Independent Auditor's Report to the Members of C&C Group plc

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1. OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the financial statements of C&C Group plc for the year ended 28 February 2017 set out on pages 96 to 176 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group and Company Statement of Changes in Equity, and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union, and, as regards the Company financial statements, as applied in accordance with FRS 101 Reduced Disclosure Framework ("FRS 101") and the provisions of the Companies Act 2014. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

In our opinion:
- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 28 February 2017 and of its loss for the year then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 28 February 2017;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with FRS 101 as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

In arriving at our audit opinion above on the Group financial statements, the risks of material misstatement that had the greatest effect on our Group audit were as follows:

Impairment assessment of intangible assets contained in the Group's North America operating segment – Year end balance of €35.4 million after impairment charge of €106.6m (2016: Year end balance of €147.1million)

Refer to page 64 (Audit Committee Report), page 108 (accounting policy) and note 12 to the financial statements.

The risk

As detailed in the accounting policy note on page 108, impairment testing of intangible assets and goodwill is performed annually by the Group or more frequently if there is an indication that the carrying amount may not be recoverable.

During the current year, an impairment charge of €106.6 million was recorded against the carrying value of these assets. There is a risk that the impairment charge has not been appropriately calculated and that the carrying value of the remaining assets assigned to the Group's North American operating segment may not be recovered from future cashflows.

There is inherent uncertainty involved in preparing forecasts and discounted future cash flow reports for this purpose and significant judgement is involved in relation to the assumptions used in the Group's impairment model for the purposes of assessing the carrying value of the assets.

Our response

In this area, our audit procedures included, amongst others,
- assessing the appropriateness of management's identification of cash generating units ("CGUs") within the Group's North American operating segment and the allocation of intangible assets, which are largely brands arising from acquisitions, to these CGUs;
- evaluating the key assumptions and methodologies used by the Group, in particular those relating to volumes, revenue, operating profit and the discount rate and terminal growth rate applied to the forecasted cash flows in the model;
- considering the appropriateness of management's key assumptions based on the FY2018 budget, most recent financial results and other external data;
- checking the mathematical accuracy of management's model;
- considering the historical accuracy of the Group's forecasts;

We also performed similar procedures, to those outlined above, in relation to management's assessment of the carrying value of intangible assets and goodwill allocated to the Group's other operating segments and the related disclosures.

We considered, at an overall level, the difference between the market capitalisation of the Group and the book value of its net assets which indicated that the market capitalisation exceeded the book value by €686 million at 28 February 2017.

Carrying value of Property, Plant and Equipment ('PP&E') – €146.2 million (2016: €190.3 million)
Refer to page 64 (Audit Committee Report), pages 108 to 109 (accounting policy) and note 11 to the financial statements.

The risk
The Group carries its land and buildings and plant and machinery at fair value. The freehold land and buildings in Ireland, Portugal and the US and certain assets in Scotland are valued using a market approach. The Group's remaining land and buildings assets in the UK, and its plant and machinery in Ireland, the UK and the US are valued using the Depreciated Replacement Cost (DRC) method.

During the current year, the US land and buildings and plant and equipment were subject to independent expert valuations. The valuation of the Group's remaining assets were determined internally by management and significant judgement is exercised in determining the appropriate assumptions underlying the valuation, including amongst others, market based assumptions, plant replacement costs and plant utilisation levels. The majority of these assets were last subject to external valuations as at 28 February 2015.

There is inherent uncertainty involved in preparing valuations when there is a lack of comparable transactions in the market and benchmark data for similar assets in similar locations given the specialised nature of the Group's assets.

Our response
In relation to the external valuation performed on the US land and buildings, we inspected the valuation report in order to assess the integrity of the data and key assumptions underpinning the valuation. We considered whether the key assumptions were consistent with external market information. We also assessed the independence and qualification of the valuer.

In relation to the remaining land and buildings and plant and equipment, which was internally valued by management, our audit procedures included assessing and challenging the key input assumptions underpinning the valuations. We considered whether the assumptions were consistent with external market information, where available and the basis for changes to the assumptions since the date of the last external valuation.

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The materiality for the Group financial statements as a whole was set at €4 million (2016: €4.75 million). This has been calculated using a benchmark of 5% of Group profit before taxation excluding exceptional items, which we have determined, in our professional judgement, to be one of the principal benchmarks within the financial statements relevant to members of the Company in assessing financial performance.

We report to the Audit Committee all corrected and uncorrected misstatements identified through our audit in excess of €200,000 (2016: €250,000), in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The structure of the Group's finance function is such that certain transactions and balances are accounted for by the Group finance team, with the remainder accounted for in the operating units. We performed audit procedures, including those in relation to the significant risks set out above, on those transactions and balances accounted at operating unit and Group level. In relation to the Group's operating units, audits for Group reporting purposes were performed at each of the key operating units of the Group. These audits covered 99.9% of Group revenue, 99.8% of Group loss before tax and 99.8% of Group total assets.

The audits undertaken for Group reporting purposes at the key operating units of the Group were all performed to component materiality levels set by the Group audit team. These component materiality levels were set individually and ranged from €0.7 million to €3 million.

Detailed audit instructions were sent by the Group audit team to the auditors in all of the Group's key operating units. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported to the Group audit team. Members of the Group audit engagement team, including the Group Engagement Partner, attended the closing meetings for each of the significant operating components in person or by telephone at which the findings from the business unit audit were discussed with local and Group management. Members of the Group audit engagement team and the Group Engagement Partner attended the closing meeting at which the findings from all operating unit audits were discussed with the Group's Chief Financial Officer and senior members of the Group finance team as well as findings arising from procedures performed by the Group audit team.

Independent Auditor's Report to the Members of C&C Group plc
(continued)

4. WE HAVE NOTHING TO REPORT ON THE DISCLOSURES OF PRINCIPAL RISKS

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' statement of Principal Risks and Uncertainties on pages 19 to 21, concerning the principal risks, their management, and based on that, the directors assessment and expectations of the Group's continuing operations over 3 years to 2020; and
- the disclosures in the accounting policies to the financial statements concerning the use of the going concern basis of accounting.

5. WE HAVE NOTHING TO REPORT IN RESPECT OF THE MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ISAs (UK and Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report and financial statements as a whole that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider the annual report is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's position and performance, business model and strategy; or
- the Report of the Audit Committee does not appropriately disclose those matters that we communicated to the Audit Committee.

The Listing Rules of the Irish Stock Exchange require us to review:

- the directors' statement, set out on page 69, in relation to going concern and longer-term viability;
- the part of the Directors' Statement on Corporate Governance on pages 58 to 62 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the provisions of the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures to shareholders by the Board in the Report on Directors' Remuneration.

In addition, the Companies Act requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

6. OUR CONCLUSIONS ON OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY THE COMPANIES ACT 2014 ARE SET OUT BELOW

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statement are in agreement with the accounting records.

In our opinion, the information given in the Directors' Report is consistent with the financial statements and the description in the Directors' Statement of Corporate Governance of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements is consistent with the Group financial statements.

In addition, we report in relation to information given in the Corporate Governance statement on pages 58 to 69 that:

- based on knowledge and understanding of the Company and its environment obtained in the course of the audit, no material misstatements in the information identified above have come to our attention.
- based on our work undertaken in the course of our audit, in our opinion:
  - the description of the main features of the internal control and risk management systems in relation to the voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006, and specified by the Companies Act 2014 for our consideration, are consistent with the financial statements and have been prepared in accordance with the Companies Act 2014.
  - The Corporate Governance statement contains the information required by the Companies Act 2014.