

The Kerrygold Company Limited

Directors' report and financial statements

31 December 1994

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 31 December 1994.

Principal activities

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

Business review

1994 gave a good performance for the Kerrygold Company despite difficult trading conditions.

Volumes across all products were ahead of 1993. However gross margins were affected by difficulties in passing on cost increases, particularly of packaging materials, in a very competitive business environment.

The company was still unable to dispose of the two properties surplus to requirements. However contracts have now been exchanged for the sale of our Cuffley premises and it is hoped that our other site will be sold during 1995.

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

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 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.

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.

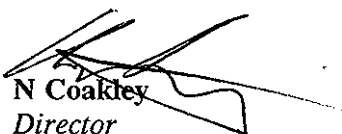
The Kerrygold Company Limited

Directors' report

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £1,057 (1993: £2,186).

By order of the board


N Coakley
Director

Sunnyhills Road
Leek
Staffordshire
ST13 5SP

17th October 1995



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 19.

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 31 December 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants
Registered Auditors

23 October 1995

The Kerrygold Company Limited

Profit and loss account for the year ended 31 December 1994

	<i>Note</i>	Year ended 31 December 1994 £000	Year ended 1 January 1994 £000
Turnover - continuing operations	2	149,769	155,505
Cost of sales		(144,676)	(150,040)
Gross profit		5,093	5,465
Distribution costs		(1,369)	(1,172)
Administrative expenses		(3,668)	(3,978)
Trading profit - continuing operations		56	315
Other interest receivable and similar income	6	62	17
Interest payable and similar charges	7	(12)	(7)
Profit on ordinary activities before taxation	2-5	106	325
Tax on profit on ordinary activities	8	(209)	(141)
(Loss)/profit for the financial year		(103)	184
Retained profit brought forward		6,539	6,455
Retained profit carried forward		6,536	6,639

The company had no recognised gains or losses other than those reported above.

The Kerrygold Company Limited

Balance sheet


at 31 December 1994

	Note	31 December 1994		1 January 1994	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		7,744		8,487
Investments	12		17		17
			<u>7,761</u>		<u>8,504</u>
Current assets					
Stocks	10	20,979		12,390	
Debtors	11	15,238		12,733	
Investments	12	764		864	
Cash at bank and in hand		543		2,328	
		<u>37,524</u>		<u>28,315</u>	
Creditors: amounts falling due within one year	13	<u>(34,500)</u>		<u>(26,031)</u>	
Net current assets			<u>3,024</u>		<u>2,284</u>
Total assets less current liabilities			<u>10,785</u>		<u>10,788</u>
Provision for liabilities and charges	14		<u>(100)</u>		<u>-</u>
Net assets			<u>10,685</u>		<u>10,788</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			6,536		6,639
			<u>10,685</u>		<u>10,788</u>
Shareholders' funds					
Equity			10,585		10,688
Non-equity			100		100
			<u>10,685</u>		<u>10,788</u>

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

17th October

1995 and were


N Coakley
Director

The Kerrygold Company Limited

Note of historical profits and losses for the year ended 31 December 1994

	Year ended 31 December 1994 £000	Year ended 1 January 1994 £000
Reported profit on ordinary activities before taxation	106	325
Difference between historical cost depreciation charge and the actual depreciation charge for the year on the revalued amount	11	12
Historical cost profit on ordinary activities before taxation	117	337
Historical cost (loss)/profit for the year retained after taxation	(92)	196

Reconciliation of movements in shareholders' funds for the year ended 31 December 1994

	Year ended 31 December 1994 £000	Year ended 1 January 1994 £000
(Loss)/profit for the financial year	(103)	184
Opening shareholders' funds	10,788	10,604
Closing shareholders' funds	10,685	10,788

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
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 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 scheme 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.

The Kerrygold Company Limited

Notes (continued)

2 Analysis of turnover by geographical market

	Year ended 31 December 1994 £000	Year ended 1 January 1994 £000
United Kingdom	148,891	155,505
Rest of Europe	878	-
	<u>149,769</u>	<u>155,505</u>

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

3 Profit on ordinary activities before taxation

	Year ended 31 December 1994 £000	Year ended 1 January 1994 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	23	20
Other services	-	24
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,490	1,357
Hire of plant and machinery - rentals payable under operating leases	1	1
Exceptional items - write-down of property held for resale (included in administration costs)	100	50
	<u>1,614</u>	<u>1,732</u>

The total amount charged to revenue for the hire of plant and machinery amounted to £1,000 (1 January 1994: £1,000).

The Kerrygold Company Limited

Notes (continued)

4 Remuneration of directors

	Year ended 31 December 1994 £000	Year ended 1 January 1994 £000
Directors' emoluments:		
As directors	107	92

The emoluments, excluding pension contributions, of the chairman were £nil (*1 January 1994: £nil*) and those of the highest paid director were £103,242 (*1 January 1994: £88,011*).

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

	Number of directors	
	Year ended 31 December 1994	Year ended 1 January 1994
£0 - £5,000	2	2
£85,001 - £90,000	-	1
£100,001 - £105,000	1	-

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:

	Number of employees	
	Year ended 31 December 1994	Year ended 1 January 1994
Manufacture	362	330
Sales	15	15
Administration	21	34
	398	379

The Kerrygold Company Limited

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 1994 £000	Year ended 1 January 1994 £000
Wages and salaries	5,172	4,634
Social security costs	391	396
Other pension costs (see note 17)	88	78
	<u>5,651</u>	<u>5,108</u>

6 Other interest receivable and similar income

	Year ended 31 December 1994 £000	Year ended 1 January 1994 £000
Bank interest	24	15
Other interest	38	2
	<u>62</u>	<u>17</u>

7 Interest payable and similar charges

	Year ended 31 December 1994 £000	Year ended 1 January 1994 £000
On bank loans, overdrafts and other loans wholly repayable within five years	<u>12</u>	<u>7</u>

The Kerrygold Company Limited

Notes (continued)

8 Taxation

	Year ended 31 December 1994 £000	Year ended 1 January 1994 £000
UK corporation tax at 33% on the profit for the year on ordinary activities	132	111
Adjustment relating to an earlier year	(23)	30
Deferred taxation	100	-
	<u>209</u>	<u>141</u>

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	6,577	6,898	852	115	14,442
Additions	3	571	140	82	796
Transfers between items	3	104	8	(115)	-
Disposals	-	(179)	(3)	-	(182)
At end of year	<u>6,583</u>	<u>7,394</u>	<u>997</u>	<u>82</u>	<u>15,056</u>
<i>Depreciation and diminution in value</i>					
At beginning of year	1,102	4,199	654	-	5,955
Charge for year	301	1,093	96	-	1,490
On disposals	-	(130)	(3)	-	(133)
At end of year	<u>1,403</u>	<u>5,162</u>	<u>747</u>	<u>-</u>	<u>7,312</u>
<i>Net book value</i>					
At 31 December 1994	<u>5,180</u>	<u>2,232</u>	<u>250</u>	<u>82</u>	<u>7,744</u>
At 1 January 1994	<u>5,475</u>	<u>2,699</u>	<u>198</u>	<u>115</u>	<u>8,487</u>

The Kerrygold Company Limited

Notes (continued)

9 Tangible fixed assets (continued)

Particulars relating to revalued assets are given below:

	31 December 1994 £000	1 January 1994 £000
<i>Land and buildings</i>		
At 1988 open market value	2,195	2,195
Aggregate depreciation thereon	(266)	(228)
	<hr/>	<hr/>
Net book value	1,929	1,967
	<hr/>	<hr/>
Historical cost of revalued assets	1,518	1,518
Aggregate depreciation based on historical cost	(501)	(474)
	<hr/>	<hr/>
Historical cost net book value	1,017	1,044
	<hr/>	<hr/>

Other tangible fixed assets are included at cost.

The gross book value of land and buildings includes £6,258,000 (1 January 1994: £6,252,000) of depreciable assets.

10 Stocks

	31 December 1994 £000	1 January 1994 £000
Raw materials and consumables	18,389	9,964
Work in progress	123	192
Finished goods and goods for resale	2,467	2,234
	<hr/>	<hr/>
	20,979	12,390
	<hr/>	<hr/>

The Kerrygold Company Limited

Notes (continued)

11	Debtors: amounts falling due within one year	31 December	1 January
		1994	1994
		£000	£000
	Trade debtors	10,329	8,310
	Amounts owed by fellow subsidiary undertakings	4,303	3,621
	Other debtors	514	736
	Prepayments and accrued income	92	66
		<u>15,238</u>	<u>12,733</u>

12	Investments	31 December	1 January
		1994	1994
		£000	£000
	Fixed assets		
	Shares in fellow subsidiary undertakings	<u>17</u>	<u>17</u>

This represents the cost of thirty eight ordinary shares in Green Flag Foods NV a subsidiary of the intermediate holding company Adams Foods Limited.

	31 December	1 January
	1994	1994
	£000	£000
Current assets		
Properties held for resale	<u>764</u>	<u>864</u>

The Kerrygold Company Limited

Notes (continued)

13 Creditors: amounts falling due within one year

	31 December 1994		1 January 1994	
	£000	£000	£000	£000
Trade creditors		8,402		8,277
Amounts owed to group undertakings		24,540		16,168
Other creditors including taxation and social security:				
Other taxes and social security	162		164	
Corporation tax	132		141	
Other creditors	746		594	
		<u>1,040</u>		<u>899</u>
Accruals and deferred income		518		687
		<u>34,500</u>		<u>26,031</u>
<i>The amounts due to group undertakings comprise:</i>				
Parent undertaking		16,496		8,627
Fellow subsidiary undertaking		8,044		7,541
		<u>24,540</u>		<u>16,168</u>

14 Provisions for liabilities and charges

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

	31 December 1994		1 January 1994	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	225	517	-	621
Other timing differences	(125)	(262)	-	(378)
	<u>100</u>	<u>255</u>	<u>-</u>	<u>243</u>

The Kerrygold Company Limited

Notes (continued)

14 Provisions for liabilities and charges (continued)

The movement on deferred tax comprises:

	31 December 1994 £000	1 January 1994 £000
At beginning of year	-	-
Charge for the year in the profit and loss account	100	-
	<hr/>	<hr/>
At end of year	100	100
	<hr/>	<hr/>

15 Called up share capital

	31 December 1994 £000	1 January 1994 £000
<i>Authorised</i>		
Ordinary shares of £0.10 each	2,000	2,000
5.25% cumulative preference shares of £1 each	100	100
	<hr/>	<hr/>
	2,100	2,100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £0.10 each	1,706	1,706
5.25% cumulative preference shares of £1 each	100	100
	<hr/>	<hr/>
	1,806	1,806
	<hr/>	<hr/>

16 Commitments

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

	31 December 1994 £000	1 January 1994 £000
Contracted	197	430
Authorised but not contracted	378	77
	<hr/>	<hr/>

The Kerrygold Company Limited

Notes (continued)

16 Commitments (continued)

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

	31 December 1994		1 January 1994	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Operating leases which expire:				
Over five years	15	-	15	-

17 Pension scheme

The company contributes to two defined benefit pension schemes the assets of which are held in separate 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 principal scheme was carried out as at 1 May 1995. The review assumed that the investment returns would exceed the average salary increases by 1.5% per annum, that dividends would increase by 4% per annum, and that present and future pensions would increase at the rate of 3% per annum. At the date of the review the market value of the scheme's assets was £11,719,007. The actuarial value of assets represented 144% of the benefits that had accrued to members and pensioners, after allowing for expected future increases in earnings. The trustees on the basis of the actuarial valuation recommendations, have taken steps to reduce the pension surplus to below the 5% level as set out in the Finance Act 1986. In accordance with the actuarial recommendations the employee contributions will remain at 5% of earnings, and there will be a three year employer contributions holiday.

The pension charge for the year is £88,000 (*1 January 1994: £78,000*), of which £76,000 related to the principal scheme (*1 January 1994: £78,000*), is stated after crediting £115,000 (*1 January 1994: £119,000*) in respect of the amortisation of experience surpluses, that are being recognised over the average remaining service lives of employees.

There were £346,605 and £439,448 outstanding contributions at the beginning and the end of the financial year respectively.

The Kerrygold Company Limited

Notes *(continued)*

- 18 **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 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 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