

Notes to the financial statements

for the year ended 31 December 2005

1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations endorsed by the European Union and those parts of the Companies Acts, 1963 to 2005 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, available for sale investments, and financial assets and liabilities held for trading.

The Group's date of transition to IFRS is 4 January 2004. The comparative figures have been restated to reflect IFRS, except where otherwise required or permitted by IFRS 1, First Time Adoption of International Financial Reporting Standards.

The financial information set out in this document does not constitute full statutory financial statements but has been derived from the Group financial statements for the year ended 31 December 2005 (referred to as the 2005 financial statements). The 2005 financial statements have been audited and have received an unqualified audit report.

The financial statements were approved by the Board of Directors on 28 February 2006 and signed on its behalf by MJ Walsh, JJ Moloney and GJ Meagher.

2 Segment information

Primary reporting format – business segments

At 31 December 2005 the Group is organised into three main business segments:

- Consumer Foods
- Food Ingredients
- Agribusiness and Property

The segment results for the year ended 31 December 2005 are as follows:

2005	Consumer Foods €'000	Food Ingredients €'000	Agribusiness and Property €'000	Unallocated €'000	Group €'000
Total gross segment revenue	493,667	1,215,559	239,826	-	1,949,052
Inter-segment revenue	<u>(85)</u>	<u>(108,271)</u>	<u>(10,684)</u>	-	<u>(119,040)</u>
Revenue	<u>493,582</u>	<u>1,107,288</u>	<u>229,142</u>	<u>-</u>	<u>1,830,012</u>
Operating profit pre exceptional items	27,139	42,746	10,684	-	80,569
Exceptional items	<u>(11,860)</u>	<u>(2,649)</u>	<u>(1,160)</u>	<u>14,559</u>	<u>(1,110)</u>
	<u>15,279</u>	<u>40,097</u>	<u>9,524</u>	<u>14,559</u>	79,459
Finance income and costs					(18,090)
Share of profits of joint ventures and associates	551	(116)	497	-	<u>932</u>
Profit before tax					62,301
Tax					<u>(657)</u>
Profit for the year					<u>61,644</u>

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The segment results for the year ended 1 January 2005 are as follows:

2004	Consumer Foods €'000	Food Ingredients €'000	Agribusiness and Property €'000	Unallocated €'000	Group €'000
Total gross segment revenue	458,103	1,195,646	236,492	-	1,890,241
Inter-segment revenue	(6,979)	(120,493)	(9,124)	-	(136,596)
Revenue	451,124	1,075,153	227,368	-	1,753,645
Operating profit pre exceptional items	27,906	46,440	11,911	-	86,257
Exceptional items	2,594	-	1,099	(798)	2,895
	<u>30,500</u>	<u>46,440</u>	<u>13,010</u>	<u>(798)</u>	89,152
Finance income and costs					(5,723)
Share of losses of joint ventures and associates	(1,671)	(152)	300	-	(1,523)
Profit before tax					81,906
Tax					(8,386)
Profit for year from continuing operations					73,520
Discontinued operations	(1,601)	-	-	-	(1,601)
Profit for the year					71,919

3 Exceptional items

	Notes	2005 €'000	2004 €'000
Foreign currency translation	(a)	3,931	(798)
(Loss) / profit on sale or termination of operations	(b)	(331)	3,693
Restructuring cost	(c)	(15,669)	-
Profit on sale of quoted investments	(d)	10,959	-
		(1,110)	2,895
Finance cost - cancellation of preferred securities (note 4)		(5,304)	-
Income taxes	(e)	6,935	-
		521	2,895

(a) The foreign currency translation gain arises on the repayment of loans between fellow subsidiaries. Under IFRS, for 2005, loans between fellow subsidiaries do not qualify as part of the net investment and therefore any gains or losses on these loans are recognised in the income statement.

(b) This represents the revision of losses arising in prior years on disposals, restructuring and termination of operations.

(c) The restructuring cost relates to costs of rationalisation programmes carried out mainly in the Consumer Foods and Food Ingredients divisions in Ireland.

(d) During the year, the Group benefited from the exchange of shares held in Irish Agricultural Wholesale Society Limited for shares in IAWS Group plc. The profit arises from the subsequent sale of these shares.

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- (e) A taxation benefit arising from the disposal of certain US operations in prior years, which previously had not been recognised in the financial statements, has now been finalised. This has given rise to a gain, which by virtue of its scale and nature, has been separately disclosed as a non-recurring exceptional item in the financial statements.

4 Finance income and costs

(a) Finance income

	2005 €'000	2004 €'000
Interest income (i)	<u>4,209</u>	<u>3,033</u>

(b) Finance costs – pre exceptional

	2005 €'000	*2004 €'000
Interest expense		
- Bank borrowings repayable within five years	(10,291)	(3,970)
- Bank borrowings repayable after five years	-	(3,779)
- Senior notes	-	(917)
- Finance lease	(109)	(90)
	<u>(10,400)</u>	<u>(8,756)</u>
Finance cost of preferred securities and preference shares	(6,595)	(10,387)
	<u>(16,995)</u>	<u>(19,143)</u>
Finance costs - exceptional		
Cancellation of preferred securities (iii)	(5,304)	-
	<u>(5,304)</u>	<u>-</u>
Total finance costs (ii)	<u>(22,299)</u>	<u>(19,143)</u>

* The Group has availed of the option under IFRS 1 to implement IAS 32 and IAS 39 only in respect of the 2005 figures and not the comparative period. The figures for 2004 above include the finance cost of preferred securities and preference shares for comparability purposes only.

- (i) Interest income consists mainly of interest on a Stg£35 million subordinated secured loan note granted by The Cheese Company Holdings Limited in 2004, representing part proceeds on the sale by the Group of a 75% interest in its UK hard cheese business.
- (ii) The comparative figures for the year ended 1 January 2005 have been restated in accordance with IFRS, with the exception of IAS 32 and IAS 39, which were implemented from 2 January 2005. As a result, interest on preferred securities and preference shares is shown as an interest charge in the year ended 31 December 2005, and as non-equity minority interest in the 2004 comparative numbers. On a comparable basis the net financing costs, pre exceptional item, for 2005 was €12.8 million compared to €16.1 million for 2004.
- (iii) On 15 June 2005 the Group prepaid the US\$100 million 7.99% cumulative guaranteed preferred securities, giving rise to a cost of €5.3 million, which has been disclosed as an exceptional item.

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5 Dividends

The dividends paid in 2005 and 2004 were €15.6 million (5.36 cent per share) and €14.8 million (5.10 cent per share) respectively. An interim dividend in respect of the year ended 31 December 2005 of 2.27 cent per share was paid during the year. A final dividend of 3.24 cent per share, amounting to a total dividend in respect of 2005 of €16.1 million (5.51 cent per share), is to be proposed at the Annual General Meeting on 16 May 2006. These financial statements do not reflect this final dividend payable.

6 Earnings per share

Basic

	2005 €'000	2004 €'000
Profit attributable to equity holders of the Company	<u>61,327</u>	<u>61,119</u>
Weighted average number of ordinary shares in issue	<u>291,469,902</u>	<u>290,617,359</u>
Basic earnings per share (cent per share)	<u>21.04</u>	<u>21.03</u>

Diluted

	2005	2004
Weighted average number of ordinary shares in issue	291,469,902	290,617,359
Adjustments for - share options	<u>1,134,139</u>	<u>1,532,995</u>
Adjusted weighted average number of ordinary shares	<u>292,604,041</u>	<u>292,150,354</u>
Diluted earnings per share (cent per share)	<u>20.96</u>	<u>20.92</u>

Adjusted

	2005 €'000	2004 €'000
Profit attributable to equity holders of the Company	61,327	61,119
Exceptional items	<u>(521)</u>	<u>(1,294)</u>
	<u>60,806</u>	<u>59,825</u>
Adjusted earnings per share (cent per share)	<u>20.86</u>	<u>20.59</u>

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7 Borrowings

	2005 €'000	2004 €'000
Borrowings due within one year	330	3,509
Borrowings due after one year	319,727	198,682
Less:		
Cash and cash equivalents	(104,405)	(51,625)
	<hr/>	<hr/>
Net Group borrowings as presented in the consolidated balance sheet	215,652	150,566
Prior period non-equity minority interest (see note below)	-	110,384
	<hr/>	<hr/>
Group borrowings on a comparable basis	215,652	260,950

The prior year comparative figures have been restated in line with the Group's transition to IFRS on 4 January 2004, with the exception of IAS 32 and IAS 39, which were implemented from 2 January 2005. This impacts the presentation of net borrowings whereby the Group's preference shares and preferred securities are shown as part of borrowings in 2005 and as part of non-equity minority interest in prior years. The borrowings figure for 2005 above includes €38 million cumulative redeemable preference shares, the US\$100 million 7.99% preferred securities were cancelled during 2005.

8 Cash generated from operations

	2005 €'000	2004 €'000
Profit for the year	61,644	71,919
Non-cash restructuring costs	2,172	-
Loss on disposal/termination of operations	-	156
Share of result of associates	(932)	1,523
Income taxes	657	8,386
Depreciation	23,518	25,030
Amortisation	3,313	2,558
Cost of share options	161	76
Exchange losses	196	634
Exchange gains - exceptional	(3,931)	-
Gain on disposal of investments	(10,959)	-
Gain on disposal of property, plant and equipment	(2,509)	(1,849)
Interest income	(4,209)	(3,274)
Interest expense	22,299	8,997
Amortisation of government grants received	(1,424)	(1,228)
	<hr/>	<hr/>
Net profit before changes in working capital	89,996	112,928
Change in net working capital		
Increase in inventory	(5,501)	(10,498)
Decrease/(increase) in short term receivables	35,419	(1,807)
Increase/(decrease) in short term liabilities	35,849	(17,176)
Increase in provisions	7,142	-
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Cash generated from operations	162,905	83,447