



The Kerrygold Company Limited

Directors' report and financial statements

2 January 1999

Registered number 362221



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 2 January 1999.

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 (appointed 1 June 1998)

DT Smyth (appointed 1 June 1998)

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 £720 (1997: £755).

Year 2000

By mid 1999 we will have commissioned and implemented new and fully compliant operating and accounting systems. All plant and equipment will have compliancy statements from suppliers and where necessary be fully tested.

We are communicating with our customers and suppliers to ensure full supply chain compliancy.

However we cannot be certain of avoiding business interruption in areas where we do not have a direct relationship. Therefore contingency plans will be developed to minimise business risk from these effects.

We do not believe the ongoing cost to be significant.

EMU

The company has very little trade in European currencies and accordingly the impact of the introduction of the single currency in Europe will have no material effect.

We have nevertheless opened Euro bank accounts and the new accounting system when introduced by mid 1999 will be Euro compliant.

For and on behalf of the board



N Coakley
Director

Sunnyhills Road
Leek
Staffordshire
ST13 5SP

15th April 1999



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

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 2 January 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants
Registered Auditors*

16th April 1999

Profit and loss account
for the year ended 2 January 1999

	<i>Note</i>	1998 £000	1997 £000
Turnover - continuing operations	2	144,434	147,933
Cost of sales		(136,661)	(139,319)
		<hr/>	<hr/>
Gross profit		7,773	8,614
Distribution costs		(1,663)	(1,535)
Administrative expenses		(5,128)	(3,980)
		<hr/>	<hr/>
Operating profit - continuing operations		982	3,099
Other interest receivable and similar income	6	95	399
Interest payable and similar charges	7	(3)	(5)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2-5	1,074	3,493
Tax on profit on ordinary activities	8	(451)	(1,012)
		<hr/>	<hr/>
Retained profit for the financial year		623	2,481
		<hr/> <hr/>	<hr/> <hr/>

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


Balance sheet
at 2 January 1999

	Note	1998 £000	1997 £000
Fixed assets			
Tangible assets	9	8,549	7,071
Investments	10	17	17
		<u>8,566</u>	<u>7,088</u>
Current assets			
Stocks	11	9,114	14,910
Debtors	12	13,427	12,927
Bank		265	-
		<u>22,806</u>	<u>27,837</u>
Creditors: amounts falling due within one year	13	<u>(15,880)</u>	<u>(20,056)</u>
Net current assets		<u>6,926</u>	<u>7,781</u>
Net assets		<u>15,492</u>	<u>14,869</u>
Capital and reserves			
Called up share capital	15	1,806	1,806
Share premium account	16	1,379	1,379
Revaluation reserve	16	804	914
Other reserves	16	50	50
Profit and loss account	16	11,453	10,720
		<u>15,492</u>	<u>14,869</u>
Shareholders' funds			
Equity		15,392	14,769
Non-equity		100	100
		<u>15,492</u>	<u>14,869</u>

These financial statements were approved by the board of directors on
were signed on its behalf by:

15th April

1999 and


N Coakley
Director

Note of historical cost profits and losses
for the year ended 2 January 1999

	1998 £000	1997 £000
Reported profit on ordinary activities before taxation	1,074	3,493
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	1,085	3,504
Historical cost profit for the year retained after taxation	634	2,492

Reconciliation of movements in shareholders' funds
for the year ended 2 January 1999

	1998 £000	1997 £000
Profit for the financial year	623	2,481
Opening shareholders' funds	14,869	12,388
Closing shareholders' funds	15,492	14,869

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% 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

	1998 £000	1997 £000
United Kingdom	143,696	146,535
Rest of Europe	738	1,398
	<hr/> 144,434 <hr/>	<hr/> 147,933 <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

	1998 £000	1997 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration - audit	21	25
Depreciation and other amounts written off tangible fixed assets - owned	1,350	1,244
Hire of motor vehicles - operating leases	65	35
	<u> </u>	<u> </u>

4 Remuneration of directors

	1998 £000	1997 £000
Directors' emoluments	163	164
	<u> </u>	<u> </u>

	Number of directors 1998	1997
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	3	1
	<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:

	1998	1997
Manufacture	328	317
Sales	13	14
Administration	20	20
	<u> </u>	<u> </u>
	361	351
	<u> </u>	<u> </u>

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	1998 £000	1997 £000
Wages and salaries	5,672	5,326
Social security costs	421	364
Other pension costs (see note 18)	122	-
	<u>6,215</u>	<u>5,690</u>

6 Other interest receivable and similar income

	1998 £000	1997 £000
Bank interest	95	399
	<u>95</u>	<u>399</u>

7 Interest payable and similar charges

	1998 £000	1997 £000
On bank loans and overdrafts	3	5
	<u>3</u>	<u>5</u>

8 Taxation

	1998 £000	1997 £000
UK corporation tax at 31% (1997: 31% and 33%)	445	1,207
Deferred taxation	-	(195)
Adjustment relating to an earlier year	6	-
	<u>451</u>	<u>1,012</u>

Notes (continued)

9 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
Cost or valuation					
At beginning of year	6,583	9,637	1,146	333	17,699
Additions	262	1,881	24	669	2,836
Transfers between items	-	117	-	(117)	-
Disposals	-	(266)	-	-	(266)
At end of year	6,845	11,369	1,170	885	20,269
Depreciation and diminution in value					
At beginning of year	2,264	7,316	1,048	-	10,628
Charge for year	293	998	59	-	1,350
On disposals	-	(258)	-	-	(258)
At end of year	2,557	8,056	1,107	-	11,720
Net book value					
At 2 January 1999	4,288	3,313	63	885	8,549
At 27 December 1997	4,319	2,321	98	333	7,071

Particulars relating to revalued assets are given below:

	1998 £000	1997 £000
Land and buildings		
At 1988 open market value	2,195	2,195
Aggregate depreciation thereon	(418)	(380)
Net book value	1,777	1,815
Historical cost of revalued assets	1,518	1,518
Aggregate depreciation based on historical cost	(610)	(583)
Historical cost net book value	908	935

Other tangible fixed assets are included at cost.

The gross book value of land and buildings includes £6,520,000 (1997: £6,258,000) of depreciable assets.

Notes (continued)

10 Fixed asset investments

	Shares in group undertakings £000
<i>Cost</i>	
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.

11 Stocks

	1998 £000	1997 £000
Raw materials and consumables	6,259	11,822
Work in progress	75	71
Finished goods and goods for resale	2,780	3,017
	<u>9,114</u>	<u>14,910</u>

12 Debtors

	1998 £000	1997 £000
Trade debtors	10,233	9,783
Amounts owed by group undertakings	2,468	2,530
Other debtors	587	469
Prepayments and accrued income	139	145
	<u>13,427</u>	<u>12,927</u>

Notes (continued)

13 Creditors: amounts falling due within one year

	1998 £000	1997 £000
Bank overdraft	-	967
Trade creditors	6,809	7,280
Amounts owed to group undertakings	7,126	9,245
Corporation tax	451	1,207
Other taxes and social security	183	135
Other creditors	1,000	938
Accruals and deferred income	311	284
	<u>15,880</u>	<u>20,056</u>

14 Provisions for liabilities and charges

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

	1998 Provided £000	Unprovided £000	1997 Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	-	481	-	364
Other timing differences	-	(398)	-	(173)
	<u>-</u>	<u>83</u>	<u>-</u>	<u>191</u>

The movement on deferred tax comprises:

	1998 £000	1997 £000
At beginning of year	-	195
Credit for the year in the profit and loss account	-	(195)
	<u>-</u>	<u>-</u>
At end of year	<u>-</u>	<u>-</u>

Notes (continued)

15 Called up share capital

	1998 £000	1997 £000
Authorised		
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>
Allotted, called up and fully paid		
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>

16 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	914	50	10,720
Retained profit for the year	-	-	-	623
Transfers	-	(110)	-	110
	<u>1,379</u>	<u>804</u>	<u>50</u>	<u>11,453</u>

Notes (continued)

17 Commitments

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

	1998 £000	1997 £000
Contracted	886	1,801

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

	1998		1997	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	-	32	-	-
Within two to five years	-	40	-	35

18 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 £122,000 (1997: £nil).

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

During the year the Executive Pension Scheme merged with the group scheme referred to above.

Notes *(continued)*

19 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