

Directors' report

The Directors present their annual report and audited consolidated financial statements of the Group for the year ended 29 February 2008.

Principal activities, business review and future developments

The Group's principal trading activities are the production, marketing and distribution of cider, spirits & liqueurs and the distribution of spirits and wine. It disposed of its soft drinks and Republic of Ireland wholesale businesses in August 2007.

The information to be included with respect to the review of the business and future developments as required by section 13 of the Companies (Amendment) Act 1986 is contained in the Operations Review on pages 8 to 13.

Results

Gross revenue on a continuing basis at €679 million was 8.1% lower than 2007. Operating profit before exceptional items amounted to €125.2 million, a decrease of 37.3% on the previous year. Retained earnings for the year, including discontinued activities and exceptional items, were €234.9 million, an increase of 12.8% on the previous year.

Basic earnings per share amounted to 73.1c compared with 63.8c in the previous year. Diluted earnings per share from continuing operations amounted to 28.6c compared with 47.1c in the previous year.

The financial statements for the year ended 29 February 2008 are set out on pages 39 to 86.

Dividends

An interim ordinary dividend of 12.0c per share (2007: 12.0c) was paid in December 2007. Subject to shareholder approval at the Annual General Meeting, it is proposed to pay a final ordinary dividend of 15.0c per share (2007: 15.0c) to shareholders who are registered at close of business on 23 May 2008.

Directors, Secretary and their interests

Brendan McGuinness retired from the Board on 1 May 2008. James Muldowney retires from the Board on 11 July 2008.

John Holberry was appointed to the Board on 18 March 2008. He retires in accordance with the Articles of Association, and being eligible, offers himself for election.

John Burgess, John Hogan and Philip Lynch retire by rotation in accordance with the Articles of Association, and being eligible, offer themselves for re-election.

Information in relation to the beneficial and non-beneficial interests in the share capital of Group companies by the Directors and Secretary who held office at 29 February 2008 is contained within the Report of the Remuneration Committee on pages 30 to 35.

Research and development

Certain of the Company's subsidiary undertakings are engaged in ongoing research and development aimed at improving processes and expanding product ranges. Further information in relation to product development is contained in the Operations Review on pages 8 to 13.

Principal risks and uncertainties

Under Irish company law (Statutory Instrument 116.2005 European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005), the Group and Company are required to give a description of the principal risks and uncertainties which they face.

These principal risks are set out below:-

- The Group faces strong competition in its various markets and if it fails to compete successfully, market share and profitability may decline.
- Consumer preferences may change and demand for existing products may decline (as a result of poor weather or otherwise) or be replaced by other products which the Group does not produce, and as a result, sales volumes and profitability may be volatile or decline.
- The Group may be affected by changes in foreign currency exchange rates and interest rates.
- The Group may not be able to fulfil the demand for its products due to circumstances such as the loss of a production or storage facility or disruptions to its supply chain. This would adversely affect sales volumes and profitability.

- The Group may be adversely affected by government regulations including possible changes in excise duty on cider in the UK and Ireland and restrictions on alcohol advertising.
- The Group is subject to stringent environmental, health and safety and food safety laws and regulations which could result in increased compliance or remediation costs which would adversely affect profitability.
- The Group could be subject to accidental, natural or malicious contamination of its products, which could result in the recall of the Groups' products, damage to its brands and falls in demand for its products.

Financial risk management

As required by Irish company law, (Statutory Instrument 765.2005) the financial risk management objectives and policies of the Company and the Group, including hedging activities and the exposure of the Company and the Group to financial risk are set out in the Finance Review on pages 14 to 16 and note 22 to the financial statements.

Accounting records

The Directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at Group offices in Clonmel, Co. Tipperary.

Post balance sheet events

There were no significant post balance sheet events.

Political donations

No political donations were made by the Group during the year which require disclosure in accordance with the Electoral Acts, 1997 to 2002.

Corporate governance

The Directors' Statement on Corporate Governance is set out on pages 25 to 29. The Report of the Remuneration Committee on Directors' Remuneration is set out on pages 30 to 35.

Substantial holdings

As at 30 April 2008, the following shareholders have notified the Company as to their interest in 3% or more of the share capital of the Company.

Name	%
Deutsche Bank AG	3.21
FMR Corporation/ Fidelity International Limited	5.21
Fundamental Investors Inc.	5.11
Invesco plc	5.08
Irish Life Investment Managers	3.02
Janus Capital Management LLC	7.67
Morgan Stanley Investment Management Limited	9.81
Sky Investment Counsel Inc.	3.11

As far as the Company is aware, other than as stated above, no other person or company has an interest of more than 3% in the share capital of the Company.

Share price

The price range of the Company's ordinary shares ranged between €3.67 and €12.72 during the year. The year-end share price was €4.50 (2007: €10.50).

Auditor

In accordance with Section 160(2) of the Companies Act, 1963, the auditor, KPMG Chartered Accountants will continue in office.

Directors' report continued

Purchase of own shares

At the Annual General Meetings held on 7 July 2006 and 13 July 2007, authority was granted to purchase up to 10% of the Company's ordinary shares. On 9 May 2007, the Company announced the introduction of a €150 million share buy back programme whereby any shares purchased would be cancelled. During the year, 17,658,000 shares, representing approximately 5.4% of the issued share capital of the Company, were re-purchased at a cost of €139.9 million and were immediately cancelled. The power to purchase a further 4.6% will expire at the Annual General Meeting in 2008.

Special resolutions will be proposed at this year's Annual General Meeting to renew the authority of the Company, or any of its subsidiaries, to purchase up to 10% of the Company's ordinary shares in issue at the date of the Annual General Meeting and in relation to the maximum and minimum prices at which Treasury Shares (effectively shares purchased and not cancelled) may be re-issued off-market by the Company. If granted, the authorities will expire on the earlier of the date of the Annual General Meeting in 2009 or 10 January 2010.

The minimum price which may be paid for shares purchased by the Company shall not be less than the nominal value of the shares and the maximum price will be 105% of the average market price of such shares over the preceding five days. Options to subscribe for a total of 4,571,365 Ordinary Shares are outstanding, representing 1.46% of the issued ordinary share capital. If the authority to purchase ordinary shares was used in full, the options would represent 1.62%.

The Directors will only exercise the power to purchase shares if they consider it to be in the best interests of the Company and its shareholders.

Takeover Bids Directive

Details of the Company's capital structure can be found in note 23 to the financial statements on page 82. Details of Employee Share Schemes can be found in note 4 to the financial statements on page 56. Details of agreements to which the Company is party to, and which contain change of control provisions are contained in note 18, on page 67.

Annual General Meeting

Your attention is drawn to the letter to shareholders and the notice of meeting enclosed with this report which sets out details of the matters which will be considered at the Annual General Meeting.

On behalf of the Board

T. O'Brien
Chairman

M. Pratt
Chief Executive Officer

9 May 2008
