The Kerrygold Company Limited

Directors' report and financial statements
1 January 2005

Registered number 362221



Contents

Directors' report	1
Independent auditors' report to the members of The Kerrygold Company Limited	3
Profit and loss account	4
Balance sheet	5
Note of historical cost profits and losses	6
Reconciliation of movements in shareholders' funds	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 1 January 2005.

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 (2003: £nil)

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	
C Fitzgerald	(resident in the Republic of Ireland)
J O'Flynn	(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 year. 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 £1,100 *(2003: £1,098)*.

For and on behalf of the board

N Coakley
Director

Sunnyhills Road
Leek
Staffordshire
ST13 5SP

31st August 2005

St James' Square
Manchester
M2 6DS

Independent auditors' report to the members of The Kerrygold Company Limited

We have audited the financial statements on pages 4 to 19.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 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 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 1 January 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

02.09.2005

Profit and loss account

for the year ended 1 January 2005

	Note	2004 £000	2003 £000
Turnover - continuing operations	2	**179,097**	174,474
Cost of sales		**(164,216)**	(161,045)
Gross profit		**14,881**	13,429
Distribution costs		**(4,520)**	(3,939)
Administrative expenses		**(5,843)**	(5,969)
Operating profit - continuing operations		**4,518**	3,521
Other interest receivable and similar income	6	**90**	49
Interest payable and similar charges	7	**(10)**	(10)
Profit on ordinary activities before taxation	3-7	**4,598**	3,560
Tax on profit on ordinary activities	8	**(1,388)**	(1,084)
Retained profit for the financial year		**3,210**	2,476

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

Balance sheet
at 1 January 2005

	Note	**2004**		2003	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*9*		**7,330**		6,660
Investments	*10*		**17**		17
			7,347		6,677
Current assets					
Stocks	*11*	**11,599**		10,078	
Debtors	*12*	**23,524**		21,331	
Cash at bank and in hand		**2,479**		3,057	
		37,602		34,466	
Creditors: amounts falling due within one year	*13*	**(21,307)**		(20,711)	
Net current assets			**16,295**		13,755
Net assets			**23,642**		20,432
Capital and reserves					
Called up share capital	*14*		**1,806**		1,806
Share premium account	*15*		**1,379**		1,379
Revaluation reserve	*15*		**760**		771
Other reserves	*15*		**50**		50
Profit and loss account	*15*		**19,647**		16,426
			23,642		20,432
Shareholders' funds					
Equity			**23,542**		20,332
Non-equity			**100**		100
			23,642		20,432

These financial statements were approved by the board of directors on 31st August 2005 and were signed on its behalf by:

N Coakley
Director

Note of historical cost profits and losses

for the year ended 1 January 2005

	2004 £000	2003 £000
Reported profit on ordinary activities before taxation	**4,598**	3,560
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	**4,609**	3,571
Historical cost profit for the year retained after taxation	**3,221**	2,487

Reconciliation of movements in shareholders' funds

for the year ended 1 January 2005

	2004 £000	2003 £000
Retained profit for the financial year	**3,210**	2,476
Net addition to shareholders' funds	**3,210**	2,476
Opening shareholders' funds	**20,432**	17,956
Closing shareholders' funds	**23,642**	20,432

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. The company has followed the transitional arrangements of FRS 17 'Retirement benefits' in these 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 based on cost or valuation
Plant and machinery	-	20% per annum based on cost
Motor vehicles	-	25% 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.

Post retirement benefits

The company operates a defined benefit pension scheme, which was closed to new members on 31 July 2003. The pension obligations of the company are met by payments to the group scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives.

Notes (continued)

1 Accounting policies (continued)

Post retirement benefits (continued)

The Adams Foods Limited Stakeholders pension plan was opened on 1 August 2003, and is available to employees joining the company after that date and existing employees who declined membership of the defined benefit scheme. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials and goods purchased for resale the direct identification method of valuation is 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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the production, packaging, and marketing of food products to customers during the year.

2 Analysis of turnover by geographical market

	2004	2003
	£000	£000
United Kingdom	**178,047**	173,398
Rest of Europe	**1,050**	1,076
	179,097	174,474

3 Profit on ordinary activities before taxation

	2004	2003
	£000	£000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration – audit	**22**	21
Depreciation and other amounts written off tangible fixed assets - owned	**1,316**	1,506
Hire of motor vehicles - operating leases	**84**	93

Notes (continued)

4 Remuneration of directors

	2004 £000	2003 £000
Directors' emoluments	**264**	246

The aggregate emoluments of the highest paid director was £125,695 *(2003: £119,000)*. He is a member of a defined benefit scheme, under which his accrued pension at the year end was £49,402 *(2003: £45,667)*.

	Number of directors 2004	2003
Retirement benefits are accruing to the following number of directors under:		
Defined benefit scheme	**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:

	2004	2003
Manufacture	**361**	332
Sales	**10**	10
Administration	**20**	20
	391	362

The aggregate payroll costs were as follows:

	2004 £000	2003 £000
Wages and salaries	**6,582**	6,130
Social security costs	**514**	468
Other pension costs (see note 17)	**760**	313
	7,856	6,911

Notes (continued)

6 Other interest receivable and similar income

	2004 £000	2003 £000
Bank interest	**90**	49

7 Interest payable and similar charges

	2004 £000	2003 £000
On bank loans and overdrafts	**10**	10

8 Taxation

	2004 £000	2003 £000
a) Analysis of charge in the year		
UK corporation tax on profits	**1,266**	1,160
Adjustments in respect of prior years	**28**	4
Total current tax (see note (b) below)	**1,294**	1,164
Deferred tax	**94**	(80)
Tax on profit on ordinary activities	**1,388**	1,084

Notes (continued)

8 Taxation (*continued*)

b) Factors affecting current tax charge in the year

The tax assessed for the year is lower (2003: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004	2003
	£000	£000
Profit on ordinary activities before taxation	**4,598**	3,560
Tax on profit on ordinary activities at the UK standard rate of 30% *(2003: 30%)*	**1,379**	1,068
Effects of:		
Expenses not deductible for tax purposes	**18**	15
Movement in other timing differences	**(131)**	77
Adjustments in respect of prior years	**28**	4
Total current tax (per note (a) above)	**1,294**	1,164

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures fittings tools and equipment	Payments on account and assets in course of construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At beginning of year	7,154	14,019	1,855	150	23,178
Additions	-	1,326	2	665	1,993
Disposals	-	(669)	(11)	-	(680)
Transfers between captions	3	145	-	(148)	-
At end of year	7,157	14,821	1,846	667	24,491
Depreciation and diminution in value					
At beginning of year	3,515	11,349	1,654	-	16,518
Charge for year	141	1,013	162	-	1,316
On disposals	-	(662)	(11)	-	(673)
At end of year	3,656	11,700	1,805	-	17,161
Net book value					
At 1 January 2005	**3,501**	**3,121**	**41**	**667**	**7,330**
At 3 January 2004	3,639	2,670	201	150	6,660

Particulars relating to revalued assets are given below:

	2004	2003
	£000	£000
Land and buildings		
At 1988 open market value	**2,195**	2,195
Aggregate depreciation thereon	**(666)**	(624)
Net book value	**1,529**	1,571
Historical cost of revalued assets	**1,518**	1,518
Aggregate depreciation based on historical cost	**(792)**	(761)
Historical cost net book value	**726**	757

Other tangible fixed assets are included at cost.

The gross book value of land and buildings includes £6,832,000 *(2003: £6,829,000)* of depreciable assets.

Notes (continued)

10 Fixed asset investments

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

11 Stocks

	2004 £000	2003 £000
Raw materials and consumables	**6,984**	6,221
Finished goods and goods for resale	**4,615**	3,857
	11,599	10,078

12 Debtors

	2004 £000	2003 £000
Trade debtors	**2,404**	4,728
Amounts owed by group undertakings	**19,888**	15,204
Other debtors	**566**	653
Deferred tax asset	**521**	615
Prepayments and accrued income	**145**	131
	23,524	21,331

Deferred taxation is included in debtors above. The movement in the year is as follows:

	£000
At the beginning of the year	615
Charge for the year	(94)
At the end of the year	521

Notes (continued)

12 Debtors (*continued*)

	2004 £000	2003 £000
Difference between accumulated depreciation and amortisation and capital allowances	(179)	(103)
Other timing differences	700	718
	521	615

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. At present, it is not envisaged that any tax will become payable in the foreseeable future.

13 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	8,186	9,883
Amounts owed to group undertakings	9,256	7,246
Corporation tax	557	642
Other taxes and social security	241	201
Other creditors	2,378	2,446
Accruals and deferred income	689	293
	21,307	20,711

Notes (continued)

14 Called up share capital

	2004 £000	2003 £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

The right to a dividend on the 7% cumulative preference shares has been waived. In a winding-up the holders are entitled to the repayment of the capital paid up in priority to the holders of all other shares in the Company. The holders do not have the right to vote unless a resolution is proposed affecting their rights and a resolution proposing to increase the capital ranking pari passu with such shares shall be deemed to affect their rights; or a resolution is proposed to wind up the Company or sell its undertaking or to reduce its share capital, or to reconstruct the Company, or amalgamate it, or to render it a subsidiary of any other company. In either of these events, every holder of the Preference Shares have one vote in respect of each such Preference Share held.

15 Share premium and reserves

	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	Total £000
At beginning of year	1,379	771	50	16,426	18,626
Retained profit for the year	-	-	-	3,210	3,210
Transfer between reserves	-	(11)	-	11	-
At end of year	1,379	760	50	19,647	21,836

Notes (continued)

16 Commitments

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

	2004	2003
	£000	£000
Contracted	-	246

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

	2004		2003	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	-	**72**	-	20
Within two to five years	-	**65**	-	57

17 Pension scheme

The company operates both a defined benefit pension scheme and a defined contribution pension scheme.

Defined benefit scheme

The company contributes to a group 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. This scheme was closed to new members on 31 July 2003.

The most recent valuation of the scheme was carried out as at 31 December 2003. The review assumed that investment returns would exceed the average salary increases by 1.0% per annum and that present and future pensionable salaries would increase at the rate of 1.5% per annum above the assumed increase in price inflation (2.75%).

At the date of the review the market value of the scheme's assets was £18,044,000. The actuarial value of assets represented 88% of the benefits that had accrued to members and pensioners. The company has commenced contributions at a rate of 15.2% of pensionable salaries during the year, whilst employee contributions remain unchanged at 5% of pensionable salary. In order to reduce the deficit in the scheme, an additional contribution of £500,000 was made in 2004, and a commitment made to pay £250,000 into the scheme each year following that. This commitment will be reviewed at the date of the next actuarial valuation.

Contributions to the scheme must be sufficient to satisfy the Minimum Funding Requirement (MFR) as detailed in the Pensions Act 1995. The scheme was 109% funded at 31 December 2003 using MFR assumptions and methodology.

A provision of £1,816,000 *(2003: £1,447,811)* is included within creditors, this being the excess of the accumulated pension cost over the amount funded. This includes a provision of £671,000 *(2003: £570,000)* which relates to an unfunded, unapproved, retirement benefit scheme. The total pension charge for the year is £760,019 *(2003: £313,369)*. There were no outstanding contributions at the beginning and the end of the financial year.

Defined contribution scheme

The Adams Foods Limited Stakeholders pension plan was opened on 1 August 2003, and is available to employees joining the company after that date and existing employees who declined membership of the defined benefit scheme. The pension cost for the period represents contributions payable by the company to the scheme and amounted to £2,720 *(2003: £nil)*. There were no contributions outstanding at the beginning or end of the financial year.

Notes (continued)

17 Pension scheme (*continued*)

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for pension costs', under Financial Reporting Standard 17 'Retirement benefits' the following transitional disclosures are required:

	At 31 December 2004 %	At 31 December 2003 %	At 31 December 2002 %
Rate of increase in salaries	**4.25**	4.15	4.25
Rate of increase in pensions in payment	**2.75**	2.65	2.25
Discount rate	**5.30**	5.50	5.60
Inflation assumption	**2.75**	2.65	2.25

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

	Long term rate of expected return %	**Value at 31 December 2004 £000**	Long term rate of expected return %	Value at 31 December 2003 £000	Long term rate of expected return %	Value at 31 December 2002 £000
Equities	**6.25**	**13,060**	6.75	12,081	6.50	10,582
Bonds	**4.25**	**5,758**	4.75	5,081	4.50	4,856
Cash	**4.50**	**970**	4.00	882	4.00	829
Total market value of assets		**19,788**		18,044		16,267
Present value of scheme liabilities		**(23,327)**		(20,009)		(18,108)
Deficit in the scheme		**(3,539)**		(1,965)		(1,841)
Related deferred tax asset		**1,062**		590		552
Net pension liability		**(2,477)**		(1,375)		(1,289)

Movement in surplus in the year:

	2004 £000	2003 £000
Deficit in scheme at beginning of year	**(1,965)**	(1,841)
Movement in year:		
Current service cost	**(492)**	(444)
Contributions	**1,023**	-
Other finance income/(costs)	**8**	(88)
Actuarial (loss)/gain	**(2,113)**	408
Deficit in scheme at end of year	**(3,539)**	(1,965)

Notes (continued)

17 Pension scheme *(continued)*

If FRS 17 had been fully adopted in these financial statements the pension cost for the defined benefit scheme would have been:

	2004	2003
	£000	£000
Current service cost	**(492)**	(444)

Analysis of amounts included in other finance income/(costs):

	2004	2003
	£000	£000
Expected return on pension scheme assets	**1,107**	928
Interest on pension scheme liabilities	**(1,099)**	(1,016)
Other finance income/(costs)	**8**	(88)

Analysis of amounts recognised in the statement of total recognised gains and losses:

	2004	**2004**	2003	2003	2002	2002
	%	**£000**	%	£000	%	£000
Actual less expected return on assets		**150**		1,234		(4,084)
Percentage of year end scheme assets	**0.8**		6.8		(25.1)	
Experience gains and losses on liabilities		**(1,039)**		(24)		(161)
Percentage of present value of year end scheme liabilities	**(4.5)**		(0.1)		(0.4)	
Changes in assumptions underlying present value of liabilities		**(1,224)**		(802)		(175)
Percentage of present value of year end scheme liabilities	**(5.2)**		(4.0)		(1.0)	
Actuarial gain/(loss) recognised in statement of total recognised gains and losses		**(2,113)**		408		(4,420)

Notes (continued)

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

The company's holding company is Adams Foods Limited. 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