

Glanbia Foods Limited

Annual report

for the year ended 4 January 2003

Registered number: 2670609



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Glanbia Foods Limited

Annual report for the year ended 4 January 2003

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Glanbia Foods Limited

Directors and advisors

Directors

G J Meagher
S M Higgins
JJ Kiely
CR Stump
H J Talbot
J Cooney

Secretary

P R Sheath

Auditors

PricewaterhouseCoopers LLP
35 Bull Street
Birmingham
B4 6JT

Solicitors

Pinsents

Walker, Smith & Way

Bankers

Barclays Bank plc

Registered Office

Maes y Clawdd
Maesbury Road
Oswestry
Shropshire
SY10 8NL

Glanbia Foods Limited

Directors' report for the year ended 4 January 2003

The directors present their report and the audited financial statements for the 53 week period ended 4 January 2003 (referred to as "2002" throughout these financial statements, with "2001" referring to the year ended 29 December 2001).

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 processing markets. The operations of the Company are now managed through one division following the sale of its distribution activities (Glanbia Food Service) to Peter's Foodservice Limited. The results for the year are disclosed in the profit and loss account on page 8.

Review of business and future developments

Glanbia Foods Ltd continued to strengthen and consolidate its number 2 position in the U.K. cheese market with cheese volumes increasing by 11% year on year, following a 21% increase in 2001. The Company improved its position in almost all channels with volumes growing in Retail by 6%, Industrial by 16%, Foodservice by 16%, and a slight fall in export sales. Operating profits were in line with expectations

Glanbia Foods Ltd continued to invest in its people and processes in 2002 as part of its long term objective of increasing shareholder value. During 2002 the "Heads Up" culture change program continued across all sites, with involvement by all levels of staff. The Company also invested £4.146m (including group transfers) in new equipment and infrastructure.

The distribution arm of the business was sold on August 2nd 2002 to Peter's Foodservice Limited. Details are included in Note 5 to the accounts.

Dividends and transfers to reserves

The directors do not propose the payment of a dividend (2001: nil).

Directors

The directors of the Company who served throughout the year, unless indicated otherwise, are detailed below:

G J Meagher	
S M Higgins	
JJ Kiely	
CR Stump	
H J Talbot	
J Cooney	(appointed 7 February 2002)
S J Chater	(resigned 2 August 2002)
R A Spicer	(resigned 9 January 2002)

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 4 January 2003 (continued)

Interests of Directors

The current directors have no interests in the share capital of the Company.

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 £12,725 (2001: £3,164) 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 4 January 2003, the number of days purchases outstanding was 43 (2001: 70).

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.

The directors confirm that suitable accounting policies have been used and applied consistently, with the exception of the adoption of new accounting standards in the year as explained on page 6 under note 1, "Principal accounting policies". They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 4 January 2003 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.

Glanbia Foods Limited

Directors' report for the year ended 4 January 2003 (continued)

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 5 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution of the shareholders has been passed to dispense with the appointment of auditors annually, PricewaterhouseCoopers will therefore continue in office as auditors of the Company.

By order of the board



J. Kiely
Director

[Date]

1/7/2003.

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, the statement of total recognised gains and losses 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 4 January 2003 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

4 July 2003

Glanbia Foods Limited

Statement of accounting policies for the year ended 4 January 2003

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.

Changes in accounting policies

In December 2000, the Accounting Standards Board issued FRS 19, 'Deferred tax'. The Company has adopted FRS 19 in the financial statements. The adoption of this new accounting standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The effect of the change in accounting policy was to decrease tax on profit on ordinary activities by £131,000 (2001: £24,000) and to increase the profit for the financial year by £131,000 (2001: £24,000).

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.

Interest on bank borrowings to fund fixed assets under construction or under commission is capitalised up to the date of commissioning.

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 4 January 2003 (continued)

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 based on the normal level of activity, and interest costs of holding the stock for a period until it has reached maturity not exceeding one year. 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

Following the introduction of FRS 19 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

Glanbia Foods Limited

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 4 January 2003

	Notes	Total 2002 £'000	2001 (Restated) £'000
Turnover	1		
Continuing operations		200,044	178,777
Discontinued operations		63,050	99,582
Turnover		263,094	278,359
Cost of sales	2	(224,960)	(238,785)
Gross profit		38,134	39,574
Operating Expenses		(28,402)	(38,221)
Exceptional administrative expenses	5	-	(7,516)
Total operating expenses	2	(28,402)	(45,737)
Operating profit/(loss)			
Continuing operations		8,770	5,752
Discontinued operations		962	(11,915)
Operating profit		9,732	(6,163)
Loss on sale of property	5	-	(2,169)
Loss on sale of division- discontinued operations	5	(1,864)	-
Profit/(loss) on ordinary activities before interest		7,868	(8,332)
Net interest payable and similar charges	6	(2,184)	(2,702)
Profit/(loss) on ordinary activities before taxation	7	5,684	(11,034)
Tax (charge)/credit on profit/loss on ordinary activities	8	(1,917)	2,610
Profit/(loss) retained for the financial period	17	3,767	(8,424)
Profit and loss account at beginning of period		(1,889)	5,723
Reserve movements	17	121	812
Profit and loss account at end of period	17	1,999	(1,889)

Glanbia Foods Limited

Statement of total recognised gains and losses

	2002	2001
	£'000	£'000
Profit/(loss) for the financial year	3,767	(8,424)
Prior year adjustment (see note 17)	59	-
Total gains and losses recognised since last annual report	3,826	(8,424)

Note of historical cost profits and losses for the year ended 4 January 2003

	2002	2001 (Restated)
	£'000	£'000
Reported profit/(loss) on ordinary activities before taxation	5,684	(11,034)
Difference between a historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	886	(813)
Historical cost profit/(loss) on ordinary activities before taxation	6,570	(11,847)
Historical cost profit/(loss) for the period retained after taxation and dividends	4,653	(9,237)

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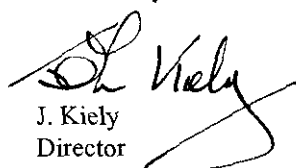
Balance sheet at 4 January 2003

	Note	2002 £'000	Restated 2001 £'000
Fixed assets			
Tangible assets	9	39,633	41,131
Current assets			
Stocks	11	42,214	53,251
Debtors: amounts falling due within one year	12	38,792	26,729
Debtors: amounts falling due after more than one year	12	10,582	11,110
Cash at bank and in hand		4,997	25,410
		96,585	116,500
Creditors: amounts falling due within one year	13	(24,543)	(68,297)
Net current assets		72,042	48,203
Total assets less current liabilities		111,675	89,334
Creditors: amounts falling due after more than one year	14	(73,890)	(54,695)
Provisions for liabilities and charges	15	(672)	(1,293)
Net assets		37,113	33,346
Capital and reserves			
Called up share capital	16	32,103	32,103
Share premium account	17	300	300
Revaluation reserve	17	2,711	2,832
Profit and loss account	17	1,999	(1,889)
Total shareholders' funds	18	37,113	33,346

Analysis of shareholders' funds

Equity	5,163	1,396
Non-equity	31,950	31,950
	37,113	33,346

The financial statements on page 7 to 28 were approved by the board of directors on [date] and were signed on its behalf by:


J. Kiely
Director

1/7/2003

Glanbia Foods Limited

Notes to the financial statements for the year ending 4 January 2003

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 of & administrative expenses

	2002			2001		
	Continuing	Dis-continued	Total	Continuing	Dis-continued	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of sales	178,776	46,184	224,960	159,641	79,144	238,785
Administrative expenses	6,555	14,901	21,456	7,519	5,672	13,191
Exceptional administrative expenses	-	196	196	-	7,516	7,516
Total administrative expenses	6,555	15,097	21,652	7,519	13,188	20,707
Selling and distribution costs	5,943	807	6,750	5,865	19,165	25,030
Operating expenses	12,498	15,904	28,402	13,384	32,353	45,737

3 Directors' emoluments

	2002	2001
	£	£
Aggregate emoluments	671,279	795,007
Compensation for loss of office	393,600	-
	1,064,879	795,007

Retirement benefits are accruing to 3 directors under a defined benefit scheme provided by the company (2001 : 2).

	2002	2001
	£	£
Highest paid director		
Aggregate emoluments and benefits	241,111	251,437
Accrued pension at year end	6,987	-

Glanbia Foods Limited

Notes to the financial statements for the year ended 4 January 2003

4 Employee information

The average weekly number of persons (including executive directors) employed by the Company during the period was 1,335 (2002: 1,446), all of whom were engaged in the principal activities of the Company.

	2002	2001
	£'000	£'000
Staff costs		
Wages and salaries	27,784	29,800
Social security costs	2,410	2,672
Other pension costs	525	(214)
	30,719	32,258

5 Exceptional operating expenses and exceptional items

During the 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.

In the prior year the Company completed its restructuring with the closure of its original head offices and the relocation of its people to either Park Place or one of the existing operating sites. This was completed at a cost of £1,116,380. This represented the cost of setting up the new offices and redundancy payments to those employees who did not relocate.

In addition an impairment provision of £6,400,000 relating to plant and machinery was recognised in the 2001 accounts as an exceptional operating expense, representing the write down of assets to their realisable amount. The realisable amount has been recovered during this year.

The Company also disposed of its vacant Silica Road site for a loss of £2,169,231 in the prior year. This represented the difference between the net book value of the property and the proceeds received. The tax charge attributable to this transaction amounted to nil.

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Notes to the financial statements for the year ended 4 January 2003

6 Net interest payable and similar charges

	2002	2001
	£'000	£'000
On shareholder loans:		
Repayable within 5 years	2,035	2,588
	2,035	2,588
Movement on interest capitalised in stock	149	114
Net interest payable	2,184	2,702

The production cost of stock includes interest on capital borrowed to finance the production of stock. Interest included in the valuation of stock is £352,337 (2001: £501,000).

7 Profit /(Loss) on ordinary activities before taxation

	2002	2001
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	4,717	3,628
Impairment charge	-	6,400
Auditors' remuneration - audit	43	57
- non audit services	48	86
Hire of plant and machinery - operating leases	1,666	3,012
Hire of other assets - operating leases	1,288	1,665
Amortisation of government grants	-	36

Glanbia Foods Limited

Notes to the financial statements for the year ended 4 January 2003

8 Tax on loss on ordinary activities

The tax charge for the year comprises:

	2002	2001
	£'000	£'000
UK corporation tax		
Current tax charge on income for the period	2,524	999
Adjustments in respect of prior years	53	(291)
Total current tax	2,577	708
Deferred tax		
Current tax (credit)	(607)	(3,534)
Prior year (credit)/charge	(53)	216
	1,917	(2,610)

	2002	2001
	£'000	£'000
Tax reconciliation		
UK corporation tax @ 30% of profit before tax	1,705	(3,310)
Prior year amounts	53	(291)
Non-deductible and non-taxable items	212	775
Deferred tax origination and reversal of timing differences	607	3,534
Current tax on profit on ordinary activities before tax	2,577	708

Glanbia Foods Limited

Notes to the financial statements for the year ended 4 January 2003

9 Tangible fixed assets

	Land and buildings	Plant and machinery	Motor vehicles	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
30 December 2001	14,487	59,950	11	1,591	76,039
Additions	127	4,174	-	(721)	3,580
Group transfers	-	(8)	-	574	566
Disposals	-	(10,105)	-	(47)	(10,512)
4 January 2003	14,614	54,011	11	1,397	70,033
Depreciation					
30 December 2001	(3,820)	(30,864)	(11)	(213)	(34,908)
Charge for the period	(332)	(4,385)	-	-	(4,717)
Reclassify	-	(205)	-	213	8
Disposals	-	9,217	-	-	9,217
4 January 2003	(4,152)	(26,237)	(11)	-	(30,400)
Net book value					
4 January 2003	10,462	27,774	-	1,397	39,633
30 December 2001	10,667	29,086	-	1,378	41,131

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 £32,129,435 (2001: £46,701,000). 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 divided in specie to Waterford Foods International Limited at the revised valuation of £2,610,000. These assets are currently leased back from Glanbia Investments (UK) Limited under a 5 year operating lease, with an annual rental of £275,000.

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 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 ended 4 January 2003

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
Churnton Limited	England and Wales	Ordinary shares	Dormant
Glanbia Dormant Number 2 Limited	England and Wales	Ordinary shares	Dormant
Glanbia Food Service Limited	England and Wales	Ordinary shares	Dormant
Glanbia Foods Pension Fund Trust Limited	England and Wales	Ordinary shares	Dormant

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

	2002	2001
	£'000	£'000
Raw materials and consumables	2,790	2,980
Finished goods and goods for resale	39,424	50,271
	42,214	53,251

The production cost of stock includes interest on capital borrowed to finance the production of stock. Interest included in the valuation of stock is £352,000 (2001 : £501,000).

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

Glanbia Foods Limited

Notes to the financial statements for the year ended 4 January 2003

12 Debtors

	2002	2001 restated
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	12,557	23,775
Amounts owing from fellow subsidiary undertakings	24,456	486
Other debtors	538	787
Other prepayments and accrued income	1,241	1,681
	38,792	26,729
Amounts falling due after more than one year:		
Pension prepayment	10,582	11,110
	49,374	37,839

13 Creditors: amounts falling due within one year

	2002	2001
	£'000	£'000
Trade creditors	6,848	12,227
Amounts owing to fellow subsidiary undertakings	-	34,746
Bills of exchange	1,472	2,507
Corporation tax	2,524	999
Other taxation including social security	1,098	986
Other creditors	8,632	6,808
Accruals and deferred income	3,969	10,024
	24,543	68,297

Glanbia Foods Limited

Notes to the financial statements for the year ended 4 January 2003

14 Creditors: amounts falling due after more than one year

	2002	2001
	£'000	£'000
Amounts owing to fellow group companies	73,890	54,695

15 Provisions for liabilities and charges

	Vacant leasehold property	Deferred taxation	Total
	£'000	£'000	£'000
At 29 December 2001	412	940	1,352
Prior year adjustment (see note 1)	-	(59)	(59)
At 29 December 2001 restated	412	881	1,293
Charge/(credit) in the year	450	(659)	(209)
Utilised in year	(412)	-	(412)
At 4 January 2003	450	222	672

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

	2002	2001 Restated
	£'000	£'000
Excess of capital allowances over depreciation	(3,316)	(1,901)
Other	3,538	2,782
Provided	222	881

Glanbia Foods Limited

Notes to the financial statements for the year ended 4 January 2003

16 Called up share capital

	2002	2001	2002	2001
	Number	Number		
Authorised				
'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
Allotted, called up and fully paid				
Equity				
'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
Non-equity				
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
			£ 32,102,997	£ 32,102,997

The preference shares which are non voting have no rights to a dividend. The preference shares were redeemable at par on 30 September 1999 and at any time before 30 September 1999 at the option of the Company. The Company did not exercise its option to redeem the shares. The holders of the preference shares may require redemption of the shares at par at any time after 30 September 1999. On a winding up, the holders are entitled to repayment at par.

The holders of the US 'A', US 'B' and US 'C' preference shares are entitled to receive 99.9% of any dividend declared by the Company.

Glanbia Foods Limited

Notes to the financial statements for the year ended 4 January 2003

16 Called up share capital (continued)

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

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

On a winding up the holders of all US preference shares are entitled to repayment at par in priority to all other shareholders. The holders of the US 'A' and US '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 29 December 2001 as previously reported	300	2,832	(1,948)
Prior year adjustment (adoption of FRS 19)	-	-	59
At 29 December restated	300	2,832	(1,889)
Amortisation of reserves	-	(121)	121
Profit retained for the year	-	-	3,767
At 4 January 2003	300	2,711	1,999

18 Reconciliation of movements in shareholders' funds

	2002
	£'000
Profit for the period	3,767
Net addition to shareholders' funds	3,767
Opening shareholders' funds as previously reported	33,287
Prior year adjustment – FRS 19	59
Opening shareholders' funds – restated	33,349
Closing shareholders' funds	37,113

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Notes to the financial statements for the year ended 4 January 2003

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:

	2002	2001
	£'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:

	2002	2002	2001	2001
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Within one year	-	116	73	239
Between two and five years inclusive	-	593	1,047	2,339
After five years	570	6	570	5
	570	715	1,690	2,583

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Notes to the financial statements for the year ended 4 January 2003

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 2000. The contributions paid to the scheme in 2002 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 the profit and loss account for 2002 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 4 January 2003 amounted to £10,582,000 (2001: £11,110,000)

(b) FRS 17 Retirement benefits

The transitional arrangements of the new accounting standard FRS17 require disclosure of the assets and liabilities as at 4 January 2003 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;

	2002 Per annum	2001 Per annum
Inflation rate increase (actuarial assumption)	2.25%	2.50%
Discount rate (actuarial assumption)	5.75%	6.00%
Salary rate increase (actuarial assumption)	3.25%	3.50%
Pension payment increase (actuarial assumption)	3.00%	3.00%
Scheme assets		
The long term rate of return expected at 4 January 2003		
Equities	8.50%	6.5%
Bonds	5.75%	4.5%
Other	7.5%	4.0%

Glanbia Foods Limited

Notes to the financial statements for the year ended 4 January 2003

20 Pension obligations (continued)

The assets of the scheme at 4 January 2003 and 29 December 2001 were as follows:

	2002	2001
	£'000	£'000
Equities	39,410	48,390
Bonds	3,838	6,190
Other	3,854	1,688
Total market value of assets	47,102	56,268
Present value of scheme liabilities	(55,558)	(52,868)
(Deficit)/surplus in the scheme	(8,456)	3,400
Related deferred tax liability/(asset)	2,537	(1,020)
Net pension (liability)/asset	(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 4 January 2003 would be as follows:

	2002	2001
	£'000	£'000
Net assets:		Restated
Net assets as reported	37,110	33,346
Pension (liability)/asset calculated on the basis of FRS 17	(5,919)	2,380
Less: SSAP 24 asset that will be reversed on implementation of FRS 17	(10,582)	(11,110)
Net assets on FRS 17 basis	20,609	24,616
Reserves:		
Profit and loss account reserve as reported	1,996	(1,889)
Pension (liability)/asset calculated on the basis of FRS 17	(5,919)	2,380
Less: SSAP 24 asset that will be reversed on implementation of FRS 17	(10,582)	(11,110)
Profit and loss account reserve on FRS 17 basis	(14,505)	(10,619)
Comprising:		
Profit and loss account reserve on FRS 17 basis	(14,505)	(10,619)
Excluding pension (liability)/asset	8,586	12,999
Pension (liability)/asset	(5,919)	2,380

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Notes to the financial statements for the year ended 4 January 2003

20 Pension obligations (continued)

The following amounts would have been recognised in the performance statements in the year to 4 January 2003 under the requirements of FRS 17.

	2002	
	£'000	
Analysis of the amount charged to operating profit:		
Current service cost		1,384
Past service cost		40
Expenses		207
Curtailment gain		(560)
Total operating charge		1,071
Analysis of the amount credited to other finance income:		
Expected return on pension scheme assets		4,600
Interest in pension scheme liabilities		(3,202)
Net return		1,398
Difference between the expected and actual return on scheme assets:		
	2002	2002
	%	£'000
Actual return less expected return on pension scheme assets		
Amount	(25.5)	(12,019)
Experience gains and losses on scheme liabilities:		
Amount	0.4	235
Changes in assumptions underlying the present value of the scheme liabilities	(1.0)	(504)
Total amount recognised in the STRGL	(22.1)	(12,288)

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Notes to the financial statements for the year ended 4 January 2003

20 Pension obligations (continued)

	2002
	£'000
Movement in surplus during the year:	
Surplus 31 December	3,400
Movement in the year:	
Current service cost	(1,071)
Contributions	105
Other finance income	1,398
Actuarial loss	(12,288)
Deficit at 4 January	(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
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Glanbia Cheese Limited	6,499	3,952	823	360
Kemfoods CVBA	764	836	77	74
	Purchases	Purchases	Creditor	Creditor
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Glanbia Cheese Limited	7,536	6,424	731	574
Kemfoods CVBA	-	-	-	-

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Notes to the financial statements for the year ending 4 January 2003

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, Ireland. The Company's immediate parent undertaking is Waterford Foods International Limited.

23 Contingent liabilities

Bank guarantees amounting to £290,997 were outstanding as at 4 January 2003 (2001: £2,626,000).