Financial
REVIEW

Accounting policies- IFRS transition

The 2006 Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. In December 2005, the Group published a report which set out the Group's IFRS accounting policies and included the restatement of the Group's prior year financial information in accordance with these revised policies.

Analysis of results

Comprehensive commentary on Group revenue, operating and pre tax profit for 2006 is included in the Review of business operations on pages 6 to 27.

Key performance indicators

The Group considers the following measures to be important indicators of the underlying performance of the business:

*Adjusted fully diluted earnings per share (EPS)**

EPS* has grown by 13.5 per cent in the year to 81.60 cent from 71.89 cent. The year on year increase is attributable to the growth in Group operating profit* in 2006.

Divisional underlying revenue growth

Underlying revenue growth reflects growth after cancelling the effects of currency translation and the impact of acquisitions or disposals. Total underlying revenue for the Group grew by 6.7 per cent in the year. Underlying revenue for Food Europe grew by 6.7 per cent while for Food North America underlying revenue (excluding the joint venture) was up by 26.1 per cent. For the Agribusiness division the underlying growth rate was 3.0 per cent in the year.

*Operating margin**

Operating margin* for the Group was 7.2 per cent compared with 7.0 per cent in 2005. The operating margin* within Food remained constant year on year at 9.0 per cent while the Agribusiness margin* improved by 10 basis points to 4.1 per cent in 2006.

Return on investment

Return on investment for the Group was 15.1 per cent in 2006 compared with 14.7 per cent in the previous year. The return on investment in the Food business increased from 14.0 per cent to 14.8 per cent, reflecting volume growth in our US Food business. The Agribusiness return fell by 1.3 per cent to 16.8 per cent, reflecting increased investment in working capital and the funding of the Group's pension deficit in the period.

Free cash flow

Free cash flow (excluding disposals) was up 20.5 per cent in the year to €100.7m.

**EPS, operating profit and operating margin are stated before intangible amortisation and exceptional items.*

Exceptional items

Total profit for the financial year includes an exceptional gain of €1.3m (before tax) arising, primarily, from the disposal of an excess property in Waterford. Total profit for the financial year in 2005 included an exceptional profit before tax of €8.6m primarily due to the disposal of an Agribusiness operation.

Dividends

The Board is recommending a final dividend of 6.78 cent per share compared with 6.052 cent per share in 2005, an increase of 12.0 per cent. Together with the interim dividend of 6.71 cent per share, this raises the total dividend payment for the year to 13.49 cent per share, an increase of 13.5 per cent over 2005.

Share price

The Group's ordinary shares traded in the range of €11.20 to €15.10 during the year. The Group's share price at the year ended 31 July 2006 was €14.50 *(2005: €12.02)*. This represents strong capital appreciation for our shareholders in addition to the dividend that was paid out.

Treasury management

The Group operates a centralised Treasury function, which manages the debt and currency risks of the Group. The function's activities include managing interest rate risk, foreign currency risk and also ensuring the Group has sufficient committed credit facilities available. The Group does not engage in speculative trading. It is the Group's objective to minimise exposure to both foreign currency and interest rate fluctuations arising from its trading activities.

Funding and liquidity management

Group net borrowing decreased to €216.5m from €219.9m in 2005. This was after expending €111.0m on acquisitions and capital projects. The Group finances its activities through a combination of retained earnings and borrowings. The Group utilises a €500m syndicated multi-currency bank loan facility for ongoing activities, capital expenditure and investment. This facility was established in 2005 and allows for additional borrowing capacity. Interest cover at 9.9 times is in line with last year.

Interest rate management

In this period of global interest rate uncertainty, the Group's objective continues to be to minimise the impact of interest rate volatility on its interest costs, and thereby protect profitability. The Group's policy is to maintain between 40 per cent and 70 per cent of overall Group average annual borrowings at fixed rates of interest, through the use of interest rate swaps. Further information on interest bearing loans and borrowings is contained in note 21 to the financial statements.

Foreign currency management

The Group's main operations are in the Euro zone, North America and the UK, while it also has an investment in Switzerland. As a result, it is exposed to currency fluctuations, particularly Sterling, Canadian dollar, US dollar

Financial review (continued)

Foreign currency management (continued)

and the Swiss franc. The Group manages the effect of balance sheet translation exposure by matching foreign currency investments with foreign currency borrowings. The Group also has transactional currency exposures that arise from non-base currency activities and foreign currency contracts are employed to reduce these currency exposures.

Pensions

During the year the Board approved the funding of the Group pension scheme deficit as identified in the Group's 2005 Annual Report. Accordingly, the Group made a special contribution of €23.5 million during the year to fund the scheme in line with Guidance Note 11 adopted by the Institute of Actuaries. Under IAS 19, *Employee Benefits* the total deficit in the Group's defined benefit schemes, including the main scheme, at 31 July 2006 was €6.6m *(2005: €34.5m)*. The Group has the financial capacity and is committed to funding the remaining deficit.

Taxation

The effective tax rate on ordinary activities for the year ended 31 July 2006 is broadly in line with the prior year. The effective tax rate on ordinary activities reflects the mix of profits in the international jurisdictions in which the Group operates.

Insurance

The Group is highly focussed on risk and its management. Accordingly, insurance is held for all significant insurable risks and against major catastrophes.

Patrick McEniff
Chief Financial Officer
25 September 2006