

Cash Flow

The Group's strong cash generation from operations combined with a favourable translation adjustment as a result of sterling weakness resulted in a €114.8 million reduction in net debt. This was achieved despite spending €106.7 million (2007: €193.8 million) on capital expenditure and acquisitions and €50.6 million (2007: €49.0 million) on the purchase of 'A' Ordinary shares in lieu of dividend payments to shareholders.

Cash generated from operations was €252.7 million (2007: €303.8 million) yielding an exceptional cash conversion ratio of circa 200 per cent. Control of working capital was a key focus of management and accounted for €111.7 million of the cash flow generated from operations. This arose from a lower level of trade debtors, due to the fall in like for like sales, and improved purchasing terms agreed with UK suppliers. The other key components of cash flow from operations were an operating profit of €99.2 million (2007: €270.8 million) and depreciation and amortisation of €56.5 million (2007: €59.0 million) being non-cash items charged in arriving at operating profit.

Liquidity and Debt

The Group ended the year with a strong balance sheet underpinned by a significant property portfolio and a secure funding position. The Group's operations continued to generate strong cash flow. Net debt at the year-end fell to €435.6 million, a decline of €114.8 million from €550.4 million at the end of 2007. The favourable translation impact of sterling weakness reduced net debt by €45.5 million. The net debt to shareholders' funds ratio was 50 per cent (31 December 2007: 52 per cent).

The Group's gross debt at 31 December 2008 was €660.5 million (31 December 2007: €754.9 million). €108.9 million of gross debt is repayable in 2009, €43.2 million is repayable in 2010, €318.6 million is repayable in 2011 and €146.0 million in 2012. The Group has undrawn committed facilities of €67.4 million repayable in 2011.

The Group continued to retain good liquidity by holding significant cash balances which amounted to €224.8 million at the year-end (31 December 2007: €204.5 million).

Bank facilities and debt issued in the US Private Placement market pursuant to a Note Purchase Agreement require the Group to maintain a minimum level of net assets. The minimum net asset requirement is €773 million and this compares to actual net assets of €869 million at 31 December 2008. The Group's other principal financial banking covenants are a maximum net debt to equity ratio of 100 per cent and a current liabilities to current assets ratio not to exceed 1.2:1. The Group has no interest cover covenant or EBITDA to debt covenant. The Group's gross debt at the year-end was at floating rates and has already started to benefit from the significant cuts in euro and sterling interest rates in recent months.

Shareholders' Funds

Shareholders' funds were €868.9 million (2007: €1.07 billion) at the year-end, a decline of €198.8 million. Sterling weakness at the year-end resulted in a reduction of €172.3 million in shareholders' funds on translation of the net investment in the UK business into euro. The euro/sterling exchange rate of 95.25p at 31 December 2008 was circa 23 per cent weaker compared to the rate of 73.34p at 31 December 2007. With the recent movement in exchange

rates almost €40 million of the reduction in shareholders' funds has been recovered to date. Shareholders' funds were also reduced as a result of a charge of €37.4 million before tax due to an actuarial loss on the Group's defined benefit pension scheme which primarily reflects the decline in the market value of the equities portion of assets invested by the various defined benefit pension schemes.

Shareholders' funds do not include the potential revaluation surplus on the Group's portfolio of freehold and long leasehold properties. No revaluation of the UK properties has been undertaken since they were acquired and the Group's Irish properties were last revalued in 1998 with the exception of the Heiton Group properties that were revalued in 2004. This portfolio includes a small number of properties that are surplus to the Group's trading requirements.

Financial Position

The Group expects to continue generating strong cash flow, to retain good liquidity and to maintain its secure funding position. The Group's financial position should benefit from ongoing working capital management and low sterling and euro interest rates.

On behalf of the Board

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