

Directors' report

The directors present their annual report and audited consolidated financial statements of the Group for the year ended 28 February 2006.

Principal activities, business review and future developments

The Group's principal trading activities are the production, marketing and selling of cider, spirits, liqueurs, soft drinks and snack foods and the distribution of spirits, wine and beer.

The information to be included with respect to the review of the business and future developments as required by the Companies (Amendment) Act 1986 is contained in the Operations Review on pages 10 to 19.

Results

Group turnover at €816.6 million was 8.8% higher than 2005. Profit before exceptional items and finance costs amounted to €124.7 million, an increase of 10.9% on the previous year. Earnings before exceptional items were €96.8 million, an increase of 17.0% on the previous year.

Adjusted earnings per share amounted to 29.9c compared with 25.8c in the previous year.

The financial statements for the year ended 28 February 2006 are set out on pages 45 to 91.

Dividends

An interim dividend of 6.5c per share was paid in December 2005. Subject to approval at the Annual General Meeting, it is proposed to pay a final ordinary dividend of 8.5c per share to shareholders registered at close of business on 19 May 2006.

Directors, Secretary and their interests

John Burgess, Richard Holroyd, Breege O'Donoghue and Maurice Pratt 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 28 February 2006 is contained within the Report of the Remuneration Committee on Directors' remuneration on pages 37 to 41.

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 10 to 19.

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 now 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 or be replaced by other products which the Group does not produce, and, as a result sales volumes and profitability may decline.
- The Group may be adversely affected by changes in foreign currency exchange rates and higher 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 chains. This would affect sales volumes and profitability.
- The Group may not be able to expand its production capacity for cider if increases in demand greatly exceed current expectations.
- The Group may be adversely affected by government regulations including possible increases in excise duty on cider in Ireland and the UK, restrictions on alcohol advertising, and restrictions on any advertising to children.
- 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 a fall in demand for its products.
- The Group currently produces and/or distributes third party products by agreement. There is no certainty that these agreements will be renewed when they expire which could lead to declines in sales and profitability.

The Group has long experience in managing all these risks, while delivering profit growth.

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 and the exposure of the Company and the Group to financial risk are set out in the Finance Report on pages 20 to 21 and note 26 to the financial statements on pages 78 to 82.

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 finance function. The books of account of the Company are maintained at Kylemore Park, Dublin 10.

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 of corporate governance is set out on pages 31 to 36. The Report of the Remuneration Committee on Directors' remuneration is set out on pages 37 to 41.

Directors' report continued

Substantial holdings

As at 2 May 2006, the following shareholders have notified the Company as to their interest in 5% or more of the share capital of the Company.

Name	%
FMR Corporation/Fidelity International Limited	8.93
Schroder Investment Management Limited/ Schroder Investment Management North America Limited	6.88

FMR Corporation/Fidelity International Limited and Schroder Investment Management Limited/Schroder Investment Management North America Limited have both notified the Company that these shareholdings are not beneficially owned by them. As far as the Company is aware, other than as stated above, no other person or company has an interest of more than 5% in the share capital of the Company.

Share price

The price range of the Company's ordinary shares ranged between €3.07 and €5.88 during the year. The year-end share price was €5.60 (2005: €3.10).

Auditor

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

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

A. O'Brien
Director

M. Pratt
Director

9 May 2006