

The Kerrygold Company Limited

**Directors' report and financial
statements**

Registered number 362221

1 January 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 1 January 2000.

Principal activities

The principal activities of the company are the production, packaging, and marketing of food products.

Business review

The results for the year are shown in the profit and loss account.

Proposed dividend

The directors do not recommend the payment of a dividend.

Policy on payment of creditors

Payment of supplier invoices is made by the company in accordance with the terms agreed with each individual supplier at the commencement of business.

Directors and directors' interests

The directors who held office during the year were as follows:

Dr N Cawley (resident in the Republic of Ireland)
N Coakley
P Dolan (resident in the Republic of Ireland)
T Simcock
DT Smyth

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of group companies.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Directors' report *(continued)*

Employees

The company recognises its responsibilities towards disabled persons by giving fair consideration to applications for employment from such people, having regard to the particular aptitudes and abilities of each applicant.

Compassionate consideration is given to existing employees who become disabled. Training and career opportunities are offered to disabled persons in line with the company's general policy of career development, subject to the capabilities of each person and the opportunities within the company.

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £1,044 (1998: £720).

Year 2000

To date, the directors have not identified any Year 2000 related event, error or failure. Although it is still possible that errors or failures related to the Year 2000 issue may arise in the future, the directors believe that they have taken all steps necessary to safeguard the business.

For and on behalf of the board


N Coakley
Director

Sunnyhills Road
Leek
Staffordshire
ST13 5SP

11th April 2000



Festival Way
Stoke-on-Trent
Staffordshire
ST1 5TA

Report of the auditors to the members of The Kerrygold Company Limited

We have audited the financial statements on pages 4 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 1, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 1 January 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Kama,

*Chartered Accountants
Registered Auditors*

13th April 2000

Profit and loss account
for the year ended 1 January 2000


	<i>Note</i>	1999 £000	1998 £000
Turnover - continuing operations	2	149,487	144,434
Cost of sales		(139,767)	(136,661)
Gross profit		9,720	7,773
Distribution costs		(1,841)	(1,663)
Administrative expenses		(5,442)	(5,128)
Operating profit - continuing operations		2,437	982
Other interest receivable and similar income	6	77	95
Interest payable and similar charges	7	(7)	(3)
Profit on ordinary activities before taxation	2-5	2,507	1,074
Tax on profit on ordinary activities	8	(796)	(451)
Profit for the financial year		1,711	623
Dividends	9	(4,084)	-
Retained (loss)/profit for the financial year		(2,373)	623

The company had no recognised gains or losses other than the profit for the year reported above.

Balance sheet
at 1 January 2000

	Note	1999 £000	1998 £000
Fixed assets			
Tangible assets	10	8,736	8,549
Investments	11	17	17
		<u>8,753</u>	<u>8,566</u>
Current assets			
Stocks	12	9,731	9,114
Debtors	13	15,666	13,427
Bank		-	265
		<u>25,397</u>	<u>22,806</u>
Creditors: amounts falling due within one year	14	<u>(21,031)</u>	<u>(15,880)</u>
Net current assets		<u>4,366</u>	<u>6,926</u>
Net assets		<u>13,119</u>	<u>15,492</u>
Capital and reserves			
Called up share capital	16	1,806	1,806
Share premium account	17	1,379	1,379
Revaluation reserve	17	793	804
Other reserves	17	50	50
Profit and loss account	17	9,091	11,453
		<u>13,119</u>	<u>15,492</u>
Shareholders' funds			
Equity		13,019	15,392
Non-equity		100	100
		<u>13,119</u>	<u>15,492</u>

These financial statements were approved by the board of directors on 14 April 2000 and were signed on its behalf by:


N Coakley
 Director

Note of historical cost profits and losses
for the year ended 1 January 2000

	1999 £000	1998 £000
Reported profit on ordinary activities before taxation	2,507	1,074
Difference between historical cost depreciation charge and the actual depreciation charge for the year on the revalued amount	11	11
Historical cost profit on ordinary activities before taxation	2,518	1,085
Historical cost profit for the year retained after taxation	1,722	634

Reconciliation of movements in shareholders' funds
for the year ended 1 January 2000

	1999 £000	1998 £000
Profit for the financial year	1,711	623
Dividends	(4,084)	-
Retained (loss)/profit for the financial year	(2,373)	623
Opening shareholders' funds	15,492	14,869
Closing shareholders' funds	13,119	15,492

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of land and buildings.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Irish Dairy Board Co-operative Limited and its cash flows are included within the consolidated cash flow statement of that company.

Related party transactions

The company has, in accordance with Financial Reporting Standard No 8, taken advantage of the exemption from reporting the transactions between the company and other group undertakings since 90% or more of the voting rights are controlled by the group and the consolidated financial statements in which the company is included are publicly available.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2% to 10% per annum on cost or valuation
Plant and machinery	-	20% per annum based on cost
Motor vehicles	-	25% to 33% per annum based on cost
Fixtures, fittings, tools and equipment	-	20% to 33% per annum based on cost

No depreciation is provided on freehold land.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes (continued)

1 Accounting policies (continued)

Pension costs

The pension obligations of the company are met by payments to the group and executive pension schemes providing benefits based on final pensionable pay. The assets of these schemes are held separately from those of the company. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, direct identification and first-in, first-out methods of valuation are used. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

2 Analysis of turnover by geographical market

	1999 £000	1998 £000
United Kingdom	148,734	143,696
Rest of Europe	753	738
	<hr/> 149,487 <hr/>	<hr/> 144,434 <hr/>

All turnover is derived from the production, packaging, and marketing of food products to third parties.

Notes (continued)

3 Profit on ordinary activities before taxation

	1999 £000	1998 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration - audit	21	21
Depreciation and other amounts written off tangible fixed assets - owned	1,588	1,350
Hire of motor vehicles - operating leases	93	65
	<u> </u>	<u> </u>

4 Remuneration of directors

	1999 £000	1998 £000
Directors' emoluments	184	163
	<u> </u>	<u> </u>
	Number of directors	
	1999	1998
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	3	3
	<u> </u>	<u> </u>

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	1999	1998
Manufacture	336	328
Sales	14	13
Administration	19	20
	<u> </u>	<u> </u>
	369	361
	<u> </u>	<u> </u>

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs were as follows:

	1999 £000	1998 £000
Wages and salaries	6,483	5,672
Social security costs	446	421
Other pension costs (see note 18)	156	122
	<u>7,085</u>	<u>6,215</u>

6 Other interest receivable and similar income

	1999 £000	1998 £000
Bank interest	77	95
	<u>77</u>	<u>95</u>

7 Interest payable and similar charges

	1999 £000	1998 £000
On bank loans and overdrafts	7	3
	<u>7</u>	<u>3</u>

8 Taxation

	1999 £000	1998 £000
UK corporation tax at 30% and 31% (1998: 31%)	807	445
Adjustment relating to an earlier year	(11)	6
	<u>796</u>	<u>451</u>

9 Dividends

	1999 £000	1998 £000
Equity shares:		
Interim dividend paid	4,084	-
	<u>4,084</u>	<u>-</u>

Notes (continued)

10 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures fittings tools and equipment	Payments on account and assets in course of construction	Total
	£000	£000	£000	£000	£000
<i>Cost or valuation</i>					
At beginning of year	6,845	11,369	1,170	885	20,269
Additions	150	1,081	355	197	1,783
Transfers between items	-	422	463	(885)	-
Disposals	-	(102)	(19)	-	(121)
At end of year	6,995	12,770	1,969	197	21,931
<i>Depreciation and diminution in value</i>					
At beginning of year	2,557	8,056	1,107	-	11,720
Charge for year	319	1,145	124	-	1,588
On disposals	-	(94)	(19)	-	(113)
At end of year	2,876	9,107	1,212	-	13,195
<i>Net book value</i>					
At 1 January 2000	4,119	3,663	757	197	8,736
At 2 January 1999	4,288	3,313	63	885	8,549

Particulars relating to revalued assets are given below:

	1999 £000	1998 £000
<i>Land and buildings</i>		
At 1988 open market value	2,195	2,195
Aggregate depreciation thereon	(456)	(418)
Net book value	1,739	1,777
Historical cost of revalued assets	1,518	1,518
Aggregate depreciation based on historical cost	(637)	(610)
Historical cost net book value	881	908

Other tangible fixed assets are included at cost.

The gross book value of land and buildings includes £6,670,000 (1998: £6,520,000) of depreciable assets.

Notes *(continued)*

11 Fixed asset investments

**Shares in group
 undertakings**
 £000

Cost

At beginning and end of year

17

The fixed asset investment held at the beginning and end of the year represents the cost of thirty-eight ordinary shares in Green Flag Foods NV, a subsidiary of the intermediate holding company, Adams Foods Limited.

12 Stocks

	1999	1998
	£000	£000
Raw materials and consumables	6,296	6,259
Work in progress	-	75
Finished goods and goods for resale	3,435	2,780
	9,731	9,114

13 Debtors

	1999	1998
	£000	£000
Trade debtors	11,809	10,233
Amounts owed by group undertakings	3,145	2,468
Other debtors	494	587
Prepayments and accrued income	218	139
	15,666	13,427

Notes (continued)

14 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Bank overdraft	475	-
Trade creditors	7,717	6,809
Amounts owed to group undertakings	10,498	7,126
Corporation tax	666	451
Other taxes and social security	182	183
Other creditors	1,215	1,000
Accruals and deferred income	278	311
	<u>21,031</u>	<u>15,880</u>

15 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1999		1998	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	-	518	-	481
Other timing differences	-	(396)	-	(398)
	<u>-</u>	<u>122</u>	<u>-</u>	<u>83</u>

Notes (continued)

16 Called up share capital

	1999 £000	1998 £000
<i>Authorised</i>		
20,000,000 ordinary shares of £0.10 each	2,000	2,000
100,000 7% cumulative preference shares of £1 each	100	100
	<u>2,100</u>	<u>2,100</u>
<i>Allotted, called up and fully paid</i>		
17,057,918 ordinary shares of £0.10 each	1,706	1,706
100,000 7% cumulative preference shares of £1 each	100	100
	<u>1,806</u>	<u>1,806</u>

17 Share premium and reserves

	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
At beginning of year	1,379	804	50	11,453
Retained loss for the year	-	-	-	(2,373)
Transfers	-	(11)	-	11
	<u>1,379</u>	<u>793</u>	<u>50</u>	<u>9,091</u>

Notes (continued)

18 Commitments

- (a) Capital commitments at the end of the financial year for which no provision has been made.

	1999 £000	1998 £000
Contracted	220	886

- (b) Annual commitments under non-cancellable operating leases are as follows:

	1999		1998	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	30	-	32
Within two to five years	-	79	-	40

19 Pension scheme

The company contributes to a defined benefit pension scheme the assets of which are held in trustee administered funds. The contributions made by the company are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent valuation of the scheme was carried out as at 1 May 1998. The review assumed that the investment returns would exceed the average salary increases by 1.5% per annum, that dividends would increase by 5% per annum and that present and future pensions would increase at the rate of 4.5% per annum. At the date of the review the market value of the scheme's assets was £19,182,200. The actuarial value of assets represented 126% of the benefits that had accrued to members and pensioners, after allowing for expected future increases in earnings.

The actuarial valuation calculated that the funding level using the actual basis stipulated in the Income and Corporation Taxes Act 1998 was just below 100% at the valuation date. The employee contributions will remain at 5% of earnings and there will be a continuation of the employer contributory holiday.

The pension charge for the year is £156,000 (1998: £122,000).

There were £nil of outstanding contributions at the beginning and the end of the financial year.

Notes *(continued)*

20 Ultimate holding company and parent undertaking of larger group of which the company is a member

The company's holding company is Adams Foods Limited. Copies of the financial statements of Adams Foods Limited may be obtained from:

Sunnyhills Road
Leek
Staffordshire
ST13 5SP

The company's ultimate holding company is Irish Dairy Board Co-operative Limited, a company incorporated in the Republic of Ireland. Copies of the financial statements of Irish Dairy Board Co-operative Limited may be obtained from:

Grattan House
Mount Street Lower
Dublin 2