

Tennent Caledonian Breweries UK Limited
(formerly Magners UK Limited and formerly Lawgra Limited)

Registration no. SC 362352

**Directors' report and
financial statements**

For the Year Ended 28 February 2011

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Tennent Caledonian Breweries UK Limited
(formerly Magners UK Limited and formerly Lawgra Limited)

Directors' report & financial statements

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Directors and other information

Directors	S Glancey E Hodgins M Lees (resigned 31 March 2011) K Neison N O'Kelly (resigned 1 June 2010) M Sloan (appointed 4 April 2011) P Walker (appointed 30 July 2010, resigned 18 January 2011) S Gillen (appointed 1 June 2010, resigned 31 August 2011)
Secretary	N O'Kelly (resigned 1 June 2010) S Gillen (appointed 1 June 2010, resigned 31 August 2011) E Brewer (appointed 31 August 2011)
Principal bankers	Bank of Scotland Head Office Edinburgh EH11 1YH
Solicitors	McCann FitzGerald Riverside One Sir John Rogerson's Quay Dublin 2
Auditor	KPMG Chartered Accountants 1 Stokes Place St Stephen's Green Dublin 2
Registered office	Wellpark Brewery 161 Duke Street Glasgow G31 1JD

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Directors' report

The directors' present their report and audited financial statements of Tennent Caledonian Breweries UK Limited "the company" for the year ended 28 February 2011.

Principal activities, business review

The company was incorporated on 8 July 2009 in the name of Lawgra Limited. It subsequently changed its name to Magners UK Limited on 26 August 2009 and then to Tennent Caledonian Breweries UK Limited on 29 September 2009 following the acquisition by the company of the Wellpark brewery from AB Inbev in September 2009. A fellow subsidiary C&C IP Sarl acquired the Tennent's brand and outsources all activities in relation to this brand in Scotland to Tennent Caledonian Breweries UK Limited in return for a royalty payment. The Company also entered a 20 year distribution agreement with AB InBev giving it non exclusive on trade distribution rights. The company's principal activities are the manufacturing and marketing of alcoholic drinks.

Against challenging economic conditions over the past year, the company is reporting revenue of £171.0 million and operating profit of £2.5 million.

Significant investment in the Tennent's product through advertising media has resulted in increased distribution in the on-trade alongside continued sponsorship of Scotland's largest music festival "T in the Park" and sponsorship of Glasgow Rangers and Celtic, the two top Scottish football teams. As a result Tennent's is building awareness with core drinkers and appealing to a new audience.

The results for the year are set out on page 9. During the year the Company paid a dividend of £1.2million (2010: £Nil).

The business meets all its statutory environmental requirements and provides a safe environment for its employees.

Directors, Secretary and their interests

The directors and secretary who served at any time during the period are set out on page 1.

The interests of the Directors and Secretary of Tennent Caledonian Breweries UK Limited in office at 28 February 2011 in the share capital of C&C Group plc. and its subsidiaries at the beginning and end of the period were as follows:

C&C Group plc.	28 February 2011	28 February 2010
Ordinary shares of €0.01 each		
S Glancey	5,120,000*	5,120,000*
K Neison **	2,561,530*	2,561,530*
E Hodgins	1,382	700
M Lees	41,666***	-

* S Glancey shareholding of 5,120,000, Mike Lees shareholding of 41,666 and 2,560,000 of K Neison's shareholding were acquired under the Joint Share Ownership Plan (JSOP) of C&C Group Plc, the company's ultimate parent undertaking. Mike Lees was awarded a shareholding of 250,000 under the Joint Share Ownership Scheme however the balance of 208,333 will not vest at 28 February 2011.

** K Neison's shareholding includes a shareholding of 1,530 ordinary shares omitted in error from the 2010 financial statements

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Directors' report (continued)

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Directors, Secretary and their interests (continued)

Share Options

Details of the share options outstanding to directors and the secretary under the provisions of the C & C Group plc executive share option scheme are as follows:

Executive Share Option Scheme

	1 March 2010	Granted in Year	Exercised in Year	28 February 2011	Weighted average option price €
S Glancey	386,600	234,100	-	620,700	2.42
K Neison	232,000	140,500	-	372,500	2.42
E. Hodgins	85,500	37,400	-	122,900	2.97
M. Lees	-	42,887	-	42,887	3.32
S. Gillen	-	42,200	-	42,200	3.32

Subject to meeting performance conditions, options granted at €1.94 in May 2009 are exercisable in the period 13 May 2012 to 12 May 2016 and options granted at €3.205 in May 2010 are exercisable in the period 26 May 2013 to 25 May 2017, options granted at €3.32 in July 2010 are exercisable in the period 20 July 2013 to 21 July 2017.

Future developments in the business

The directors expect the general level of activity to continue for the foreseeable future. The company will continue to develop its key brands through a high level of marketing support.

Research and development

Research and development is concentrated mainly on new product development.

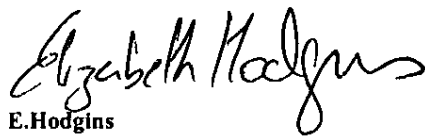
Post balance sheet events

The directors confirm that there have been no material events since the Balance Sheet date which would require disclosure in the financial statements.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors report confirm that, so far as they are aware, there is no relevant information of which the Company's auditor is unaware; and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the board



E. Hodgins
Director

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Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

- ☐ select suitable accounting policies and then apply them consistently;
- ☐ make judgements and estimates that are reasonable and prudent; and
- ☐ state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ☐ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a directors' report that complies with that law.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed reappointed and KPMG, Chartered Accountants will therefore continue in office.

On behalf of the board



E. Hodgins
Director



KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Independent auditor's report to the members of Tennent Caledonian Breweries UK Limited

We have audited the financial statements of Tennent Caledonian Breweries UK Limited for the year ended 28 February 2011 which comprise of the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities set out on page 4, the directors are responsible for preparing the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. Further details of the scope of an audit of financial statements are provided on the Auditing Practices Board's website at <http://www.apb.org.uk/apb/scope/private.cfm>.



**Independent auditor's report to the members of Tennent Caledonian Breweries UK Limited
(contd.)**

Opinion on the financial statements

In our opinion the financial statements :

- give a true and fair view of the state of the company's affairs as at 28 February 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Meagher (Senior Statutory Auditor)
For and on behalf of KPMG, Statutory Auditor

KPMG
1 Stokes Place
St Stephen's Green
Dublin 2

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Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the company.

Basis of preparation

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom accounting standards (UK Generally Accepted Accounting Practice). The financial statements are prepared in pounds sterling.

Turnover

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

Excise duty

Excise duty is levied at the point of production in the case of the Company's manufactured products and at the point of importation in the case of imported products in the key jurisdictions in which the Company operates. The Company accounts for excise duties as a cost of the business and separately discloses this cost in operating costs.

Tangible fixed assets

The company's freehold properties were valued on the basis of open market value at the date of acquisition and property, plant & equipment were valued using the depreciated replacement cost.

Other than freehold land which is not depreciated, tangible fixed assets were depreciated during the current period on the following basis:

Buildings	2% straight line
Motor vehicles	15% straight
Other equipment incl returnable bottles, cases and kegs	5-25% straight line
Plant & machinery	15-30% reducing value

Goodwill

Goodwill relates to the purchase of the business. Purchased goodwill arising on the acquisition of a business represents the excess of the acquisition cost over the fair value of the identifiable net assets when they were acquired. Any excess of the aggregate of the fair value of the identifiable net assets acquired over the fair value of the acquisition cost is negative goodwill.

Stocks

Trading stocks are stated at the lower of cost and net realisable value. Cost comprises purchase price or direct production costs together with excise duties and manufacturing overheads as appropriate. Net realisable value is based on normal selling price, less further costs expected to be incurred to completion and disposal.

Research and development

Research and development costs are written off as incurred.

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Statement of accounting policies

Pension costs

The Company operates a defined contribution pension scheme. Obligations to the defined contribution scheme are recognised as an expense to the profit and loss account as the related employee service is received.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions or at a contracted rate. The resulting monetary assets and liabilities are translated at the balance sheet rate or the contracted rate and the exchange differences are dealt with in the profit and loss account.

Taxation including deferred tax

The charge for current taxation is based on the profit for the period adjusted to taxable profits.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets.
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leases

Operating leases

Rental payments under operating leases are dealt with in the profit and loss account in the period to which they relate.

Finance leases

Where assets are acquired under finance leases, the capital element of the asset is included in tangible fixed assets and amortised over the life of the asset. The outstanding capital element of the leasing obligations is included in bank and other advances. The interest element is charged to the profit and loss account over the primary period of the lease in proportion to the balance outstanding.

Cash flow statement

As the company is a wholly owned subsidiary of a company established under the law of a member state of the European Union which is preparing a consolidated cash flow statement, it is availing of the exemption under FRS 1 not to prepare a cash flow statement.

Equity settled share based payment transactions

A C&C Group Plc share scheme allows certain employees of its subsidiary companies to acquire shares in C&C Group plc. Employees of the Company received such awards during the year and this has been accounted for as a capital contribution. An external valuer determines the fair value at the date of grant of such awards. Share entitlements granted by the Group are subject to certain non market-based vesting conditions which are not taken into account when estimating the fair value of entitlements as at the grant date. The expense for the share entitlements recognised in the income statement is based on the fair value of the total number of entitlements expected to vest and is allocated to accounting periods on a straight line basis over the vesting period with a corresponding increase in equity. The cumulative charge to the income statement is reversed only where entitlements do not vest because all non-market vesting conditions have not been met or where an employee in receipt of share entitlements leaves the company before the end of the vesting period.

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Profit and loss account

	<i>Notes</i>	Year ended 28 February 2011 £'000	Period from incorporation to 28 February 2010 £'000
Turnover - continuing operations	1	171,047	97,450
Operating costs	3	(168,524)	(94,131)
Operating profit	2	2,523	3,319
Exceptional costs	4	-	(1,844)
Profit before tax		2,523	1,475
Taxation	6	(1,201)	(673)
Profit for the financial year	14	1,322	802

On behalf of the board:



E.Hodgins
Director

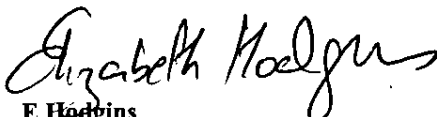
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Balance sheet
As at 28 February 2011

	<i>Notes</i>	Year Ended 28 February 2011 £'000	Year Ended 28 February 2010 £'000
Fixed assets			
Tangible assets	7	60,982	58,874
Goodwill and Intangible assests	8	14,508	15,131
		<u>75,490</u>	<u>74,005</u>
Current assets			
Stocks	9	4,547	4,286
Debtors	10	54,150	73,874
Cash at bank and in hand		12,438	-
		<u>71,135</u>	<u>78,160</u>
Creditors			
<i>Amounts falling due within one year</i>			
Other creditors	11	(39,330)	(45,128)
		<u>(39,330)</u>	<u>(45,128)</u>
Net current assets		<u>31,805</u>	<u>33,032</u>
Total assets less current liabilities		<u>107,295</u>	<u>107,037</u>
Capital and reserves			
Share capital	13	60,000	60,000
Share premium	14	46,235	46,235
Capital contribution	14	151	-
Profit and loss account	14	909	802
Shareholders' funds	14	<u>107,295</u>	<u>107,037</u>

On behalf of the board:


E. Hodgins
Director

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Notes

Forming part of the financial statements

1 Turnover - continuing operations

	Year Ended 28 February 2011 £'000	Period Ended 28 February 2010 £'000
Analysis by class of business		
Beer and other alcoholic drinks	171,047	97,450
	171,047	97,450

An analysis of operating profit and net assets by class of business and geographical area is not provided as, in the opinion of the directors, the disclosure this information would be prejudicial to the interests of the company.

2 Operating profit

	Year Ended 28 February 2011 £'000	Period Ended 28 February 2010 £'000
The operating profit has been arrived at after charging	£'000	£'000
Directors' emoluments:		
- fees	-	-
- other emoluments	284	-
Depreciation	4,775	2,297
Goodwill amortisation	798	-
Auditor's remuneration	-	-

Details of director's share interests are given in the directors' report.

3 Operating costs

	Year Ended 28 February 2011 £'000	Period Ended 28 February 2010 £'000
Staff costs (note 5)	12,738	5,649
Depreciation	4,775	2,297
Amortisation	798	-
Excise duties	103,718	46,213
Integration costs	3,634	-
Royalty payments	8,119	3,252
Other operating costs	34,742	36,720
	168,524	94,131

Details of director's share interests are given in the directors' report.

4 Exceptional costs

	Year Ended 28 February 2011 £'000	Period Ended 28 February 2010 £'000
Restructuring provision	-	448
Integration costs	-	1,396
	-	1,844

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Forming part of the financial statements

5 Staff numbers and costs

	Year Ended 28 February 2011	Period Ended 28 February 2010
The average number of persons employed by the company (including executive directors) during the year, analysed by category, was as follows:		
Production	129	63
Sales and Marketing	85	31
Distribution	31	13
Administration	37	9
	282	116

The aggregate remuneration costs of these employees were:	£'000	£'000
Wages and salaries	10,641	4,486
Social welfare costs	963	273
Share based payment	151	-
Other pension costs	983	890
	12,738	5,649

Share based payments

In May 2004, the C&C Group established an executive share option scheme 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 are exercisable at the market price prevailing at the date of the grant of the option.

In December 2008, shareholders at an Extraordinary General Meeting approved the establishment of a Joint Share Ownership Plan (JSOP) where certain employees of the Company and its subsidiaries are eligible to participate in the Plan at the discretion of the Remuneration Committee. Under this plan, interests in the form of a restricted interest in ordinary shares in the Company are awarded to certain key executives on payment upfront to the Employee Benefit Trust of funding equal to 10% of the issue price on the acquisition of the Interest. The vesting of the Interests granted is subject to the following conditions. All of the Interests are subject to a time vesting condition with one-third of the Interest in the shares vesting on the first anniversary of acquisition, one-third on the second anniversary and the final one-third on the third anniversary. In addition, half of the Interests in the shares will be subject to a pre-vesting share price target.

Details of the options granted to employees of the Company under these schemes are as follows:

Grant Date	Vesting Period	No of options	Grant Price Euro	Fair Value at grant date Euro	Expense in income statement	
					2011 €'m	2010 €'m
17 December 2009 (JSOP)	1-3 years	250,000	2.47	0.11-0.16	-	-
21 July 2010 (ESOP)	3 Years	608,500	3.32	1.16	0.2	-
		858,500			0.2	-

The main assumption used in the valuations were as follows:-

	Executive Options July 2010	JSOP June 2009
Exercise price	€3.32	€2.47
Risk free interest rate	1.47%	0.7% - 1.7%
Expected volatility	50.8%	44.7% - 52.9%
Expected life	7 years	1-3 years
Dividend yield	2.00%	2.2%

The amount charged in respect of above option grants assumes that all options outstanding will vest and that all qualifying conditions will be achieved.

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Forming part of the financial statements

6 Taxation

	Period Ended 28 February 2011 £'000	Period Ended 28 February 2010 £'000
(a) Analysis of charge in the period		
Current tax		
United Kingdom taxation:		
Corporation tax	3	-
	3	-
Deferred tax		
Deferred tax charge in period		
United Kingdom	1,198	673
Tax on profit on ordinary activities	1,201	673

(b) Reconciliation of actual tax charge to tax at standard rate

The tax assessed for the period is lower than that calculated at the standard rate of corporation tax in the United Kingdom as explained below.

Profit on ordinary activities before tax	2,523	1,475
Profit on ordinary activities multiplied by the standard rate of corporation tax of 28%	706	413
Actual tax charge is affected by the following:		
Expenses not deductible for tax purposes	131	87
Depreciation in excess of capital allowances	(632)	(464)
Group Relief Claimed	(465)	(36)
Other	263	-
Current tax charge for period as above.	3	-

7 Tangible fixed assets

	Land & buildings £'000	Plant & machinery £'000	& Other Equipment £'000	Total £'000
Cost or valuation				
As At 28 February 2010	28,000	19,901	13,270	61,171
Additions in year	-	2,395	6,938	9,333
Disposals in year	-	-	(2,901)	(2,901)
At 28 February 2011	28,000	22,296	17,307	67,603
Depreciation				
As At 28 February 2010	220	980	1,097	2,297
Charge for the year	523	2,133	2,119	4,775
Eliminated on disposal	-	-	(451)	(451)
At 28 February 2011	743	3,113	2,765	6,621
Net book value at 28 February 2011	27,257	19,183	14,542	60,982
Net book value at 28 February 2010	27,780	18,921	12,173	58,874

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Forming part of the financial statements

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8 Goodwill and intangible assets

	Goodwill £'000	Other Intangible Assets £'000	Total £'000
Cost			
At 28 February 2010	13,731	1,400	15,131
Acquisition adjustment in year	375	-	375
Disposal	-	(200)	(200)
At 28 February 2011	14,106	1,200	15,306
Amortisation			
At 28 February 2010	-	-	-
Charge for the year 28 February 2011	(705)	(93)	(798)
Net book value at 28 February 2011	13,401	1,107	14,508
Net book value at 28 February 2010	13,731	1,400	15,131

	At 28 February 2011 £'000	At 28 February 2010 £'000
9 Stocks		
Raw materials and consumables	1,335	2,012
Finished goods and goods for resale	3,212	2,274
	4,547	4,286

The estimated replacement cost of all stocks is not materially different from the amount shown above.

	At 28 February 2011 £'000	At 28 February 2010 £'000
10 Debtors		
Trade debtors	13,119	31,319
Amounts due from fellow group companies	32,518	-
Advances to customers	6,281	21,210
Prepayments and sundry debtors	1,759	21,345
Corporation tax recoverable	473	-
	54,150	73,874

Amounts due to intercompany entities are unsecured, interest free and repayable on demand.

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Forming part of the financial statements

11 Creditors

	At 28 February 2011 £'000	At 28 February 2010 £'000
Trade Creditors	10,085	-
Amounts owed to fellow group companies	4,245	17,097
Accruals and other creditors	23,129	27,358
Deferred tax (note 11)	1,871	673
	39,330	45,128

12 Deferred tax

	£'000
Balance at 28 February 2010	673
Charged during the year	1,198
Balance at 28 February 2011	1,871

Deferred tax arises on the timing difference between the tax written down value of assets and their net book value.

13 Share Capital

	Authorised £'000	Allotted, called up & fully paid £'000
At 28 February 2011 and 28 February 2010	£'000	£'000
Ordinary shares of £1 each	60,000	60,000

14 Summary of movements on reserves

	Share Capital £'000	Share Premium £'000	Capital contribution reserve £'000	Profit & loss account £'000	Total £'000
As at 28 February 2010	60,000	46,235	-	802	107,037
Profit for the financial period	-	-	-	1,322	1,322
Movement in the year	-	-	151	-	151
Dividend Paid	-	-	-	(1,215)	(1,215)
As at 28 February 2011	60,000	46,235	151	909	107,295

The capital contribution represents the fair value of share options awarded to employees of the company to acquire share in C&C Group plc as set out in note 5.

During the year a dividend of £0.02025 cent per share was paid totalling £1,215,000 (2010: £NIL).

15 Guarantees and Contingencies

During the financial year, Tennent Caledonian breweries UK Ltd, 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 earliest of; 10 years from the date on which the guarantee becomes effective, the secure liabilities are repaid, or by mutual agreement with Clydesdale Bank plc.

16 Ultimate parent undertaking

The company's ultimate parent undertaking and controlling party is C&C Group plc., a company registered in the Republic of Ireland. The smallest and largest group in which the results of the company are consolidated is that headed by C&C Group plc. and the consolidated financial statements are filed in the Companies Registration Office at 14 Parnell Square, Dublin 1, Republic of Ireland.

17 Related party transactions

The company is availing of the exemption under Financial Reporting Standard No. 8 "Related Party Disclosures" not to disclose details of transactions with companies within the C&C Group plc group.

18 Approval of financial statements

The financial statements were approved by the directors on 28 November 2011.