

Our directors' report

SUMMARY FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS

The directors have pleasure in presenting the summary group financial statements of Musgrave Group plc for the year ended 31 December 2010, representing a summary of the information presented to shareholders in the full consolidated financial statements which are to be annexed to the company's annual return.

The auditors, PricewaterhouseCoopers, have issued an unqualified audit report under Section 193 of the Companies Act, 1990, in respect of the group financial statements of Musgrave Group plc for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Group remains the wholesale and retail distribution of food and grocery products. A review of the business for the year ended 31 December 2010, of recent events and of likely future developments is included in *Our Chairman's statement* on page 7, *Our CEO's statement* on pages 8 to 13 and *The Musgrave Group at a glance* on pages 4 to 5.

PROFITS AND DIVIDENDS

Profit after tax for the financial year amounted to €61.4 million (2009: €58.7 million). Aggregate dividends of 29.5 cent (2009: 32.3 cent) per share amounting to €17.1 million (2009: €19.1 million) were paid during the year.

EVENTS SINCE THE YEAR-END

There have been no significant events affecting the Group since the year-end.

DIRECTORS

The names of the persons who are currently or were directors at any time during the year ended 31 December 2010 are set out below:

S Scally
 H N Mackeown (resigned 10 January 2011)
 P J Musgrave
 C N Martin
 T Kenny
 S Buckley
 F P Coghlan (resigned 25 March 2010)
 N Hartery (appointed 25 March 2010)
 D Horgan
 M J Hyson (resigned 10 October 2010)
 N Keeley
 M Kelleher (appointed 25 March 2010)
 P Lacy
 P Mackeown
 S Musgrave
 M O'Brien
 P Smith (resigned 18 November 2010)

DIRECTORS' RESPONSIBILITIES

The directors are responsible for the presentation of financial statements that have been prepared in accordance with applicable Irish Law and Generally Accepted Accounting Practice and making judgements and estimates that are reasonable and prudent. The Group maintains systems of internal control which have been designed to give reasonable assurance that transactions are executed in accordance with management's authorisation, that assets are safeguarded, that fraud is prevented and that proper financial records are maintained.

POLITICAL DONATIONS

The Electoral Act, 1997, requires companies to disclose all political donations to any individual party over €5,079 in value made during the year. The directors have satisfied themselves that no such donations in excess of this amount have been made.



SECRETARY AND REGISTERED OFFICE

Tim Kenny
 Ballycurreen
 Airport Road
 Cork
 Ireland
 (Registered Number: 105820)

BANKERS

AIB Bank
 Bank of Ireland
 Barclays Bank
 BNP Paribas
 HSBC Bank
 KBC Bank
 Danske Bank (National Irish Bank)
 Rabobank Ireland
 RBS (Ulster Bank Ireland)
 Santander UK

AUDITORS

PricewaterhouseCoopers
 Chartered Accountants and Registered Auditors
 One Spencer Dock
 North Wall Quay
 Dublin 1
 Ireland

SOLICITORS

Arthur Cox
 Earlsfort Centre
 Earlsfort Terrace
 Dublin 2
 Ireland

On behalf of the Board

Chris Martin
 Group Chief Executive Officer

Tim Kenny
 Group Finance Director

Finance review

RESULTS

The Group is pleased to present its results for 2010. A summary of our results is set out below.

	2010 €m	2009 €m	(Decrease)/Increase %
Sales	4,386	4,501	(3)
Profit before taxation	72	70	3
Profit after taxation	61	59	3
Net cash/(debt)	21	(59)	n/a
Net assets	432	402	7

PERFORMANCE OVERVIEW

Sales for the year amounted to €4.4 billion, a decrease of 3 per cent relative to last year and a decline of 4 per cent on a constant currency basis. Profit before taxation has increased by 3 per cent to €72 million and profit after taxation is €61 million, an increase of 3 per cent on the prior year. This is a satisfactory trading performance in the context of a continuing challenging environment in all our markets.

The profit and loss account includes certain exceptional gains and losses. The benefit structure of the Musgrave Limited Pension Scheme was changed to replace guaranteed pension increases with discretionary increases and to fully insure spouses' benefit on death-in-service. These changes resulted in a curtailment and settlement gain of €38 million. Musgrave Retail Partners Ireland closed its Galway depot and Musgrave Wholesale Partners reorganised its foodservice and cash and carry businesses. These decisions resulted in a €17 million restructuring charge in 2010 for redundancies and other related costs. In addition a charge was taken totalling €22m in relation to certain property and other onerous contracts largely due to commitments entered into when commercial property values were higher than at present. The net impact of these three items is almost neutral and therefore the results are broadly comparable year-on-year.

Net assets are €432 million, an increase of €30 million on last year. The increase is primarily comprised of a retained profit for the year of €44 million, offset by a decrease in the revaluation

reserve arising from the valuation of land and buildings of €11 million and net other of €3 million. The dividend was reduced to 29.5 cent per share in 2010 (2009: 32.3 cent) and dividends paid were €17 million (2009: €19 million). In addition, two million shares were redeemed during the year.

BORROWING AND CASH GENERATION

The Group has had a satisfactory performance on cash generation in 2010 ending the year with net cash of €21 million relative to an opening net debt position of €59 million. This resulted from significantly reduced capital expenditure and tight control of working capital. Net interest payable is €3 million, €3 million lower than last year's cost of €6 million as a result of lower borrowings and a reduction in the pension deficit.

Operating cash flow was €135 million and included a €4 million investment in working capital. Net expenditure on capital and acquisitions was €15 million, a reduction of €36 million on 2009.

The Group has comfortable headroom on its banking facilities and has adequate committed banking facilities in place with a syndicate of banks to meet its cash flow requirements over the coming years.

PENSIONS

Important changes were made in 2010 to our pension schemes across the Group. In Ireland



consent was received from the Pensions Board to alter the benefits payable from the Irish defined benefit pension scheme. Pension increases which were previously built into the rules of that scheme are now discretionary and certain other pension obligations have been fully insured. The consequence of this was to reduce pension liabilities and to reflect through our profit and loss account a one-off non-cash pension curtailment and settlement gain of €38 million. All of our defined benefit schemes across the Group are now closed to new entrants and appropriate defined contribution schemes have been put in place. The pension deficit has declined to €6 million from €41 million last year.

TAXATION

The effective tax rate for the year ended 31 December 2010 was 15 per cent compared to 16 per cent in the prior year.

FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a variety of financial risks that include foreign exchange risk, credit risk, liquidity and interest rate risk. The Group has in place a risk management programme that seeks to manage the financial exposures of the Group. The Group's treasury policy includes specific guidelines to manage interest rate risk, credit risk and the circumstances where it would be appropriate to use financial instruments to manage these risks.

In order to ensure stability of interest outflows the Group has a policy of maintaining 50 per cent of its medium term debt at fixed interest rates for a one-year period. The Group actively maintains adequate medium term committed facilities to ensure the Group has sufficient available funds for operations and planned expansion.

The Group is exposed to foreign exchange risk in the normal course of business and has a policy of hedging certain transactions by entering into forward foreign exchange contracts. The Group has certain net assets denominated in sterling and has a policy of maintaining sterling debt and cross-currency swaps designed to hedge at least 25 per cent of this net investment.

CORPORATE GOVERNANCE

The board of Musgrave Group plc is committed to a culture of effective corporate governance which it defines as the systems and processes by which the Group, through living its values, is directed and managed. It influences how the objectives of the Group are set and achieved, how strategic and operational risk is monitored and assessed, and how performance is optimised. These corporate governance structures enable the Group to create value for stakeholders and provide accountability and control systems commensurate with risks incurred. The board and its executive, audit, remuneration and shareholder committees are committed to continuing to develop a culture of effective corporate governance across the Group.

SUMMARY

The Group has had a good performance in 2010 in the context of a rapidly changing and challenging economic environment. The economic climate in 2011 continues to be tough, however, the Group is confident in its ability to position the business appropriately to emerge stronger from this recession and to continue to deliver a solid performance for all its stakeholders.

Tim Kenny
Group Finance Director

PROFIT & LOSS ACCOUNT

	Note	2010 €m	2009 €m
Turnover	2	4,386.2	4,500.6
Cost of sales		(3,786.4)	(3,904.5)
Gross profit		599.8	596.1
Selling and distribution expenses		(332.2)	(339.0)
Administrative expenses		(175.4)	(168.5)
Other operating expenses		(19.8)	(13.7)
Other operating income		4.4	3.5
Operating exceptional items			
– Curtailment and settlement gain on pension	14	37.5	-
– Restructuring expenses	3	(16.9)	-
– Onerous contracts and other obligations	3	(21.8)	-
Operating profit		75.6	78.4
Provisions for losses and losses arising on disposal of fixed assets	4	(0.7)	(2.2)
Profit on ordinary activities before interest and taxation		74.9	76.2
Net interest payable		(2.9)	(6.2)
Profit before taxation		72.0	70.0
Taxation	5	(10.6)	(11.3)
Profit for the financial year		61.4	58.7
Dividends	6	(17.1)	(19.1)
Profit retained in year		44.3	39.6

On behalf of the Board**Chris Martin**

Group Chief Executive Officer

Tim Kenny

Group Finance Director

BALANCE SHEET

	Note	2010 €m	2009 €m
Fixed assets			
Intangible assets	7	120.1	126.3
Tangible assets	8	220.7	255.3
Financial assets	9	55.8	47.2
		396.6	428.8
Current assets			
Stocks		131.0	130.5
Debtors – amounts falling due within one year	10	513.5	535.1
Debtors – amounts falling due after more than one year	10	25.0	33.5
Cash at bank and in hand		215.4	129.4
		884.9	828.5
Current liabilities – amounts falling due within one year			
Bank overdrafts and loans	11	(147.9)	(114.8)
Other creditors	13	(582.8)	(595.2)
		(730.7)	(710.0)
Net current assets		154.2	118.5
Total assets less current liabilities		550.8	547.3
Bank loans – amounts falling due after more than one year	11	(46.2)	(73.5)
Other creditors – amounts falling due after more than one year	13	(22.2)	(2.4)
Provisions for liabilities and charges	12	(44.2)	(29.0)
Pension liability	14	(5.9)	(40.5)
		432.3	401.9
Capital and reserves			
Called up share capital	15	28.8	29.8
Share premium account	18	2.7	2.7
Capital redemption reserve	18	2.5	1.5
Revaluation and other reserves	18	46.6	54.1
Profit and loss account	18	351.7	313.8
Shareholders' funds	17	432.3	401.9

On behalf of the Board**Chris Martin**

Group Chief Executive Officer

Tim Kenny

Group Finance Director

CASH FLOW STATEMENT

	Note	2010 €m	2009 €m
Net cash inflow from operating activities	19	135.3	118.9
Returns on investments and servicing of finance			
Net interest paid		(1.0)	(1.2)
Taxation			
Corporation tax paid – net		(8.8)	(3.2)
Capital expenditure			
Purchase of tangible assets		(14.2)	(26.6)
Sale of tangible assets		3.6	1.4
		(10.6)	(25.2)
Acquisitions and disposals			
Purchase of financial assets		(5.6)	(27.5)
Sale of financial assets		0.8	1.5
		(4.8)	(26.0)
Dividends paid			
		(17.1)	(19.1)
Net cash inflow before financing		93.0	44.2
Financing			
Payments to acquire company shares	16	(11.8)	(11.0)
Bank loans repaid	20	(24.4)	(22.7)
Capital element of finance lease received	20	0.7	-
Net cash outflow from financing		(35.5)	(33.7)
Increase in cash		57.5	10.5
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase in cash		57.5	10.5
Cash flow from change in debt and finance leases		23.7	22.7
Decrease in net debt resulting from cash flows		81.2	33.2
Amortisation of issue costs		(0.3)	(0.4)
Currency translation adjustment		(1.4)	(5.6)
Movement in net debt in the year		79.5	27.2
Net debt at 1 January		(59.0)	(86.2)
Net cash/(debt) at 31 December	20	20.5	(59.0)

On behalf of the Board

Chris Martin
Group Chief Executive Officer

Tim Kenny
Group Finance Director

NOTES TO SUMMARY FINANCIAL STATEMENTS**1 BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the holding company and all its subsidiary undertakings. The annual financial statements of all Group undertakings are prepared to the Group's financial year-end. The principal subsidiaries are listed in note 20. Where accounting policies followed by subsidiary undertakings differ significantly from those adopted for the purpose of the Group's financial statements, appropriate adjustments are made to ensure a consistent basis of accounting. The acquisition of Musgrave Limited by Musgrave Group plc in 1995 was accounted for as a merger in accordance with the provisions of the European Communities (Companies: Group Accounts) Regulations, 1992, and Financial Reporting Standard 6 'Acquisitions and Mergers' (FRS 6).

2 TURNOVER BY GEOGRAPHICAL MARKET

	2010 €m	2009 €m
Republic of Ireland	2,633.9	2,732.0
United Kingdom	1,567.3	1,578.5
Spain	185.0	190.1
	4,386.2	4,500.6

3 OPERATING PROFIT

	2010 €m	2009 €m
Operating profit has been arrived at after charging/(crediting):		
Staff costs	245.7	242.9
Pension costs	7.2	7.5
Pension curtailment and settlement gains	(37.5)	-
Depreciation of tangible assets	34.5	33.1
Operating lease rentals	27.1	30.4
Onerous contracts and other obligations	21.8	5.1
Amortisation of goodwill	10.5	12.2
Provisions for impairment	7.5	6.2
Deficit on revaluation of land and buildings (note 8)	1.0	2.6
Currency loss/(gain)	0.6	(0.2)
Auditors' remuneration – statutory audit fee	0.7	0.8
Auditors' remuneration – non audit services	0.3	0.6

Restructuring costs of €16.9 million arose from the closure of a depot in Galway along with a reorganisation of the Group's foodservice and cash and carry businesses. The charge of €21.8 million for onerous contracts and other obligations contains €17.2 million which relates to provisions for such matters (note 12). The balance of €4.6 million is a provision for an impairment of a financial asset which has arisen from an onerous contract (note 9).

4 PROVISIONS FOR LOSSES AND LOSSES ARISING ON DISPOSAL OF FIXED ASSETS

	2010 €m	2009 €m
Loss arising on disposal of fixed assets	(0.4)	(1.2)
Provision for impairment in respect of financial assets	(0.3)	(1.0)
	(0.7)	(2.2)

The provision for impairment in respect of financial assets results from a review of the carrying value of shop investments (note 9).

5 TAXATION

	2010	2009
	€m	€m
Corporation tax	10.9	13.2
Adjustments in respect of prior years	(5.0)	(4.5)
Current tax charge for the year	5.9	8.7
Deferred tax – origination of timing differences:		
– other	(0.9)	2.0
– pension	5.6	0.6
	4.7	2.6
	10.6	11.3

6 DIVIDENDS

	2010	2009
	€m	€m
Dividends paid on ordinary shares:		
Ordinary dividends of 29.5c (2009: 32.3c) per share	17.1	19.1

7 INTANGIBLE ASSETS – GOODWILL

	2010
	€m
Net book amount at beginning of year	126.3
Amortisation charge for year	(10.5)
Translation and other adjustments	4.3
Net book amount at end of year	120.1

Goodwill is being amortised over periods ranging from 10 to 20 years, being the directors' estimate of the period over which the values of the underlying businesses acquired are expected to exceed the value of underlying assets.

8 TANGIBLE ASSETS

	Land and buildings	Construction in progress	Plant, machinery and equipment	Motor vehicles	Total
	€m	€m	€m	€m	€m
Net book amount at beginning of year	147.7	0.6	87.1	19.9	255.3
Additions in year	0.2	3.1	9.8	0.7	13.8
Disposals in year	(0.9)	–	(2.1)	(0.1)	(3.1)
Transfer to investments	(0.4)	–	–	–	(0.4)
Depreciation charge for year	(2.5)	–	(28.4)	(3.6)	(34.5)
Deficit on revaluation	(12.2)	–	–	–	(12.2)
Reclassification	0.3	(2.2)	1.7	0.2	–
Translation and other adjustments	0.6	–	1.0	0.2	1.8
Net book amount at end of year	132.8	1.5	69.1	17.3	220.7

The estimated useful lives of tangible assets by reference to which depreciation is calculated are as follows:

Buildings	25 to 50 years
Plant, machinery and equipment	3 to 10 years
Motor vehicles	2 to 5 years

The net book amount of land and buildings at 31 December 2010 of €132.8 million represents assets stated at valuation of €121.3 million, assets stated at cost of €14.4 million less accumulated depreciation of €2.9 million.

Land and buildings were valued as at 31 December 2010 in accordance with the Group's triennial cycle for carrying out valuations of land and buildings. This valuation was conducted on an existing use basis by BNP Paribas Real Estate Ireland, Chartered Surveyors, Dublin. Of the revaluation deficit of €12.2 million arising on this revaluation, €11.2 million has been charged to the revaluation reserve (note 18) and the remaining €1.0 million charged to the profit and loss account (note 3). An interim valuation was conducted in preparing the prior year financial statements as the directors considered that this interim valuation was necessary as there was evidence of a material change in the valuation of land and buildings during 2009.

9 FINANCIAL ASSETS – SHOP INVESTMENTS

	2010
	€m
Net book amount at beginning of year	47.2
Additions in year	24.6
Disposals in year	(1.9)
Provisions for impairment (€12.1 million included in note 3; €0.3 million included in note 4)	(12.4)
Transfer to investments	(3.3)
Translation and other adjustments	1.6
Net book amount at end of year	55.8

Shop investments relate to retail properties purchased by the Group. They are acquired solely for the purpose of expanding the Group's network of retail stores and it is intended that the properties will be sold to entrepreneurial food retailers.

Of the provisions for impairment of €12.1 million included in operating expenses (note 3) €4.6 million has arisen from an onerous contract and this has been included as an operating exceptional item within onerous contracts and other obligations (shown on the face of the consolidated profit and loss account).

10 DEBTORS

	2010	2009
	€m	€m
Amounts falling due within one year		
Trade debtors	404.0	414.5
Prepayments and accrued income	91.8	101.5
Other debtors and advances	12.6	13.7
Deferred tax	5.1	5.4
	513.5	535.1
Amounts falling due after more than one year		
Other debtors and advances	25.0	33.5

The deferred tax asset of €5.1 million at 31 December 2010 includes deferred tax in respect of realised foreign exchange losses. These losses are to be utilised in the future to shelter capital gains tax liabilities that will crystallise when assets are disposed of on which capital gains tax rollover relief has been claimed.

11 BANK OVERDRAFTS AND LOANS

	2010	2009
	€m	€m
Amounts falling due within one year	147.9	114.8
Between one and two years	34.0	29.0
Between two and five years	12.4	45.0
Unamortised issue costs	(0.2)	(0.5)
Total bank overdrafts and loans	194.1	188.3

Bank security

Bank overdrafts and loans of €194.3 million (2009: €188.8 million) are secured by cross guarantees from the company and certain of its operating subsidiary undertakings.

12 PROVISIONS FOR LIABILITIES AND CHARGES

	Self Insurance	Onerous Contracts and Other Obligations	Restructuring	Total
	€m	€m	€m	€m
At beginning of year	7.2	20.6	0.4	28.2
Charged to profit and loss account	0.8	17.2	16.9	34.9
Utilised during the year	(1.4)	(4.9)	(9.8)	(16.1)
Transfer to investments	–	(3.2)	–	(3.2)
Translation adjustment	–	0.4	–	0.4
At end of year	6.6	30.1	7.5	44.2

The onerous contracts and other obligations provision relates to estimated liabilities in respect of leasehold properties for onerous leases of €19.0 million (2009: €11.5 million) and other obligations of €11.1 million (2009: €9.1 million).

The restructuring provision relates to the costs associated with the closure of a depot in Galway along with a reorganisation of the Group's foodservice and cash and carry businesses.

13 OTHER CREDITORS

	2010	2009
	€m	€m
Amounts falling due within one year		
Trade creditors	424.1	427.1
Accruals and other creditors	136.6	137.2
Creditors for taxation and social welfare	22.1	30.5
	582.8	594.8
Amounts falling due after more than one year		
Other creditors	22.2	2.7

14 PENSIONS

The pension entitlements of employees, including executive directors, arise under defined benefit and defined contribution schemes and are secured by contributions by the Group to separately administered pension funds in the Republic of Ireland, Northern Ireland and Great Britain. The pension charge for the year is €7.2 million (2009: €7.5 million) comprising a current service cost of €5.8 million (2009: €6.2 million) and past service costs of €0.2 million (2009: €0.6 million) all in respect of defined benefit schemes and defined contribution schemes cost of €1.2 million (2009: €1.0 million). The prior year charge is net of a curtailment gain of €0.3 million. The pension gain for the year is €37.5 million (2009: €Nil) comprising a curtailment gain of €34.6 million (2009: €Nil) and a settlement gain of €2.9 million (2009: €Nil). The net finance costs resulting from the scheme deficits are €1.7 million (2009: €3.8 million).

The funding requirements in relation to the Group's defined benefit schemes are assessed in accordance with the advice of independent qualified actuaries and valuations are prepared at triennial intervals. Annual contributions are based on the advice of professionally qualified actuaries using the projected unit method. The actuarial valuation reports are available for inspection by members of the schemes at the registered office of the company but are not available for public inspection.

During the year, the benefit structure of the Musgrave Limited Pension Scheme was changed. The change involved replacing guaranteed pension increases with discretionary increases, and gives rise to a curtailment gain of €34.6 million in the financial statements. A settlement gain of €2.9 million arose from the decision to fully insure spouses' benefit for death-in-service. This was previously uninsured and included in the benefit obligations and service cost.

An updated actuarial valuation for the purposes of Financial Reporting Standard 17 'Retirement Benefits' (FRS 17) was carried out as at 31 December 2010 by a qualified independent actuary in respect of Group pension schemes.

Financial instruments held by the defined benefit schemes

At 31 December 2010 the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. Scheme assets do not include any of Musgrave Group plc's own financial instruments, nor any property occupied by Musgrave Group plc. The fair value of the scheme assets as a percentage of total scheme assets and long term expected rates of return at the balance sheet date are shown as follows:

	Fair value		Expected return	
	2010	2009	2010	2009
Equities	45.1%	44.9%	5.5%	5.8%
Liability driven instruments	32.2%	30.7%	3.8%	4.2%
Bonds	14.1%	14.4%	4.8%	5.1%
Cash and gilts	6.5%	7.4%	3.9%	4.0%
Property	2.1%	2.6%	4.9%	5.0%
	100%	100%		
Average			4.8%	5.1%

The expected return on equities has decreased from 5.8 per cent in 2009 to 5.5 per cent in 2010 due to expected future global market performance. Liability driven investments include amounts invested in long term fixed income investments combined with interest rate and inflation swaps that move in line with market expectations. The expected rate of return is 3.8 per cent (2009: 4.2 per cent). The expected rate of return on bonds has decreased from 5.1 per cent in 2009 to 4.8 per cent due to the decreased risk premium on corporate bond returns.

The following amounts at the balance sheet dates were measured in accordance with requirements of FRS 17:

	2010 €m	2009 €m
Present value of schemes liabilities	(283.3)	(285.7)
Fair value of the scheme assets	275.4	238.2
Surplus not recognised in the balance sheet	(1.7)	(1.5)
Pension liability	(9.6)	(49.0)
Related deferred tax at 12.5 to 27 per cent	3.7	8.5
Net pension liability	(5.9)	(40.5)

Movement in scheme assets and liabilities

	Scheme assets in balance sheet €m	Scheme liabilities (excluding deferred tax) €m	Surplus not recognised €m	Pension deficit €m
At 1 January 2009	193.0	(248.9)	-	(55.9)
Movement during 2009:				
Employer contributions, including special contribution of €0.6 million	13.9	-	-	13.9
Current service costs	-	(6.2)	-	(6.2)
Past service costs	-	(0.6)	-	(0.6)
Curtailment gain	-	0.3	-	0.3
Interest costs	-	(14.7)	-	(14.7)
Expected return on pension scheme assets	10.9	-	-	10.9
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	15.9	(9.5)	-	6.4
Members' contributions	4.1	(4.1)	-	-
Benefits paid	(5.7)	5.7	-	-
Surplus not recognised in balance sheet	-	-	(1.5)	(1.5)
Translation adjustment	6.1	(7.7)	-	(1.6)
At 31 December 2009	238.2	(285.7)	(1.5)	(49.0)
Movement during 2010:				
Employer contributions, including special contribution of €0.3 million	13.6	-	-	13.6
Current service costs	-	(5.8)	-	(5.8)
Past service costs	-	(0.2)	-	(0.2)
Curtailment gain	-	34.6	-	34.6
Settlement gain	-	2.9	-	2.9
Interest costs	-	(14.2)	-	(14.2)
Expected return on pension scheme assets	12.5	-	-	12.5
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	12.5	(15.7)	-	(3.2)
Members' contributions	3.9	(3.9)	-	-
Benefits paid	(8.6)	8.6	-	-
Surplus not recognised in balance sheet	-	-	(0.2)	(0.2)
Translation adjustment	3.3	(3.9)	-	(0.6)
At 31 December 2010	275.4	(283.3)	(1.7)	(9.6)

Movement during 2009:

Employer contributions, including special contribution of €0.6 million	13.9	-	-	13.9
Current service costs	-	(6.2)	-	(6.2)
Past service costs	-	(0.6)	-	(0.6)
Curtailment gain	-	0.3	-	0.3
Interest costs	-	(14.7)	-	(14.7)
Expected return on pension scheme assets	10.9	-	-	10.9
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	15.9	(9.5)	-	6.4
Members' contributions	4.1	(4.1)	-	-
Benefits paid	(5.7)	5.7	-	-
Surplus not recognised in balance sheet	-	-	(1.5)	(1.5)
Translation adjustment	6.1	(7.7)	-	(1.6)
At 31 December 2009	238.2	(285.7)	(1.5)	(49.0)

All of the scheme liabilities above arise from schemes that are wholly or partly funded.

	2010 €m	2009 €m
Movement in the deferred tax on the pension liability		
Deferred tax at 1 January	8.5	10.3
Movement in year:		
Charged to profit and loss account	(5.6)	(0.6)
Recognised in the statement of total recognised gains and losses	0.8	(1.7)
Translation adjustment	-	0.5
Deferred tax at 31 December	3.7	8.5
Pension liability net of related deferred tax	(5.9)	(40.5)

Principal actuarial assumptions at the balance sheet date

	2010	2009
Discount rate at 31 December	5.4%	5.6%
Future salary increases	3.6%	3.5%
Future pension increases	1.8%	2.9%
Inflation rate	2.6%	2.5%

15 SHARE CAPITAL

	2010 €m	2009 €m
Ordinary shares of €0.50 each		
100 million (2009: 100 million) Authorised shares	50.0	50.0
57.6 million (2009: 59.6 million) Issued and fully paid	28.8	29.8

On 26 November 2010, the Group redeemed and cancelled two million ordinary shares. This redemption was funded out of distributable reserves. The shares were redeemed for a total consideration of €10.8 million (note 16). The share premium on redemption of €9.8 million has been deducted from the profit and loss account and an amount equivalent to the nominal value of the redeemed ordinary shares of €1.0 million has been transferred from the profit and loss account to the non-distributable capital redemption reserve (note 18).

16 OWN SHARES

	2010 €m	2009 €m
At 1 January	9.7	2.0
Payments to acquire company shares	11.8	11.0
Share redemption consideration	(10.8)	-
Share award consideration (note 18)	(2.0)	(3.3)
At 31 December	8.7	9.7

At 31 December 2010 the trustees held 1,453,300 shares (2009: 1,614,328 shares).

Own shares of €8.7 million (2009: €9.7 million) is included within the profit and loss account (note 18).

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010	2009
	€m	€m
Profit for the financial year	61.4	58.7
Actuarial (loss)/gain on pension schemes (note 14)	(3.4)	4.9
Deferred tax on actuarial loss/(gain) on pension schemes (note 14)	0.8	(1.7)
Currency translation adjustment on net investment in foreign subsidiary undertakings	6.5	9.4
Tax on gains and losses on foreign currency borrowings that hedge an investment in foreign subsidiary undertakings	(0.5)	6.0
	64.8	77.3
Deficit on revaluation of land and buildings (note 8)	(11.2)	(18.5)
Total recognised gains and losses relating to the year	53.6	58.8
Dividends paid (note 6)	(17.1)	(19.1)
Net movement in own shares (note 16)	1.0	(7.7)
Shares redeemed in year (note 15)	(10.8)	-
Shares award consideration (for long term incentive plans and profit sharing schemes (note 16))	(2.0)	(3.3)
Awards under long term incentive plans	3.7	2.3
Awards under profit sharing schemes	2.0	0.5
Net increase in shareholders' funds	30.4	31.5
Shareholders' funds at beginning of year	401.9	370.4
Shareholders' funds at end of year	432.3	401.9

18 RESERVES

	Share premium account	Capital redemption reserve	Revaluation reserve	Other reserves	Profit & Loss
	€m	€m	€m	€m	€m
At 1 January	2.7	1.5	46.2	7.9	313.8
Total recognised gains and losses for the year (note 17)	-	-	(11.2)	-	64.8
Dividends paid (note 6)	-	-	-	-	(17.1)
Share award consideration (note 16)	-	-	-	(2.0)	-
Net movement in own shares	-	-	-	-	1.0
Awards under long term incentive plan	-	-	-	3.7	-
Awards under profit sharing schemes	-	-	-	2.0	-
Nominal value of shares redeemed	-	1.0	-	-	(1.0)
Premium on share redemption	-	-	-	-	(9.8)
At 31 December	2.7	2.5	35.0	11.6	351.7

19 NOTES TO CASH FLOW STATEMENT

	2010	2009
	€m	€m
Net cash inflow from operating activities		
Operating profit	75.6	78.4
Depreciation of tangible assets	34.5	33.1
Amortisation of goodwill	10.5	12.2
Provisions for impairment in respect of financial assets	12.1	6.2
Deficit on revaluation of land and buildings	1.0	2.6
Earnings before interest, taxation, depreciation and amortisation	133.7	132.5
Provision for long term incentive plans	3.7	2.3
Provision for profit sharing schemes	2.0	0.5
Net movement in working capital	(4.3)	(15.5)
Currency translation adjustment	0.2	(0.9)
	135.3	118.9

20 ANALYSIS OF NET CASH/(DEBT)

	At 1 January 2010	Cash flow	Currency translation and other non-cash changes	At 31 December 2010
	€m	€m	€m	€m
Cash at bank and in hand	129.4	85.2	0.8	215.4
Bank overdrafts	(89.8)	(27.7)	(0.5)	(118.0)
Total cash	39.6	57.5	0.3	97.4
Bank loans due within one year	(25.0)	25.0	(29.9)	(29.9)
Bank loans due after one year	(74.0)	(0.6)	28.2	(46.4)
Issue costs	0.5	-	(0.3)	0.2
Total bank loans	(98.5)	24.4	(2.0)	(76.1)
Other loans, loan notes and finance leases	(0.1)	(0.7)	-	(0.8)
Net cash/(debt)	(59.0)	81.2	(1.7)	20.5

21 COMMITMENTS AND CONTINGENCIES

The Group has guaranteed bank borrowings of third parties amounting to €46.0 million (2009: €49.8 million). The Group has given rental and fuel guarantees in respect of third parties amounting to an annual commitment of €14.5 million (2009: €14.8 million).

At the balance sheet date, the Group has contracted to buy forward foreign currencies equivalent to €12.5 million (2009: €0.4 million) at various rates and maturity dates. The Group also has forward contracts in place with a principal amount of €10.1 million (2009: €3.0 million) to mitigate its exposure to commodity price risk.

In order to manage the stability of interest outflows, at year-end €37.9 million (2009: €36.6 million) of the Group's medium term debt is covered by interest rate swaps.

The Group has entered into agreements exercisable over the period 2011 to 2015 whereby it can be called upon to purchase shop investments for €8.8 million. These financial assets are currently in the legal ownership of parties outside the Group. This includes an option for €2.2 million which may give rise to substitution commitments from 2015 for €2.2 million if the option is not exercised.

	2010 €m	2009 €m
Other commitments include:		
Capital expenditure commitments	9.5	7.7
Operating lease commitments	38.9	41.4
Deferred tax contingency on revaluation surplus	8.7	11.6

22 HOLDING COMPANY AND PRINCIPAL SUBSIDIARY UNDERTAKINGS

The holding company is Musgrave Group plc and its principal subsidiary undertakings are:

Name	Principal Activity
Incorporated in the Republic of Ireland	
Musgrave Limited	Wholesaling and distribution
Musgrave Group Properties	Property investment
Incorporated in Northern Ireland	
Musgrave Investments plc	Investment holding
Musgrave Retail Partners NI Limited	Wholesaling and retailing
Musgrave Distribution Limited	Wholesaling
Incorporated in Great Britain	
Musgrave Retail Partners GB Limited	Wholesaling and retailing
Incorporated in Spain	
Musgrave España, S.A.U.	Wholesaling and retailing

The Group holds a 100 per cent share in each of the above subsidiaries.



After almost a year in partnership with SuperValu and Centra it gives me great pleasure to mark this milestone by acknowledging the excellent working relationship that has been cultivated between the two brands and the GAA in such a short space of time.

Firstly, I thank you for your ongoing support and I speak on behalf of the Association when I laud you for your innovative and creative approach in supporting the sponsorship – something that has been very much in evidence in the period since last summer.

We share many of the same values, we are both rooted in Irish communities the length and breadth of the island and we both place a special emphasis on family life.

The national sponsorships of the GAA Football All-Ireland Senior Championships and the GAA Hurling All-Ireland Senior Championship are only a fragment of the support that we receive from SuperValu and Centra. Hundreds of clubs across Ireland also benefit from the valued support of their local retailers, which is every bit as important to us.

Last year's hugely successful launch events here at Croke Park underlined the passion you all have for the GAA – it underpins our relationship and I look forward to building on the massively positive start to the sponsorship in the months and years ahead.



Criostóir Ó Cuana
Uachtarán
Chumann Lúthchleas Gael