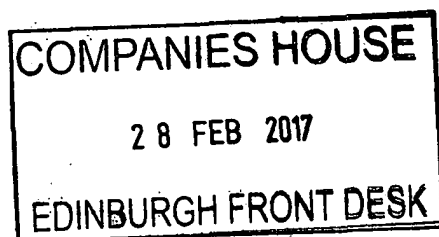


Tennent Caledonian Breweries UK Limited

Registration no: SC362352

**Annual report and
financial statements**

For the year ended 29 February 2016



Tennent Caledonian Breweries UK Limited

Annual report and financial statements

Table of contents

	Page
Directors and other information	1
Strategic report	2
Directors' report	3
Independent auditor's report to the members of Tennent Caledonian Breweries UK Ltd	5
Profit and loss account	6
Statement of comprehensive income	7
Balance sheet	8
Statement of change in equity	9
Statement of accounting policies	10
Notes forming part of the financial statements	14

Directors and other information

Directors	S Glancey K Neison D G Johnston (appointed 14 July 2015) E J Robertson (appointed 17 May 2016) M Boulos (appointed 5 September 2016) A Pozzi (appointed 5 September 2016) A M Campbell (appointed 14 July 2015, resigned 2 September 2016) K Barclay (resigned 17 May 2016) E Hodgins (resigned 22 December 2015) B J Calder (resigned 14 July 2015)
Secretary	C&C Management Services Limited
Principal bankers	Bank of Scotland Head Office Edinburgh EH1 1YH
Solicitors	McCann FitzGerald Riverside One Sir John Rogerson's Quay Dublin 2
Auditor	KPMG LLP 319 St Vincent Street Glasgow G2 5AS
Registered office	Wellpark Brewery 161 Duke Street Glasgow G31 1JD
Registered number	SC362352

Strategic Report

The directors present their strategic report, their Directors' report and the audited financial statements of Tennent Caledonian Breweries UK Limited ("the company") for the year ended 29 February 2016.

Principal activities

The company's principal activities are the manufacturing and marketing of alcoholic drinks from the company's Wellpark brewery in Glasgow.

Business review and future developments

Against challenging economic conditions over the past year, the company is reporting revenue of £179.7m (2015: £211.8m) and operating profit of £2.8m (2015: £9.4m)

Sales of non-Tennent's branded goods during the financial year were sold through another group entity, Tennent Caledonian Breweries Wholesale Limited (formerly Wallaces of Ayr Limited)

Continued brand investment on Tennent's products was made through advertising media alongside sponsorship of Scotland's largest music festival "T In The Park".

Principal risks and uncertainties

Risks & uncertainties

The company may be adversely affected by changes in government regulations affecting alcohol pricing

Input costs may be subject to volatility and inflation and the continuity of supply of raw materials may be affected by the weather and other factors.

Seasonal fluctuations in demand, especially an unseasonably bad summer in the UK could materially affect demand for cider products.

Mitigation

Within the context of supporting responsible drinking initiatives, the company supports the work of its trade associations to present the industry's case to government

The company seeks to mitigate some of these risks through long term or fixed price supply agreements.

Brand diversification is helping to mitigate this risk

Key Performance Indicators (KPI)

Strategy

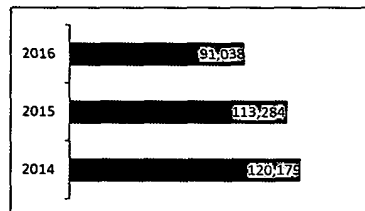
Driving Growth

Growth is driven through marketing, innovation and product development alongside continued customer investment.

Key Performance Indicator

Net Turnover £'000

The level of sales achieved in the year after discounts and duty are deducted. Net revenue fell (20)% mainly attributable to non Tennent branded sales being reported under another C&C group entity, Tennent Caledonian Breweries Wholesale Limited during the financial year.



Strategy

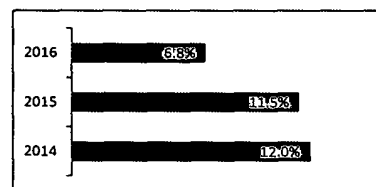
Enhancing Margins

We intend to enhance our margins through operational improvement.

Key Performance Indicator

Operating profit %

Based on the headline operating profit before tax excluding exceptional costs
Operating profit fell (5.3)% as a result of increased operational costs.



Key Performance Indicator

Staff Turnover

The attitude, skill and motivation of our staff is important for excellent performance. Staff retention therefore is a reasonable proxy for how employees feel about our Company. We monitor staff turnover which is measured as the number of employees who left the company (other than through redundancy) during the period as a proportion of the total average employees during the period. Staff turnover remains low at 4%.

On behalf of the board

E J Robertson
Director

Tennent Caledonian Breweries UK Limited

Directors' Report

Page 3

The directors present their report and the audited financial statements of Tennent Caledonian Breweries UK Limited ("the company") for the year ended 29 February 2016.

The results for the year are set out on page 6. During the year, the company paid a dividend of £8.5m (2015: £11.5m).

There were no objections from shareholders to the adoption of disclosure exemptions under FRS101

Directors, secretary and their interests

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

Research and development

Research and development is concentrated mainly on new product development.

Political and charitable contributions

The company made charitable donations of £24,965 (2015: £35,603) during the year.

Employment of disabled persons

All applications for employment from disabled persons are given full and fair consideration, due regard being given to the aptitude and ability of the individual and the requirements of the position concerned. Disabled persons are treated on equal terms with other employees as regards training, career development and promotion. In the event of an existing employee becoming disabled, every effort is made to ensure continuity of employment, and that appropriate training is given where necessary.

Employee involvement

During the financial year, the policy of providing employees with information about the company has been continued through the company's website.

Financial Instruments

The company avoids the use of complex financial instruments.

Post balance sheet events

No events affecting the company have occurred since the year end.

Disclosure of information to auditor

The directors who held office at the date of approval of this director's report confirm that, so far as they are each aware, there is no relevant audit 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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and therefore KPMG LLP will continue in office.

Registered office

Wellpark Brewery
161 Duke Street
Glasgow
G31 1JD

Tennent Caledonian Breweries UK Limited

Directors' Report (continued)

Page 4

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 and applicable law (UK Generally Accepted Accounting Policies) including FRS101 Reduced Disclosure Framework.

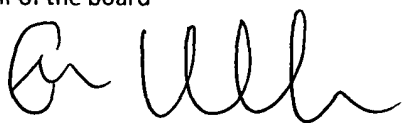
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of its profit or loss of the company for that period.

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;
- 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 are sufficient to show and explain the company's transactions and 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.

On behalf of the board



E J Robertson
Director

24 February 2017

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 29 February 2016 set out on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS101 "*Reduced Disclosure Framework*".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 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 Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 February 2016 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared 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.



Philip Charles (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

319 St Vincent Street

Glasgow

G2 5AS

24 February 2017

Tennent Caledonian Breweries UK Limited

Profit and loss account for the year ended 29 February 2016

Page 6

	Notes	Year ended 29 February 2016	Year ended 28 February 2015
		£'000	£'000
Turnover	1	179,668	211,780
Excise duties		(88,630)	(98,496)
Net turnover		91,038	113,284
Operating costs	3	(87,700)	(103,895)
Operating profit	2	3,338	9,389
Income from shares in group undertakings	4	8,241	7,994
Interest payable	5	(3,300)	(3,060)
Income from other fixed asset investments		124	-
Interest receivable		495	125
Profit on ordinary activities before taxation		8,898	14,448
Tax on profit on ordinary activities	8	(611)	(2,494)
Profit for the financial year		8,287	11,954

Tennent Caledonian Breweries UK Limited

Page 7

Statement of Other Comprehensive Income for the year ended 29 February 2016

	Notes	Year ended 29 February 2016 £'000	Year ended 28 February 2015 £'000
Profit for the financial year		8,287	11,954
Foreign currency translation gains		-	-
Revaluation gain on fixed assets		-	665
Total comprehensive income for the year		8,287	12,619

Tennent Caledonian Breweries UK Limited

Balance sheet
As at 29 February 2016

Page 8

	Notes	29 February 2016 £'000	28 February 2015 £'000
Fixed assets			
Tangible assets	9	50,630	53,608
Goodwill and intangible assets	11	12,139	12,153
Investment	12	585	585
		63,354	66,346
Current assets			
Stocks	13	3,919	5,809
Debtors (including £23,664k due after more than one year (2015: £25,086k))	14	127,201	102,675
Cash at bank and in hand		36,975	26,909
		168,095	135,393
Creditors: amounts due within one year	16	(168,842)	(138,932)
		(168,842)	(138,932)
Net current liabilities		(747)	(3,539)
Total assets less current liabilities		62,607	62,807
Provision for liabilities and charges	10	(1,424)	(1,452)
Net assets		61,183	61,355
Capital and reserves			
Share capital	17	46,235	46,235
Capital contribution		783	783
Revaluation reserve		1,730	1,730
Profit and loss account		12,435	12,607
Shareholder's funds		61,183	61,355

The financial statements were approved by the board on 24th February 2017 and signed on their behalf by:

E J Robertson
Director



Registration number:
SC362352

Tennent Caledonian Breweries UK Limited

Statement of Changes in Equity

Page 9

	Called up Share Capital £'000	Capital Contribution reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 March 2014	46,235	709	1,065	12,165	60,174
Profit of the financial year	-	-	-	11,954	11,954
Other comprehensive income	-	-	665	-	665
Total Comprehensive income for the year	-	-	665	11,954	12,619
Dividends paid	-	-	-	(11,512)	(11,512)
Share based payment transactions	-	74	-	-	74
At 28 February 2015	46,235	783	1,730	12,607	61,355
Profit of the financial year	-	-	-	8,287	8,287
Total Comprehensive income for the year	-	-	-	8,287	8,287
Dividends paid	-	-	-	(8,459)	(8,459)
At 29 February 2016	46,235	783	1,730	12,435	61,183

Tennent Caledonian Breweries UK Limited

Statement of accounting policies

Page 10

Tennent Caledonian Breweries UK Limited (the "Company") is a company incorporated and domiciled in the UK.

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.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle), issued in July 2015 and effective immediately, have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101 the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition FRS 101 has affected the reported financial position and financial performance of the company is provided in note 20.

The Company's ultimate parent undertaking, C&C Group plc includes the Company in its consolidated financial statements. The consolidated financial statements of C&C Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Companies Registration Office at 14 Parnell Square, Dublin 1, Republic of Ireland.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.
- Comparative period reconciliations for tangible fixed assets and intangible assets

As the consolidated financial statements of C&C Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures
- Certain disclosures required by IFRS 2 Share Based Payments
- Certain disclosures required by IAS36 impairment of assets

After making enquiries, the directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Negative net liabilities arise as a result of balances owed to other C&C group entities. Accordingly, they continue to adopt the going concern basis in preparing the annual report and the financial statements.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

Turnover

Turnover comprises the fair value of goods supplied to external customers exclusive of VAT after allowing for discounts, rebates, allowances for customer loyalty and other pricing related allowances and incentives. Provision is made for returns where appropriate. 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. As the company's manufacturing and warehousing facilities are HMRC approved and registered excise facilities, the excise duty liability generally crystallises on transfer of product from duty in suspense to duty paid status which normally coincides with the point of sale.

Tennent Caledonian Breweries UK Limited

Statement of accounting policies (continued)

Page 11

Net turnover

Net turnover is defined as turnover less excise duty. Excise duties which represent a significant proportion of turnover, are set by external regulators over which the company has no control and are generally passed on to the customer, consequently the directors consider that the disclosure of net turnover enhances the transparency and provides a more meaningful analysis of underlying sales performance.

Tangible fixed assets

Land and buildings are recognised at estimated fair value with the changes in the value of land and buildings reflected in the SOCI to the extent it does not reverse previously recognised losses or as an impairment loss in the profit and loss account to the extent it does not reverse previously recognised revalued gains. The fair value is based on estimated market value at the valuation date, being the estimated amount for which a property could be exchanged in an arms length transaction, to the extent an active market exists. Such valuations are determined based on benchmarking against comparable transactions for similar properties in similar locations as those of the company or on the use of valuation techniques including the use of market yields on comparable properties. If no active market exists, fair value may be determined using a Depreciated Replacement Cost approach.

Plant and machinery is carried at its revalued amount. In view of the specialised nature of the company's plant and machinery and lack of comparable market-based evidence of similar plant sold on a 'going concern' ie as part of a continuing business, upon which to base a market approach of fair value, the company uses a depreciated replacement cost approach to determine a fair value of such assets.

Depreciated replacement cost is assessed, firstly, by the identification of the gross replacement cost for each class of plant & machinery. 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 class of plant & machinery as a function of total available production capacity, is applied to determine the depreciated replacement cost.

Motor vehicles and other equipment are stated at cost less accumulated depreciation.

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

Buildings	2% to 10% straight line
Motor vehicles	10% to 20% straight line
Other equipment incl. returnable bottles, cases and kegs	10% to 20% straight line
Plant & machinery	7% to 63% reducing balance

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Investments

Equity investments are shown as financial fixed assets are stated at cost less provisions for impairment in value.

Dividends on shares presented within equity

Dividends are only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

Intangible assets

Intangible assets, acquired as part of an acquisition are capitalised at the fair value where this can be measured reliably.

The amortisation charge on intangible assets considered to have finite lives is calculated to write-off the book value of the asset over its useful life of twenty years on a straight line basis on the assumption of zero residual value.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Tennent Caledonian Breweries UK Limited

Statement of accounting policies (continued)

Page 12

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.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Taxation including deferred tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Leases

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Employee Benefits

Pension costs

Defined contribution plans

The company operates a defined contribution pension scheme.

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

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 C&C Group plc 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 profit and loss account 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 profit and loss account 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.

Advances to customers

Advances to customers which can be categorised as either an advance of discount or a repayment / annuity sales conditional on the achievement of contractual sales targets, are initially recognised at fair value, amortised to the profit and loss account (and classified within sales discounts as a reduction in turnover) over the relevant period to which the customer commitment is made and to which the customer commitment is made and subsequently carried at amortised cost less an impairment allowance.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Tennent Caledonian Breweries UK Limited

Notes

Page 14

Forming part of the financial statements

1 Turnover - continuing operations

	Year Ended 29 February 2016 £'000	Year Ended 28 February 2015 £'000
Analysis by class of business		
Beer and other alcoholic drinks	179,668	211,780
	179,668	211,780

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 of this information would be prejudicial to the interests of the company.

2 Operating profit

	Year Ended 29 February 2016 £'000	Year Ended 28 February 2015 £'000
The operating profit has been arrived at after charging:		
Depreciation	4,308	6,819

Auditor remuneration of £20k (2015: £20k) was borne by another group company on Tennent Caledonian Breweries UK Limited's behalf.

3 Operating costs

	Year Ended 29 February 2016 £'000	Year Ended 28 February 2015 £'000
Staff costs (note 6)	14,291	15,000
Depreciation	4,308	6,819
Intangible asset amortisation	60	60
Restructuring costs	2,809	4,885
Operating leases - Plant & Machinery	2,504	1,158
Operating leases - Other	234	276
Revaluation/impairment of fixed assets	-	2,461
Impairment of Maclays investment	-	2,100
Other operating costs	63,495	71,136
	87,701	103,895

4 Income from Shares in group undertakings

	Year Ended 29 February 2016 £'000	Year Ended 28 February 2015 £'000
Dividend received from Wellpark Financing Limited	8,241	7,994

5 Interest payable and similar charges

	Year Ended 29 February 2016 £'000	Year Ended 28 February 2015 £'000
Interest charged on intercompany loans	3,300	3,060

6 Staff numbers and costs

	Year Ended 29 February 2016	Year Ended 28 February 2015
The average number of persons employed by the company (including executive directors) during the year, analysed by category, was as follows:		
Production	167	175
Sales and marketing	76	83
Distribution	18	15
Administration	44	42
	305	315
The aggregate remuneration costs of these employees were:	£'000	£'000
Wages and salaries	11,547	12,422
Termination costs	765	79
Social welfare costs	991	1,220
Share based payment	-	79
Other pension costs	988	1,200
	14,291	15,000

Tennent Caledonian Breweries UK Limited

Notes

Page 15

Forming part of the financial statements

7. Directors remuneration

	Year Ended 29 February 2016	Year Ended 28 February 2015
	£'000	£'000
Directors' remuneration	312	188
Company contributions to money purchase pension plans	98	55

The aggregate remuneration of the highest paid director was £121k (2015: £102K) with company pension contributions made of £29k (2015: £26K)

There were 4 directors who did not perform any qualifying services for which they were remunerated.

8 Taxation

	Year Ended 29 February 2016	Year Ended 28 February 2015
	£'000	£'000
(a) Analysis of charge in the year		
Current tax		
United Kingdom taxation:		
Corporation tax	639	2,960
Adjustment in respect of previous years	-	8
	639	2,968
Deferred tax (note 10)		
Originating / reversal of temporary differences	(28)	(477)
Adjustment in respect of previous years	-	3
Tax on profit on ordinary activities	611	2,494
(b) Reconciliation of effective tax rate		
Profit for the year	8,898	14,448
Total tax expense	-	-
Profit excluding taxation	8,898	14,448
Profit on ordinary activities multiplied by the standard rate of corporation tax of 20.08% (2015: 21.17%)	1,787	2,909
Expenses not deductible for tax purposes	79	1,238
Other	624	31
Income not subject to tax	(1,879)	(1,692)
Prior year adjustment	-	8
Total tax expense reported in the income statement	611	2,494

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax liability at 29 February 2016 has been calculated based on these rates. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

9 Tangible fixed assets

	Land & buildings £'000	Plant & machinery £'000	Motor Vehicles & Other £'000	Assets under construction £'000	Total £'000
Cost or valuation					
At 28 February 2015	29,483	37,365	8,175	1,116	76,139
Additions in year	-	1,072	258	-	1,330
Transfers	-	-	(593)	593	-
Assets under construction to fixed assets	27	382	707	(1,116)	-
At 29 February 2016	29,510	38,819	8,547	593	77,469
Depreciation					
At 28 February 2015	2,683	15,151	4,697	-	22,531
Charge for the year	563	2,679	1,066	-	4,308
At 29 February 2016	3,246	17,830	5,763	-	26,839
Net book value at 29 February 2016	26,264	20,989	2,784	593	50,630
Net book value at 28 February 2015	26,800	22,214	3,478	1,116	53,608

Valuation – 29 February 2016

The directors have considered fluctuations in the property market since the last external valuation was completed twelve months ago. The carrying value of all the plant and machinery valued under the depreciated replacement method in the prior year was also reviewed. It was determined based on these reviews that there would not be a material variation to the current value of the freehold land and buildings, or the plant and machinery and hence no adjustment was deemed necessary.

Tangible fixed assets under construction

There were no borrowing costs capitalised in assets under construction during the current or prior period.

Notes

Forming part of the financial statements - continued

10 Deferred Tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Tangible fixed assets	-	-	1,424	1,452	1,424	1,452
Tax (assets) / liabilities	-	-	1,424	1,452	1,424	1,452

Movement in deferred tax during the year

	1 March 2015	Recognised in income	29 February 2016
	£'000	£'000	£'000
Tangible fixed assets	1,452	(28)	1,424
	1,452	(28)	1,424

Movement in deferred tax during the prior year

	1 March 2014	Recognised in income	28 February 2015
	£'000	£'000	£'000
Tangible fixed assets	1,926	(474)	1,452
	1,926	(474)	1,452

Tennent Caledonian Breweries UK Limited

Notes

Page 17

Forming part of the financial statements

11 Goodwill and intangible assets

	Goodwill £'000	Other Intangible Assets £'000	Total £'000
Cost			
At 29 February 2016 and 28 February 2015	14,106	1,200	15,306
Amortisation			
At 28 February 2015	(2,820)	(333)	(3,153)
On Acquisition	46	0	46
Charge for the year	0	(60)	(60)
At 29 February 2016	(2,774)	(393)	(3,167)
Net book value at 29 February 2016	11,332	807	12,139
Net book value at 28 February 2015	11,286	867	12,153

Goodwill arose on the acquisition of the Tennent's beer business and Wellpark brewery from AB InBev in September 2009. Other intangible assets comprise 20 year distribution rights for third party beer products. The directors have reviewed the carrying value of goodwill and intangible assets at 29 February 2016 and are satisfied that no impairment had arisen.

12 Fixed Asset Investments

	29 February 2016 £'000	28 February 2015 £'000
At beginning of year	585	2,318
Acquired during the period	-	367
Impairment during the period	-	(2,100)
At end of year	585	585

Wellpark Financing Limited

The company holds a 100% equity investment in Wellpark Financing Limited.

Thistle Pub Company Limited

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 current financial year on 3 August 2015.

Drygate Brewing Company Limited

On 21 May 2014, the company acquired a 49% equity investment in Drygate Brewing Company, the UK's first experimental craft brewery and events space. The cost of the investment was £0.4m

Name	Nature of business	Country of incorporation	Class of shares and % held
Wellpark Financing Limited	Financing company	UK	B Ordinary, 100%
Thistle Pub Company Limited	Operator of public houses	UK	B Ordinary, 47%
Drygate Brewing Company Limited	Craft Brewer	UK	B Ordinary, 49%

13 Stocks

	29 February 2016 £'000	28 February 2015 £'000
Raw materials and consumables	2,526	1,343
Finished goods and goods for resale	1,393	4,466
	3,919	5,809

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £53,048k (2015: £69,490k)

14 Debtors - Amounts falling due within one year

	29 February 2016 £'000	28 February 2015 £'000
Trade debtors	3,696	12,627
Amounts due from group companies	89,977	62,503
Advances to customers	1,305	1,134
Prepayments and sundry debtors	4,029	1,325
Corporation tax	4,530	-
	103,537	77,589

Amounts due from group companies are unsecured, interest free and repayable on demand.

Tennent Caledonian Breweries UK Limited

Notes

Page 18

Forming part of the financial statements

15 Debtors - Amounts falling due greater than one year	29 February 2016	28 February 2015
	£'000	£'000
Advances to customers	23,664	25,086

16 Creditors	29 February 2016	28 February 2015
	£'000	£'000
Trade creditors	15,655	11,558
Amounts due to group companies	112,326	112,750
Accruals and other creditors	40,860	14,554
Corporation tax payable	-	70
	168,842	138,932

Amounts due to group companies are unsecured, are a combination of both interest free and interest bearing and are all repayable on demand.

17 Share capital	29 February 2016	28 February 2015
	£'000	£'000
<i>Allotted, called up & fully paid:</i>		
46,235,350 Ordinary shares of £1 each	46,235	46,235

The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

18 Dividends	29 February 2016	28 February 2015
The following dividends were recognised and paid during the period:	£'000	£'000
C&C Holdings NI Ltd	8,459	11,512
	8,459	11,512

19 Commitments under operating leases
Annual amounts payable under non-cancellable operating leases at 29 February 2016 are paid as follows:

2016	Plant & machinery	Other	Total
	£'000	£'000	£'000
Within one year	2,589	32	2,621
Between two and five years	6,690	130	6,820
	9,279	162	9,440

During the year the company sold brands dispense assets on a sale and leaseback agreement.

2015	Plant & machinery	Other	Total
	£'000	£'000	£'000
Within one year	2,406	29	2,435
Between two and five years	7,882	-	7,882
	10,288	29	10,317

Tennent Caledonian Breweries UK Limited

Notes

Page 19

Forming part of the financial statements

20 Explanation of transition to FRS101 from UK GAAP

Reconciliation of equity

These are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in pages 10 to 12 have been applied in preparing the financial statements for the year ended 29 February 2016, the comparative information presented in these financial statements for the year ended 28 February 2015 and in the preparation of an opening FRS 101 balance sheet at 01 March 2014.

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

	01 March 2014 Effect of transition from UK GAAP to			28 February 2015 Effect of transition from UK GAAP to		
	UK GAAP	FRS101	FRS101	UK GAAP	FRS101	FRS101
Fixed assets						
Tangible assets	61,590		61,590	53,608		53,608
Goodwill and intangible assets	12,213		12,213	11,448	705	12,153
Investment	2,318		2,318	585		585
	<u>76,121</u>		<u>76,121</u>	<u>65,641</u>	<u>705</u>	<u>66,346</u>
Current assets						
Stocks	7,205		7,205	5,809		5,809
Debtors	126,734		126,734	102,675		102,675
Cash at bank and in hand	22,068		22,068	26,909		26,909
	<u>156,007</u>		<u>156,007</u>	<u>110,307</u>		<u>110,307</u>
Creditors: amounts due within one year	(170,028)		(170,028)	(138,932)		(138,932)
Net current liabilities	(14,021)		(14,021)	(28,625)	-	(28,625)
Total assets less current liabilities	62,100		62,100	37,016	705	37,721
Provision for liabilities and charges	(1,926)		(1,926)	(1,452)		(1,452)
Net assets	60,174		60,174	35,564	705	36,269
Capital and reserves						
Share capital	46,235		46,235	46,235		46,235
Share premium	-		-	-		-
Capital contribution	709		709	783		783
Currency reserve	-		-	-		-
Revaluation reserve	1,065		1,065	1,730		1,730
Profit and loss account	12,165		12,165	11,902	705	12,607
	<u>60,174</u>		<u>60,174</u>	<u>60,650</u>	<u>705</u>	<u>61,355</u>

Notes to the reconciliation of equity

Goodwill amortisation previously posted under UK GAAP has been reversed under FRS101.

Tennent Caledonian Breweries UK Limited

Notes

Forming part of the financial statements

Page 20

20 Explanation of transition to FRS101 from UK GAAP (continued)

Reconciliation of profit for comparative

	Year Ended 28 February 2015		
	UK GAAP	to	FRS101
Turnover	211,780		211,780
Excise duties	(98,496)		(98,496)
Net turnover	113,284		113,284
Operating costs	(104,600)	705	(103,895)
Operating profit	8,684	705	9,389
Income from shares in group undertakings	7,994		7,994
Interest payable	(3,060)		(3,060)
Interest receivable	125		125
Profit on ordinary activities before taxation	13,743	705	14,448
Tax on profit on ordinary activities	(2,494)		(2,494)
Profit for the financial year	11,249	705	11,954

Notes to the reconciliation of equity

Goodwill amortisation previously posted under UK GAAP has been reversed under FRS101.

21 Commitments due to Defined Contribution pension schemes

The company operated a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £1,196,908 (2015: £1,199,697)

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

22 Capital commitments

The company had capital commitments of £593k which were included under assets under construction as at 29th February 2016 (2015: £655k)

23 Guarantees and Contingencies

During 2010, Tennent Caledonian breweries UK Limited 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 secured liabilities are repaid; or by mutual agreement with Clydesdale Bank plc.

24 Related Parties

Receivables Outstanding

	2016 £'000	2015 £'000
Drygate Brewing Company Limited	687	786
Maclays	-	68
Thistle Pub Company	-	52

25 Accounting estimates and judgements

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements relate primarily to:

- the determination of carrying value or depreciated replacement cost, useful economic life and residual values in respect of the company's buildings, plant & machinery
- the assessment of goodwill and intangible assets for impairment

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods

Notes (continued)

26 Share based payments**Executive Share Option Scheme (ESOS)**

In May 2004, C&C Group plc established an equity settled Executive Share Option Scheme (ESOS) 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. Under this scheme, options will not normally be exercisable until three years after the date of grant and are subject to C&C Group plc meeting specific performance targets. If after the relevant three year period (i.e. 3 years from date of grant) the performance target is not met, the options lapse.

Long Term Incentive Plan (Part II)

In May 2011, the Group established a deferred equity settled share bonus scheme, Long Term Incentive Plan (Part II) (LTIP (Part II)), under which shares are awarded to certain employees (excluding executive Directors and senior management) at nominal cost, at the end of the financial year in which the award is granted, if the performance conditions set by the Remuneration Committee are achieved and subject to a two year time vesting period post the end of the relevant financial year. During the financial year ended 29 February 2012, the Remuneration Committee agreed two levels of award linked to operating profit targets. Based on the actual results to 29 February 2012, a right to receive shares at nominal cost equating to 23% of salary was granted to certain employees and a right to receive shares at nominal cost equating to 5% of salary was granted to other employees. The maximum number of shares over which awards were granted under the LTIP (Part II) in the financial year ended 29 February 2012 was set by reference to a share price of €3.55, being the closing share price on 18 May 2011, the date the results for the financial year ended 28 February 2011 were announced. Awards vested in May 2014, obligations are satisfied by the purchase of existing shares on the open market.

Recruitment and Retention Plan

In June 2010, C&C Group plc established a Recruitment and Retention Plan (R&R) under the terms of which options to purchase shares in C&C Group plc at nil or nominal cost are granted to certain members of management, excluding directors. The vesting of awards for grants made in May 2012 and May 2013 under the Recruitment and Retention Plan are subject to the performance condition that the C&C Group's total shareholder return ("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 vest in full if the growth in TSR is at least 50% over that period. Where TSR growth is between 25% and 50% the percentage of the award that vests is 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 were deemed to have lapsed. In the prior financial year, awards were granted in May 2014 subject to continued employment and the achievement of annual performance targets. Options will vest in May 2016 and May 2017 on the achievement of these conditions. In the current financial year, awards were granted in July 2015 and October 2015 subject to continued employment and the achievement of annual performance targets. Options will vest from May 2016 to October 2018.

The unvested share options/equity interests outstanding at 29 February 2016 have a weighted average vesting period outstanding of 1.5 years (2015: 1.5 years). The weighted average contractual life of vested and unvested share options/equity interests is 2.0 years (2015: 2.1 years).

The weighted average market share price at date of exercise of all share options/equity interests exercised during the year was €3.69 (2015: €4.35); the average share price for the year was €3.63 (2015: €4.12); and the market share price as at 29 February 2016 was €3.45 (28 February 2015: €3.86).

27 Ultimate parent undertaking

The company's intermediate parent undertaking is C&C Holdings (NI) Limited. 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.