The Kerrygold Company Limited

Directors' report and financial statements

Registered number 362221

30 December 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 December 2000.

Principal activities

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

Business review

The results for the year are shown in the profit and loss account.

Proposed dividend

The directors do not recommend the payment of a dividend.

Policy on payment of creditors

Payment of supplier invoices is made by the company in accordance with the terms agreed with each individual supplier at the commencement of business.

Directors and directors' interests

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

Dr N Cawley (resident in the Republic of Ireland)
N Coakley
P Dolan (resident in the Republic of Ireland)
T Simcock
DT Smyth

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

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Directors' report *(continued)*

Employees

The company recognises its responsibilities towards disabled persons by giving fair consideration to applications for employment from such people, having regard to the particular aptitudes and abilities of each applicant.

Compassionate consideration is given to existing employees who become disabled. Training and career opportunities are offered to disabled persons in line with the company's general policy of career development, subject to the capabilities of each person and the opportunities within the company.

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £898 (1999: £1,044).

For and on behalf of the board

N Coakley
Director

Sunnyhills Road
Leek
Staffordshire
ST13 5SP

5 April 2001

KPMG
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5TA

Report of the auditors to the members of The Kerrygold Company Limited

We have audited the financial statements on pages 4 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 1, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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 with the company is not disclosed.

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 as at 30 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants
Registered Auditors

9th April 2001

Profit and loss account

for the year ended 30 December 2000

	Note	**2000** **£000**	1999 £000
Turnover - continuing operations	*2*	**160,010**	149,487
Cost of sales		**(150,438)**	(139,767)
Gross profit		**9,572**	9,720
Distribution costs		**(2,044)**	(1,841)
Administrative expenses		**(5,294)**	(5,442)
Operating profit - continuing operations		**2,234**	2,437
Other interest receivable and similar income	*6*	**78**	77
Interest payable and similar charges	*7*	**(4)**	(7)
Profit on ordinary activities before taxation	*2-5*	**2,308**	2,507
Tax on profit on ordinary activities	*8*	**(1,249)**	(796)
Profit for the financial year		**1,059**	1,711
Dividends	*9*	**-**	(4,084)
Retained profit/(loss) for the financial year		**1,059**	(2,373)

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

Balance sheet

at 30 December 2000

	Note	2000		1999	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	*10*		**7,981**		8,736
Investments	*11*		**17**		17
			7,998		8,753
Current assets					
Stocks	*12*	**13,435**		9,731	
Debtors	*13*	**12,774**		15,666	
Cash at bank and in hand		**2,273**		-	
		28,482		25,397	
Creditors: amounts falling due within one year	*14*	**(22,302)**		(21,031)	
Net current assets			**6,180**		4,366
Net assets			**14,178**		13,119
Capital and reserves					
Called up share capital	*16*		**1,806**		1,806
Share premium account	*17*		**1,379**		1,379
Revaluation reserve	*17*		**782**		793
Other reserves	*17*		**50**		50
Profit and loss account	*17*		**10,161**		9,091
			14,178		13,119
Shareholders' funds					
Equity			**14,078**		13,019
Non-equity			**100**		100
			14,178		13,119

These financial statements were approved by the board of directors on 5 April 2001 and were signed on its behalf by:

N Coakley
Director

Note of historical cost profits and losses

for the year ended 30 December 2000

	2000 £000	1999 £000
Reported profit on ordinary activities before taxation	**2,308**	2,507
Difference between historical cost depreciation charge and the actual depreciation charge for the year on the revalued amount	**11**	11
Historical cost profit on ordinary activities before taxation	**2,319**	2,518
Historical cost profit for the year retained after taxation	**1,070**	1,722

Reconciliation of movements in shareholders' funds

for the year ended 30 December 2000

	2000 £000	1999 £000
Profit for the financial year	**1,059**	1,711
Dividends	**-**	(4,084)
Retained profit/(loss) for the financial year	**1,059**	(2,373)
Opening shareholders' funds	**13,119**	15,492
Closing shareholders' funds	**14,178**	13,119

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of land and buildings.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Irish Dairy Board Co-operative Limited and its cash flows are included within the consolidated cash flow statement of that company.

Related party transactions

The company has, in accordance with Financial Reporting Standard No 8, taken advantage of the exemption from reporting the transactions between the company and other group undertakings since 90% or more of the voting rights are controlled by the group and the consolidated financial statements in which the company is included are publicly available.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2% to 10% per annum on cost or valuation
Plant and machinery	-	20% per annum based on cost
Motor vehicles	-	25% to 33% per annum based on cost
Fixtures, fittings, tools and equipment	-	20% to 33% per annum based on cost

No depreciation is provided on freehold land.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes *(continued)*

1 Accounting policies (continued)

Pension costs

The pension obligations of the company are met by payments to the group scheme providing benefits based on final pensionable pay. The assets of these schemes are held separately from those of the company. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, direct identification and first-in, first-out methods of valuation are used. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

2 Analysis of turnover by geographical market

	2000	1999
	£000	£000
United Kingdom	**158,240**	148,734
Rest of Europe	**1,770**	753
	160,010	149,487

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

Notes *(continued)*

3 Profit on ordinary activities before taxation

	2000 £000	1999 £000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration - audit	**21**	21
Depreciation and other amounts written off tangible fixed assets - owned	**1,693**	1,588
Hire of motor vehicles - operating leases	**99**	93

4 Remuneration of directors

	2000 £000	1999 £000
Directors' emoluments	**194**	184

	Number of directors 2000	1999
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	**3**	3

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:

	2000	1999
Manufacture	**344**	336
Sales	**13**	14
Administration	**19**	19
	376	369

Notes *(continued)*

5 Staff numbers and costs (continued)

The aggregate payroll costs were as follows:

	2000 £000	1999 £000
Wages and salaries	6,779	6,483
Social security costs	457	446
Other pension costs (see note 19)	201	156
	7,437	7,085

6 Other interest receivable and similar income

	2000 £000	1999 £000
Bank interest	78	77

7 Interest payable and similar charges

	2000 £000	1999 £000
On bank loans and overdrafts	4	7

8 Taxation

	2000 £000	1999 £000
UK corporation tax at 30% (1999: 30%)	770	807
Adjustment relating to an earlier year	479	(11)
	1,249	796

9 Dividends

	2000 £000	1999 £000
Equity shares:		
Interim dividend paid	-	4,084

Notes *(continued)*

10 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures fittings tools and equipment	Payments on account and assets in course of construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At beginning of year	6,995	12,770	1,969	197	21,931
Additions	-	809	79	69	957
Transfers between items	-	162	-	(162)	-
Disposals	-	(390)	-	-	(390)
At end of year	6,995	13,351	2,048	104	22,498
Depreciation and diminution in value					
At beginning of year	2,876	9,107	1,212	-	13,195
Charge for year	238	1,253	202	-	1,693
On disposals	-	(371)	-	-	(371)
At end of year	3,114	9,989	1,414	-	14,517
Net book value					
At 30 December 2000	**3,881**	**3,362**	**634**	**104**	**7,981**
At 1 January 2000	4,119	3,663	757	197	8,736

Particulars relating to revalued assets are given below:

	2000	1999
	£000	£000
Land and buildings		
At 1988 open market value	**2,195**	2,195
Aggregate depreciation thereon	**(498)**	(456)
Net book value	**1,697**	1,739
Historical cost of revalued assets	**1,518**	1,518
Aggregate depreciation based on historical cost	**(668)**	(637)
Historical cost net book value	**850**	881

Other tangible fixed assets are included at cost.

The gross book value of land and buildings includes £6,670,000 (1999: £6,670,000) of depreciable assets.

Notes *(continued)*

11 Fixed asset investments

	Shares in group undertakings £000
Cost	
At beginning and end of year	17

12 Stocks

	2000 £000	1999 £000
Raw materials and consumables	**9,416**	6,296
Finished goods and goods for resale	**4,019**	3,435
	13,435	9,731

13 Debtors

	2000 £000	1999 £000
Trade debtors	**9,503**	11,809
Amounts owed by group undertakings	**2,502**	3,145
Other debtors	**527**	494
Prepayments and accrued income	**242**	218
	12,774	15,666

Notes *(continued)*

14 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Bank overdraft	-	475
Trade creditors	11,969	7,717
Amounts owed to group undertakings	7,195	10,498
Corporation tax	953	666
Other taxes and social security	169	182
Other creditors	1,368	1,215
Accruals and deferred income	648	278
	22,302	21,031

15 Provisions for liabilities and charges

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

	2000		1999	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	-	301	-	518
Other timing differences	-	(461)	-	(396)
	-	(160)	-	122

Notes *(continued)*

16 Called up share capital

	2000 £000	1999 £000
Authorised		
20,000,000 ordinary shares of £0.10 each	**2,000**	2,000
100,000 7% cumulative preference shares of £1 each	**100**	100
	2,100	2,100
Allotted, called up and fully paid		
17,057,918 ordinary shares of £0.10 each	**1,706**	1,706
100,000 7% cumulative preference shares of £1 each	**100**	100
	1,806	1,806

17 Share premium and reserves

	Share premium account £000	Revaluation reserve £000	Other Reserves £000	Profit and loss account £000
At beginning of year	1,379	793	50	9,091
Retained profit for the year	-	-	-	1,059
Transfers	-	(11)	-	11
At end of year	1,379	782	50	10,161

Notes *(continued)*

18 Commitments

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

	2000	1999
	£000	£000
Contracted	**104**	220

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

	2000		1999	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	**-**	**43**	-	30
Within two to five years	**-**	**113**	-	79

19 Pension scheme

The company contributes to a defined benefit pension scheme the assets of which are held in trustee administered funds. The contributions made by the company are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent valuation of the scheme was carried out as at 1 May 1998. The review assumed that the investment returns would exceed the average salary increases by 1.5% per annum, that dividends would increase by 5% per annum and that present and future pensions would increase at the rate of 4.5% per annum. At the date of the review the market value of the scheme's assets was £19,182,200. The actuarial value of assets represented 126% of the benefits that had accrued to members and pensioners, after allowing for expected future increases in earnings.

The actuarial valuation calculated that the funding level using the actual basis stipulated in the Income and Corporation Taxes Act 1998 was just below 100% at the valuation date. The employee contributions will remain at 5% of earnings and there will be a continuation of the employer contributory holiday.

A provision of £166,000 (1999: £128,000) is included within creditors, this being the excess of the accumulated pension cost over the amount funded. This provision relates to an unfunded, unapproved, retirement benefit scheme.

The total pension charge for the year is £201,000 (1999: £156,000).

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

Notes *(continued)*

20 Ultimate holding company and parent undertaking of larger group of which the company is a member

The company's holding company is Adams Foods Limited. Copies of the financial statements of Adams Foods Limited may be obtained from:

Sunnyhills Road
Leek
Staffordshire
ST13 5SP

The company's ultimate holding company is Irish Dairy Board Co-operative Limited, a company incorporated in the Republic of Ireland. Copies of the financial statements of Irish Dairy Board Co-operative Limited may be obtained from:

Grattan House
Mount Street Lower
Dublin 2