


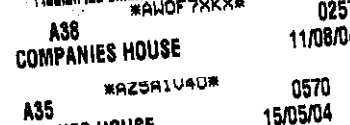
Glanbia Foods Limited

Annual report

for the year ended 3 January 2004

Registered number: 2670609

  
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# Glanbia Foods Limited

## Annual report for the year ended 3 January 2004

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# **Glanbia Foods Limited**

## **Directors and advisors**

### **Directors**

G J Meagher  
S M Higgins  
J J Kiely  
C R Stump  
K Toland  
J Cooney

### **Secretary**

P R Sheath

### **Auditors**

PricewaterhouseCoopers LLP  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

### **Solicitors**

Pinsents  
3 Colmore Circus  
Birmingham  
B4 6BH  
Walker Smith & Way  
26 Nicholas St  
Chester  
CH1 2PQ

### **Bankers**

Barclays Bank plc

### **Registered Office**

Maes y Clawdd  
Maesbury Road  
Oswestry  
Shropshire  
SY10 8NL



# Glanbia Foods Limited

## Directors' report for the year ended 3 January 2004

The directors present their report and the audited financial statements for the 52 week period ended 3 January 2004 (referred to as "2003" throughout these financial statements, with "2002" referring to the 53 week period ended 4 January 2003).

### Principal activities

The principal activities of the company are the manufacture and supply of cheese, butter and related dairy products for the retail, foodservice and food ingredients markets. The operations of the company are now managed through one division (Glanbia Foods) following the sale of its distribution activities (Glanbia Food Service) to Peter's Food Service Limited in 2002. The results for the year are disclosed in the profit and loss account on page 8.

### Review of business and future developments

Glanbia Foods continued to strengthen and consolidate its number 2 position in the cheese market with cheese volumes increasing by 8% year on year, following a 11% increase in 2002. The company improved its position in the ingredients, export and foodservice channels during 2003, whilst retail volumes saw a drop in sales of value tendered cheese to a major retailer. Operating profits were in line with expectations.

Glanbia Foods continues to invest in its people and processes in 2003 as part of its long term objective of increasing shareholder value. ISO 14002 (Environmental) accreditation was achieved in Malpas, Melton and Lockerbie. All health and safety along with legislative training courses were fully completed along with bespoke development programmes that emanated out of individual Performance and Development Plans. During 2003 phase 3 of the "Heads Up" culture change program was completed at Lockerbie, Oswestry and Taw Valley, and these sites fostered community relationships with local schools. The company also invested £1.856m in new equipment and infrastructure.

### Dividends and transfers to reserves

The directors do not propose a dividend for 2003 (2002:nil).

On 30 January 2004 the directors approved payment of a £4,000,000 dividend previously declared by the company and provided for in the 1999 financial statements.

### Directors

The directors of the company who served throughout the year are detailed below:

G J Meagher  
S M Higgins  
J J Kiely  
C R Stump  
H J Talbot (resigned 6 February 2004)  
J Cooney

Mr K Toland was appointed director on 6 February 2004.

Michael Mellor resigned as company secretary on 12 March 2003 and has been succeeded by Philip Sheath who was appointed on 12 March 2003.

# **Glanbia Foods Limited**

## **Directors' report for the year ended 3 January 2004 (continued)**

### **Interests of Directors**

No director of the company held any interest in the shares or financing of the company at 4 January 2003 or 3 January 2004. In accordance with the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985, as the company is a wholly owned subsidiary of Glanbia plc, a body incorporated outside Great Britain, no directors' interests in Glanbia plc are required to be disclosed.

### **Charitable and political donations**

Charitable donations of £1,273 (2002: £12,725) and small amounts of the company's product were contributed to local charities. No contributions were made to any political party.

### **Employees**

The company ensures employee awareness of company performance and any matters affecting their interests through staff meetings, conferences, team briefings and the periodic publication of company journals.

The company maintains an equal opportunity recruitment policy for all persons, including the disabled for whom appropriate assistance and training is given both on joining the company and as part of their career development. It is the company's policy, wherever practicable, to retain staff who become disabled.

### **Research and development activities**

The company is committed to research and development enabling it to improve its existing products and develop new products thus ensuring it retains its competitive position in the market.

### **Creditors payment policy**

It is the company's policy to agree payment terms with suppliers and to always make payment in accordance with those terms to the extent practicable. At 3 January 2004, the number of days purchases outstanding was 36 (2002: 43).

### **Post Balance Sheet Events**

On 30 January 2004 the directors approved the transfer to the company of the freehold property at Lockerbie Creamery, Priestdykes, Lockerbie from Glanbia Investments Ltd for £875,000.

On 30 January 2004 the directors also approved payment of a £4,000,000 dividend declared by the company in December 1999.

On 21 February 2004 the company's parent company, Waterford Foods International Ltd, sold subject to certain conditions precedent the entire share capital of the company to The Cheese Company Holdings Ltd (formerly Quayshelfco 1048 Limited) (CCH). Milk Link Investments Ltd will have a 75% controlling stake in CCH, while Waterford Foods International Ltd will acquire the remaining 25%.

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the company will continue in business.

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# Glanbia Foods Limited

## Directors' report for the year ended 3 January 2004 (continued)

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 3 January 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.


### Auditors

A resolution of the shareholders has been passed to dispense with the appointment of auditors annually, PricewaterhouseCoopers LLP will continue in office as auditors to the company until immediately prior to the completion of the share capital sale to The Cheese Company Holdings Ltd.

By order of the board



J J Kiely  
Director  
6<sup>th</sup> April 2004



G J Meagher  
Director  
6<sup>th</sup> April 2004

# **Glanbia Foods Limited**

## **Independent auditors' report to the members of Glanbia Foods Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

### **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 at 3 January 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Birmingham  
6<sup>th</sup> April 2004

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**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Birmingham  
6<sup>th</sup> April 2004



# Glanbia Foods Limited

## Statement of accounting policies for the year ended 3 January 2004

### Principal accounting policies

#### Basis of accounting

The financial statements are prepared in accordance with Generally Accepted Accounting Principles under the historical cost convention as modified by the revaluation of land and buildings and certain plant and machinery and comply with financial reporting standards of the Accounting Standards Board.

A summary of the more important accounting policies is set out below:

The following accounting policies have been applied consistently and are considered material in relation to the financial statements.

#### Basis of preparation

The financial statements have been prepared under a going concern basis which assumes that the company will continue in existence for the foreseeable future. Following the anticipated sale of the company detailed in the Directors Report, new financing arrangements with third party lenders will be put in place. The directors believe that the funding arrangements will be sufficient to meet the working capital requirements of the company for the foreseeable future and therefore it is appropriate for the directors to prepare the accounts on a going concern basis.

#### Cash flow statement

Under Financial Reporting Standard 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement as the cash flows of the company are included in the consolidated cash flow statement of the ultimate parent.

#### Tangible fixed assets

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets, less their estimated residual values, on a straight line basis over their expected useful economic lives.

The principal asset lives used are:

Freehold buildings	25 years
Plant and machinery	7 to 13 years
Fixtures and fittings	5 to 10 years
Software development	3 to 10 years
Office equipment	2 to 10 years

Freehold land is not depreciated.

#### Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.



## **Glanbia Foods Limited**

### **Statement of accounting policies for the year ended 3 January 2004 (contd)**

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is determined on an actual age of stock basis. For manufactured products, cost includes all direct expenditure and production overheads and production related indirect overheads based on the normal level of activity. As detailed in note 6, interest is included within the cost of stock to reflect financing charges up to a period of 1 year. Where necessary, provision is made for obsolete, slow moving and substandard stocks. Net realisable value is based on normal selling price, less further costs expected to be incurred to completion and disposal.

#### **Government grants**

Grants that relate to specific capital expenditure are treated as deferred income which is credited to the profit and loss account over the related asset's useful life. Other grants are credited to the profit and loss account when received.

#### **Foreign currencies**

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction.

Foreign currency monetary assets and liabilities are translated into sterling at the rate of exchange ruling at the balance sheet date and the exchange differences are dealt with in the profit and loss account.

#### **Turnover**

Turnover, which excludes value added tax, represents the invoiced value of goods supplied after deducting volume discounts earned by the customers.

#### **Deferred taxation**

Provision is made for deferred tax in so far as a liability or asset arose as a result of transactions that had occurred by the balance sheet date and gave rise to an obligation to pay more tax in future, or a right to pay less tax in future. An asset has not been recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

#### **Research and development expenditure**

Research and development expenditure is charged to the profit and loss account as it is incurred.

#### **Pension costs**

The company operates a defined benefit pension scheme which is contracted out of the state scheme. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variation from the regular cost are spread over the expected average remaining service lives of the members of the scheme.

#### **Revaluation reserve**

The revaluation reserve comprises the surplus arising on the valuation of certain tangible fixed assets. The reserve is being transferred to the profit and loss account over the lives of the assets to which it relates. The Company has retained the book amounts of certain tangible assets which were previously revalued. This valuation has not been updated.

#### **Related party transactions**

The company has availed itself of the exemption available in Financial Reporting Statement 8: Related party disclosures from disclosing transactions with group undertakings.

# Glanbia Foods Limited

## Profit and loss account for the year ended 3 January 2004

	Notes	2003 £'000	2002 £'000
Turnover	1		
Continuing operations		248,534	200,044
Discontinued operations		-	63,050
<b>Turnover</b>		<b>248,534</b>	<b>263,094</b>
Cost of sales	2	(231,016)	(224,960)
<b>Gross profit</b>		<b>17,518</b>	<b>38,134</b>
Operating Expenses	2	(13,239)	(28,402)
Operating profit/(loss)			
Continuing operations		4,292	8,770
Discontinued operations		(13)	962
<b>Operating profit</b>		<b>4,279</b>	<b>9,732</b>
Loss on sale of division- discontinued operations	5	-	(1,864)
<b>Profit on ordinary activities before interest</b>		<b>4,279</b>	<b>7,868</b>
Net interest payable and similar charges	6	(1,892)	(2,184)
<b>Profit on ordinary activities before taxation</b>	7	<b>2,387</b>	<b>5,684</b>
Tax (charge) on profit on ordinary activities	8	(792)	(1,917)
<b>Profit retained for the financial period</b>	17	<b>1,595</b>	<b>3,767</b>
<b>Profit and loss account at beginning of period</b>		<b>1,999</b>	<b>(1,889)</b>
Reserve movements	17	121	121
<b>Profit and loss account at end of period</b>	17	<b>3,715</b>	<b>1,999</b>

There are no recognised gains or losses other than those noted above.

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## Glanbia Foods Limited

### Note of historical cost profits and losses for the year ended 3 January 2004

	2003	2002
	£'000	£'000
Reported profit on ordinary activities before taxation	2,387	5,684
Difference between a historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	121	886
Historical cost profit on ordinary activities before taxation	2,508	6,570
Historical cost profit for the period retained after taxation and dividends	1,716	4,653

# Glanbia Foods Limited

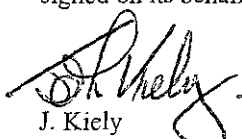
## Balance sheet at 3 January 2004

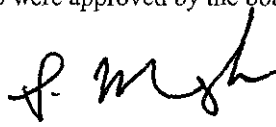
	Note	2003 £'000	2002 £'000
<b>Fixed assets</b>			
Tangible assets	9	37,051	39,633
<b>Current assets</b>			
Stocks	11	51,939	42,214
Debtors: amounts falling due within one year	12	24,794	38,792
Debtors: amounts falling due after more than one year	12	9,266	10,582
Cash at bank and in hand		15,590	4,997
		101,589	96,585
Creditors: amounts falling due within one year	13	(17,884)	(24,543)
<b>Net current assets</b>		83,705	72,042
<b>Total assets less current liabilities</b>		120,756	111,675
Creditors: amounts falling due after more than one year	14	(81,623)	(73,890)
<b>Provisions for liabilities and charges</b>	15	(425)	(672)
<b>Net assets</b>		38,708	37,113
<b>Capital and reserves</b>			
Called up share capital	16	32,103	32,103
Share premium account	17	300	300
Revaluation reserve	17	2,590	2,711
Profit and loss account	17	3,715	1,999
<b>Total shareholders' funds</b>	18	38,708	37,113

## Analysis of shareholders' funds

Equity	6,758	5,163
Non-equity	31,950	31,950
	38,708	37,113

The financial statements on page 6 to 26 were approved by the board of directors on 6<sup>th</sup> April 2004 and were signed on its behalf by:

  
J. Kiely  
Director

  
G J Meagher  
Director

# Glanbia Foods Limited

## Notes to the financial statements for the year ending 3 January 2004

### 1 Turnover

All of the turnover and profit before tax relates to the company's principal activities, the majority of which arise in the United Kingdom.

In the opinion of the directors, it would be prejudicial to the interests of the company to disclose segmental information for its separate classes of business.

### 2 Cost of sales, distribution costs and administrative expenses

	2003			2002		
	Continuing	Dis-	Total	Continuing	Dis-	Total
	£'000	continued	£'000	£'000	continued	£'000
Cost of sales	231,016	-	231,016	178,776	46,184	224,960
Administrative expenses	7,113	13	7,126	6,555	14,901	21,456
Exceptional administrative expenses	-	-	-	-	196	196
Total administrative expenses	7,113	13	7,126	6,555	15,097	21,652
Selling and distribution costs	6,113	-	6,113	5,943	807	6,750
Operating expenses	13,226	13	13,239	12,498	15,904	28,402

### 3 Directors' emoluments

	2003	2002
	£	£
Aggregate emoluments	457,079	671,279
Compensation for loss of office	-	393,600
	457,079	1,064,879

Retirement benefits are accruing to 3 directors under a defined benefit scheme provided by the company (2002 : 3).

	2003	2002
	£	£
<b>Highest paid director</b>		
Aggregate emoluments and benefits	175,117	241,111
Accrued pension at year end	10,840	6,987

GJ Meagher and HJ Talbot (former director) receive no remuneration for their responsibilities as directors of Glanbia Foods Limited.



# Glanbia Foods Limited

## Notes to the financial statements for the year ending 3 January 2004

### 4 Employee information

The average weekly number of persons (including executive directors) employed by the company during the period was 1,037 (2002: 1,335), all of whom were engaged in the principal activities of the company.

	2003	2002
	£'000	£'000
<b>Staff costs</b>		
Wages and salaries	21,043	27,784
Social security costs	1,942	2,410
Other pension costs	1,406	525
	24,391	30,719

### 5 Exceptional operating expenses and exceptional items

In the prior year the company disposed of its food service division, Glanbia Food Service, at a loss of £1,864,000. This represented the difference between the net book value of the division's assets at that date and the proceeds received. Prior to the sale rationalisation costs, amounting to £196,000, were incurred unrelated to the sale.

# Glanbia Foods Limited

## Notes to the financial statements for the year ending 3 January 2004

### 6 Net interest payable and similar charges

	2003	2002
	£'000	£'000
<b>On shareholder loans:</b>		
Repayable within 5 years	1,930	2,035
	1,930	2,035
On bank overdraft	2	-
Movement on interest capitalised in stock	(40)	149
Net interest payable	1,892	2,184

The production cost of stock includes interest on capital borrowed to finance the production of stock. Interest included in the valuation of stock is £392,255 (2002: £352,337).

### 7 Profit on ordinary activities before taxation

	2003	2002
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	4,413	4,717
Auditors' remuneration - audit	54	43
- non audit services	28	48
Hire of plant and machinery - operating leases	441	1,666
Hire of other assets - operating leases	1,094	1,288



# Glanbia Foods Limited

## Notes to the financial statements for the year ending 3 January 2004

### 8 Tax on profit on ordinary activities

The tax charge for the year comprises:

	2003	2002
	£'000	£'000
UK corporation tax		
Current tax charge on income for the period	2,537	2,524
Adjustments in respect of prior years	291	53
Total current tax	2,828	2,577
Deferred tax		
Current tax (credit)	(1,643)	(607)
Prior year (credit)	(393)	(53)
	792	1,917

	2003	2002
	£'000	£'000
<b>Tax reconciliation</b>		
UK corporation tax @ 30% of profit before tax	716	1,705
Prior year amounts	291	53
Non-deductible and non-taxable items	178	212
Disclaimed capital allowances	1,643	-
Deferred tax origination and reversal of timing differences	-	607
Current tax on profit on ordinary activities before tax	2,828	2,577

# Glanbia Foods Limited

## Notes to the financial statements for the year ending 3 January 2004

### 9 Tangible fixed assets

	Land and buildings	Plant and machinery	Motor vehicles	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
4 January 2003	14,614	54,011	11	1,397	70,033
Additions	-	-	-	1,856	1,856
Transfers	69	2,556		(2,625)	-
Disposals	-	(161)	-	-	(161)
<b>3 January 2004</b>	<b>14,683</b>	<b>56,406</b>	<b>11</b>	<b>628</b>	<b>71,728</b>
<b>Depreciation</b>					
4 January 2003	(4,152)	(26,237)	(11)	-	(30,400)
Charge for the period	(299)	(4,114)	-	-	(4,413)
Disposals	-	136	-	-	136
<b>3 January 2004</b>	<b>(4,451)</b>	<b>(30,215)</b>	<b>(11)</b>	<b>-</b>	<b>(34,677)</b>
<b>Net book value</b>					
<b>3 January 2004</b>	<b>10,232</b>	<b>26,191</b>	<b>-</b>	<b>628</b>	<b>37,051</b>
4 January 2003	10,462	27,774	-	1,397	39,633

The land and buildings and plant and machinery were valued by independent professionally qualified valuers at 29 September 1995 on a depreciated replacement cost basis. The net book value of fixed assets at historical cost is £30,497,256 (2002: £32,129,435). The freehold land and buildings at Lockerbie Creamery, Priestdykes, Lockerbie, were written down by £3,459,775 to open market value, the valuation being carried out by Chesterton plc, during 1998. These Lockerbie assets were then transferred by dividend in specie to Waterford Foods International Limited at the revised valuation of £2,610,000. These assets were leased back from Glanbia Investments (UK) Limited under a 5 year operating lease, with an annual rental of £275,000, until 30 January 2004 when the company purchased the freehold for £875,000.

The company adopted FRS 15 "Tangible Fixed Assets" and has chosen to take advantage of the transitional arrangements in the Standard and as a result has retained the book amounts of certain tangible assets which were previously revalued. This valuation has not been updated.

During the prior period, a reassessment of the useful economic lives of the Glanbia Foods Ltd operating plants was made by the directors. The useful economic lives of the plants were adjusted to between 7 and 13 years. The effect of the change was to increase the expected depreciation charge in 2002 by £1,696,393.

# Glanbia Foods Limited

## Notes to the financial statements for the year ending 3 January 2004

### 10 Interests in group undertakings

The company has interests in the following wholly owned subsidiaries:

Company Name	Country of registration	Description of shares held	Activity	Percentage of shares owned
Churnton Limited	England and Wales	Ordinary shares	Dormant	100%
Glanbia Dormant Number 2 Limited	England and Wales	Ordinary shares	Dormant	100%
Glanbia Food Service Limited	England and Wales	Ordinary shares	Dormant	100%
Glanbia Foods Pension Fund Trust Limited	England and Wales	Ordinary shares	Dormant	100%

The cost of these investments was £4.

Consolidated financial statements have not been prepared as consolidated financial statements have been prepared by the ultimate parent undertaking Glanbia plc.

### 11 Stocks

	2003	2002
	£'000	£'000
Raw materials and consumables	3,231	2,790
Finished goods and goods for resale	48,708	39,424
	51,939	42,214

The production cost of stock includes interest on capital borrowed to finance the production of stock. Interest included in the valuation of stock is £392,255 (2002 : £352,000).

The difference between replacement value and historical cost of stocks is not significant.



# Glanbia Foods Limited

## Notes to the financial statements for the year ending 3 January 2004

### 12 Debtors

	2003	2002
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade debtors	15,233	12,557
Amounts owing from fellow subsidiary undertakings	5,889	24,456
Other debtors	696	538
Deferred tax asset	1,814	-
Other prepayments and accrued income	871	1,241
	24,794	38,792
<b>Amounts falling due after more than one year:</b>		
Pension prepayment	9,266	10,582
	34,060	49,374

### 13 Creditors: amounts falling due within one year

	2003	2002
	£'000	£'000
Trade creditors	5,868	6,848
Dividends payable	4,000	4,000
Bills of exchange	1,322	1,472
Corporation tax	-	2,524
Other taxation including social security	609	1,098
Other creditors	2,843	4,632
Accruals and deferred income	3,242	3,969
	17,884	24,543

**Glanbia Foods Limited**

**Notes to the financial statements  
for the year ending 3 January 2004**

**14 Creditors: amounts falling due after more than one year**

	2003	2002
	£'000	£'000
Amounts owing to fellow group companies	81,623	73,890

**15 Provisions for liabilities and charges**

	Vacant leasehold property	Deferred taxation	Total
	£'000	£'000	£'000
At 4 January 2003	450	222	672
(Credit) in the year	(25)	(2,036)	(2,061)
Transfer to debtors	-	1,814	1,814
<b>At 3 January 2004</b>	<b>425</b>	<b>-</b>	<b>425</b>

The vacant leasehold property provision has been assessed by the directors in consultation with their property advisors to take into account subtenant arrangements and reflect anticipated future costs to be incurred on Glanbia Foods Limited's vacated premises. It is expected to be utilised in the forthcoming year.

**Deferred taxation**

	2003	2002
	£'000	£'000
Excess of capital allowances over depreciation	4,408	3,316
Other short term timing differences	(2,594)	(3,538)
<b>Provided</b>	<b>1,814</b>	<b>(222)</b>

# Glanbia Foods Limited

## Notes to the financial statements for the year ending 3 January 2004

### 16 Called up share capital

	2003	2002	2003	2002
	Number	Number		
<b>Authorised</b>				
'A' Ordinary shares of 1p each	12,000,000	12,000,000	£ 120,000	£ 120,000
Ordinary shares of 1p each	3,271,200	3,271,200	£ 32,712	£ 32,712
Preference shares of £1 each	31,950,000	31,950,000	£ 31,950,000	£ 31,950,000
US 'A' Preference shares of US \$0.00001 each	12,000,000	12,000,000	US\$ 120	US\$ 120
US 'B' Preference shares of US \$0.00001 each	3,271,200	3,271,200	US\$ 33	US\$ 33
US 'C' Preference shares of US \$0.00001 each	31,950,000	31,950,000	US\$ 319	US\$ 319
<b>Allotted, called up and fully paid</b>				
<b>Equity</b>				
'A' Ordinary shares of 1p each	12,000,000	12,000,000	£ 120,000	£ 120,000
Ordinary shares of 1p each	3,271,200	3,271,200	£ 32,712	£ 32,712
Preference shares of £1 each	31,950,000	31,950,000	£ 31,950,000	£ 31,950,000
US 'A' Preference shares of US \$0.00001 each	12,000,000	12,000,000	£72	£72
US 'B' Preference shares of US \$0.00001 each	3,271,200	3,271,200	£20	£20
US 'C' Preference shares of US \$0.00001 each	31,950,000	31,950,000	£193	£193
			<b>£ 32,102,997</b>	<b>£ 32,102,997</b>

The preference shares which are non voting have no rights to a dividend. The preference shares may be redeemed at any time by the company with the consent of a majority of the holders of the preference shares at that time at £1 for all the preference shares, such sum to be divided amongst the holders of the preference shares pro rata to the number of preference shares held by each holder thereof. Any of the holders of the preference shares may require redemption of the preference shares at £1 for all the preference shares, such sum to be divided amongst the holders of the preference shares pro rata to the number of preference shares held by each holder thereof on or at any time after 30 September 1999. On a winding up, after payment of amounts due to the holders of the A, B and C preference shares the holders are entitled to be paid out of the surplus assets of the company remaining after payment of its liabilities, £1 in aggregate for all preference shares then in issue.

The holders of the A, B and C preference shares of US\$ 0.00001 are entitled to receive 99.9% of any dividend declared by the company.



# Glanbia Foods Limited

## Notes to the financial statements for the year ending 3 January 2004

### 16 Called up share capital (continued)

The holders of the A and B preference shares are entitled to vote at general meetings. The holders of the C preference shares are not entitled to vote at general meetings except in limited circumstances.

The C preference shares may be redeemed at any time at par plus £1 per preference share at the company's option provided that consent is forthcoming from the majority of shareholders of the C preference shares at that time. Any of the holders of the C preference shares may require redemption of the shares at par plus £1 per C preference share at any time on or after 30 September 1999.

On a winding up the holders of the A,B and C preference shares are entitled to repayment in full of the capital paid up on or credited as paid on the A,B or C preference shares in question in priority to all other shareholders. Following such repayment, the holders of the A and B preference shares shall be further entitled to receive, in priority to all other shareholders, 99.9% of the assets available for distribution.

### 17 Share premium account and reserves

	Share premium account	Revaluation reserves	Profit and loss account
	£'000	£'000	£'000
At 4 January 2003	300	2,711	1,999
Amortisation of reserves	-	(121)	121
Profit retained for the year	-	-	1,595
At 3 January 2004	300	2,590	3,715

### 18 Reconciliation of movements in shareholders' funds

	2003
	£'000
Profit for the period	1,595
Net increase in shareholders' funds	1,595
Opening shareholders' funds	37,113
Closing shareholders' funds	38,708

# Glanbia Foods Limited

## Notes to the financial statements for the year ending 3 January 2004

### 18 Reconciliation of movements in shareholders' funds (continued)

The non-equity element of shareholders' funds is attributable in the following proportions to the non-equity shares:

	2003	2002
	£'000	£'000
Preference shares	31,950	31,950
US 'A' preference shares	-	-
US 'B' preference shares	-	-
US 'C' preference shares	-	-
	31,950	31,950

### 19 Financial commitments

The company had annual commitments under non-cancellable operating leases expiring as follows:

	2003	2003	2002	2002
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Within one year	-	113	-	116
Between two and five years inclusive	626	713	-	593
After five years	90	-	570	6
	716	826	570	715



# Glanbia Foods Limited

## Notes to the financial statements for the year ending 3 January 2004

### 20 Pension obligations

#### (a) Accounting for pension costs SSAP24

The company operates a defined benefit scheme which provides retirement benefits for the majority of its employees. The scheme is funded through separate trustee controlled funds.

The contributions paid to the scheme are in accordance with the advice of professionally qualified independent actuaries. The latest actuarial valuation report for the scheme, which is not available for public inspection, is dated 31 December 2001. The contributions paid to the scheme in 2003 are in accordance with the contribution rates recommended in the actuarial valuation report. The aggregate market value of the assets at 31 December 2000 was £60,934,000.

The most recent actuarial valuation shows that the scheme is adequately funded in respect of discontinuance liabilities. In relation to accrued liabilities based on pensionable salaries projected to normal retirement age, the aggregate value of the assets of the scheme represents 129% of these accrued liabilities at 31 December 2000. On actuarial advice, the pension charge has been reduced for the effects of the surplus, and this variation from the regular cost has been calculated by amortising the surplus over the employees' expected remaining working lives as detailed in the statement of accounting policies. The pension costs reflected in the profit and loss account for 2003 are disclosed in note 4.

The principal assumptions adopted for the actuarial valuations assume that the long-term rate of investment return exceeds the rate of increase in pensionable salaries by 2.5% per annum. The method of funding used in calculating the contribution rates was the Projected Unit Method.

The pension pre-payment as at 3 January 2004 amounted to £9,266,000 (2002: £10,582,000)

#### (b) FRS 17 Retirement benefits

The transitional arrangements of the new accounting standard FRS17 require disclosure of the assets and liabilities as at 3 January 2004 calculated in accordance with the requirements of FRS 17.

#### Financial assumptions

The assets of the scheme operated by the Company have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions;

	2003 Per annum	2002 Per annum	2001 Per annum
Inflation rate increase (actuarial assumption)	2.60%	2.25%	2.50%
Discount rate (actuarial assumption)	5.60%	5.75%	6.00%
Salary rate increase (actuarial assumption)	3.10%	3.25%	3.50%
Pension payment increase (actuarial assumption)	3.00%	3.00%	3.00%
<b>Scheme assets</b>			
The long term rate of return expected at 3 January 2004			
Equities	8.50%	8.50%	8.50%
Bonds	5.60%	5.75%	6.00%
Other	7.50%	7.50%	7.50%

# Glanbia Foods Limited

## Notes to the financial statements for the year ending 3 January 2004

### 20 Pension obligations (continued)

The assets of the scheme at 3 January 2004 and 4 January 2003 were as follows:

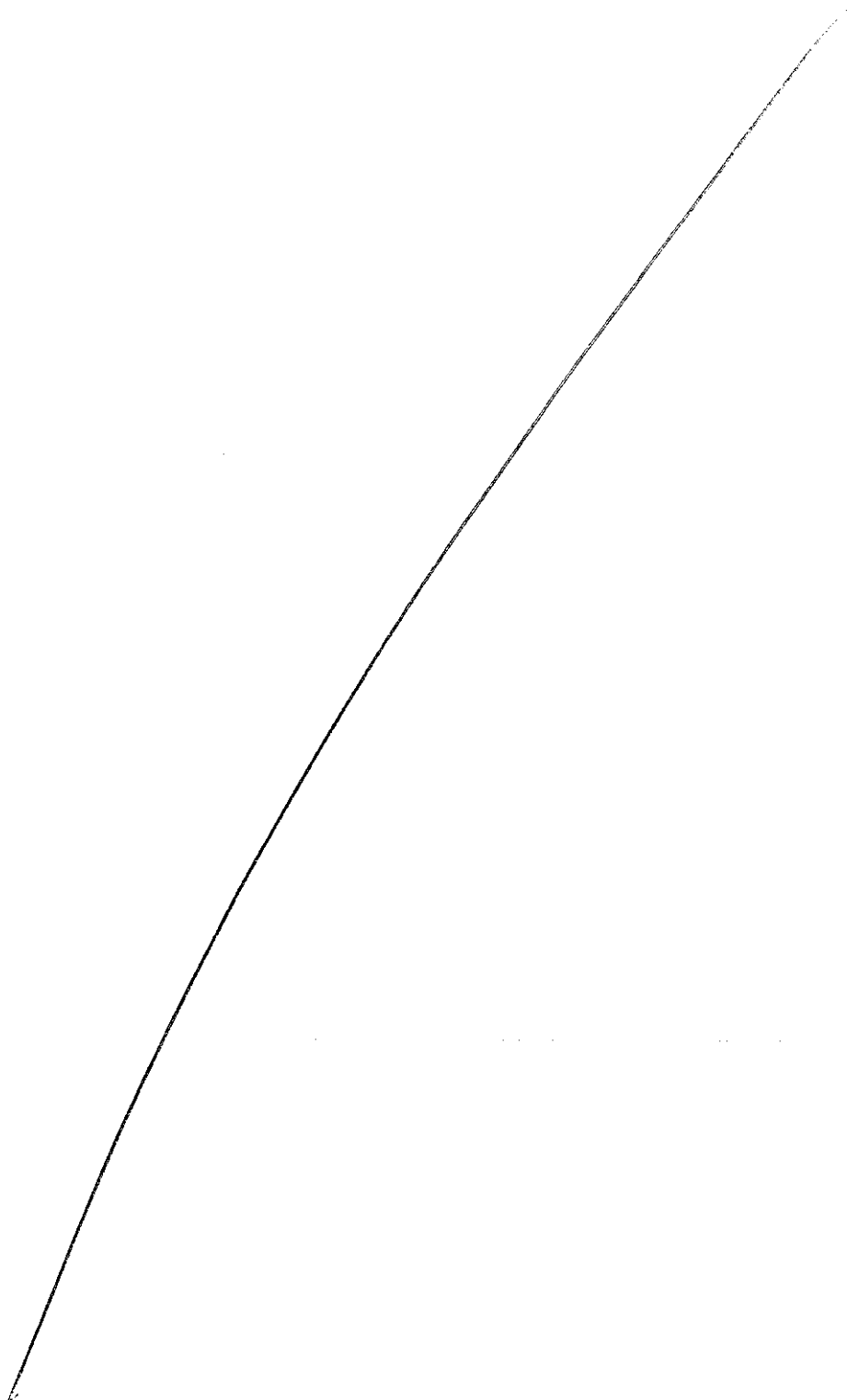
	2003	2002	2001
	£'000	£'000	£'000
Equities	47,500	39,410	48,390
Bonds	3,745	3,838	6,190
Other	3,603	3,854	1,688
Total market value of assets	54,848	47,102	56,268
Present value of scheme liabilities	(63,060)	(55,558)	(52,868)
(Deficit)/surplus in the scheme	(8,212)	(8,456)	3,400
Related deferred tax liability/(asset)	2,464	2,537	(1,020)
Net pension (liability)/asset	(5,748)	(5,919)	2,380

If the above amounts had been recognised in the financial statements the net assets and profit and loss account reserve at 3 January 2004 would be as follows:

	2003	2002
	£'000	£'000
<b>Net assets:</b>		
Net assets as reported	38,708	37,113
Pension liability calculated on the basis of FRS 17	(5,748)	(5,919)
Less: SSAP 24 asset that will be reversed on implementation of FRS 17 (note 12)	(9,266)	(10,582)
Net assets on FRS 17 basis	23,694	20,612
<b>Reserves:</b>		
Profit and loss account reserve as reported	3,715	1,999
Pension liability calculated on the basis of FRS 17	(5,748)	(5,919)
Less: SSAP 24 asset that will be reversed on implementation of FRS 17 (note 12)	(9,266)	(10,582)
Profit and loss account deficit on FRS 17 basis	(11,299)	(14,502)
<b>Comprising:</b>		
Pension liability	(5,748)	(5,919)
Other reserves (deficit)	(5,551)	(8,583)
	(11,299)	(14,502)

**Glanbia Foods Limited**

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# Glanbia Foods Limited

## Notes to the financial statements for the year ending 3 January 2004

### 20 Pension obligations (continued)

The following amounts would have been recognised in the performance statements in the year to 3 January 2004 under the requirements of FRS 17.

	2003	2002		
	£'000	£'000		
Analysis of the amount charged to operating profit:				
Current service cost	1,120	1,384		
Past service cost	-	40		
Expenses	166	207		
Curtailment gain	-	(560)		
Total operating charge	1,286	1,071		
Analysis of the amount credited to other finance income:				
Expected return on pension scheme assets	3,838	4,600		
Interest in pension scheme liabilities	(3,206)	(3,202)		
Net return	632	1,398		
Difference between the expected and actual return on scheme assets:				
	2003 %	2003 £'000	2002 %	2002 £'000
Actual return less expected return on pension scheme assets				
Amount	9.70%	5,336	(25.50%)	(12,019)
Experience gains and losses on scheme liabilities:				
Amount	1.00%	654	0.40%	235
Changes in assumptions underlying the present value of the scheme liabilities				
		(5,192)		(504)
Total amount recognised in the STRGL	1.30%	797	22.10%	(12,288)

# Glanbia Foods Limited

## Notes to the financial statements for the year ending 3 January 2004

### 20 Pension obligations (continued)

	2003	2002
	£'000	£'000
<b>Movement in surplus during the year:</b>		
(Deficit)/surplus at start of year	(8,456)	3,400
Movement in the year:		
Current service cost	(1,286)	(1,071)
Contributions	101	105
Other finance income	632	1,398
Actuarial gain/(loss)	797	(12,288)
Deficit at end of year	(8,212)	(8,456)

### 21 Related party transactions

The company trades with Glanbia plc and fellow subsidiaries. The financial statements reflect these transactions.

During the year the company sold and purchased goods on arms length trading agreements with the following former fellow group company in which Glanbia plc has an interest. These are as detailed below. Glanbia plc sold its interest in Kemfoods CVBA on 31 December 2002.

	Sales	Sales	Debtor	Debtor
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Glanbia Cheese Limited	4,633	6,499	795	823
Kemfoods CVBA	-	764	-	77
	Purchases	Purchases	Creditor	Creditor
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Glanbia Cheese Limited	2,988	7,536	124	731
Kemfoods CVBA	-	-	-	-



# Glanbia Foods Limited

## Notes to the financial statements for the year ending 3 January 2004

### **22 Ultimate parent undertakings and parent undertakings of larger groups**

The company's ultimate parent undertaking is Glanbia Co-operative Society Limited (GCSL), a society registered in Ireland.

The largest group in which the results of the company are consolidated is that headed by GCSL.

The smallest group in which the results of the company are consolidated is that headed by Glanbia plc, a company incorporated and operating in Ireland. The consolidated financial statements of Glanbia plc are available from Glanbia plc, Glanbia House, Kilkenny, Co. Kilkenny. The company's immediate parent undertaking is Waterford Foods International Limited.

### **23 Contingent liabilities**

Bank guarantees, amounting to £299,984 are outstanding as at 3 January 2004 (2002: £290,997).

### **24 Post balance sheet events**

Post balance sheet events have been disclosed within the Directors' Report.