2011 financial year, a subsidiary of the Group entered into a guarantee with Clydesdale Bank plc whereby it guaranteed £250,000 plus interest and charges of the drawn debt of one of its customers. The guarantee expires on the earlier of: 10 years from the date on which the guarantee becomes effective; or the secured liabilities are repaid; or by mutual agreement with Clydesdale Bank plc.

Invest Northern Ireland funding, in the form of an employment grant of €0.2m was received during the 2015 financial year. Enterprise Ireland funding of €1.0m has previously been received towards the costs of implementing developmental projects. Scottish Enterprise Board funding of €0.3m had previously been received under the terms of its Regional Selective Assistance Scotland Scheme. All of these funds are fully repayable should the recipient subsidiary of the Group at any time during the term of the agreements be in breach of the terms and conditions of the agreements. The agreements terminate five years from date of the last receipt of funding which in the case of Invest Northern Ireland funding is September 2019 and Enterprise Ireland funding is March 2018. The Scottish Enterprise Board funding terms and conditions expired in July 2016.

Under the terms of the Sale and Purchase Agreement with respect to disposal of the Group's Northern Ireland wholesaling business in the year ended 29 February 2012, the Group has a maximum aggregate exposure of £4.3m in relation to warranties. The time limit for notification of all claims with respect to these warranties expired on 3 February 2013, with the exception of any claim relating to tax where the time limit is seven years from the transaction date and is due to expire on 3 August 2018.

Pursuant to the provisions of Section 357 of the Companies Act 2014, the Company has guaranteed the liabilities of certain of its subsidiary undertakings incorporated in the Republic of Ireland for the financial year to 28 February 2017 and as a result such subsidiaries are exempt from certain filing provisions.

## 26. RELATED PARTY TRANSACTIONS

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

### (a) Group

***Transactions***

Transactions between the Group and its related parties are made on terms equivalent to those that prevail in arm's length transactions.

***Subsidiary undertakings***

The consolidated financial statements include the financial statements of the Company and its subsidiaries. A listing of all subsidiaries is provided in note 27. Sales to and purchases from subsidiary undertakings, together with outstanding payables and receivables, are eliminated in the preparation of the consolidated financial statements in accordance with IFRS 10 *Consolidated Financial Statements*.

***Equity accounted investees***

In the current financial year, on 20 December 2016, the Group acquired 25% of the equity share capital of Whitewater Brewing Company Limited ("Whitewater"), an Irish Craft brewer for £0.3m (€0.3m euro equivalent at date of transaction). Also in the current financial year, on 11 May 2016, the Group acquired 14% of the equity share capital of a Canadian Company, for CAD$2.5m (€1.7m euro equivalent on date of investment). Details of transactions between the Group and both Whitewater and the Canadian Company, from date of investment, are disclosed below.

# Notes forming part of the financial statements
(continued)

## 26. RELATED PARTY TRANSACTIONS (CONTINUED)

During the financial year ended 28 February 2015, the Group entered into a joint venture arrangement with Heather Ale Limited, run by the Williams brothers who are recognised as leading family craft brewers in Scotland, to form a new entity Drygate Brewing Company Limited. The joint venture, which is run independently of the joint venture partners existing businesses, operates a craft brewing and retail facility adjacent to Wellpark brewery. Details of transactions during the current and prior financial year and outstanding year end balances are disclosed below.

The Group also holds a 50% investment in Beck & Scott (Services) Limited (Northern Ireland) and a 45.61% investment in The Irish Brewing Company Limited (Ireland) following its acquisition of Gleeson. Transactions between the Group and Beck & Scott (Services) Limited (Northern Ireland) are disclosed below. The Group had no transactions with The Irish Brewing Company Limited (Ireland) which is a non-trading entity.

A subsidiary of the Group holds a 33% investment in Shanter Inns Limited. Transactions between the Group and Shanter Inns are disclosed below.

On 28 November 2012, the Group acquired an equity investment in Thistle Pub Company Limited, a joint venture with Maclay Group plc. The Group subsequently acquired the remaining equity share capital of the Thistle Pub Company Limited business in the prior financial year on 3 August 2015. The Group therefore accounted for Thistle Pub Company Limited as a related party in the prior financial year up to the date of the deemed disposal of its initial investment and subsequent acquisition of 100% Thistle Pub Company Limited on 3 August 2015.

On 21 March 2012, the Group acquired a 25% equity investment in Maclay Group plc. The Maclay Group plc went into administration during the financial year ended 28 February 2015 and the Group consequently impaired its investment in this entity. The Group continued to trade with Maclay Inns Limited (in administration), a 100% owned subsidiary of the Maclay Group plc (in administration) in the prior financial year and details of transactions are disclosed below. In the current financial year the Group did not trade with Maclay Inns Limited however did receive an interim distribution of €0.5m as part of the administration process.

Loans extended by the Group to equity accounted investees are considered trading in nature and are included within advances to customers in Trade & other receivables (note 15).

Details of transactions with equity accounted investees during the year and related outstanding balances at the year end are as follows:-

| | Net revenue | | Balance outstanding | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | €m | €m | €m | €m |
| **Sale of goods to equity accounted investees:** | | | | |
| Beck & Scott (Services) Limited (Northern Ireland) | **0.2** | - | **-** | - |
| Drygate Brewing Company Limited | **0.2** | 0.3 | **0.1** | 0.1 |
| Maclay Group plc | **-** | 0.8 | **-** | - |
| Thistle Pub Company Limited | **n/a** | 0.4 | **n/a** | - |
| Shanter Inns Limited | **-** | 0.3 | **-** | - |
| | **0.4** | 1.8 | **0.1** | 0.1 |

## 26. RELATED PARTY TRANSACTIONS (CONTINUED)

| | Balance outstanding 2017 €m | Balance outstanding 2016 €m |
|---|---|---|
| **Loans to equity accounted investees:** | | |
| Canadian Investment | **1.8** | - |
| Whitewater Brewing Company Limited | **0.7** | - |
| Drygate Brewing Company Limited | **0.7** | 2.1 |
| Shanter Inns Limited | **-** | 0.1 |
| | **3.2** | 2.2 |

| | Purchases 2017 €m | Purchases 2016 €m | Balance outstanding 2017 €m | Balance outstanding 2016 €m |
|---|---|---|---|---|
| **Purchase of goods from equity accounted investees:** | | | | |
| Whitewater Brewing Company Limited | **0.1** | - | **-** | n/a |
| Drygate Brewing Company Limited | **0.6** | 0.1 | **0.2** | 0.1 |
| | **0.7** | 0.1 | **0.2** | 0.1 |

All outstanding trading balances with equity accounted investees, which arose from arm's length transactions, are to be settled in cash within one month of the reporting date.

***Key management personnel***

For the purposes of the disclosure requirements of IAS 24 *Related Party Disclosures*, the Group has defined the term 'key management personnel', as its executive and non-executive Directors. Executive Directors participate in the Group's equity share award schemes (note 4) and death in service insurance programme and in the case of UK resident executive Directors are covered under the Group's permanent health insurance programme. The Group also provides private medical insurance for UK resident executive Directors. No other non-cash benefits are provided. Non-executive Directors do not receive share-based payments or post employment benefits.

Details of key management remuneration are as follows:-

| | 2017 Number | 2016 Number |
|---|---|---|
| Number of individuals | **10** | 10 |
| | **€m** | **€m** |
| Salaries and other short-term employee benefits | **2.4** | 2.9 |
| Post employment benefits | **0.3** | 0.3 |
| Equity settled share-based payments | **0.1** | - |
| Further amount re exercise of JSOP Interests | **0.2** | - |
| Dividend equivalent payment with respect to JSOP Interests | **0.6** | - |
| Dividend income with respect of JSOP Interests (note 23) | **-** | 0.4 |
| **Total** | **3.6** | 3.6 |

# Notes forming part of the financial statements
(continued)

## 26. RELATED PARTY TRANSACTIONS (CONTINUED)

Two of the Group's executive Directors were awarded Interests under the Group's Joint Share Ownership Plan (JSOP). When an award is granted to an executive under the Group's JSOP, its value is assessed for tax purposes with the resulting value being deemed to fall due for payment on the date of grant. Under the terms of the Plan, the executive must pay the Entry Price at the date of grant and, if the tax value exceeds the Entry Price, he must pay a further amount, equating to the amount of such excess, before an exercise/sale of the awarded Interests. The deferral of the payment of the further amount was considered to be an interest-free loan by the Company to the executive and a taxable benefit-in-kind arose, charged at the Revenue stipulated rates (Ireland 13.5% from 1 January 2013 and UK 3.25% to 5 April 2015 and 3.0% from 6 April 2015). In the current financial year the Group's executive Directors exercised their JSOP Interests and paid the further amount on exercise. Under the terms of the Plan, when the further amount is paid, the Company compensates the executive for the obligation to pay this further amount by paying him an equivalent amount, which is however, subject to income tax and social security in the hands of the executive. This compensation is disclosed in the table above under Further amount.

The balances of the loans outstanding to the executive Directors in the context of the above as at 28 February 2017 and 29 February 2016 are as follows:-

| | 28 February 2017 €'000 | 29 February 2016 €'000 |
|---|---|---|
| Stephen Glancey | - | 111 |
| Kenny Neison | - | 83 |
| **Total** | - | 194 |

The highest amount due during the year, with respect to these loans, were the amounts outstanding as at 29 February 2016.

Also during the year and pursuant to a contract for services effective as of 1 April 2014 between C&C IP Sàrl ('CCIP') and Joris Brams BVBA ('JBB'), (a company wholly owned by Joris Brams and family), CCIP paid fees of €91,550 to JBB in respect of brand development services provided by JBB to CCIP in relation to Belgian products.

### (b) Company

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

| | 2017 €m | 2016 €m |
|---|---|---|
| Dividend income | **149.0** | - |
| Expenses paid on behalf of and recharged by subsidiary undertakings to the Company | **(3.1)** | (2.9) |
| Equity settled share-based payments for employees of subsidiary undertakings | **0.7** | 0.5 |
| Drawdown of cash funding and other cash movements with subsidiary undertakings | **(89.1)** | (111.1) |

## 27. SUBSIDIARY UNDERTAKINGS

| Trading subsidiaries | Notes | Nature of business | Class of shares held as at 28 February 2017 (100% unless stated) |
|---|---|---|---|
| **Incorporated and registered in Republic of Ireland** | | | |
| Bulmers Limited | (a) (n) | Cider | Ordinary |
| C&C Financing DAC | (b) (n) (o) | Financing company | Ordinary |
| C&C Group International Holdings Limited | (a) (n) (o) | Holding company | Ordinary & Convertible |
| C&C Group Irish Holdings Limited | (a) (n) (o) | Holding company | Ordinary |
| C&C Group Sterling Holdings Limited | (b) (n) | Holding company | Ordinary |
| C&C (Holdings) Limited | (a) (n) | Holding company | Ordinary |
| C&C Management Services Limited | (a) (n) | Provision of management services | 6% Cumulative Preference, 5% Second Non-Cumulative Preference & Ordinary Stock |
| Cantrell & Cochrane Limited | (a) (n) | Holding company | Ordinary |
| Latin American Holdings Limited | (b) (n) | Holding company | Ordinary |
| M&J Gleeson & Co u.c. | (b) (n) | Wholesale of drinks | Ordinary |
| Tennent's Beer Limited | (a) (n) | Beer | Ordinary |
| The Annerville Financing Company u.c. | (a) (n) | Financing company | Ordinary |
| The Five Lamps Dublin Beer Company Limited | (b) | Beer | Ordinary (87.5%) |
| Tipperary Pure Irish Water (Sales) u.c. (formerly Tipperary Natural Mineral Water (Sales)) | (b) (n) | Water | Ordinary |
| Wm. Magner Limited | (a) (n) | Cider | Ordinary |
| Wm. Magner (Trading) Limited | (a) (n) | Financing company | Ordinary |
| **Incorporated and registered in Northern Ireland** | | | |
| C&C Holdings (NI) Limited | (c) | Holding company | Ordinary |
| Gleeson N.I. Limited | (c) | Wholesale of drinks | Ordinary |
| Tennent's NI Limited | (c) | Cider and beer | Ordinary & 3.25% Cumulative Preference |
| **Incorporated and registered in England and Wales** | | | |
| C&C Management Services (UK) Limited | (e) | Provision of management services | Ordinary |
| Magners GB Limited | (e) | Cider and beer | Ordinary |
| **Incorporated and registered in Scotland** | | | |
| Macrocom (1018) Limited | (g) | Investment | Ordinary |
| Tennent Caledonian Breweries UK Limited | (f) | Beer and cider | Ordinary |
| Tennent Caledonian Breweries Wholesale Limited | (g) | Wholesale of drinks | Ordinary |
| Wallaces Express Limited | (g) | Holding company | Ordinary |
| Wellpark Financing Limited | (f) | Financing company | Ordinary |
| **Incorporated and registered in Luxembourg** | | | |
| C&C IP Sàrl | (h) | Licensing activity | Class A to J Units |
| C&C IP (No. 2) Sàrl | (h) | Licensing activity | Class A to J Units |
| C&C Luxembourg Sàrl | (h) | Holding and financing company | Class A to J Units |
| **Incorporated and registered Portugal** | | | |
| Biofun - Produtos Biológicos Do Fundão Limitada | (i) | Ingredients | Ordinary |
| Frontierlicious Limitada | (i) | Orchard management | Ordinary |
| Incredible Prosperity Limitada | (i) | Orchard management | Ordinary |

# Notes forming part of the financial statements
(continued)

## 27. SUBSIDIARY UNDERTAKINGS (CONTINUED)

| Trading subsidiaries | Notes | Nature of business | Class of shares held as at 28 February 2017 (100% unless stated) |
|---|---|---|---|
| **Incorporated and registered in Delaware, US** | | | |
| Green Mountain Beverages Management Corporation, Inc | (j) | Licensing activity | Common Stock |
| Vermont Hard Cider Company Holdings, Inc. | (j) | Holding company | Common Stock |
| Vermont Hard Cider Company, LLC | (j) | Cider | Membership Units |
| Wm. Magner, Inc. | (j) | Cider | Common Stock |
| **Incorporated and registered in Singapore** | | | |
| C&C International (Asia) Pte. Ltd. | (l) | Sales & Marketing | Ordinary |
| **Non-trading subsidiaries** | | | |
| **Incorporated and registered in Republic of Ireland** | | | |
| C&C Agencies Limited | (a) (n) | Non-trading | Ordinary |
| C&C Brands Limited | (a) (n) | Non-trading | Ordinary |
| C&C Gleeson Group Pension Trust Limited | (b)(n) | Non-trading | Ordinary |
| C&C Group Pension Trust Limited | (a) (n) | Non-trading | Ordinary |
| C&C Group Pension Trust (No. 2) Limited | (a) (n) | Non-trading | Ordinary |
| C&C Profit Sharing Trustee Limited | (a) (n) | Non-trading | Ordinary |
| Ciscan Net Limited | (a) (n) | Non-trading | Ordinary & A Ordinary |
| Cooney & Co. u.c. | (b) (n) | Non-trading | Ordinary |
| Cravenby Limited | (a) (n) | Non-trading | Ordinary |
| Crystal Springs Water Company Limited | (b) (n) | Non-trading | Ordinary |
| Dowd's Lane Brewing Company Limited | (a) (n) | Non-trading | Ordinary |
| Edward and John Burke (1968) Limited | (a) (n) | Non-trading | Ordinary & A Ordinary |
| Findlater (Wine Merchants) Limited | (a) (n) | Non-trading | Ordinary & A Ordinary |
| Fruit of the Vine Limited | (a) (n) | Non-trading | Ordinary |
| Gleeson Logistic Services Limited | (b) (n) | Non-trading | Ordinary |
| Gleeson Management Services u.c. | (b) (n) | Non-trading | Ordinary |
| Gleeson Wines & Spirits Limited | (b) (n) | Non-trading | Ordinary |
| Greensleeves Confectionery Limited | (b) (n) | Non-trading | Ordinary, 12% Cumulative Convertible Redeemable Preference & 3% Cumulative Redeemable Convertible Preference |
| J.L. O'Brien Clonmel u.c. | (b) (n) | Non-trading | Ordinary |
| M.& J. Gleeson (Investments) Limited | (b) (n) | Non-trading | Ordinary |
| M&J Gleeson Nominees Limited | (b) (n) | Non-trading | Ordinary & Preference |
| M. and J. Gleeson (Manufacturing) Company u.c. | (b) (n) | Non-trading | Ordinary |
| M and J Gleeson (Manufacturing) Company Holdings Limited | (b) (n) | Non-trading | Ordinary & Non-Voting Ordinary |
| M and J Gleeson and Company Holdings Limited | (b) (n) | Non-trading | Ordinary |
| M & J Gleeson Property Development Limited | (b) (n) | Non-trading | Ordinary |
| Magners Irish Cider Limited | (a) (n) | Non-trading | Ordinary |
| Sceptis Limited | (a) (n) | Non-trading | Ordinary |
| Showerings (Ireland) Limited | (a) (n) | Non-trading | Ordinary |
| Tennmel Limited | (b) (n) | Non-trading | Ordinary & A-E Non-Voting |
| Thwaites Limited | (a) (n) | Non-trading | A & B Ordinary |
| Tipperary Natural Mineral Water Company Holdings Limited | (b) (n) | Non-trading | Ordinary |
| Tipperary Natural Mineral Water (Sales) Holdings Limited | (b) (n) | Non-trading | Ordinary |
| Tipperary Pure Irish Water u.c. | (a) (n) | Non-trading | Ordinary |
| Vandamin Limited | (a) (n) | Non-trading | A & B Ordinary |

## 27. SUBSIDIARY UNDERTAKINGS (CONTINUED)

| Trading subsidiaries | Notes | Nature of business | Class of shares held as at 28 February 2017 (100% unless stated) |
|---|---|---|---|
| **Incorporated and registered in Northern Ireland** | | | |
| C&C 2011 (NI) Limited | (c) | Non-trading | Ordinary |
| C&C Profit Sharing Trustee (NI) Limited | (c) | Non-trading | Ordinary |
| **Incorporated and registered in Scotland** | | | |
| Thistle Pub Company Limited | (d) | Non-trading | Ordinary |
| **Incorporated and registered in England and Wales** | | | |
| Gaymer Cider Company Limited | (e) | Non-trading | Ordinary |
| Green Light Brands Limited | (m) (p) | Dissolved | Ordinary |
| Monuriki Drinks Limited | (m) (p) | Dissolved | Ordinary |
| Monuriki Sales & Marketing Limited | (m) (p) | Dissolved | Ordinary |
| **Incorporated and registered in Germany** | | | |
| Wm. Magner GmbH | (k) (q) | Dissolved | Ordinary |

Notes
(a) - (q)
The address of the registered office of each of the above companies is as follows:
(a) Annerville, Clonmel, Co. Tipperary, E91 NY79, Ireland.
(b) Bulmers House, Keeper Road, Crumlin, Dublin 12, D12 K702, Ireland.
(c) 15 Dargan Road, Belfast, BT3 9LS, Northern Ireland.
(d) Argyll House, Quarrywood Court, Livington, West Lothian, EH54 6AX, Scotland.
(e) Ashford House, Grenadier Road, Exeter, Devon EX1 3LH, England.
(f) Wellpark Brewery, 161 Duke St, Glasgow, G31 1JD, Scotland.
(g) Crompton Way, North Newmoor Industrial Estate, Irvine, Strathclyde, KA11 4HU, Scotland.
(h) L-2132 Luxembourg, 18 Avenue Marie-Therese, Luxembourg.
(i) Quinta Da Ferreira De Baxio, Castelo Branco, Fundão Parish, 6230 610 Salgueiro, Portugal.
(j) 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, US.
(k) Hans-Stießberger-Strae 2b, 885540 Haar, Germany.
(l) 143, Cecil Street, #03-01, GB Building, Singapore – 069542.
(m) Kilver Street, Shepton Mallet, Somerset, BA4 5ND, England.
(n) Companies covered by Section 357, Companies Act 2014 guarantees (note 25).
(o) Immediate subsidiary of C&C Group plc.
(p) Dissolved on 6 December 2016.
(q) Wm Magner GmbH was liquidated on 12 April 2016.

## EQUITY ACCOUNTED INVESTEES

| Company Name | | Nature of business | Class of shares and % held |
|---|---|---|---|
| Beck & Scott (Services) Limited (Northern Ireland) | (a) | Wholesale of drinks | Ordinary, 50% |
| Canadian Investment (Canada) | (b) | Brewing | 14% |
| Drygate Brewing Company Limited (Scotland) | (c) | Brewing | B Ordinary, 49% |
| Maclay Group plc (Scotland) | (d) | In Administration | B Ordinary & B Preference, 25% |
| The Irish Brewing Company Limited (Ireland) | (e) | Non-trading | Ordinary, 45.61% |
| Shanter Inns Limited (Scotland) | (f) | Public houses | Ordinary, 33% |
| Whitewater Brewing Co. Limited (Northern Ireland) | (g) | Brewing | 25% |

(a) - (g)
The address of the registered office of each of the above equity accounted investees is as follows:
(a) Unit 1, Ravenhill Business Park, Ravenhill Road, Belfast, BT6 8AW, Northern Ireland.
(b) Ontario, Canada.
(c) 85 Drygate, Glasgow, G4 0UT, Scotland.
(d) G1 Building, 5 George Square, Glasgow, G2 1DY, Scotland.
(e) Bulmers House, Keeper Road, Crumlin, Dublin 12, D12 K702, Ireland.
(f) 230 High Street, Ayr, KA7 1RQ, Scotland.
(g) 40 Tullyframe Road, Kilkeel, Newry, County Down, BT34 4RZ.

# Notes forming part of the financial statements
(continued)

## 28. POST BALANCE SHEET EVENTS

No significant events affecting the Group have occurred since the year end which would require disclosure or amendment of the financial statements.

## 29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Directors on 17 May 2017.