

KPMG Peat Marwick

The Kerrygold Company Limited

Directors' report and financial statements

2 January 1993

Registered number 362221



The Kerrygold Company Limited

Directors' report and financial statements

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The Kerrygold Company Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 2 January 1993.

Principal activities

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

Business review

For The Kerrygold Company 1992 proved to be a very satisfactory year. Successful measures to cut costs and increase productivity resulted in the Company returning to profitability.

The Kerrygold Brand maintained its market share while at the same time consolidated its premium price position in the market place.

The Company's efforts to dispose of two properties surplus to requirements were unsuccessful on account of the very depressed state of the property market. It is hoped that progress will be made on this front during 1993.

Proposed dividend

The directors do not recommend the payment of a dividend.

Significant changes in fixed assets

Details of movements of fixed assets are shown in the notes to the financial statements.

Directors and directors' interests

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

P Dolan (resident in the Republic of Ireland)
Dr N Cawley (resident in the Republic of Ireland)
N Coakley
BA Rhodes (resigned 21 January 1992)

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

The Kerrygold Company Limited

Directors' report

Directors and directors' interests (*continued*)

None of the directors had any interest in any significant contract to which the company was a party during the period, nor any schemes in being to benefit directors by enabling them to acquire shares in the company.

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 of the company 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 future interest.

The Kerrygold Company Limited

Directors' report

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £2,428 (1992: £1,491).

By order of the board


N Coakley
Director

Sunnyhills Road
Leek
Staffordshire
ST13 5SP

21st October 1993

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 5 to 20.

Respective responsibilities of directors and auditors

As described on page 2 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 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Norman Peat Marwick

Chartered Accountants
Registered Auditors

Dr. O. J. R. 1993

The Kerrygold Company Limited

Profit and loss account for the year ended 2 January 1993


	Note	Year ended 2 January 1993 £000	Year ended 28 December 1991 £000
Turnover	2	138,829	127,776
Cost of sales		(133,888)	(123,850)
Gross profit		4,941	3,926
Distribution costs		(1,108)	(1,389)
Administrative expenses		(3,614)	(2,454)
Trading profit		219	83
Other interest receivable and similar income	6	17	21
Interest payable and similar charges	7	(14)	(27)
Exceptional items		300	(211)
Profit/(loss) on ordinary activities before taxation		522	(134)
Tax on profit/(loss) on ordinary activities	8	-	-
Profit/(loss) for the financial year	2-5	522	(134)
Retained profit brought forward		5,933	5,718
Transfer to reserve		-	349
Retained profit carried forward		6,455	5,933

The Kerrygold Company Limited

Balance sheet at 2 January 1993

	Note	2 January 1993		28 December 1991	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		8,839		9,771
Investments	12		17		17
			<u>8,856</u>		<u>9,788</u>
Current assets					
Stocks	10	12,806		8,661	
Debtors	11	11,142		13,892	
Investments	12	914		1,014	
Cash at bank and in hand		1,007		4	
		<u>25,869</u>		<u>23,571</u>	
Creditors: amounts falling due within one year	13	<u>(24,121)</u>		<u>(23,277)</u>	
Net current assets			<u>1,748</u>		<u>294</u>
Net assets			<u>10,604</u>		<u>10,082</u>
Capital and reserves					
Called up share capital	15		1,806		1,806
Share premium account			1,379		1,379
Revaluation reserve			914		914
Other reserves			50		50
Profit and loss account			6,455		5,933
			<u>10,604</u>		<u>10,082</u>

These financial statements were approved by the board of directors on 21st October 1993 and were signed on its behalf by:


N Coakley
Director

The Kerrygold Company Limited

Cash flow statement for the year ended 2 January 1993

	Note	Year ended 2 January 1993		Year ended 28 December 1991	
		£000	£000	£000	£000
Net cash inflow/(outflow) from operating activities	19		2,209		(736)
Return on investments and servicing of finance					
Interest received		17		21	
Interest paid		(14)		(27)	
		<u>3</u>		<u>(6)</u>	
Net cash inflow/(outflow) from returns on investment and servicing of finance			3		(6)
Taxation					
UK corporation tax received			-		150
Investing activities					
Purchase of tangible fixed assets		(820)		(1,555)	
Sale of tangible fixed assets		67		88	
Sale of investments		-		1,473	
		<u>(753)</u>		<u>6</u>	
Net cash (outflow)/inflow from investing activities			(753)		6
Net cash inflow/(outflow) before financing			<u>1,459</u>		<u>(586)</u>
Increase/(decrease) in cash and cash equivalents	20		<u>1,459</u>		<u>(586)</u>

The Kerrygold Company Limited

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.

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
Leasehold land and buildings	-	life of lease or its estimated useful life, whichever is the lower
Plant and machinery	-	20% per annum based on cost
Motor vehicles	-	25% 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

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

The Kerrygold Company Limited

Notes (continued)

1 Accounting policies (continued)

Pension costs

The pension obligations of the company are met by payments to a group pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, being invested through a fund management company in a wide range of listed securities and unit trusts. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

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

	Year ended 2 January 1993 £000	Year ended 28 December 1991 £000
United Kingdom	138,783	127,756
Rest of Europe	46	20
	<u>138,829</u>	<u>127,776</u>

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

The Kerrygold Company Limited

Notes (continued)

3 Profit/(loss) for the financial year

	Year ended 2 January 1993 £000	Year ended 28 December 1991 £000
<i>Profit/(loss) for the financial year is stated</i>		
<i>after charging</i>		
Auditors' remuneration		
Audit	20	16
Other services	6	
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,625	1,075
Leased	46	12
Hire of plant and machinery - rentals payable under operating leases	23	6
Hire of other assets - operating leases	15	15
Exceptional items - see below	-	211
	<hr/>	<hr/>
<i>after crediting</i>		
Exceptional items - see below	300	-
	<hr/>	<hr/>

Exceptional items

The items charged/(credited) to the profit and loss account are set out below:

	Year ended 2 January 1993 £000	Year ended 28 December 1991 £000
Costs related to discontinued activities	-	211
Write down of property held for resale	100	-
Gain on disposal of land	(400)	-
	<hr/>	<hr/>
	(300)	211
	<hr/>	<hr/>

The total amount charged to revenue for the hire of plant and machinery amounted to £69,000 (1991: £18,000).

The Kerrygold Company Limited

Notes (continued)

4 Remuneration of directors

	Year ended 2 January 1993 £000	Year ended 28 December 1991 £000
Directors' emoluments:		
As directors	<u>78</u>	<u>65</u>

The emoluments, excluding pension contributions, of the chairman were £nil (1991: £nil) and those of the highest paid director were £75,437 (1991: £59,968).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid directors) were within the following ranges:

	Year ended 2 January 1993	Year ended 28 December 1991
£0 - £5,000	3	4
£5,001 - £60,000	-	1
£75,001 - £80,000	<u>1</u>	<u>-</u>

Benefits in kind included above relate to medical insurance, telephone costs and vehicle expenses.

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:

	Year ended 2 January 1993	Year ended 28 December 1991
Manufacture	308	345
Sales	15	17
Administration	<u>37</u>	<u>43</u>
	<u>360</u>	<u>405</u>

The Kerrygold Company Limited

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 2 January 1993 £000	Year ended 28 December 1991 £000
Wages and salaries	4,174	4,737
Social security costs	343	406
Other pension costs (see note 18)	77	78
	<u>4,594</u>	<u>5,221</u>

6 Other interest receivable and similar income

	Year ended 2 January 1993 £000	Year ended 28 December 1991 £000
Interest from group undertakings	<u>17</u>	<u>21</u>

7 Interest payable and similar charges

	Year ended 2 January 1993 £000	Year ended 28 December 1991 £000
On bank loans, overdrafts and other loans wholly repayable within five years	<u>14</u>	<u>27</u>

8 Taxation

There is no corporate tax charge on the results for the year and no liability arises in respect of deferred taxation.

The Kerrygold Company Limited

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 con- struction	Total
	£000	£000	£000	£000	£000
<i>Cost or valuation</i>					
At beginning of year	6,539	5,533	778	214	13,064
Additions	13	731	29	47	820
Transfers between items	21	182	-	(203)	-
Disposals	-	(179)	-	-	(179)
At end of year	6,573	6,267	807	58	13,705
<i>Depreciation and diminution in value</i>					
At beginning of year	496	2,297	500	-	3,293
Charge for year	304	1,283	84	-	1,671
On disposals	-	(98)	-	-	(98)
At end of year	800	3,482	584	-	4,866
<i>Net book value</i>					
At 2 January 1993	5,773	2,785	223	58	8,839
At 28 December 1991	6,043	3,236	278	214	9,771

The Kerrygold Company Limited

Notes (continued)

9 Tangible fixed assets (continued)

Particulars relating to revalued assets are given below:

	2 January 1993 £000	28 December 1991 £000
<i>Land and buildings</i>		
At 1988 open market value	2,195	2,195
Aggregate depreciation thereon	(190)	(152)
	<hr/>	<hr/>
Net book value	2,005	2,043
	<hr/>	<hr/>
Historical cost of revalued assets	1,518	1,518
Aggregate depreciation based on historical cost	(448)	(421)
	<hr/>	<hr/>
Historical cost net book value	1,070	1,097
	<hr/>	<hr/>

Other tangible fixed assets are included at cost.

The gross book value of land and buildings includes £6,248,000 (1991: £6,214,000) of depreciable assets.

Included in the total net book value of plant and machinery is £nil (1991: £46,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £46,000 (1991: £12,000).

10 Stocks

	2 January 1993 £000	28 December 1991 £000
Raw materials and consumables	10,682	5,884
Work in progress	123	132
Finished goods and goods for resale	2,001	2,645
	<hr/>	<hr/>
	12,806	8,661
	<hr/>	<hr/>

The Kerrygold Company Limited

Notes (continued)

11 Debtors: amounts falling due within one year

	2 January 1993 £000	28 December 1991 £000
Trade debtors	6,370	8,173
Amounts owed by group undertakings	3,867	4,666
Other debtors	791	937
Prepayments and accrued income	114	116
	<u>11,142</u>	<u>13,892</u>
<i>The amounts owed by group undertakings comprise</i>		
Fellow subsidiary undertakings	<u>3,867</u>	<u>4,666</u>

12 Investments

	2 January 1993 £000	28 December 1991 £000
Fixed assets		
Shares in group undertakings	<u>17</u>	<u>17</u>

This represents the cost of one ordinary share in Green Flag Foods NV.

	2 January 1993 £000	28 December 1991 £000
Current assets		
Other investments	<u>914</u>	<u>1,014</u>

The Kerrygold Company Limited

Notes (continued)

13 Creditors: amounts falling due within one year

	1992		1991	
	£000	£000	£000	£000
Bank loans and overdrafts		-		456
Trade creditors		8,239		7,055
Amounts owed to group undertakings		14,760		14,626
Other creditors including taxation and social security:				
Other taxes and social security	127		128	
Other creditors	466		255	
		<u>593</u>		<u>383</u>
Accruals and deferred income		529		757
		<u>24,121</u>		<u>23,277</u>
<i>The amounts owed to group undertakings comprise</i>				
Parent and fellow subsidiary undertakings		<u>14,760</u>		<u>14,626</u>

14 Provisions for liabilities and charges

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

	2 January 1993		28 December 1991	
	Provided	Unprovided	Provided	Unprovided
	£000	£000	£000	£000
Difference between accumulated depreciation and amortisation and capital allowances	-	276	-	413
Tax losses	-	-	-	(241)
Other timing differences	-	(492)	-	(150)
	<u>-</u>	<u>(216)</u>	<u>-</u>	<u>22</u>

The Kerrygold Company Limited

Notes (continued)

15 Called up share capital

	2 January 1993 £000	28 December 1991 £000
<i>Authorised</i>		
Ordinary shares of £0.10 each	100	100
5.25% cumulative preference shares of £1 each	2,000	2,000
	<u>2,100</u>	<u>2,100</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £0.10 each	100	100
5.25% cumulative preference shares of £1 each	1,706	1,706
	<u>1,806</u>	<u>1,806</u>

16 Contingent liabilities

The company has given a cross guarantee to secure the borrowings of its holding company, Adams Foods Limited. At 2 January 1993 the contingent liability under the guarantee amounted to £2,466,000 (1991: £3,978,000).

The Kerrygold Company Limited

Notes (continued)

17 Commitments

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

	2 January 1993 £000	28 December 1991 £000
Contracted	44	208
Authorised but not contracted	306	89

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

	2 January 1993		28 December 1991	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	5
Over five years	15	-	15	-
	<u>15</u>	<u>-</u>	<u>15</u>	<u>5</u>

18 Pension scheme

The company is a member of a group pension scheme which has defined benefits. The contributions made by the company in respect of the group pension scheme are determined by a qualified actuary on the basis of a valuation carried out at 1 May 1992. Particulars of the actuary's report are contained in the financial statements of Adams Foods Limited.

The pension charge for the period of £77,000 (1991: £78,000), includes £117,000 (1991: £118,000) in respect of the amortisation of experience surpluses that are being recognised over 16 years, the average remaining service lives of employees.

There were £181,972 and £269,666 outstanding contributions at the beginning and the end of the financial year respectively.

The Kerrygold Company Limited

Notes (continued)

19 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	Year ended 2 January 1993 £000	Year ended 28 December 1991 £000
Operating profit before exceptional items	219	83
Exceptional items	300	(211)
Operating profit/(loss) after exceptional items	519	(128)
Depreciation charge	1,671	1,255
Loss/(profit) on sale of tangible fixed assets	14	(17)
Profit on sale of investments	-	(104)
(Increase)/decrease in stocks	(4,145)	(462)
Decrease/(increase) in debtors	2,750	(1,173)
Increase/(decrease) in creditors	1,300	(107)
Write off on investments	100	-
Net cash inflow/(outflow) from operating activities	2,209	(736)

20 Analysis of changes in cash and cash equivalents

	Cash £000	Overdraft £000	Net £000
Balance at 29 December 1990	134	-	134
Net cash outflow	(130)	(456)	(586)
Balance at 28 December 1991	4	(456)	(452)
Net cash inflow	1,003	456	1,459
Balance at 2 January 1993	1,007	-	1,007

The Kerrygold Company Limited

Notes (continued)

- 21 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, a company incorporated in Great Britain and registered in England and Wales. 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 An Bord Bainne Co-operative Limited, a company incorporated in the Republic of Ireland. Copies of the financial statements of An Bord Bainne Co-operative Limited may be obtained from:

Grattan House
Mount Street Lower
Dublin 2