

## Corporate governance statement

FOR THE YEAR ENDED 31 JULY 2006

The Group continues to be committed to maintaining the highest standards of corporate governance. The Irish Stock Exchange requires Irish listed companies to make a statement on how they have applied the principles and how they have complied with the provisions set out in the 2003 Combined Code on Corporate Governance (the Combined Code), which is appended to the Listing Rules of the Irish and London Stock Exchanges. This statement is set out below.

### Compliance with the Combined Code provisions

The directors have reviewed corporate governance requirements in accordance with the Combined Code. The Board considers that all of its members are independent in both character and judgement. It is the intention of the Board to move to a position where at least half of its membership, excluding the Chairman, consists of directors determined to be independent by the Board based on the criteria as included in the Combined Code. It is intended that this be done on a phased and orderly basis over a reasonable timeframe. The Audit Committee consists entirely of directors determined to be independent based on these criteria. It is also the intention of the Board to move to a position where the Remuneration Committee comprises solely, and the Nominations Committee comprises a majority, of such independent directors. At present four of the non-executive directors are independent based on these criteria. They are Ms. B. Dardis, Ms. N. Hynes, Dr. P. Wall and Mr. P. N. Wilkinson. The directors confirm that the Company has complied with the provisions of the Combined Code in all other respects throughout the accounting period.

### The Board and Committees

The Board comprises three executive and ten non-executive directors. Enhanced and effective governance is achieved by the separation of the roles of Chairman and Chief Executive Officer. The Board is satisfied that the commitments of the Chairman outside the Group are not such as to interfere with the performance of his duties as Chairman of the Group. The Board is responsible for setting the strategic direction and for providing leadership and control of the Company and Group.

The Board has reserved to itself decision making in the areas of:

- Continuity or alteration of strategic direction of the Group.
- Appointment or dismissal of the Chief Executive Officer or the Company Secretary and recommendation for appointment or dismissal of any member of the board.
- Director and senior executive management succession planning.
- Policy on remuneration for executive directors and senior executive management.

- The issue of shares and debentures.
- Authorisation of arrangement of borrowing facilities.
- Setting budgets.
- Authorisation of major capital expenditure, acquisitions and disposals.
- Dividend policy.

Certain other matters are delegated to Board committees, the details of which are set out below. Written terms of reference of all committees have been established.

The Chairman is responsible in particular for the operational efficiency of the Board and for ensuring that all directors have full and timely access to the information necessary to enable them to discharge their duties. The Board has delegated responsibility for the day-to-day management of the Group, through the Chief Executive Officer, to executive management.

The directors have full access to the advice and services of the Company Secretary, who also acts as secretary to all of the Board committees, is responsible to the Board for ensuring that Board procedures are followed and ensuring compliance with applicable rules and regulations. The directors also have access to independent professional advice, at the Group's expense, if and when required.

On appointment to the Board, directors are provided with comprehensive documentation on the Group's operations, and are given the opportunity to visit sites and meet with key management. Directors also attend relevant courses and seminars, as appropriate.

The Board considers that it is composed of persons who bring a balance of skills and experience which is appropriate to the requirements of the business. Changes to the Board's composition can be arranged without undue disruption.

All directors are required to retire by rotation in accordance with the Company's Articles of Association. Since 1 August 2003 non-executive directors' appointments are for a period of three years with the possibility of a further three-year term.

Mr. P. N. Wilkinson is Senior Independent Director and was appointed on 13 September 2005. The previous Senior Independent Director was Mr. D. Lucey. Mr. P. N. Wilkinson is available to shareholders if they have concerns that cannot be addressed through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer.

## Corporate governance statement (continued)

FOR THE YEAR ENDED 31 JULY 2006

### Meetings held and attended in the financial year ended 31 July 2006 during the tenure of each director.

|                 | Board    |                    | Acquisitions & Strategy |                    | Audit    |                    | Nomination |                    | Remuneration |                    |
|-----------------|----------|--------------------|-------------------------|--------------------|----------|--------------------|------------|--------------------|--------------|--------------------|
|                 | Attended | Eligible to Attend | Attended                | Eligible to Attend | Attended | Eligible to Attend | Attended   | Eligible to Attend | Attended     | Eligible to Attend |
| D. Buckley      | 10       | 13                 |                         |                    |          |                    | 0          | 1                  | 10           | 10                 |
| B. Dardis       | 13       | 13                 |                         |                    | 3        | 3                  |            |                    |              |                    |
| J. B. Davy      | 13       | 13                 | 6                       | 6                  |          |                    | 1          | 1                  | 6            | 6                  |
| N. Hynes        | 13       | 13                 |                         |                    | 5        | 5                  |            |                    |              |                    |
| H. Kane         | 12       | 13                 |                         |                    |          |                    |            |                    |              |                    |
| O. Killian      | 13       | 13                 | 6                       | 6                  |          |                    |            |                    |              |                    |
| D. Lucey        | 13       | 13                 | 6                       | 6                  |          |                    | 1          | 1                  | 4            | 4                  |
| P. Lynch        | 10       | 13                 |                         |                    |          |                    |            |                    |              |                    |
| D. Martin       | 13       | 13                 |                         |                    |          |                    |            |                    |              |                    |
| P. McEniff      | 12       | 13                 | 6                       | 6                  |          |                    |            |                    |              |                    |
| J. C. Moloney*  | 6        | 7                  |                         |                    | 2        | 2                  |            |                    | 7            | 7                  |
| W. G. Murphy    | 13       | 13                 |                         |                    | 2        | 2                  |            |                    | 3            | 3                  |
| P. Wall         | 12       | 13                 |                         |                    | 4        | 5                  |            |                    |              |                    |
| P. N. Wilkinson | 12       | 13                 | 6                       | 6                  | 3        | 5                  |            |                    |              |                    |

\* J. C. Moloney (deceased) retired on 30 January 2006

#### Board meetings

Meetings of directors are held regularly, usually on a monthly basis. Thirteen Board meetings were held during the year. Details of the meetings held during the year, both of the Board and of the Board committees, are contained in the schedule above, which also includes information on individual attendance. In addition to the regular Board and committee meetings, the Chairman meets with the non-executive directors periodically without the executive directors being present.

#### Audit Committee

The Audit Committee comprises four non-executive directors, namely Ms. N. Hynes (Chairman), Ms. B. Dardis, Dr. P. Wall and Mr. P. N. Wilkinson. The Committee met five times during the year. Ms. N. Hynes is a Chartered Accountant and has significant recent and relevant financial experience.

The Audit Committee's role includes monitoring the integrity of the Group financial statements, and reviewing the interim and full year results announcements and significant financial reporting judgements contained therein. The Audit Committee also reviews the Group's internal controls, and the scope and effectiveness of the Group's internal audit function. The Head of Internal Audit has direct access to the Board Chairman and to the Audit Committee at all times and he and the Chief Financial Officer regularly attend meetings of the Audit Committee.

The Audit Committee is responsible for making recommendations to the Board in relation to the appointment and removal of the external auditor and for approving their remuneration and terms of engagement. It monitors the effectiveness of the audit process through regular contact with the auditor, and review of the audit plan and findings. The Committee monitors the external auditor's independence and objectivity, taking into consideration relevant professional and regulatory requirements, extent of services provided and fees paid.

The Audit Committee is also responsible for developing a policy on the engagement of the external auditor to provide non-audit services. The Audit Committee regularly monitors the non-audit services being provided to the Group by its external auditor, and has developed an Auditor Independence Policy to check that this does not impair its independence or objectivity. The policy sets out four key principles which underpin the provision of non-audit services by the external auditor: the auditor should not audit its own firm's work, make management decisions for the Group, have a mutuality of financial interest with the Group, or be put in the role of advocate for the Group. Activities that may be perceived to be in conflict with the role of the external auditor must be submitted to the Audit Committee for approval prior to engagement, regardless of the amounts involved.

## Corporate governance statement (continued)

FOR THE YEAR ENDED 31 JULY 2006

### *Audit Committee (continued)*

In 2006 the Audit Committee, operating under its terms of reference, discharged its responsibilities by reviewing:

- the Group's draft 2005 financial statements and 2006 interim results statement prior to Board approval and reviewing the external auditor's reports thereon;
- the appropriateness of the Group's accounting policies;
- and approving the 2006 audit fee and reviewing non-audit fees payable to the Group's external auditor in 2006;
- the external auditor's plan for the audit of the Group's 2006 accounts, which included key areas of extended scope work, key risks on the accounts, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit;
- the output of the Group's risk assessment processes;
- post-acquisition reports on integration and performance of significant recent acquisitions;
- the internal audit function's terms of reference, resources, its 2006 work programme and reports on its work during the year;
- the arrangements by which staff may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- in detail the restatement of the Group's 2005 accounts in accordance with International Financial Reporting Standards, as adopted by the EU;
- the Group's Financial Policies and Procedures manual.

### *Nomination Committee*

The Nomination Committee comprises Mr. J. B. Davy (Chairman), Mr. D. Buckley and Mr. D. Lucey, all of whom are non-executive directors. The Nomination Committee is responsible for recommending to the Board directors for co-option and for the continuous review of senior management succession plans. The Board has not engaged external search services nor utilised open advertising in the appointment of non-executive directors. Instead, the process that has been used is for existing directors to mention the names of persons who meet specific requirements in terms of qualifications and experience. The Nomination Committee then considers the suitability of such persons in greater detail.

### *Remuneration Committee*

The Remuneration Committee comprises Mr. J. B. Davy (Chairman), Mr. W. G. Murphy and Mr. D. Buckley, all non-executive directors, who determine and approve the Group policy on executive remuneration packages. The Group's remuneration policy for executive directors and details of directors' remuneration in accordance with the Listing Rules

of the Irish Stock Exchange are contained in the Report on directors' remuneration on pages 39 to 43.

### *Acquisition and Strategy Committee*

The Acquisition and Strategy Committee comprises Mr. D. Lucey (Chairman), Mr. O. Killian, Mr. P. McEniff, Mr. P. N. Wilkinson and Mr. J. B. Davy. They are responsible to the Board for the detailed evaluation of acquisition prospects and for making recommendations thereon. They are also responsible to the Board for the continuous review of the strategic direction and plans being pursued by the Group.

### **Performance evaluation**

Evaluation of the Board as a whole is the responsibility of the Board under the direction of the Chairman. The evaluation process involves the assessment of the extent to which objectives are achieved. During the year performance evaluations of the Board, individual directors and Board committees were conducted by the Chairman. The evaluation process involved discussion with members of the Board on an individual basis.

The non-executive directors, under the leadership of the Senior Independent Director, Mr P. N. Wilkinson are responsible for the performance evaluation of the Chairman. During the year, Mr Wilkinson met with each non-executive director individually on a formal basis for this purpose and consulted, also, with the executive directors.

### **Internal controls**

The directors have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. This involves an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and reviewing the effectiveness of the resultant system of internal control throughout the period and up to the date of approval of the Annual Report and Financial Statements. This system is designed to manage risks that may impede the achievement of the Group's business objectives rather than to eliminate these risks. The internal control system therefore provides reasonable, though not absolute, assurance against material misstatement or loss.

The directors confirm that the Group's ongoing process for identifying, evaluating and managing its significant risks is in accordance with the Turnbull Guidance, *Internal Control: Guidance for Directors on the Combined Code*, for the year

## Corporate governance statement (continued)

FOR THE YEAR ENDED 31 JULY 2006

### **Internal controls (continued)**

under review and to the date of approval of the Annual Report and Financial Statements. These procedures, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

The key risks, which might impair the business from achieving its objectives, are identified and assessed by conducting detailed reviews with executive management at business unit level. Management at all levels is responsible for internal control. As such, the system of internal control throughout the Group's operations ensures that the organisation is capable of responding quickly to evolving business risks, and that significant internal control issues, should they arise, are reported promptly to appropriate levels of management.

The directors have established a number of key procedures designed to provide an effective system of internal control, which include a provision for the directors to review the effectiveness of the system. The key procedures, which are supported by detailed controls and processes, include:

#### **Internal audit**

A Group internal audit function, reporting directly to the Audit Committee, undertakes examinations of business processes on a risk basis and reports on controls throughout the Group.

#### **Control environment**

Maintaining an organisation structure with defined lines of responsibility and specified delegation of authority within which the Group's activities can be planned and monitored.

#### **Financial reporting**

A comprehensive financial reporting system involving the setting of annual budgets and plans, timely monthly reporting and variance analysis and ongoing review, supported by information systems developed for the purpose.

#### **Risk management policies**

Comprehensive policies and procedures are in place relating to computer security, capital expenditure, treasury risk management and credit risk management. Reputational risk management is also a key focus for the Group across all areas of the business.

### **Human resources**

Emphasis is placed on the quality and abilities of our people through continuing education, training and development.

### **Annual review of internal controls**

The directors confirm that they have conducted an annual review of the effectiveness of the system of internal control as operated up to and including the date of approval of the financial statements. This has had regard to the processes for identifying the principal business risks facing the Group, the methods of managing those risks, the controls that are in place to contain them and the procedures to monitor them.

### **Communication with shareholders**

Responsibility for effective communications with shareholders and for the Board's understanding of the views of major shareholders rests with the Chairman. However on a day-to-day basis, contact with shareholders is with the Chief Executive Officer and the Chief Financial Officer, but the Senior Independent Director and any other member of the Board are available to meet major investors if required. Such communications are given high priority and there is regular dialogue with individual shareholders, as well as general presentations at the time of the release of the annual and interim results.

The Board papers, which are distributed to all directors in advance of Board meetings, include a report prepared by the Chief Financial Officer summarising investor relations activity during the preceding month including contacts between directors and executive management and current and prospective shareholders. The views of shareholders about the Group expressed through such contacts are also included in the report.

The Group issues its results promptly to individual shareholders and also publishes them on the Group's website, [www.iaws.com](http://www.iaws.com). The Company's Annual General Meeting affords each shareholder the opportunity to question the Chairman of the Board, the Chairmen of all committees and all other Board members. The notice of AGM and related papers are sent to shareholders at least 20 working days before the meeting. In addition, the Company responds throughout the year to numerous queries from shareholders on a broad range of issues.

## Report on directors' remuneration

FOR THE YEAR ENDED 31 JULY 2006

### Remuneration Committee

The Remuneration Committee at 31 July 2006, comprised Mr. J. B. Davy (Chairman), Mr. W. G. Murphy and Mr. D. Buckley, all non-executive directors, who have no financial interests, other than as shareholders, in the matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in the running of the business.

The terms of reference of the Remuneration Committee are to determine the Group's policy on remuneration of executive directors and to consider and approve the salaries and other terms of the remuneration package for the executive directors. The Remuneration Committee is also responsible for monitoring the level and structure of remuneration for senior management.

### Remuneration policy

The remuneration of the non-executive directors is determined by the Board, and reflects the time commitment and responsibilities of the role. The Group's policy on executive directors' remuneration recognises that employment and remuneration conditions for senior executives must properly reward and motivate them to perform in the best interests of the shareholders. The typical elements of the remuneration package for executive directors are basic salary and benefits, performance related bonuses, pensions, participation in the Company's share option plan and participation in the Company's executive incentive and retention plan.

### Executive directors' basic salary and benefits

Basic salary of executive directors is reviewed annually with regard to personal performance, Group performance and competitive market practice. Employment related benefits consist principally of a company car.

### Performance related bonus

The Group pays performance related annual bonuses to executive directors which are linked to the overall performance of the Group.

### Pensions

Pension benefits are determined solely in relation to basic salary.

### Share option plan

The Group operates one share option plan and it is the policy to grant options to key management to encourage identification with shareholder interests. Options are exercisable based on the achievement of EPS performance targets over a three to five year period.

### Group executive incentive and retention plan

The Group executive incentive and retention plan operates on an individual basis by providing contingent entitlement to a lump sum award referable to reckonable salary. Awards are made subject to achievement of growth in the earnings per share of IAWS Group, plc. The award is applied through the purchase of shares in IAWS Group, plc to be held by a trustee for the benefit of individual participants for a 3 to 5 year period.

## Report on directors' remuneration (continued)

FOR THE YEAR ENDED 31 JULY 2006

### Directors' remuneration

|   | 2006         | 2005         |
|---|--------------|--------------|
|   | €'000        | €'000        |
| <i>Executive directors</i>                |              |              |
| Basic salaries                            | 1,099        | 1,066        |
| Performance bonus                         | 966          | 950          |
| Benefits in kind                          | 85           | 81           |
| Pension contributions                     | 194          | 331          |
| Executive incentive and retention plan    | <u>282</u>   | <u>141</u>   |
|   | <u>2,626</u> | <u>2,569</u> |
| <br>                                      |              |              |
| Average number of executive directors     | <u>3</u>     | <u>3</u>     |
| <br>                                      |              |              |
| <i>Non-executive directors</i>            |              |              |
| Fees                                      | <u>781</u>   | <u>720</u>   |
| <br>                                      |              |              |
| Average number of non-executive directors | <u>11</u>    | <u>12</u>    |

## Report on directors' remuneration (continued)

FOR THE YEAR ENDED 31 JULY 2006

### Individual directors' remuneration for the year ended 31 July 2006

|                            | Basic<br>salary<br>€'000 | Performance<br>bonus<br>€'000 | BIK<br>€'000 | Pension<br>contributions<br>€'000 | EIRP<br>cost<br>€'000 | Total<br>2006<br>€'000 | Total<br>2005<br>€'000 |
|----------------------------|--------------------------|-------------------------------|--------------|-----------------------------------|-----------------------|------------------------|------------------------|
| <i>Executive directors</i> |                          |                               |              |                                   |                       |                        |                        |
| O. Killian (1)             | 533                      | 400                           | 27           | 96                                | 120                   | 1,176                  | 1,181                  |
| P. McEniff (2)             | 283                      | 283                           | 34           | 51                                | 81                    | 732                    | 636                    |
| H. Kane (3)                | 283                      | 283                           | 24           | 47                                | 81                    | 718                    | 656                    |
| D. Martin (4)              | -                        | -                             | -            | -                                 | -                     | -                      | 96                     |
|                            | <u>1,099</u>             | <u>966</u>                    | <u>85</u>    | <u>194</u>                        | <u>282</u>            | <u>2,626</u>           | <u>2,569</u>           |

- (1) During the year the plan invested €300,000 in IAWS Group, plc shares on behalf of Mr. O. Killian in respect of his 2005 award and will invest a further €300,000 in the coming year in respect of his 2006 award. Mr O. Killian will own each allotment of shares five years after each investment.
- (2) During the year the plan invested €202,500 in IAWS Group, plc shares on behalf of Mr. P. McEniff in respect of his 2005 award and will invest a further €202,500 in the coming year in respect of his 2006 award. Mr. P. McEniff will own each allotment of shares five years after each investment.
- (3) During the year the plan invested €202,500 in IAWS Group, plc shares on behalf of Mr. H. Kane in respect of his 2005 award and will invest a further €202,500 in the coming year in respect of his 2006 award. Mr. H. Kane will own each allotment of shares five years after each investment.
- (4) Mr. D. Martin retired from an executive role on 27 October 2004.

|                                | 2006<br>€'000 | 2005<br>€'000 |
|--------------------------------|---------------|---------------|
| <i>Non-executive directors</i> |               |               |
| D. Lucey                       | 187           | 40            |
| P. Lynch                       | 71            | 300           |
| D. Martin                      | 50            | 20            |
| D. Buckley                     | 60            | 40            |
| J. B. Davy                     | 70            | 40            |
| B. Dardis                      | 55            | 40            |
| P. McCarrick                   | -             | 40            |
| J. C. Moloney                  | 38            | 40            |
| W. G. Murphy                   | 55            | 40            |
| N. Hynes                       | 70            | 40            |
| P. Wall                        | 55            | 40            |
| P. N. Wilkinson                | 70            | 40            |
|                                | <u>781</u>    | <u>720</u>    |

## Report on directors' remuneration (continued)

FOR THE YEAR ENDED 31 JULY 2006

### Pension entitlements

The aggregate pension benefits attributable to directors under defined benefit schemes for the year were as follows:

| 2006       | Accrued annual pension at 31 July 2006<br>€'000 | Increase in accrued pension (excluding inflation)<br>€'000 | Transfer value of increase (excluding inflation)<br>€'000 | Accrued annual pension at 31 July 2005<br>€'000 |
|------------|---|--|---|---|
| O. Killian | 249   | 35   | 400   | 208   |
| P. McEniff | 57  | 23   | 82  | 34  |
| D. Martin  | 413   | -  | -   | 413   |
|            | <u>719</u>                                      | <u>58</u>  | <u>482</u>  | <u>655</u>                                      |
| <br>       |   |  |   |   |
| 2005       | Accrued annual pension at 31 July 2005<br>€'000 | Increase in accrued pension (excluding inflation)<br>€'000 | Transfer value of increase (excluding inflation)<br>€'000 | Accrued annual pension at 31 July 2004<br>€'000 |
| O. Killian | 208   | 59   | 606   | 145   |
| P. McEniff | 34  | 2  | 2   | -   |
| D. Martin  | 413   | -  | -   | 413   |
|            | <u>655</u>                                      | <u>61</u>  | <u>608</u>  | <u>558</u>                                      |



## Report on directors' remuneration (continued)

FOR THE YEAR ENDED 31 JULY 2006

### Directors' and Company Secretary's share interests

The directors and Company Secretary who held office at 31 July 2006 had no interests, other than those shown below, in the shares in, or loan stock of, the Company or other Group undertakings. Beneficial interests at 31 July 2006 and 31 July 2005 were as follows:

| Ordinary Shares in IAWS Group, plc at 30 cent each | No. of shares 2006 | No. of shares 2005 |
|--|--------------------|--------------------|
| <i>Directors</i>                                   |                    |                    |
| D. Lucey   | 2,500              | 2,500              |
| O. Killian   | 312,845            | 87,435             |
| P. McEniff   | 123,851            | 31,699             |
| H. Kane  | 105,452            | 3,300              |
| D. Buckley   | 4,500              | 4,500              |
| B. Dardis  | 12,300             | 4,800              |
| J. B. Davy   | 116,373            | 116,373            |
| N. Hynes   | 2,000              | 2,000              |
| P. Lynch   | 451,438            | 181,438            |
| D. Martin  | 80,158             | 80,158             |
| W. G. Murphy                                       | 6,912              | 6,912              |
| P. Wall  | 1,000              | -                  |
| P. N. Wilkinson                                    | 11,000             | -                  |
| <i>Secretary</i>                                   |                    |                    |
| A. Lowther   | 107,534            | 107,534            |

There have been no changes in the interests as shown above between 31 July 2006 and 25 September 2006.

### Directors' and Company Secretary's interests in share options

|                  | 2005 Options | Granted in year | Exercised in year | 2006 Options | Earliest exercisable date† | Latest expiry date‡ | Weighted average option price at 31 July 2006 |
|------------------|--------------|-----------------|-------------------|--------------|----------------------------|---------------------|---|
| <i>Directors</i> |              |                 |                   |              |                            |                     |   |
| P. Lynch         | 230,000      | -               | 230,000           | -            | -                          | -                   | -   |
| O. Killian       | 235,000      | 295,000         | 160,000           | 370,000      | 30/10/2006                 | 21/04/2016          | 1,262.12                                      |
| D. Martin        | 210,000      | -               | -                 | 210,000      | 07/10/2001                 | 31/03/2011          | 659.48  |
| P. McEniff       | 125,000      | 230,000         | 55,000            | 300,000      | 30/10/2006                 | 21/04/2016          | 1,267.78                                      |
| H. Kane          | 175,000      | 210,000         | 85,000            | 300,000      | 30/10/2006                 | 21/04/2016          | 1,210.98                                      |
| <i>Secretary</i> |              |                 |                   |              |                            |                     |   |
| A. Lowther       | -            | -               | -                 | -            | -                          | -                   | -   |

† First tranche of options granted

‡ Last tranche of options granted

Options over 530,000 ordinary shares were exercised by the directors and Company Secretary of IAWS Group, plc during the year at an average option price of 705.07 cent per share. The market price of the ordinary shares at 31 July 2006 was 1,450 cent and the range during the year was 1,120 cent to 1,510 cent. The register of directors' interests contains full details of directors' options to subscribe for shares.

## Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU (EU IFRS) and have elected to prepare the Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the financial reporting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The Group financial statements are required by law and EU IFRS to present fairly the financial position and performance of the Group; the Companies Acts 1963 to 2005 provide, in relation to such financial statements, that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation. The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2005. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and the requirements of the Listing Rules issued by the Irish Stock Exchange, the directors are also responsible for preparing a Directors' Report and reports relating to directors' remuneration and corporate governance that comply with that law and those Rules.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

D. Lucey  
Director

O. Killian  
Director

25 September, 2006

## Independent auditor's report to the members of IAWS Group, plc

We have audited the Group and Company financial statements (the "financial statements") of IAWS Group, plc for the year ended 31 July 2006, which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense, the Group Statement of Accounting Policies and the related notes, and the Company Balance Sheet, Company Statement of Accounting Policies and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act 1990. 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 auditor

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and EU IFRS, and for preparing the Company financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities on page 44.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts 1963 to 2005 and whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you our opinion as to: whether proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all

the information and explanations necessary for the purposes of our audit and whether the Company balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Financial Highlights, the Chairman's Statement, the Review of Business Operations, the Financial Review, the Directors' Report, the Corporate Governance Statement, and the Report on Directors' Remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 Group's and 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.

## Independent auditor's report to the members of IAWS Group, plc (continued)

### Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with EU IFRS, of the state of the Group's affairs as at 31 July 2006 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2005 and Article 4 of the IAS Regulation;
- the Company financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Company's affairs as at 31 July 2006; and
- the Company financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2005.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company balance sheet is in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

The net assets of the Company, as stated in the Company balance sheet, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 July 2006 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

**KPMG**

*Chartered Accountants*

*Registered Auditor*

25 September, 2006

## Group income statement

FOR THE YEAR ENDED 31 JULY 2006

|  |    | Pre-<br>exceptional<br>2006<br>€'000 | Exceptional<br>2006<br>€'000 | Total<br>2006<br>€'000 | Pre-<br>exceptional<br>2005<br>€'000 | Exceptional<br>2005<br>€'000 | Total<br>2005<br>€'000 |
|--|----|--------------------------------------|------------------------------|------------------------|--------------------------------------|------------------------------|------------------------|
| Revenue  | 1  | 1,557,305                            | -                            | 1,557,305              | 1,408,174                            | -                            | 1,408,174              |
| Cost of sales  |    | <u>(1,204,238)</u>                   | <u>-</u>                     | <u>(1,204,238)</u>     | <u>(1,110,506)</u>                   | <u>-</u>                     | <u>(1,110,506)</u>     |
| <b>Gross profit</b>  |    | <b>353,067</b>                       | <b>-</b>                     | <b>353,067</b>         | <b>297,668</b>                       | <b>-</b>                     | <b>297,668</b>         |
| Operating costs, net   | 2  | <u>(241,252)</u>                     | <u>1,347</u>                 | <u>(239,905)</u>       | <u>(199,120)</u>                     | <u>8,627</u>                 | <u>(190,493)</u>       |
| <b>Operating profit before amortisation<br/>of intangible assets</b> | 1  | <b>111,815</b>                       | <b>1,347</b>                 | <b>113,162</b>         | <b>98,548</b>                        | <b>8,627</b>                 | <b>107,175</b>         |
| Amortisation of intangible assets                                    | 13 | <u>(7,100)</u>                       | <u>-</u>                     | <u>(7,100)</u>         | <u>(4,624)</u>                       | <u>-</u>                     | <u>(4,624)</u>         |
| <b>Operating profit</b>  |    | <b>104,715</b>                       | <b>1,347</b>                 | <b>106,062</b>         | <b>93,924</b>                        | <b>8,627</b>                 | <b>102,551</b>         |
| Share of profit of associates<br>and joint venture                   | 6  | <u>25,653</u>                        | <u>-</u>                     | <u>25,653</u>          | <u>21,520</u>                        | <u>-</u>                     | <u>21,520</u>          |
| <b>Profit before financing costs</b>                                 |    | <b>130,368</b>                       | <b>1,347</b>                 | <b>131,715</b>         | <b>115,444</b>                       | <b>8,627</b>                 | <b>124,071</b>         |
| Financing income   | 3  | <u>4,964</u>                         | <u>-</u>                     | <u>4,964</u>           | <u>3,818</u>                         | <u>-</u>                     | <u>3,818</u>           |
| Financing costs  | 3  | <u>(18,893)</u>                      | <u>-</u>                     | <u>(18,893)</u>        | <u>(16,118)</u>                      | <u>-</u>                     | <u>(16,118)</u>        |
| <b>Profit before tax</b>   |    | <b>116,439</b>                       | <b>1,347</b>                 | <b>117,786</b>         | <b>103,144</b>                       | <b>8,627</b>                 | <b>111,771</b>         |
| Income tax expense   | 9  | <u>(17,800)</u>                      | <u>(857)</u>                 | <u>(18,657)</u>        | <u>(15,772)</u>                      | <u>(1,363)</u>               | <u>(17,135)</u>        |
| <b>Profit for the financial year</b>                                 |    | <b><u>98,639</u></b>                 | <b><u>490</u></b>            | <b><u>99,129</u></b>   | <b><u>87,372</u></b>                 | <b><u>7,264</u></b>          | <b><u>94,636</u></b>   |
| Attributable as follows:   |    |                                      |                              |                        |                                      |                              |                        |
| Equity shareholders  |    |                                      |                              | <b>98,798</b>          |                                      |                              | <b>94,360</b>          |
| Minority interest  | 28 |                                      |                              | <u>331</u>             |                                      |                              | <u>276</u>             |
|  |    |                                      |                              | <b><u>99,129</u></b>   |                                      |                              | <b><u>94,636</u></b>   |
| Basic earnings per share   | 11 |                                      |                              | <b>78.68c</b>          |                                      |                              | <b>75.86c</b>          |
| Diluted earnings per share   | 11 |                                      |                              | <b>77.77c</b>          |                                      |                              | <b>74.87c</b>          |

## Group statement of recognised income and expense

FOR THE YEAR ENDED 31 JULY 2006

|   | Notes | 2006<br>€'000         | 2005<br>€'000        |
|---|-------|-----------------------|----------------------|
| <b>Items of income and expense recognised directly in equity</b>                          |       |                       |                      |
| Foreign exchange translation adjustment   |       | (57)                  | (1,097)              |
| Share of associates' foreign exchange translation adjustment                              |       | 524                   | -                    |
| Actuarial gain/(loss) on Group and associate defined benefit pension schemes              |       | 4,811                 | (10,175)             |
| Deferred tax effect of actuarial (loss)/gain  |       | (469)                 | 1,063                |
| Gains relating to cash flow hedges  |       | 153                   | -                    |
| Deferred tax effect of cash flow hedges   |       | (40)                  | -                    |
| <b>Net income/(expense) recognised directly in equity</b>                                 |       | <b>4,922</b>          | <b>(10,209)</b>      |
| Profit for the financial year   |       | <u>99,129</u>         | <u>94,636</u>        |
| <b>Total recognised income and expense for the year</b>                                   |       | <u><b>104,051</b></u> | <u><b>84,427</b></u> |
| <b>Attributable as follows:</b>   |       |                       |                      |
| Equity shareholders   | 27    | 103,699               | 84,226               |
| Minority interest   | 28    | <u>352</u>            | <u>201</u>           |
| <b>Total recognised income and expense for the year</b>                                   |       | <u><b>104,051</b></u> | <u><b>84,427</b></u> |
| <b>Impact of first time adoption of financial instrument standards, IAS 32 and IAS 39</b> |       |                       |                      |
| Cash flow hedges  |       | 711                   |                      |
| Deferred tax relating to cash flow hedges   |       | (89)                  |                      |
|   |       | <u><b>622</b></u>     |                      |

## Group balance sheet

AS AT 31 JULY 2006

| ASSETS                                      | Notes | 2006<br>€'000           | 2005<br>€'000           |
|---|-------|-------------------------|-------------------------|
| <b>Non current assets</b>                   |       |                         |                         |
| Property, plant and equipment               | 12    | 308,388                 | 287,578                 |
| Goodwill and intangible assets              | 13    | 334,024                 | 336,028                 |
| Investments in associates and joint venture | 14    | 159,221                 | 116,087                 |
| Other investments                           | 15    | 203                     | 242                     |
| Deferred tax assets                         | 24    | <u>8,474</u>            | <u>15,029</u>           |
| <b>Total non current assets</b>             |       | <u>810,310</u>          | <u>754,964</u>          |
| <b>Current assets</b>                       |       |                         |                         |
| Inventory                                   | 16    | 88,539                  | 88,299                  |
| Trade and other receivables                 | 17    | 206,178                 | 173,514                 |
| Derivative financial instruments            | 22    | 1,532                   | -                       |
| Cash and cash equivalents                   | 20    | <u>74,556</u>           | <u>47,687</u>           |
| <b>Total current assets</b>                 |       | <u>370,805</u>          | <u>309,500</u>          |
| <b>TOTAL ASSETS</b>                         |       | <u><u>1,181,115</u></u> | <u><u>1,064,464</u></u> |

## Group balance sheet (continued)

AS AT 31 JULY 2006

|   | Notes | 2006<br>€'000           | 2005<br>€'000           |
|---|-------|-------------------------|-------------------------|
| <b>EQUITY</b>   |       |                         |                         |
| Called up share capital   | 26    | 37,856                  | 37,471                  |
| Share premium   | 27    | 51,899                  | 43,745                  |
| Retained earnings and other reserves                              | 27    | <u>388,071</u>          | <u>298,215</u>          |
| <b>Total equity attributable to equity shareholders of parent</b> |       | <b>477,826</b>          | <b>379,431</b>          |
| Minority interest   | 28    | <u>2,910</u>            | <u>3,924</u>            |
| <b>TOTAL EQUITY</b>   |       | <b><u>480,736</u></b>   | <b><u>383,355</u></b>   |
| <b>LIABILITIES</b>  |       |                         |                         |
| <b>Non current liabilities</b>                                    |       |                         |                         |
| Interest bearing loans and borrowings                             | 21    | 285,945                 | 237,555                 |
| Employee benefits   | 25    | 8,876                   | 36,852                  |
| Deferred government grants  | 23    | 3,006                   | 3,359                   |
| Other payables  | 18    | 345                     | 450                     |
| Deferred tax liabilities  | 24    | 49,902                  | 51,785                  |
| Provisions  | 19    | <u>30,360</u>           | <u>31,950</u>           |
| <b>Total non current liabilities</b>                              |       | <b><u>378,434</u></b>   | <b><u>361,951</u></b>   |
| <b>Current liabilities</b>  |       |                         |                         |
| Interest bearing borrowings                                       | 21    | 5,136                   | 30,001                  |
| Trade and other payables  | 18    | 299,570                 | 273,465                 |
| Corporation tax payable   |       | 13,832                  | 11,027                  |
| Derivative financial instruments                                  | 22    | 747                     | -                       |
| Provisions  | 19    | <u>2,660</u>            | <u>4,665</u>            |
| <b>Total current liabilities</b>                                  |       | <b><u>321,945</u></b>   | <b><u>319,158</u></b>   |
| <b>TOTAL LIABILITIES</b>  |       | <b><u>700,379</u></b>   | <b><u>681,109</u></b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                               |       | <b><u>1,181,115</u></b> | <b><u>1,064,464</u></b> |



## Group cash flow statement

FOR THE YEAR ENDED 31 JULY 2006

|   | Notes | 2006<br>€'000        | 2005<br>€'000        |
|---|-------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>               |       |                      |                      |
| Profit before tax   |       | 117,786              | 111,771              |
| Financing costs, net                                      |       | 13,929               | 12,300               |
| Share of profit of associates and joint venture           |       | (25,653)             | (21,520)             |
| Depreciation of property, plant and equipment             | 12    | 27,631               | 23,932               |
| Amortisation of intangible assets                         | 13    | 7,100                | 4,624                |
| Amortisation of government grants                         | 23    | (354)                | (438)                |
| Employee share-based payment charge                       | 8     | 1,550                | 867                  |
| Loss/(profit) on termination of operations                | 2     | 572                  | (8,627)              |
| (Profit)/loss on disposal of non-current assets           |       | (1,919)              | 454                  |
| Foreign exchange (gains)/losses                           |       | (684)                | 728                  |
| Special pension contribution                              | 25    | <u>(23,496)</u>      | <u>-</u>             |
| <b>Operating profit before changes in working capital</b> |       | <b>116,462</b>       | <b>124,091</b>       |
| (Increase)/decrease in inventory                          |       | (84)                 | 4,598                |
| (Increase) in trade and other receivables                 |       | (32,124)             | (26,229)             |
| Increase in trade and other payables                      |       | <u>21,189</u>        | <u>18,049</u>        |
| <b>Cash generated from operating activities</b>           |       | <b>105,443</b>       | <b>120,509</b>       |
| Interest paid   |       | (11,880)             | (12,411)             |
| Income tax paid   |       | (11,583)             | (18,771)             |
| Dividends paid to minority interests                      | 28    | <u>-</u>             | <u>(205)</u>         |
| <b>Net cash inflow from operating activities</b>          |       | <b><u>81,980</u></b> | <b><u>89,122</u></b> |

## Group cash flow statement (continued)

FOR THE YEAR ENDED 31 JULY 2006

|  | 2006                    | 2005                 |
|--|-------------------------|----------------------|
|  | Notes                   |                      |
|  | €'000                   | €'000                |
| <b>Cash flows from investing activities</b>                      |                         |                      |
| Proceeds from sale of property, plant and equipment              | 4,448                   | 2,451                |
| Purchase of property, plant and equipment                        |                         |                      |
| - Ongoing  | (7,910)                 | (7,363)              |
| - New investments  | (67,947)                | (43,931)             |
| Acquisition of subsidiaries and businesses, net of cash acquired | (2,644)                 | (94,141)             |
| Disposal of subsidiaries and businesses                          | -                       | 14,743               |
| Disposal of other investments                                    | 655                     | -                    |
| Dividends received   | 19,118                  | 16,223               |
| Purchase of minority interest                                    | (1,366)                 | -                    |
| Investments in associates and joint venture                      | (35,061)                | (3,304)              |
| Deferred consideration and acquisition costs paid                | (3,988)                 | (6,788)              |
| Other  | (480)                   | 33                   |
| <b>Net cash flow from investing activities</b>                   | <u>(95,175)</u>         | <u>(122,077)</u>     |
| <b>Cash flows from financing activities</b>                      |                         |                      |
| Proceeds from issue of share capital                             | 8,539                   | 6,121                |
| Drawdown of loan capital   | 67,144                  | 46,409               |
| Capital element of finance lease liabilities                     | (20,453)                | (565)                |
| Equity dividends paid  | (16,036)                | (14,052)             |
| <b>Net cash flow from financing activities</b>                   | <u>39,194</u>           | <u>37,913</u>        |
| <b>Net increase in cash and cash equivalents</b>                 | 25,999                  | 4,958                |
| Translation adjustment   | 380                     | (155)                |
| Cash and cash equivalents at start of year                       | <u>43,419</u>           | <u>38,616</u>        |
| <b>Cash and cash equivalents at end of year</b>                  | 20 <u><u>69,798</u></u> | <u><u>43,419</u></u> |

## Group statement of accounting policies

FOR THE YEAR ENDED 31 JULY 2006

IAWS Group, plc (the "Company") is a company domiciled and incorporated in Ireland. The Group's financial statements for the year ended 31 July 2006 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as "the Group") and show the Group's interest in associates and joint venture using the equity method of accounting.

The individual and Group financial statements of the Company were authorised for issue by the directors on 25 September 2006.

### Statement of compliance

As required by European Union (EU) law, from 1 August 2005 the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

These are the Group's first financial statements prepared in accordance with IFRS as adopted by the EU and IFRS 1, *First-time Adoption of International Financial Reporting Standards* has been applied.

The IFRSs adopted by the EU as applied by the Group in the preparation of these financial statements are those that were effective at 31 July 2006 together with the early adoption of the Amendment to IAS 19, *Actuarial Gains and Losses, Group Plans and Disclosures*.

The following provides a brief outline of the likely impact on future financial statements of relevant IFRSs adopted by the EU which are not yet effective and have not been early adopted in these financial statements. The directors have formed the opinion that the adoption of these pronouncements will not have a significant effect on the Group financial statements.

- Amendment to IAS 1, *Capital disclosures*.
- Amendment to IAS 21, *The Effects of Changes in Foreign Exchange Rates – Net investment in Foreign Operations*.
- Amendment to IAS 39, *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*.
- Amendment to IAS 39, *The Fair Value Option*.
- Amendments to IAS 39 and IFRS 4, *Financial Guarantee Contracts*.
- IFRS 7, *Financial Instruments: Disclosure*.
- IFRIC 4, *Determining Whether an Arrangement Contains a Lease*.

### First time adoption of IFRSs

The Group is required to determine its IFRS accounting policies and apply them retrospectively to establish the opening balance sheet under IFRS at its date of transition.

The date of transition to IFRSs for the Group is 1 August 2004. The transitional impact of the recognition and measurement of IFRS was disclosed in the restatement of 2005 financial information under IFRS, published in November 2005. Where estimates had been made under Irish GAAP, consistent estimates (after adjustments to reflect any difference in accounting policies) have been made on transition to IFRS. Judgements affecting the balance sheet of the Group have not been revisited with the benefit of hindsight.

The Group has taken advantage of the following exemptions as permitted by IFRS 1, *First-time Adoption of International Financial Reporting Standards*.

#### *Business combinations*

The Group has elected not to apply the provisions of IFRS 3, *Business Combinations*, retrospectively to business combinations before 1 August 2004. Accordingly, no adjustments have been made for historical business combinations and accumulated amortisation on goodwill arising before 1 August 2004 has not been reversed. The net carrying value of goodwill under Irish GAAP has been designated as the deemed cost of goodwill under IFRS.

#### *Cumulative translation differences*

Cumulative translation differences of foreign operations are deemed to be zero at the date of transition.

#### *Financial instruments*

The Group has availed of the exemption not to restate comparative amounts for 2005 for the impacts of IAS 32, *Financial Instruments: Disclosure and Presentation*, and IAS 39, *Financial Instruments: Recognition and Measurement*. These are treated as changes in accounting policies and shown as opening adjustments on 1 August 2005 and in the statement of recognised income and expense.

#### *Share based payment*

The provisions of IFRS 2, *Share Based Payment*, in respect of share-based payment plans have not been applied to options and awards granted on or before 7 November 2002 which had not vested by 1 January 2005.

## Group statement of accounting policies (continued)

FOR THE YEAR ENDED 31 JULY 2006

### *Share based payment (continued)*

The accounting policies applied in the preparation of the financial statements for the year ended 31 July 2006 are set out below. These have been applied consistently with the exception of those accounting policies pertaining to IAS 32 and IAS 39 on financial instruments which in accordance with the transitional provisions of IFRS 1 were not applied in the restatement of the 2005 comparatives presented in these financial statements. Accounting policies affected by IAS 32 and IAS 39 are highlighted and details of the policies applied in the 2005 Group financial statements are also set out below.

### **Basis of preparation**

The Group financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: equity investments, derivative financial instruments, pension obligations and share based payments. The financial statements are presented in euro, rounded to the nearest thousand, which is the functional currency of the parent and the majority of the Group's operations.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group financial statements, relate primarily to accounting for defined benefit pension schemes, financial instruments, share-based payments, provisions, intangible assets, goodwill impairment and deferred tax.

### **Basis of consolidation**

The Group financial statements reflect the consolidation of the

results, assets and liabilities of the parent undertaking and all of its subsidiaries, together with the Group's share of profits/losses of its associates and joint venture. Where a subsidiary, associate or joint venture is acquired or disposed of during the financial year, the Group financial statements include the attributable results from or to the effective date when control passes.

### *Subsidiary undertakings*

Subsidiary undertakings are those entities over which the Group has the power to control the operating and financial policies so as to obtain economic benefit from their activities. The amounts included in these financial statements in respect of the subsidiaries are taken from their latest financial statements prepared up to the year end. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

### *Associates and joint venture*

Associates are those entities in which the Group has a significant influence over, but not control of, the financial and operating policies. Investments in associates are accounted for using the equity method of accounting. Joint ventures are those entities over whose operating and financial policies the Group exercises control jointly, under a contractual agreement, with one or more parties. Investments in joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, the Group's share of the post-acquisition profits or losses of its associates and joint venture is recognised in the income statement. The income statement reflects, in profit before tax, the Group's share of profit after tax of its associates and joint venture in accordance with IAS 28, *Investments in Associates*, and IAS 31, *Interests in Joint Ventures*. The Group's interest in their net assets is included as investments in associates and joint venture in the Group balance sheet at an amount representing the Group's share of the fair value of the identifiable net assets at acquisition plus the Group's share of post acquisition retained income and expenses. The Group's investment in associates and joint venture includes goodwill on acquisition. The amounts included in these financial statements in respect of the post acquisition income and expenses of associates and joint venture are taken from their latest financial statements prepared up to their respective year ends together with management accounts for the intervening periods to the Group's year end. Where necessary, the accounting policies of associates and joint venture have been changed to ensure consistency with the policies adopted by the Group.

## Group statement of accounting policies (continued)

FOR THE YEAR ENDED 31 JULY 2006

### Basis of consolidation (continued)

#### *Transactions eliminated on consolidation*

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the Group financial statements. Unrealised gains and income and expenses arising from transactions with associates and joint venture are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that they do not provide evidence of impairment.

### Revenue

Revenue represents the fair value of the sale of goods and services supplied to third parties, after deducting discounts and exclusive of value added tax. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

### Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and returns different from those of other segments.

The Group's primary format for segmental reporting is business segments and the secondary format is geographical segments. The risks and returns of the Group's operations are primarily determined by the different products that the Group sells rather than the geographical location of the Group's operations.

The Group has three business segments: Agriculture, Food Europe, and Food North America. The Group's geographical segments are Europe and North America. Segment assets and liabilities consist of property, plant and equipment, goodwill and intangible assets and other assets and liabilities that can be reasonably allocated to the reported segment. Unallocated assets and liabilities principally include current and deferred income tax balances together with financial assets and liabilities.

### Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and

understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

### Employee benefits

#### *Pension obligations*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as they fall due. The Group's net obligation in respect of defined benefit pension plans is calculated, separately for each plan, by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses are recognised in the statement of recognised income and expense. Current and past service costs, interest on scheme liabilities and expected return on assets are recognised in the income statement.

#### *Equity settled compensation*

The fair value of options granted under the Group's equity settled share option scheme is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an approved binomial model, taking into account the terms and conditions under which the options were granted. The scheme is subject to a non-market vesting condition and, therefore, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

## Group statement of accounting policies (continued)

FOR THE YEAR ENDED 31 JULY 2006

### *Long term incentive plan*

The Group operates an incentive and retention plan for executives. The plan operates on an individual basis by providing contingent entitlement to a lump sum award referable to reckonable salary. Awards are applied through the purchase of shares in the Group to be held by a trustee for the benefit of individual participants for a 3 to 5 year period. The costs associated with the plan are written off to the income statement on a straight-line basis over the relevant period.

### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws that have been enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is provided for any differences that exist between the tax base and the carrying value of intangible assets arising from business combinations but is not provided on non-tax deductible goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. If the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss, it is not recognised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint venture, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recovered. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **Foreign currency**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to euro at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to euro at the actual rates when the transactions occurred. Foreign exchange differences arising on translation of the net assets of a foreign operation are recognised directly in equity, in a translation reserve.

Exchange gains or losses on long term intra-group loans and on foreign currency borrowings, used to finance or provide a hedge against Group equity investments in non-euro denominated operations, are taken to the translation reserve to the extent that they are neither planned nor expected to be repaid in the foreseeable future or are expected to provide an effective hedge of the net investment. Any differences that have arisen since 1 August 2004, the date of transition to IFRS, are recognised in the currency translation reserve and are recycled through the income statement on the repayment of the intra-group loan or on disposal of the related business.

### **Dividends**

Dividends are recognised in the period in which they are approved by the Company's shareholders, or in the case of an interim dividend, when it has been approved by the Board of Directors and paid.

### **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure including repairs and maintenance costs is recognised in the income statement as an expense as incurred.

## Group statement of accounting policies (continued)

FOR THE YEAR ENDED 31 JULY 2006

### Property, plant and equipment (continued)

Depreciation is calculated to write off the cost less estimated residual value of property, plant and equipment, other than freehold land, on a straight line basis, by reference to the following estimated useful lives:

|                   |                |
|-------------------|----------------|
| Buildings         | 25 to 50 years |
| Plant & machinery | 3 to 15 years  |
| Motor vehicles    | 3 to 7.5 years |

The residual value of assets, if significant, and the useful life of assets is reassessed annually.

Gains and losses on disposals of property, plant and equipment are recognised on the ultimate completion of sale. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are included in operating profit.

### Leased assets

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing loans and borrowings. The interest element of the payments is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under the finance lease is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the lease term.

### Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and the joint venture. In respect of acquisitions that have occurred since 1 August 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets

acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, i.e. original cost less accumulated amortisation from the date of acquisition up to 31 July 2004, which represents the amount recorded under Irish GAAP. Goodwill is now stated at cost or deemed cost less any accumulated impairment losses. In respect of associates and the joint venture, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill which arose on acquisitions prior to 1 August 1998 was eliminated against reserves on acquisition as a matter of accounting policy. In preparing the Group's IFRS balance sheet at 1 August 2004 this goodwill is considered to have been permanently offset against retained earnings and, on any subsequent disposal, will not form part of the gain or loss on the disposal of the business.

### Intangible assets

Intangible assets acquired as part of a business combination are valued at their fair value at the date of acquisition. These generally include brand and customer related intangible assets.

Where intangible assets are separately acquired they are capitalised at cost. Intangible assets are amortised over the period of their expected useful lives in equal annual instalments. The expected useful lives of intangible assets ranges from 12 to 20 years.

Computer software that is not an integral part of an item of computer hardware is also classified as an intangible asset. These intangible assets are stated at cost less accumulated amortisation and impairment losses. Cost comprises purchase price and other directly attributable costs. The expected useful life of computer software is 5 years.

### Impairment

The carrying amounts of the Group's assets, other than inventories (which are carried at the lower of cost and net realisable value), deferred tax assets (which are recognised based on recoverability), and those financial instruments, which are carried at fair value, are reviewed to determine whether there is an indication of impairment when an event or transaction indicates that there may be, except for goodwill and long life intangibles which are reviewed annually. If any such indication exists, an impairment test is carried out and the asset is written down to its recoverable amount.

## Group statement of accounting policies (continued)

FOR THE YEAR ENDED 31 JULY 2006

### Impairment (continued)

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis. An impairment loss, other than in the case of goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### Other investments

Other investments are initially recognised at the fair value of the consideration given inclusive of any acquisition charges arising.

### Inventory

Inventory is stated at the lower of cost on a first in, first out basis and net realisable value. Cost includes all expenditure, which has been incurred in the normal course of business in bringing the products to their present location and condition. Net realisable value is the estimated selling price of inventory on hand less all further costs to completion and all costs expected to be incurred in marketing, distribution and selling.

### Trade and other receivables and payables

Trade and other receivables and payables are stated at cost, which approximates fair value given the short-dated nature of these assets and liabilities.

Trade receivables are carried at original invoice amount less an allowance for potentially uncollectible debts. Provision is made when there is objective evidence that the Group may not be in a position to collect the associated debts.

### Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's

cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### Financial assets and liabilities

Set out below are the major methods and assumptions used in estimating the fair values of financial assets and liabilities.

#### *Equity investments*

When market values are available, fair value is determined by reference to the bid market price for such investments without any deduction for transaction costs. When market values are not available, the fair values have been determined based on expected future cash flows at current interest rates and exchange rates.

#### *Short term bank deposits and cash and cash equivalents*

For short term bank deposits and cash and cash equivalents with a remaining maturity of less than one year, the nominal amount is considered to approximate fair value.

#### *Trade and other receivables/payables*

For receivables and payables with a remaining life of less than one year or demand balances, the nominal amount is considered to approximate fair value. All other receivables and payables are discounted to determine their fair value.

#### *Derivatives*

Forward currency contracts and interest rate swaps are marked to market using quoted market values.

#### *Interest bearing loans and borrowings*

For interest bearing loans and borrowings with a contractual repricing date of less than one year, the nominal amount is considered to approximate fair value. For loans with a repricing date of greater than one year, the fair value is calculated based on the expected future principal and interest cash flows, discounted at appropriate current market interest rates.

#### *Finance lease liabilities*

Fair value is based on the present value of future cash flows discounted at appropriate current market rates.

### Derivative financial instruments

– for the year ended 31 July 2006

All derivatives are initially recorded at fair value on the date the contract is entered into and subsequently, at reporting dates remeasured to their fair value. The gain or loss arising on



## Group statement of accounting policies (continued)

FOR THE YEAR ENDED 31 JULY 2006

### Derivative financial instruments – for the year ended 31 July 2006 (continued)

remeasurement is recognised in the income statement except where the instrument is a designated hedging instrument. Derivative financial instruments are used to manage the Group's exposure to foreign currency risk, interest rate risk and commodity price risk through the use of forward currency contracts, interest rate swaps and futures contracts. These derivatives are generally designated as cash flow hedges in accordance with IAS 39. The Group does not enter into speculative derivative transactions.

#### Cash flow hedges

Subject to the satisfaction of certain criteria, relating to the documentation of the risk, objectives and strategy for the hedging transaction and the ongoing measurement of its effectiveness, cash flow hedges are accounted for under hedge accounting rules. In such cases, any unrealised gain or loss arising on the effective portion of the derivative instrument is recognised in the cash flow hedging reserve, a separate component of equity. Unrealised gains or losses on any ineffective portion of the derivative are recognised in the income statement. When the hedged transaction occurs the related gains or losses in the hedging reserve are transferred to the income statement.

### Derivative financial instruments – for the year ended 31 July 2005

The Group enters into transactions in the normal course of business using a variety of financial instruments, including spot and forward exchange contracts and interest rate swap agreements, in order to reduce exposure to foreign exchange risk and interest rate fluctuations.

The Group does not hold or issue derivative financial instruments for speculative purposes.

#### Forward foreign currency contracts

The criteria for forward foreign currency contracts are:

- the instrument must be related to a foreign currency transaction that is probable and whose characteristics have been identified;
- it must involve the same currency or similar currencies as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the Group's operations.

The rates under such contracts are used to record the hedged transaction. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets or liabilities or, where the instrument is used to hedge a committed or probable future transaction, it is deferred until the transaction occurs.

#### Interest rate swaps

The Group's criteria for interest rate swaps are:

- the instrument must be related to an asset or liability; and
- it must change the nature of the interest rate by converting a variable rate to a fixed rate.

Interest differentials under these swaps are recognised by adjusting net interest payable over the period of the contract.

#### Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost.

#### Government grants

Grants that compensate the Group for the cost of an asset are shown as deferred income and amortised in the Group income statement by instalments on a basis consistent with the depreciation policy of the relevant assets.

Other grants are credited to the income statement to offset the matching expenditure.

#### Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

# Notes to the Group financial statements

FOR THE YEAR ENDED 31 JULY 2006

## 1 Segment information

(a) Analysis by business segment

| (i) Segment revenue and result                            | FOOD           |                | FOOD           |                |                |                | TOTAL           |                 |                  |                  |
|---|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|------------------|------------------|
|   | EUROPE         |                | NORTH AMERICA  |                | AGRI           |                | ELIMINATIONS *  |                 | GROUP            |                  |
|   | 2006           | 2005           | 2006           | 2005           | 2006           | 2005           | 2006            | 2005            | 2006             | 2005             |
|   | €'000          | €'000          | €'000          | €'000          | €'000          | €'000          | €'000           | €'000           | €'000            | €'000            |
| Segment revenue   | <u>836,278</u> | <u>739,350</u> | <u>191,972</u> | <u>152,707</u> | <u>581,955</u> | <u>563,004</u> | <u>(52,900)</u> | <u>(46,887)</u> | <u>1,557,305</u> | <u>1,408,174</u> |
| Operating profit before exceptional items                 | 71,190         | 63,052         | 16,631         | 12,734         | 23,994         | 22,762         | -               | -               | 111,815          | 98,548           |
| Exceptional items   | -              | -              | (228)          | -              | 1,575          | 8,627          | -               | -               | 1,347            | 8,627            |
| Operating profit before amortisation of intangible assets | 71,190         | 63,052         | 16,403         | 12,734         | 25,569         | 31,389         | -               | -               | 113,162          | 107,175          |
| Amortisation of intangible assets                         | (6,612)        | (4,429)        | (264)          | (27)           | (224)          | (168)          | -               | -               | (7,100)          | (4,624)          |
| Operating profit  | 64,578         | 58,623         | 16,139         | 12,707         | 25,345         | 31,221         | -               | -               | 106,062          | 102,551          |
| Share of profit of associates and joint venture           | 9,155          | 6,800          | 14,793         | 12,598         | 1,705          | 2,122          | -               | -               | 25,653           | 21,520           |
| Profit before financing costs                             | <u>73,733</u>  | <u>65,423</u>  | <u>30,932</u>  | <u>25,305</u>  | <u>27,050</u>  | <u>33,343</u>  | -               | -               | <u>131,715</u>   | <u>124,071</u>   |

\* The eliminations detailed above consist of the joint venture revenues within the Food North America business.

## Notes (continued)

## 1 Segment information (continued)

## (a) Analysis by business segment (continued)

|   | FOOD           |                | FOOD           |                | AGRI           |                | TOTAL            |                  |
|---|----------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|
|   | EUROPE         |                | NORTH AMERICA  |                |                |                | GROUP            |                  |
|   | 2006           | 2005           | 2006           | 2005           | 2006           | 2005           | 2006             | 2005             |
|   | €'000          | €'000          | €'000          | €'000          | €'000          | €'000          | €'000            | €'000            |
| <b>(ii) Segment assets</b>  |                |                |                |                |                |                |                  |                  |
| Segment assets excluding investments in associates and joint venture          | 567,000        | 552,341        | 170,678        | 159,419        | 199,451        | 173,659        | 937,129          | 885,419          |
| Investments in associates and joint venture                                   | 85,463         | 40,463         | 65,577         | 65,753         | 8,181          | 9,871          | 159,221          | 116,087          |
| <b>Segment assets</b>   | <b>652,463</b> | <b>592,804</b> | <b>236,255</b> | <b>225,172</b> | <b>207,632</b> | <b>183,530</b> | <b>1,096,350</b> | <b>1,001,506</b> |
| <b>Reconciliation to total assets as reported in Group balance sheet</b>      |                |                |                |                |                |                |                  |                  |
| Listed investments  |                |                |                |                |                |                | 203              | 242              |
| Derivative financial instruments  |                |                |                |                |                |                | 1,532            | -                |
| Cash and cash equivalents   |                |                |                |                |                |                | 74,556           | 47,687           |
| Income tax and deferred tax assets  |                |                |                |                |                |                | 8,474            | 15,029           |
| <b>Total assets as reported in Group balance sheet</b>                        |                |                |                |                |                |                | <b>1,181,115</b> | <b>1,064,464</b> |
| <b>(iii) Segment liabilities</b>  |                |                |                |                |                |                |                  |                  |
| Segment liabilities   | 208,455        | 215,083        | 23,565         | 23,421         | 112,797        | 112,237        | 344,817          | 350,741          |
| <b>Reconciliation to total liabilities as reported in Group balance sheet</b> |                |                |                |                |                |                |                  |                  |
| Interest bearing loans and liabilities  |                |                |                |                |                |                | 291,081          | 267,556          |
| Derivative financial instruments  |                |                |                |                |                |                | 747              | -                |
| Income tax and deferred tax liabilities                                       |                |                |                |                |                |                | 63,734           | 62,812           |
| <b>Total liabilities as reported in the Group balance sheet</b>               |                |                |                |                |                |                | <b>700,379</b>   | <b>681,109</b>   |
| <b>(iv) Other segment information</b>   |                |                |                |                |                |                |                  |                  |
| Depreciation  | 15,846         | 12,537         | 5,532          | 4,812          | 6,253          | 6,583          | 27,631           | 23,932           |
| Capital expenditure – property, plant and equipment                           | 18,041         | 45,924         | 27,006         | 17,306         | 8,545          | 8,225          | 53,592           | 71,455           |
| Capital expenditure – computer related intangibles                            | 4,586          | 3,145          | -              | 281            | 108            | 415            | 4,694            | 3,841            |
| Capital expenditure – brand related intangibles                               | -              | -              | -              | -              | 782            | -              | 782              | -                |
| <b>Total capital expenditure</b>  | <b>22,627</b>  | <b>49,069</b>  | <b>27,006</b>  | <b>17,587</b>  | <b>9,435</b>   | <b>8,640</b>   | <b>59,068</b>    | <b>75,296</b>    |

## Notes (continued)

### 1 Segment information (continued)

(b) Analysis by geographical segment

|                     | EUROPE        |               | NORTH AMERICA |               | TOTAL GROUP   |               |
|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                     | 2006<br>€'000 | 2005<br>€'000 | 2006<br>€'000 | 2005<br>€'000 | 2006<br>€'000 | 2005<br>€'000 |
| Segment revenue     | 1,418,233     | 1,302,354     | 139,072       | 105,820       | 1,557,305     | 1,408,174     |
| Segment assets      | 860,095       | 776,334       | 236,255       | 225,172       | 1,096,350     | 1,001,506     |
| Capital expenditure | 32,062        | 57,709        | 27,006        | 17,587        | 59,068        | 75,296        |

### 2 Operating costs

|                         | 2006<br>€'000  | 2005<br>€'000  |
|-------------------------|----------------|----------------|
| Distribution expenses   | 152,029        | 117,132        |
| Administration expenses | 89,808         | 82,694         |
| Other operating income  | (585)          | (706)          |
| Exceptional items       | <u>(1,347)</u> | <u>(8,627)</u> |
|                         | <u>239,905</u> | <u>190,493</u> |

Other operating income and exceptional items comprise the following credits/(charges):

*Other operating income:*

|   |            |            |
|---|------------|------------|
| Capital grants released to income statement | 354        | 438        |
| Other                                       | <u>231</u> | <u>268</u> |
|   | <u>585</u> | <u>706</u> |

*Exceptional items:*

|   |              |              |
|---|--------------|--------------|
| Profit on disposal of operations (i)                      | -            | 10,001       |
| Loss on termination of operations (ii)                    | (572)        | (1,374)      |
| Profit on disposal of property, plant and equipment (iii) | 1,304        | -            |
| Profit on disposal of other investments (iv)              | <u>615</u>   | <u>-</u>     |
|   | <u>1,347</u> | <u>8,627</u> |

## Notes (continued)

### 2 Operating costs (continued)

#### (i) Profit on disposal of operations

In 2005, the profit on disposal of operations represented the profit on the early termination of an agreement with Irish Agricultural Wholesale Society Limited in respect of the disposal of two businesses in the Agri business.

#### (ii) Loss on termination of operations

In 2006, the loss on termination of operations consists primarily of the loss on the disposal of Premier Petfoods Limited, an Irish based company engaged in the distribution of pet foods.

In 2005, the loss on termination of operations represented the costs of closing two operations within the Agri business.

#### (iii) Profit on disposal of property, plant and equipment

In 2006, the profit on disposal of property, plant and equipment relates to gains arising on the sale of properties. One of the Group's Agri businesses disposed of property located in Co. Waterford and the Food North America business disposed of a property located in Chicago.

#### (iv) Profit on disposal of other investments

The profit on disposal of other investments relates to the sale of investments.

| <b>3 Financing costs</b>   | <b>2006</b>          | <b>2005</b>          |
|--|----------------------|----------------------|
|  | <b>€'000</b>         | <b>€'000</b>         |
| <i>Financing income</i>  |                      |                      |
| Interest income  | (387)                | (117)                |
| Defined benefit pension obligations: expected return on scheme assets    | <u>(4,577)</u>       | <u>(3,701)</u>       |
| Total financing (income)   | <u>(4,964)</u>       | <u>(3,818)</u>       |
| <i>Financing costs</i>   |                      |                      |
| Interest payable on bank loans and overdrafts                            | 13,407               | 11,143               |
| Interest payable under finance leases                                    | 460                  | 158                  |
| Defined benefit pension obligations: interest cost on scheme liabilities | 4,282                | 4,150                |
| Financing charge on deferred consideration                               | <u>744</u>           | <u>667</u>           |
| Total financing costs  | <u>18,893</u>        | <u>16,118</u>        |
| Financing costs, net   | <u><u>13,929</u></u> | <u><u>12,300</u></u> |

## Notes (continued)

### 4 Statutory and other information

|   |        |        |
|---|--------|--------|
| Group operating profit was arrived at after charging/(crediting) the following amounts: | 2006   | 2005   |
|   | €'000  | €'000  |
| Depreciation of property, plant and equipment   |        |        |
| - owned assets  | 27,072 | 23,452 |
| - leased assets   | 559    | 480    |
| Amortisation of intangible assets   | 7,100  | 4,624  |
| Amortisation of government grants   | (354)  | (438)  |
| Operating lease rentals   |        |        |
| - plant and machinery   | 1,526  | 776    |
| - other   | 12,849 | 11,627 |
| Research and development expenditure  | 5,900  | 4,783  |
| Auditor's remuneration for audit services   | 974    | 855    |
| Auditor's remuneration for non-audit services   | 1,197  | 360    |

### 5 Directors' emoluments and interests

Directors' emoluments and interests are given in the Report on directors' remuneration on pages 39 to 43 inclusive in this Annual Report.

## Notes (continued)

## 6 Group share of associates and joint venture profit after tax

|                  | Associates     |                | Joint Venture |               |
|------------------|----------------|----------------|---------------|---------------|
|                  | 2006           | 2005           | 2006          | 2005          |
|                  | €'000          | €'000          | €'000         | €'000         |
| Group share of:  |                |                |               |               |
| Revenue          | <u>203,030</u> | <u>183,395</u> | <u>52,900</u> | <u>46,887</u> |
| Profit after tax | <u>10,860</u>  | <u>8,922</u>   | <u>14,793</u> | <u>12,598</u> |

## 7 Employment

| The average number of persons employed by the Group during the year was as follows: | 2006         | 2005         |
|---|--------------|--------------|
| Sales and distribution  | 1,702        | 1,557        |
| Production  | 1,504        | 1,443        |
| Management and administration   | <u>588</u>   | <u>515</u>   |
|   | <u>3,794</u> | <u>3,515</u> |

| Aggregate employment costs of the Group are analysed as follows:       | 2006           | 2005           |
|--|----------------|----------------|
|  | €' 000         | €'000          |
| Wages and salaries   | 133,252        | 116,515        |
| Social welfare costs   | 21,783         | 18,452         |
| Pension costs  |                |                |
| - defined benefit schemes – statement of recognised income and expense | (4,811)        | 7,454          |
| - defined benefit schemes – income statement                           | 1,796          | 2,021          |
| - defined contribution schemes   | 2,228          | 946            |
| Share based payment  | <u>1,550</u>   | <u>867</u>     |
|  | <u>155,798</u> | <u>146,255</u> |

## Notes (continued)

### 8 Share based payments

The Group grants share options under one share option plan, the "1997 Share Option Scheme". Options granted under the scheme are exercisable only when certain earnings per share growth targets are met over a specified 3 or 5 year period.

The Group's employee share options are equity-settled share-based payments as defined in IFRS 2, *Share-based Payment*. The IFRS requires that a recognised valuation methodology be employed to determine the fair value of share options granted and stipulates that this methodology should be consistent with methodologies used for the pricing of financial instruments. The expense reported in the Group income statement of €1,550,000 (2005: €867,000) has been arrived at through applying a recognised binomial valuation model.

The general terms and conditions applicable to the share options granted by IAWS Group, plc under the 1997 share option scheme are addressed in the Report on directors' remuneration on page 39 and in this note.

#### Impact on income statement

In line with the transitional provisions applicable to a first-time adopter of International Financial Reporting Standards, as contained in IFRS 1 and IFRS 2, the Group has elected to implement the measurement requirements of IFRS 2, in respect of share options that were granted after 7 November 2002 that had not vested as at the effective date of the standard (1 August 2005). As a result of these provisions, the expense disclosed in the Group income statement relates to options granted in November 2003 and subsequent years.

|                    |              |            |
|--------------------|--------------|------------|
|                    | 2006         | 2005       |
|                    | €'000        | €'000      |
| Granted in FY 2004 | 867          | 867        |
| Granted in FY 2005 | -            | -          |
| Granted in FY 2006 | <u>683</u>   | -          |
|                    | <u>1,550</u> | <u>867</u> |

#### Details of options granted under the share option scheme

|  | 2006                      |                        | 2005                      |                        |
|--|---------------------------|------------------------|---------------------------|------------------------|
|  | Weighted exercise price € | 2006 Number of options | Weighted exercise price € | 2005 Number of options |
| Options outstanding at beginning of year | 7.40                      | 4,314,000              | 7.19                      | 5,299,500              |
| Granted during the year (a)              | 14.16                     | 2,692,500              | -                         | -                      |
| Lapsed during the year                   | 7.96                      | (136,000)              | 7.73                      | (6,000)                |
| Exercised during the year                | 6.67                      | <u>(1,283,000)</u>     | 6.25                      | <u>(979,500)</u>       |
| Options outstanding at end of year       | 10.82                     | 5,587,500              | 7.40                      | 4,314,000              |
| Exercisable at end of year               | 6.93                      | <u>1,874,500</u>       | 5.43                      | <u>1,334,500</u>       |

The weighted average share price on the date options were exercised during the year was €12.97.

(a) Pursuant to the share option scheme, employees were granted options over a total of 2,692,500 (2005: Nil) of the Company's ordinary shares on 21 April 2006 and 19 October 2005. These grants comprised options over 1,320,000 (2005: Nil) shares and 1,372,500 (2005: Nil) shares which may be exercised after the expiration of three and five years respectively from the dates of grant of those options subject to specified EPS growth targets being achieved. All options granted have a life of ten years.



## Notes (continued)

## 8 Share based payments (continued)

|   | Exercise price | Actual                 |                             | Number of options 2005 | Actual remaining life (years) 2005 |
|---|----------------|------------------------|-----------------------------|------------------------|------------------------------------|
|   |                | Number of options 2006 | remaining life (years) 2006 |                        |                                    |
| <i>Analysis of closing balance – outstanding at the end of the year</i> |                |                        |                             |                        |                                    |
| Options by exercise price   | €1.60          | -                      | -                           | 15,000                 | 0.38                               |
|   | €2.92          | 70,000                 | 0.75                        | 110,000                | 1.75                               |
|   | €3.20          | 85,000                 | 1.26                        | 120,000                | 2.26                               |
|   | €2.10          | 106,500                | 2.18                        | 164,000                | 3.18                               |
|   | €4.70          | 5,000                  | 3.24                        | 15,500                 | 4.24                               |
|   | €6.70          | 440,000                | 3.72                        | 905,000                | 4.72                               |
|   | €7.50          | 277,000                | 4.25                        | 747,000                | 5.25                               |
|   | €7.60          | -                      | 4.64                        | 230,000                | 5.64                               |
|   | €7.40          | 100,000                | 4.66                        | 100,000                | 5.66                               |
|   | €7.95          | 627,000                | 5.25                        | 685,000                | 6.25                               |
|   | €9.20          | 164,000                | 5.71                        | 180,000                | 6.71                               |
|   | €9.15          | 1,020,500              | 7.26                        | 1,042,500              | 8.26                               |
|   | €11.65         | 195,000                | 9.22                        | -                      | -                                  |
|   | €14.36         | <u>2,497,500</u>       | 9.72                        | -                      | -                                  |
| Total outstanding as at 31 July   |                | <u>5,587,500</u>       |                             | <u>4,314,000</u>       |                                    |

|   | Exercise price | Actual                 |                             | Number of options 2005 | Actual remaining life (years) 2005 |
|---|----------------|------------------------|-----------------------------|------------------------|------------------------------------|
|   |                | Number of options 2006 | remaining life (years) 2006 |                        |                                    |
| <i>Analysis of closing balance – exercisable at end of year</i> |                |                        |                             |                        |                                    |
| Options by exercise price                                       | €1.60          | -                      | -                           | 15,000                 | -                                  |
|   | €2.92          | 70,000                 | 0.75                        | 110,000                | 1.75                               |
|   | €3.20          | 85,000                 | 1.26                        | 120,000                | 2.26                               |
|   | €2.10          | 106,500                | 2.18                        | 164,000                | 3.18                               |
|   | €4.70          | 5,000                  | 3.24                        | 15,500                 | 4.24                               |
|   | €6.70          | 440,000                | 3.72                        | 905,000                | 4.72                               |
|   | €7.50          | 277,000                | 4.25                        | -                      | 5.25                               |
|   | €7.60          | -                      | 4.64                        | -                      | 5.64                               |
|   | €7.40          | 100,000                | 4.66                        | -                      | 5.66                               |
|   | €7.95          | 627,000                | 5.25                        | 5,000                  | 6.25                               |
|   | €9.20          | <u>164,000</u>         | 5.71                        | -                      | -                                  |
| Total exercisable as at 31 July                                 |                | <u>1,874,500</u>       |                             | <u>1,334,500</u>       |                                    |

The weighted average fair values assigned to options granted under the share option scheme, which were computed in accordance with a binomial valuation methodology, were as follows:

|                    | 3 year | 5 year |
|--------------------|--------|--------|
|                    | €      | €      |
| Granted in FY 2004 | 2.49   | -      |
| Granted in FY 2005 | -      | -      |
| Granted in FY 2006 | 2.66   | 3.69   |

## Notes (continued)

### 8 Share based payments (continued)

The fair values of options granted under the share option scheme were determined using the following assumptions:

|   | FY 2006 |        | FY 2005 |        | FY 2004 |        |
|---|---------|--------|---------|--------|---------|--------|
|   | 3 Year  | 5 Year | 3 Year  | 5 Year | 3 Year  | 5 Year |
| Weighted average exercise price (€)                   | 13.96   | 14.36  | -       | -      | 9.15    | -      |
| Risk-free interest rate (%)                           | 3.58    | 3.82   | -       | -      | 2.00    | -      |
| Expected dividend payments over the expected life (%) | 1.00    | 1.00   | -       | -      | 1.00    | -      |
| Expected volatility (%)                               | 17.44   | 20.80  | -       | -      | 27.00   | -      |
| Expected life in years                                | 5       | 7      | -       | -      | 7       | -      |

The expected volatility was determined using the IAWS Group, plc month-end share prices in respect of the three year period preceding the grant of the share options. Share options are granted at market value at the date of grant. The expected life of the options is the average period from the date of grant to the date of exercise.

Other than the assumptions listed above, no other features of option grants were factored into the determination of fair value.

There were no modifications effected to the share option scheme during the course of 2006 and 2005.

| 9 Income tax   | 2006                 | 2005                 |
|--|----------------------|----------------------|
|  | €'000                | €'000                |
| <i>Current tax:</i>  |                      |                      |
| <i>Republic of Ireland:</i>                                    |                      |                      |
| Corporation tax on profits for the year at 12.5% (2005: 12.5%) | 5,848                | 8,200                |
| Less: manufacturing relief                                     | (617)                | (562)                |
| Adjustments in respect of prior years                          | 112                  | 140                  |
| Double taxation relief   | <u>(149)</u>         | <u>(855)</u>         |
|  | <u>5,194</u>         | <u>6,923</u>         |
| <i>Overseas:</i>   |                      |                      |
| Current tax on profit for the year                             | 9,683                | 8,148                |
| Adjustments in respect of prior years                          | <u>(381)</u>         | <u>(585)</u>         |
|  | <u>9,302</u>         | <u>7,563</u>         |
| Total current tax charge                                       | <u>14,496</u>        | <u>14,486</u>        |
| <i>Deferred tax:</i>   |                      |                      |
| Origination and reversal of timing differences                 | 4,368                | 1,801                |
| Adjustments in respect of prior years                          | <u>(207)</u>         | <u>848</u>           |
| Total deferred tax charge                                      | <u>4,161</u>         | <u>2,649</u>         |
| <b>Income tax expense</b>                                      | <u><u>18,657</u></u> | <u><u>17,135</u></u> |

## Notes (continued)

### 9 Income tax (continued)

| <i>Reconciliation of average effective tax rate to applicable tax rate</i>      | 2006            | 2005            |
|---|-----------------|-----------------|
|   | €'000           | €'000           |
| Profit before tax   | 117,786         | 111,771         |
| Less share of profit of associates and joint venture                            | <u>(25,653)</u> | <u>(21,520)</u> |
|   | <u>92,133</u>   | <u>90,251</u>   |
| Taxation based on Irish corporate rate of 12.5%                                 | 11,517          | 11,281          |
| Expenses not deductible for tax purposes  | 1,502           | 911             |
| Higher rates of tax on other income   | 1,146           | 848             |
| Higher rates of tax on overseas earnings  | 5,692           | 3,895           |
| Adjustments to prior years  | (476)           | 403             |
| Manufacturing relief  | (617)           | (562)           |
| Utilisation of losses forward   | (255)           | (449)           |
| Other items   | <u>148</u>      | <u>808</u>      |
|   | <u>18,657</u>   | <u>17,135</u>   |
| <b>Movement on deferred tax asset/(liability) recognised directly in equity</b> |                 |                 |
| Relating to Group employee benefit schemes                                      | (469)           | 1,063           |
| Derivative financial instruments  | <u>(40)</u>     | -               |
|   | <u>(509)</u>    | <u>1,063</u>    |

### 10 Dividends

| <i>Dividends paid</i>   | 2006          | 2005          |
|---|---------------|---------------|
|   | €'000         | €'000         |
| 2006 interim dividend of 6.710 cent per ordinary share, paid on 21 April 2006 | 8,441         | -             |
| 2005 interim dividend of 5.835 cent per ordinary share, paid on 22 April 2005 | -             | 7,308         |
| 2005 final dividend of 6.052 cent per ordinary share, paid on 3 February 2006 | 7,595         | -             |
| 2004 final dividend of 5.442 cent per ordinary share, paid on 31 January 2005 | -             | <u>6,744</u>  |
| <b>Total dividends paid to equity shareholders</b>                            | <u>16,036</u> | <u>14,052</u> |

#### *Proposed dividends*

It is proposed that a final dividend of 6.780 cent (2005: 6.052 cent) per ordinary share will be paid to ordinary shareholders after the balance sheet date. These proposed dividends have not been provided for in the Group balance sheet. The final dividend is subject to approval by the Group's shareholders at the Annual General Meeting.

## Notes (continued)

### 11 Earnings per share

#### Basic earnings per share

The calculation of basic earnings per share for the year ended 31 July 2006 was based on the profit for the financial year attributable to ordinary shareholders of €98,798,000 (2005: €94,360,000) and the weighted average number of ordinary shares outstanding during the year of 125,568,177 (2005: 124,380,841) calculated as follows:

|   | 2006<br>€'000     | 2005<br>€'000     |
|---|-------------------|-------------------|
| Profit for financial year attributable to equity shareholders | <u>98,798</u>     | <u>94,360</u>     |
| <b>Weighted average number of ordinary shares</b>             |                   |                   |
|   | '000              | '000              |
| Issued ordinary shares at 1 August                            | 124,905           | 123,925           |
| Effect of shares issued during the year                       | <u>663</u>        | <u>456</u>        |
| Weighted average number of ordinary shares for the year       | <u>125,568</u>    | <u>124,381</u>    |
| <b>Basic earnings per share</b>                               | <u>78.68 cent</u> | <u>75.86 cent</u> |

#### Diluted earnings per share

The calculation of diluted earnings per share at 31 July 2006 was based on profit for the financial year attributable to ordinary shareholders of €98,798,000 (2005: €94,360,000) and the weighted average number of ordinary shares outstanding during the year ended 31 July 2006 of 127,037,055 (2005: 126,026,106) calculated as follows:

|  | 2006<br>€'000     | 2005<br>€'000     |
|--|-------------------|-------------------|
| Profit for financial year attributable to equity shareholders        | <u>98,798</u>     | <u>94,360</u>     |
| <b>Weighted average number of ordinary shares (diluted)</b>          |                   |                   |
|  | '000              | '000              |
| Weighted average number of ordinary shares used in basic calculation | 125,568           | 124,381           |
| Effect of share options with a dilutive effect                       | <u>1,469</u>      | <u>1,645</u>      |
| Weighted average number of ordinary shares (diluted) for the year    | <u>127,037</u>    | <u>126,026</u>    |
| <b>Diluted earnings per share</b>                                    | <u>77.77 cent</u> | <u>74.87 cent</u> |

## Notes (continued)

## 11 Earnings per share (continued)

|   |                |              |                |              |
|---|----------------|--------------|----------------|--------------|
| Adjusted basic earnings per share                               | 2006           |              | 2005           |              |
|   | '000           |              | '000           |              |
| Weighted average number of ordinary shares (basic) at 31 July   | <u>125,568</u> |              | <u>124,381</u> |              |
|   | 2006           | Per share    | 2005           | Per share    |
|   | €'000          | € cent       | €'000          | € cent       |
| Profit for the financial year                                   | 98,798         | 78.68        | 94,360         | 75.86        |
| <i>Adjustments:</i>   |                |              |                |              |
| Amortisation of intangible assets                               | 7,100          | 5.65         | 4,624          | 3.72         |
| Amortisation of related deferred tax liability                  | (1,749)        | (1.39)       | (1,117)        | (0.90)       |
| Exceptional items, net of tax                                   | (490)          | (0.39)       | (7,264)        | (5.84)       |
| Adjusted basic earnings per share                               | <u>103,659</u> | <u>82.55</u> | <u>90,603</u>  | <u>72.84</u> |
| Adjusted fully diluted earnings per share                       | 2006           |              | 2005           |              |
|   | '000           |              | '000           |              |
| Weighted average number of ordinary shares (diluted) at 31 July | <u>127,037</u> |              | <u>126,026</u> |              |
|   | 2006           | Per share    | 2005           | Per share    |
|   | €'000          | € cent       | €'000          | € cent       |
| Profit for the financial year                                   | 98,798         | 77.77        | 94,360         | 74.87        |
| <i>Adjustments:</i>   |                |              |                |              |
| Amortisation of intangible assets                               | 7,100          | 5.59         | 4,624          | 3.67         |
| Amortisation of related deferred tax liability                  | (1,749)        | (1.38)       | (1,117)        | (0.89)       |
| Exceptional items, net of tax                                   | (490)          | (0.38)       | (7,264)        | (5.76)       |
| Adjusted fully diluted earnings per share                       | <u>103,659</u> | <u>81.60</u> | <u>90,603</u>  | <u>71.89</u> |

## Notes (continued)

| 12 Property, plant and equipment | Land and<br>buildings<br>€'000 | Plant and<br>machinery<br>€'000 | Motor<br>vehicles<br>€'000 | Total<br>€'000 |
|----------------------------------|--------------------------------|---------------------------------|----------------------------|----------------|
| <i>31 July 2006</i>              |                                |                                 |                            |                |
| <i>Cost</i>                      |                                |                                 |                            |                |
| At 1 August 2005                 | 180,718                        | 261,653                         | 5,046                      | 447,417        |
| Additions                        | 1,261                          | 51,924                          | 407                        | 53,592         |
| Arising on acquisition           | 622                            | 12                              | -                          | 634            |
| Disposals                        | (4,506)                        | (9,022)                         | (2,040)                    | (15,568)       |
| Translation adjustments          | (21)                           | (2,525)                         | 11                         | (2,535)        |
| <b>At 31 July 2006</b>           | <b>178,074</b>                 | <b>302,042</b>                  | <b>3,424</b>               | <b>483,540</b> |
| <i>Accumulated depreciation</i>  |                                |                                 |                            |                |
| At 1 August 2005                 | 27,617                         | 128,436                         | 3,786                      | 159,839        |
| Depreciation charge for year     | 4,203                          | 22,889                          | 539                        | 27,631         |
| Disposals                        | (1,931)                        | (8,364)                         | (1,829)                    | (12,124)       |
| Translation adjustments          | (55)                           | (151)                           | 12                         | (194)          |
| <b>At 31 July 2006</b>           | <b>29,834</b>                  | <b>142,810</b>                  | <b>2,508</b>               | <b>175,152</b> |
| <i>Net book amounts</i>          |                                |                                 |                            |                |
| <b>At 31 July 2006</b>           | <b>148,240</b>                 | <b>159,232</b>                  | <b>916</b>                 | <b>308,388</b> |
| At 31 July 2005                  | 153,101                        | 133,217                         | 1,260                      | 287,578        |
| <i>31 July 2005</i>              |                                |                                 |                            |                |
| <i>Cost</i>                      |                                |                                 |                            |                |
| At 1 August 2004                 | 152,031                        | 239,232                         | 9,025                      | 400,288        |
| Additions                        | 25,090                         | 45,865                          | 500                        | 71,455         |
| Arising on acquisition           | 8,592                          | 811                             | -                          | 9,403          |
| Disposals                        | (3,166)                        | (20,813)                        | (4,326)                    | (28,305)       |
| Translation adjustments          | (1,829)                        | (3,442)                         | (153)                      | (5,424)        |
| <b>At 31 July 2005</b>           | <b>180,718</b>                 | <b>261,653</b>                  | <b>5,046</b>               | <b>447,417</b> |
| <i>Accumulated depreciation</i>  |                                |                                 |                            |                |
| At 1 August 2004                 | 25,315                         | 125,051                         | 7,152                      | 157,518        |
| Depreciation charge for year     | 3,540                          | 19,493                          | 899                        | 23,932         |
| Disposals                        | (1,014)                        | (14,276)                        | (4,140)                    | (19,430)       |
| Translation adjustments          | (224)                          | (1,832)                         | (125)                      | (2,181)        |
| <b>At 31 July 2005</b>           | <b>27,617</b>                  | <b>128,436</b>                  | <b>3,786</b>               | <b>159,839</b> |
| <i>Net book amounts</i>          |                                |                                 |                            |                |
| <b>At 31 July 2005</b>           | <b>153,101</b>                 | <b>133,217</b>                  | <b>1,260</b>               | <b>287,578</b> |
| At 31 July 2004                  | 126,716                        | 114,181                         | 1,873                      | 242,770        |

## Notes (continued)

## 12 Property, plant and equipment (continued)

*Assets held under finance leases*

The net book value in respect of assets held under finance leases and accordingly capitalised in property, plant and equipment is as follows:

|                 | Land and<br>buildings<br>€'000 | Plant and<br>machinery<br>€'000 | Motor<br>vehicles<br>€'000 | Total<br>€'000 |
|-----------------|--------------------------------|---------------------------------|----------------------------|----------------|
| At 31 July 2006 | <u>5,001</u>                   | <u>141</u>                      | <u>-</u>                   | <u>5,142</u>   |
| At 31 July 2005 | <u>25,300</u>                  | <u>354</u>                      | <u>-</u>                   | <u>25,654</u>  |

During the year, the Group discharged €19,956,000 of obligations under finance leases relating to land and buildings purchased in 2005.

| <i>Future purchase commitments at 31 July 2006 for property, plant and equipment</i> | 2006<br>€'000 | 2005<br>€'000 |
|--|---------------|---------------|
| Contracted but not provided for in the financial statements                          | 3,420         | 30,639        |
| Authorised by the directors but not contracted for                                   | <u>3,200</u>  | <u>9,347</u>  |
| Total  | <u>6,620</u>  | <u>39,986</u> |

Subsequent to the year-end the directors authorised a capital expenditure project at Grangecastle in Dublin, which is expected to result in approximately €180m of spend over a three year period.

## 13 Goodwill and intangible assets

|                                    | Intangible assets |                              |                |                              | Total<br>€'000 |
|------------------------------------|-------------------|------------------------------|----------------|------------------------------|----------------|
|                                    | Goodwill<br>€'000 | Customer<br>related<br>€'000 | Brand<br>€'000 | Computer<br>related<br>€'000 |                |
| <i>31 July 2006</i>                |                   |                              |                |                              |                |
| Cost                               |                   |                              |                |                              |                |
| At 1 August 2005                   | 264,526           | 26,585                       | 47,447         | 13,536                       | 352,094        |
| Arising on acquisition             | 1,862             | -                            | -              | -                            | 1,862          |
| Additions                          | -                 | -                            | 782            | 4,694                        | 5,476          |
| Disposals                          | -                 | -                            | -              | (48)                         | (48)           |
| Revision to deferred consideration | 124               | -                            | -              | -                            | 124            |
| Translation adjustments            | <u>(2,306)</u>    | <u>-</u>                     | <u>-</u>       | <u>(32)</u>                  | <u>(2,338)</u> |
| <b>At 31 July 2006</b>             | <u>264,206</u>    | <u>26,585</u>                | <u>48,229</u>  | <u>18,150</u>                | <u>357,170</u> |
| <i>Accumulated amortisation</i>    |                   |                              |                |                              |                |
| At 1 August 2005                   | 5,513             | 1,414                        | 2,623          | 6,516                        | 16,066         |
| Amortisation                       | -                 | 2,215                        | 3,136          | 1,749                        | 7,100          |
| Disposals                          | -                 | -                            | -              | (29)                         | (29)           |
| Translation adjustments            | <u>(42)</u>       | <u>-</u>                     | <u>-</u>       | <u>51</u>                    | <u>9</u>       |
| <b>At 31 July 2006</b>             | <u>5,471</u>      | <u>3,629</u>                 | <u>5,759</u>   | <u>8,287</u>                 | <u>23,146</u>  |
| <i>Net book amounts</i>            |                   |                              |                |                              |                |
| <b>At 31 July 2006</b>             | <u>258,735</u>    | <u>22,956</u>                | <u>42,470</u>  | <u>9,863</u>                 | <u>334,024</u> |
| At 31 July 2005                    | <u>259,013</u>    | <u>25,171</u>                | <u>44,824</u>  | <u>7,020</u>                 | <u>336,028</u> |

## Notes (continued)

### 13 Goodwill and intangible assets (continued)

| 31 July 2005                       | Intangible assets |                              |                |                              | Total<br>€' 000 |
|------------------------------------|-------------------|------------------------------|----------------|------------------------------|-----------------|
|                                    | Goodwill<br>€'000 | Customer<br>related<br>€'000 | Brand<br>€'000 | Computer<br>related<br>€'000 |                 |
| <i>Cost</i>                        |                   |                              |                |                              |                 |
| At 1 August 2004                   | 184,015           | -                            | 5,710          | 9,723                        | 199,448         |
| Arising on acquisition             | 87,931            | 26,585                       | 41,737         | -                            | 156,253         |
| Additions                          | -                 | -                            | -              | 3,841                        | 3,841           |
| Revision to deferred consideration | (5,216)           | -                            | -              | -                            | (5,216)         |
| Translation adjustments            | (2,204)           | -                            | -              | (28)                         | (2,232)         |
| <b>At 31 July 2005</b>             | <b>264,526</b>    | <b>26,585</b>                | <b>47,447</b>  | <b>13,536</b>                | <b>352,094</b>  |
| <i>Accumulated amortisation</i>    |                   |                              |                |                              |                 |
| At 1 August 2004                   | 5,623             | -                            | 571            | 5,358                        | 11,552          |
| Amortisation                       | -                 | 1,414                        | 2,052          | 1,158                        | 4,624           |
| Translation adjustments            | (110)             | -                            | -              | -                            | (110)           |
| <b>At 31 July 2005</b>             | <b>5,513</b>      | <b>1,414</b>                 | <b>2,623</b>   | <b>6,516</b>                 | <b>16,066</b>   |
| <i>Net book amounts</i>            |                   |                              |                |                              |                 |
| <b>At 31 July 2005</b>             | <b>259,013</b>    | <b>25,171</b>                | <b>44,824</b>  | <b>7,020</b>                 | <b>336,028</b>  |
| At 31 July 2004                    | 178,392           | -                            | 5,139          | 4,365                        | 187,896         |

The useful lives of all intangible assets are finite and range from 5 to 20 years dependent on the nature of the asset.

#### *Impairment testing of goodwill*

No impairment losses have been recognised by the Group in respect of goodwill in either financial year or as at the transition date to IFRS (1 August 2004).

The recoverable amounts of cash generating units are based on value in use calculations. Those calculations use cash flow projections based on expected future operating results and cash flows. The cash flow projections are based on current operating results of the individual cash generating units and a conservative assumption regarding future organic growth. For the purposes of the calculation of value in use, the cash flows are projected over a 5 year period with additional cash flows in subsequent years calculated using a terminal value methodology, unless a shorter period is appropriate to the circumstances of a particular cash generating unit. The cash flows are discounted using appropriate risk adjusted discount rates averaging 3.9% (2005: 3.8%), reflecting the risk associated with the individual future cash flows and the risk free rate. Included in investment in associates and joint venture is goodwill with a carrying amount of €44,657,000 (2005: €20,539,000). This goodwill is subject to annual impairment testing on a similar basis to the goodwill arising in the Group's subsidiaries. Any adverse change in the expected future operational results and cash flows may result in the value in use being less than the carrying value of a business unit and would require that the carrying value of the business unit be impaired and stated at the greater of the value in use or the recoverable amount of the business unit.

Key assumptions include management's estimates of future profitability, replacement capital expenditure requirements, trade working capital investment needs and tax considerations. The term of the discounted cashflow model is a significant factor in determining the fair value of the cash-generating units. The term has been arrived at taking account of the Group's strong financial position, its established history of earnings growth and cash flow generation and its proven ability to pursue and integrate value enhancing acquisitions.



## Notes (continued)

## 13 Goodwill and intangible assets (continued)

The carrying amount of goodwill is made up primarily of goodwill attributed to cash generating units within the Food Europe and Food North America businesses. Goodwill of €89.8 million has been allocated to Groupe Hubert, a cash generating unit within the Food Europe business and goodwill of €58 million has been allocated to La Brea Bakeries, a cash generating unit within the Food North America business.

## 14 Investments in associates and joint venture

|   | Associates             |               | Joint venture          |              | Total<br>€'000 |
|---|------------------------|---------------|------------------------|--------------|----------------|
|   | Share of<br>net assets | Goodwill      | Share of<br>net assets | Goodwill     |                |
|   | €'000                  | €'000         | €'000                  | €'000        |                |
| <i>31 July 2006</i>                               |                        |               |                        |              |                |
| At 1 August 2005                                  | 36,052                 | 14,282        | 59,496                 | 6,257        | 116,087        |
| Investments                                       | 10,513                 | 24,548        | -                      | -            | 35,061         |
| Share of profits after tax                        | 10,860                 | -             | 14,793                 | -            | 25,653         |
| Dividends received                                | (2,451)                | -             | (16,667)               | -            | (19,118)       |
| Gains/(losses) recognised directly through equity | 524                    | -             | (21)                   | -            | 503            |
| Translation adjustments                           | (58)                   | (626)         | 1,523                  | 196          | 1,035          |
| <b>At 31 July 2006</b>                            | <b>55,440</b>          | <b>38,204</b> | <b>59,124</b>          | <b>6,453</b> | <b>159,221</b> |
| <i>31 July 2005</i>                               |                        |               |                        |              |                |
| At 1 August 2004                                  | 34,267                 | 13,024        | 57,177                 | 5,833        | 110,301        |
| Investments                                       | -                      | 1,419         | 942                    | -            | 2,361          |
| Share of profits after tax                        | 8,922                  | -             | 12,598                 | -            | 21,520         |
| Losses recognised directly through equity         | (2,721)                | -             | -                      | -            | (2,721)        |
| Dividends received                                | (4,461)                | -             | (16,162)               | -            | (20,623)       |
| Translation adjustments                           | 45                     | (161)         | 4,941                  | 424          | 5,249          |
| <b>At 31 July 2005</b>                            | <b>36,052</b>          | <b>14,282</b> | <b>59,496</b>          | <b>6,257</b> | <b>116,087</b> |

The amounts included in these financial statements in respect of the income and expenses of associates and joint venture are taken from their latest financial statements prepared up to their respective year ends together with management accounts for the intervening periods to the Group's year end. Hiestand Holding AG, included within associates, and the joint venture, Cillryan's Bakery Limited, have year ends of 31 December.

The share price of Hiestand Holding AG which is accounted for using the equity method of accounting was €833 per share at 31 July 2006.

## Notes (continued)

### 14 Investments in associates and joint venture (continued)

The investment in associates and joint venture (including goodwill) is analysed as follows:

| <i>31 July 2006</i>   | Associates<br>€'000 | Joint venture<br>€'000 | Total<br>€'000 |
|---|---------------------|------------------------|----------------|
| Non-current assets  | 46,555              | 48,471                 | 95,026         |
| Current assets  | 53,736              | 19,564                 | 73,300         |
| Non-current liabilities                                       | (23,957)            | (4,701)                | (28,658)       |
| Current liabilities   | (20,894)            | (4,210)                | (25,104)       |
| <b>Net assets</b>   | <b>55,440</b>       | <b>59,124</b>          | <b>114,564</b> |
| Goodwill  | 38,204              | 6,453                  | 44,657         |
|   | <u>93,644</u>       | <u>65,577</u>          | <u>159,221</u> |
| <br>  |                     |                        |                |
| <i>31 July 2005</i>   | Associates<br>€'000 | Joint venture<br>€'000 | Total<br>€'000 |
| Non-current assets  | 34,279              | 49,706                 | 83,985         |
| Current assets  | 45,088              | 17,045                 | 62,133         |
| Non-current liabilities                                       | (32,208)            | (2,913)                | (35,121)       |
| Current liabilities   | (11,107)            | (4,342)                | (15,449)       |
| <b>Net assets</b>   | <b>36,052</b>       | <b>59,496</b>          | <b>95,548</b>  |
| Goodwill  | 14,282              | 6,257                  | 20,539         |
|   | <u>50,334</u>       | <u>65,753</u>          | <u>116,087</u> |
| <br>  |                     |                        |                |
| <b>15 Other investments</b>                                   |                     | <b>2006</b>            | <b>2005</b>    |
|   |                     | €'000                  | €'000          |
| Balance at 1 August   |                     | 242                    | 245            |
| Disposal  |                     | (40)                   | -              |
| Translation adjustment  |                     | 1                      | (3)            |
| Balance at 31 July  |                     | <u>203</u>             | <u>242</u>     |
| <br>  |                     |                        |                |
| <b>16 Inventory</b>   |                     | <b>2006</b>            | <b>2005</b>    |
|   |                     | €'000                  | €'000          |
| Raw materials   |                     | 12,035                 | 13,994         |
| Finished goods  |                     | 73,020                 | 69,629         |
| Consumable stores   |                     | 3,484                  | 4,676          |
| Total inventory at the lower of cost and net realisable value |                     | <u>88,539</u>          | <u>88,299</u>  |

## Notes (continued)

| 17 Trade and other receivables        | 2006           | 2005           |
|---------------------------------------|----------------|----------------|
|                                       | €'000          | €'000          |
| Trade receivables                     | 160,767        | 135,220        |
| Trade receivables due from associates | 1,149          | 229            |
| Value added tax                       | 5,451          | 5,469          |
| Other receivables                     | <u>38,811</u>  | <u>32,596</u>  |
|                                       | <u>206,178</u> | <u>173,514</u> |

A total expense of €556,000 (2005: €504,000) was recognised in the income statement arising from impairment on trade receivables.

| 18 Trade and other payables                        | 2006           | 2005           |
|--|----------------|----------------|
|  | €'000          | €'000          |
| <b>Non-current</b>                                 |                |                |
| Other payables                                     | <u>345</u>     | <u>450</u>     |
| <b>Current</b>                                     |                |                |
| Trade payables                                     | 159,280        | 139,924        |
| Trade payables due to associates and joint venture | 975            | 860            |
| Accruals and other payables                        | 133,073        | 125,913        |
| Income tax and social welfare                      | 3,090          | 3,788          |
| Value added tax                                    | <u>3,152</u>   | <u>2,980</u>   |
|  | <u>299,570</u> | <u>273,465</u> |

Non-current payables are due entirely with five years.

| 19 Provisions                                | 2006          | 2005          |
|--|---------------|---------------|
|  | €'000         | €'000         |
| <b>Non-current</b>                           |               |               |
| Deferred consideration and acquisition costs | <u>30,360</u> | <u>31,950</u> |
| <b>Current</b>                               |               |               |
| Deferred consideration and acquisition costs | <u>2,660</u>  | <u>4,665</u>  |

Provisions comprise the net present value of the amounts expected to be payable in respect of deferred consideration. The decrease during the year in this liability includes the impact of revisions to previous estimates in respect of previous transactions, payments, currency movements and the discounting charge. Deferred consideration amounts are due entirely within five years. Total payments of deferred consideration during the year amounted to €3,988,000 (2005: €6,788,000).

## Notes (continued)

### 20 Cash and cash equivalents

In accordance with IAS 7, *Cash Flow Statements*, cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of acquisition. Bank overdrafts are included within current interest bearing borrowings in the Group balance sheet.

|   | 2006<br>€'000  | 2005<br>€'000  |
|---|----------------|----------------|
| Cash at bank and in hand                  | 74,556         | 46,800         |
| Investments (short-term deposits)         | <u>-</u>       | <u>887</u>     |
| Included in the Group balance sheet       | 74,556         | 47,687         |
| Bank overdrafts                           | <u>(4,758)</u> | <u>(4,268)</u> |
| Included in the Group cash flow statement | <u>69,798</u>  | <u>43,419</u>  |

Cash at bank and in hand earns interest at floating rates based on daily deposit bank rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

### 21 Interest-bearing loans and borrowings

The Group policy is to fix a substantial proportion of the Group's medium to long term exposure to foreign currencies. To achieve this objective, the Group enters into interest rate swaps with a view to changing interest receivable or payable on the Group's underlying cash and borrowings from variable to fixed rates. The Group policy is to maintain between 40% and 70% of overall Group average annual borrowings at fixed rates of interest, through the use of interest rate swaps.

|   | 2006<br>€'000  | 2005<br>€'000  |
|---|----------------|----------------|
| Interest bearing loans and borrowings were as follows at 31 July: |                |                |
| Bank loans and overdrafts   | 288,131        | 244,153        |
| Finance leases  | <u>2,950</u>   | <u>23,403</u>  |
| Interest-bearing loans and borrowings                             | <u>291,081</u> | <u>267,556</u> |
| <i>Included in current liabilities in the Group balance sheet</i> |                |                |
| Loans repayable within one year                                   | -              | 5,659          |
| Bank overdrafts   | 4,758          | 4,268          |
| Finance leases  | <u>378</u>     | <u>20,074</u>  |
| Current interest-bearing loans and borrowings                     | <u>5,136</u>   | <u>30,001</u>  |
| Non-current interest-bearing loans and borrowings                 | <u>285,945</u> | <u>237,555</u> |

There is no significant difference between the book values and fair values of interest bearing loans and borrowings.

#### *Guarantees*

All Group borrowings are secured by guarantees from IAWS Group, plc and cross guarantees from various companies within the Group. The Group treats these guarantees as insurance contracts and accounts for them as such.

## Notes (continued)

|  |                |                |
|--|----------------|----------------|
| <b>21 Interest-bearing loans and borrowings (continued)</b>  | <b>2006</b>    | <b>2005</b>    |
|  | <b>€'000</b>   | <b>€'000</b>   |
| <i>Repayment schedule – loans and overdrafts</i>   |                |                |
| Within one year  | 4,758          | 9,927          |
| Between one and two years  | 842            | 510            |
| Between two and three years  | -              | -              |
| Between three and four years   | -              | -              |
| Between four and five years  | 282,531        | 233,716        |
| After five years   | -              | -              |
|  | <u>288,131</u> | <u>244,153</u> |
| <i>Repayment schedule – finance leases</i>   |                |                |
| Within one year  | 378            | 20,074         |
| Between one and two years  | 376            | 417            |
| Between two and three years  | 398            | 446            |
| Between three and four years   | 421            | 468            |
| Between four and five years  | 445            | 500            |
| After five years   | 932            | 1,498          |
|  | <u>2,950</u>   | <u>23,403</u>  |
| <i>Borrowing facilities</i>  |                |                |
| Various borrowing facilities are available to the Group. The undrawn committed facilities available as at 31 July 2006 and 31 July 2005, in respect of which all conditions precedent had been met, expire as follows: |                |                |
| Within one year  | -              | -              |
| Between one and two years  | -              | -              |
| Between two and five years   | 152,469        | 141,284        |
| After five years   | -              | -              |
|  | <u>152,469</u> | <u>141,284</u> |

## Notes (continued)

### 21 Interest-bearing loans and borrowings (continued)

#### *Currency profile of interest bearing loans and borrowings*

All of the Group's interest bearing loans are borrowed by a Group company which is based in Ireland and whose functional currency is euro. The carrying amounts of the Group's total interest bearing loans and borrowings are denominated in the following currencies:

|             | 2006<br>€'000         | 2005<br>€'000         |
|-------------|-----------------------|-----------------------|
| Euro        | 87,305                | 55,866                |
| Sterling    | 25,068                | 54,826                |
| US dollar   | 94,697                | 92,846                |
| CAD dollar  | 24,396                | 39,384                |
| Swiss franc | <u>59,615</u>         | <u>24,634</u>         |
|             | <u><u>291,081</u></u> | <u><u>267,556</u></u> |

All debt bears floating rate interest per the original contract. Certain floating rate debt has been hedged into fixed rate debt through the use of interest rate swaps as identified below:

|  | Floating rate<br>debt<br>€'000 | Impact of<br>derivative<br>financial<br>instruments<br>€'000 | Fixed rate<br>debt<br>€'000 |
|--|--------------------------------|--|-----------------------------|
| <i>Hedged interest bearing liabilities denominated in:</i> |                                |  |                             |
| Euro   | 50,000                         | (688)  | 49,312                      |
| Sterling   | 24,927                         | (4)  | 24,923                      |
| US dollar  | 33,095                         | (742)  | 32,353                      |
| CAD dollar   | <u>13,889</u>                  | <u>(98)</u>  | <u>13,791</u>               |
|  | 121,911                        | <u><u>(1,532)</u></u>  | <u><u>120,379</u></u>       |
| <i>Unhedged interest bearing liabilities</i>               |                                |  |                             |
| Bank overdrafts  | 4,758                          |  |                             |
| Finance leases   | 2,950                          |  |                             |
| Interest bearing loans                                     | <u>161,462</u>                 |  |                             |
| Interest bearing liabilities                               | <u><u>291,081</u></u>          |  |                             |

## Notes (continued)

### 22 Derivative and other financial instruments

As set out above, in accordance with the first time adoption exemptions in IFRS 1, *First-time Adoption of International Financial Reporting Standards*, the Group did not apply IAS 32, *Financial Instruments: Presentation and Disclosure* nor IAS 39, *Financial Instruments: Recognition and Measurement* to the 2005 comparatives. These standards have been applied from 1 August 2005. The impact of adoption of these standards on 1 August 2005 is reflected in the Statement of recognised income and expense. The first part of this note sets out the disclosures in accordance with IAS 32 and IAS 39 for the financial year ended 31 July 2006. The later part of the note sets out the disclosures required in accordance with Irish GAAP for the financial year ended 31 July 2005.

#### (a) Disclosures in accordance with IAS 32 and IAS 39 for 2006

##### Risk exposures

The Group's multinational operations expose it to different financial risks that include foreign exchange rate risks, credit risks, liquidity risks, commodity price risks and interest rate risks. The Group has a risk management programme in place which seeks to limit the impact of these risks on the financial performance of the Group. The Board has determined the policies for managing these risks. It is the policy of the Board to manage these risks in a non-speculative manner.

##### *Foreign exchange risk*

In addition to the Group's operations carried out in euro-zone economies, it also has significant operations in the UK and North America. As a result the Group balance sheet is exposed to currency fluctuations including, in particular, Sterling and US Dollar movements. The Group manages its balance sheet having regard to the currency exposures arising from its assets being denominated in a wide range of currencies. To this end, where foreign currency assets are funded by borrowing, such borrowing is generally sourced in the currency of the related assets. The Group also hedges a portion of its currency exposure through the use of currency swaps. Transactional exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Group requires all its operating units to use forward currency contracts to eliminate the currency exposures on certain foreign currency purchases. The forward currency contracts must be in the same currency as the hedged item.

##### *Credit risk*

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables.

##### *Liquidity risk*

The Group's objective is to maintain a balance between flexibility and continuity of funding. The Group's policy is that not more than 40% of bank borrowings should mature in any twelve month period. 98% of the Group's total borrowings at the year end will mature between two and five years.

Short-term flexibility is achieved through the availability of overdraft facilities totalling €73 million. The Group has a syndicated loan facility totalling €500 million.

##### *Commodity price risk*

The Group trades in certain commodities for its own use and uses derivative contracts to protect itself from movements in price other than exchange differences.

##### *Interest rate risk*

All debt bears floating rate interest per the original contract. The Group's policy is to maintain between 40% and 70% of overall Group average annual borrowings at fixed rates of interest via interest rate swaps.

## Notes (continued)

### 22 Derivative and other financial instruments (continued)

#### (a) Disclosures in accordance with IAS 32 and IAS 39 for 2006 (continued)

##### Accounting for derivatives and hedging activities

The fair value of derivative financial assets and liabilities at the balance sheet date is set out in the following table:

|                            | Assets<br>€'000     | Liabilities<br>€'000 |
|----------------------------|---------------------|----------------------|
| Cash flow hedges           |                     |                      |
| Currency forward contracts | -                   | 647                  |
| Interest rate swaps        | 1,532               | -                    |
| Not designated as hedges   | <u>-</u>            | <u>100</u>           |
|                            | <u><u>1,532</u></u> | <u><u>747</u></u>    |

##### *Cash flow hedges*

Cash flow hedges are those of highly probable forecasted future income or expenses. In order to qualify for hedge accounting, the Group is required to document the relationship between the item being hedged and the hedging instrument and demonstrate, at inception, that the hedge relationship will be highly effective on an ongoing basis. The hedge relationship must be tested for effectiveness on subsequent reporting dates.

##### *Not designated as hedges*

The Group is happy to maintain its continuing association and involvement with the Co-Founder of Cuisine de France, Ronan McNamee. Since the acquisition of Cuisine de France, Mr. McNamee has been of considerable assistance to the Group in relation to a number of key projects, including the Group's major expansion into the North American market. During the current financial year, Ronan McNamee has agreed to assist the Group in maximizing the value of its existing facilities and lands at Tallaght, and for this purpose the Group has entered into an option agreement with Mr. McNamee under which he has been granted the option to take ownership of a Group subsidiary which currently owns the facilities and land. The option cannot be exercised before the year ending 31 July 2009. If the option is exercised, the amount paid to acquire the subsidiary will equate to €48 million plus 50% of the increase in the market value of the land at the date of exercise. As at 31 July 2006, the fair value of the option is not significantly different from its carrying amount.

##### Effective interest rates and contractual repricing analysis

In respect of interest bearing liabilities, the following table sets out the effective interest rates at 31 July 2006:

|                             | Carrying<br>amount<br>€'000 | Effective<br>interest<br>rate % |
|-----------------------------|-----------------------------|---------------------------------|
| Interest bearing borrowings | 283,373                     | 3.85                            |
| Bank overdrafts             | 4,758                       | 4.07                            |
| Finance lease liabilities   | <u>2,950</u>                | <u>5.20</u>                     |
|                             | <u><u>291,081</u></u>       | <u><u>3.87</u></u>              |

There are no significant differences between the book values and fair values of other financial assets or liabilities.



## Notes (continued)

## 22 Derivative and other financial instruments (continued)

## (b) Disclosures in accordance with Irish GAAP for 2005

## Interest rate profile of financial liabilities

The interest rate profile of the Group as at 31 July 2005 was as follows:

|                 | Euro<br>amount<br>'000 | Foreign<br>currency<br>amount<br>'000 | Fixed<br>rate<br>financial<br>liability<br>'000 | Floating<br>rate<br>financial<br>liability<br>'000 | Weighted<br>average<br>fixed<br>interest<br>rate<br>% | Weighted<br>average<br>period<br>of fixed<br>interest<br>(years) |
|-----------------|------------------------|---------------------------------------|---|--|---|--|
| <i>Currency</i> |                        |                                       |   |  |   |  |
| Euro            | 55,866                 | 55,866                                | 54,983  | 883  | 3.37  | 2.5  |
| Sterling        | 54,826                 | 37,804                                | 22,789  | 15,015   | 5.24  | 1.0  |
| US dollar       | 92,846                 | 112,343                               | 50,045  | 62,298   | 3.32  | 1.2  |
| CAD dollar      | 39,384                 | 58,486                                | 20,000  | 38,486   | 3.92  | 2.0  |
| Swiss franc     | 24,634                 | 38,435                                | -   | 38,435   | -   | -  |

All of the Group's interest bearing loans are borrowed by a Group company which is based in Ireland and whose functional currency is the euro.

The floating rate financial liabilities comprise bank borrowings bearing interest at rates fixed in advance for periods ranging from overnight to one year by reference to the relevant Euribor and Libor rates.

During the year, fixed rate borrowings as a proportion of total borrowings remained within the Group policy limits.

## Interest rate profile of financial assets

The interest rate profile of financial assets of the Group as at 31 July 2005 was as follows:

|                 | Euro<br>amount<br>'000 | Fixed rate financial<br>assets (foreign<br>currency amount)<br>'000 | Floating rate financial<br>assets (foreign<br>currency amount)<br>'000 |
|-----------------|------------------------|---|--|
| <i>Currency</i> |                        |   |  |
| Euro            | 25,029                 | 887   | 24,142   |
| Sterling        | 13,376                 | -   | 9,223  |
| US dollar       | 9,199                  | -   | 11,131   |
| Swiss franc     | 81                     | -   | 127  |
| CAD dollar      | 2                      | -   | 3  |

Fixed and floating rate financial assets are predominantly comprised of cash deposits and other interest earning credit balances. The weighted average fixed rate on cash deposits was 2.48% at the year-end.

## Notes (continued)

### 22 Derivative and other financial instruments (continued)

#### (b) Disclosures in accordance with Irish GAAP for 2005 (continued)

##### Maturity profile financial assets and liabilities

Set out below are the book values of the Group's financial assets and liabilities and the maturity profile of these as at 31 July 2005.

|   | Book value<br>2005<br>€'000 |
|---|-----------------------------|
| <i>Primary financial instruments</i>                |                             |
| Borrowings repayable within one year                | 9,927                       |
| Borrowings repayable between one and two years      | 510                         |
| Borrowings repayable between two and five years     | 233,716                     |
| Finance leases repayable within one year            | 20,074                      |
| Finance leases repayable between one and two years  | 417                         |
| Finance leases repayable between two and five years | <u>2,912</u>                |
|   | <u>267,556</u>              |
| Cash and short-term deposits                        | <u>47,687</u>               |

##### Hedging activities

The Group enters into forward foreign exchange contracts to manage the currency exposures that arise on purchases and sales denominated in non-base currencies. The Group also uses interest rate swaps to manage its interest rate profile. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. The mark to market value of year-end forward contracts results in unrecognised profits of €230,000. These profits will be recognised in 2006 when the contracts mature. The mark to market value of year end interest rate swaps results in an unrecognised profit of €481,000.

There are no significant differences between the book values and fair values of other financial assets or liabilities.

## Notes (continued)

| 23 Government grants               | 2006                | 2005                |
|------------------------------------|---------------------|---------------------|
|                                    | €'000               | €'000               |
| At 1 August                        | 3,359               | 4,429               |
| Received                           | -                   | 28                  |
| Eliminated on disposal             | -                   | (656)               |
| Translation adjustment             | <u>1</u>            | <u>(4)</u>          |
|                                    | 3,360               | 3,797               |
| Released to Group income statement | <u>(354)</u>        | <u>(438)</u>        |
| At 31 July                         | <u><u>3,006</u></u> | <u><u>3,359</u></u> |

## 24 Deferred tax

The deductible and taxable temporary differences at the balance sheet date in respect of which deferred tax has been recognised are analysed as follows:

|   | 2006                 | 2005                 |
|---|----------------------|----------------------|
|   | €'000                | €'000                |
| <i>Deferred tax assets (deductible temporary differences)</i>   |                      |                      |
| Pension related   | 1,844                | 4,868                |
| Financing related   | 678                  | 1,140                |
| Property, plant and equipment                                   | 569                  | 787                  |
| Employee compensation   | 2,815                | 2,731                |
| Other deductible temporary differences                          | <u>2,568</u>         | <u>5,503</u>         |
| Total   | <u><u>8,474</u></u>  | <u><u>15,029</u></u> |
| <i>Deferred tax liabilities (taxable temporary differences)</i> |                      |                      |
| Property, plant and equipment                                   | 27,319               | 28,251               |
| Intangible assets   | 22,362               | 23,451               |
| Financing related   | 128                  | 83                   |
| Other   | <u>93</u>            | <u>-</u>             |
| Total   | <u><u>49,902</u></u> | <u><u>51,785</u></u> |

## Notes (continued)

### 24 Deferred tax (continued)

Movement in temporary differences, during the year, were as follows:

| 2006   | Property, plant &<br>equipment<br>€'000 | Intangible<br>assets<br>€'000 | Employee<br>compensation<br>€'000 | Pension<br>related<br>€'000 | Financing<br>related<br>€'000 | Other<br>€'000 | Total<br>€'000  |
|--|---|-------------------------------|-----------------------------------|-----------------------------|-------------------------------|----------------|-----------------|
| At 1 August  | (27,464)                                | (23,451)                      | 2,731                             | 4,868                       | 1,057                         | 5,503          | (36,756)        |
| Recognised in Group<br>income statement                              | 646                                     | 1,042                         | 90                                | (2,545)                     | (377)                         | (3,017)        | (4,161)         |
| Recognised in Group<br>statement of recognised<br>income and expense | -                                       | -                             | -                                 | (469)                       | (129)                         | -              | (598)           |
| Foreign exchange and other   | 68                                      | 47                            | (6)                               | (10)                        | (1)                           | (11)           | 87              |
| At 31 July   | <u>(26,750)</u>                         | <u>(22,362)</u>               | <u>2,815</u>                      | <u>1,844</u>                | <u>550</u>                    | <u>2,475</u>   | <u>(41,428)</u> |
| 2005   | Property, plant &<br>equipment<br>€'000 | Intangible<br>assets<br>€'000 | Employee<br>compensation<br>€'000 | Pension<br>related<br>€'000 | Financing<br>related<br>€'000 | Other<br>€'000 | Total<br>€'000  |
| At 1 August  | (5,651)                                 | -                             | 2,093                             | -                           | 1,845                         | (9,955)        | (11,668)        |
| Recognised in Group<br>income statement                              | (21,427)                                | 462                           | 668                               | 3,805                       | (809)                         | 14,652         | (2,649)         |
| Arising on acquisition   | (322)                                   | (23,913)                      | -                                 | -                           | -                             | 824            | (23,411)        |
| Recognised in Group<br>statement of recognised<br>income and expense | -                                       | -                             | -                                 | 1,063                       | -                             | -              | 1,063           |
| Foreign exchange and other   | (64)                                    | -                             | (30)                              | -                           | 21                            | (18)           | (91)            |
| At 31 July   | <u>(27,464)</u>                         | <u>(23,451)</u>               | <u>2,731</u>                      | <u>4,868</u>                | <u>1,057</u>                  | <u>5,503</u>   | <u>(36,756)</u> |

## Notes (continued)

### 25 Retirement benefit obligations

The Group operates a number of pension schemes, comprising both defined benefit schemes (including the multi-employer scheme below) and defined contribution schemes, with assets held in separate trustee administered funds.

Historically the main IAWS Group, plc defined benefit pension scheme was a multi-employer scheme providing benefits for certain employees of IAWS Group, plc and a number of its subsidiaries (together "the Group") and also for certain employees of the original holding entity, Irish Agricultural Wholesale Society Limited ("Society"). The main IAWS Group, plc defined benefit pension scheme, which was closed to new members on 5 September 2002, was wound up on 7 September 2005. This ensured an effective separation of Group assets and liabilities from Society assets and liabilities.

The IAWS Group, plc (UK) defined benefit scheme was closed to new members in 1998. The annual service cost in relation to this scheme and the main IAWS Group, plc defined benefit scheme, which was closed to new members on 5 September 2002, is expected to increase as the current members approach retirement.

Under IAS 19, *Employee Benefits* the total deficit in the Group's defined benefit schemes, including the main scheme, at 31 July 2006 was €6,566,000 (2005: €34,543,000). During the year, the Board approved the funding of the Group pension scheme deficit. Accordingly, the Group made a special contribution of €23.5 million.

The pension cost expensed in the income statement for the year in respect of the Group's defined benefit schemes was €1,796,000 (2005: €2,021,000) and €2,228,000 (2005: €946,000) in respect of the Group's defined contribution schemes.

| Employee benefits included in the Group balance sheet comprises the following: | 2006<br>€'000       | 2005<br>€'000        |
|--|---------------------|----------------------|
| Deficit in defined benefit schemes   | 6,566               | 34,543               |
| Other (a)  | <u>2,310</u>        | <u>2,309</u>         |
| Total  | <u><u>8,876</u></u> | <u><u>36,852</u></u> |

(a) In 1989, a provision was made to meet pension fund deficiencies in subsidiaries acquired, mostly relating to unfunded pensions. The residual actuarial deficit of €2.3 million is being spread over the remaining lifetime of the pensioners.

## Notes (continued)

### 25 Retirement benefit obligations (continued)

The valuations of the defined benefit schemes used for the purposes of the following disclosures are those of the most recent actuarial valuations carried out from 1 January 2001 to 6 April 2004 and updated to 31 July 2006 by an independent, qualified actuary. The valuations have been performed using the projected unit method.

| The main assumptions used by the actuary were as follows:      | 2006  | 2005  |
|--|-------|-------|
| Rate of increase in salaries                                   | 4.01% | 4.01% |
| Rate of increases in pensions in payment and deferred benefits | 2.06% | 2.06% |
| Discount rate in scheme liabilities                            | 5.00% | 4.45% |
| Inflation rate   | 2.06% | 2.06% |

Assumptions regarding future mortality experience are set based on advice from published statistics and experience in both geographic regions. The average life expectancy in years of a pensioner retiring at age 65 is as follows:

|        | 2006 | 2005 |
|--------|------|------|
| Male   | 20.2 | 20.2 |
| Female | 23.2 | 23.2 |

| The expected long term rate of return on the assets of the schemes were: | 2006  | 2005  |
|--|-------|-------|
| Equities   | 7.30% | 6.72% |
| Bonds  | 3.90% | 3.29% |
| Property   | 6.70% | 4.75% |
| Other  | 3.00% | 3.00% |

| <i>Net pension liability</i>        | 2006           | 2005            |
|-------------------------------------|----------------|-----------------|
|                                     | €'000          | €'000           |
| Market value of scheme assets:      |                |                 |
| Equities                            | 60,811         | 47,891          |
| Bonds                               | 19,039         | 15,282          |
| Property                            | 5,345          | 4,019           |
| Other                               | 4,132          | 686             |
| Total market value of assets        | 89,327         | 67,878          |
| Present value of scheme liabilities | (95,893)       | (102,421)       |
| Deficit in the schemes              | (6,566)        | (34,543)        |
| Related deferred tax asset          | 1,537          | 4,868           |
| Net pension liability               | <u>(5,029)</u> | <u>(29,675)</u> |

## Notes (continued)

## 25 Retirement benefit obligations (continued)

| <i>Movement in the fair value of scheme assets</i>                   | 2006<br>€'000     | 2005<br>€'000     |
|--|-------------------|-------------------|
| Fair value of assets at 1 August                                     | 67,878            | 57,134            |
| Expected return on schemes' assets                                   | 4,577             | 3,701             |
| Employer contributions   | 1,466             | 3,774             |
| Special employer contribution  | 23,496            | -                 |
| Employee contributions   | 516               | 317               |
| Transfers  | (5,087)           | -                 |
| Benefit payments   | (2,214)           | (2,791)           |
| Experience adjustment on scheme assets                               | (1,305)           | 6,246             |
| Impact of acquisitions   | -                 | (503)             |
| Fair value of assets at 31 July                                      | <u>89,327</u>     | <u>67,878</u>     |
| <br><i>Movement in the present value of scheme obligations</i>       | <br>2006<br>€'000 | <br>2005<br>€'000 |
| Value of scheme obligations at 1 August                              | (102,421)         | (85,473)          |
| Current service cost   | (2,091)           | (1,545)           |
| Past service cost  | -                 | (27)              |
| Interest on scheme obligations                                       | (4,282)           | (4,150)           |
| Employee contributions   | (516)             | (317)             |
| Transfers  | 5,087             | -                 |
| Benefit payments   | 2,214             | 2,791             |
| Experience adjustment on scheme liabilities                          | (1,066)           | (2,052)           |
| Effect of changes in actuarial assumptions                           | 7,182             | (11,648)          |
| Value of scheme obligations at 31 July                               | <u>(95,893)</u>   | <u>(102,421)</u>  |
| <br><i>Movement in net liability recognised in the balance sheet</i> | <br>2006<br>€'000 | <br>2005<br>€'000 |
| Net liability in schemes at 1 August                                 | (34,543)          | (28,339)          |
| Current service cost   | (2,091)           | (1,545)           |
| Past service cost  | -                 | (27)              |
| Contributions  | 24,962            | 3,774             |
| Other finance income   | 295               | (449)             |
| Actuarial gain / (loss)  | 4,811             | (7,454)           |
| Impact of acquisitions   | -                 | (503)             |
| Net liability in schemes at 31 July                                  | <u>(6,566)</u>    | <u>(34,543)</u>   |

## Notes (continued)

### 25 Retirement benefit obligations (continued)

|   |              |                |
|---|--------------|----------------|
| <i>Analysis of defined benefit expense recognised in the Group income statement</i>                 | <b>2006</b>  | <b>2005</b>    |
|   | <b>€'000</b> | <b>€'000</b>   |
| Current service cost  | 2,091        | 1,545          |
| Past service cost   | -            | 27             |
|   | <u>2,091</u> | <u>1,572</u>   |
| Total recognised in operating profit  | <u>2,091</u> | <u>1,572</u>   |
| Expected return on scheme assets  | (4,577)      | (3,701)        |
| Interest cost on scheme liabilities   | 4,282        | 4,150          |
|   | <u>(295)</u> | <u>449</u>     |
| Included in financing costs   | <u>(295)</u> | <u>449</u>     |
| Net charge to Group income statement  | <u>1,796</u> | <u>2,021</u>   |
| Actual return on pension scheme assets  | <u>3,272</u> | <u>9,947</u>   |
|   | <u>3,272</u> | <u>9,947</u>   |
| <i>Defined benefit pension expense recognised in the Statement of recognised income and expense</i> | <b>2006</b>  | <b>2005</b>    |
|   | <b>€'000</b> | <b>€'000</b>   |
| Actual return less expected return on scheme assets   | (1,305)      | 6,246          |
| Experience gains and losses on scheme liabilities   | (1,066)      | (2,052)        |
| Changes in demographic and financial assumptions  | 7,182        | (11,648)       |
|   | <u>4,811</u> | <u>(7,454)</u> |
| Actuarial gain/(loss)   | <u>4,811</u> | <u>(7,454)</u> |
| Deferred tax  | (469)        | 1,063          |
|   | <u>4,342</u> | <u>(6,391)</u> |
| Actuarial gain/(loss) recognised in Statement of recognised income and expense                      | <u>4,342</u> | <u>(6,391)</u> |
| <i>History of experience gains and losses:</i>  | <b>2006</b>  | <b>2005</b>    |
| Difference between expected and actual return on assets   |              |                |
| - Amount (€'000)  | (1,305)      | 6,246          |
| - % of scheme assets  | (1.5%)       | 9.2%           |
| Experience losses on scheme liabilities   |              |                |
| - Amount (€'000)  | (1,066)      | (2,052)        |
| - % of scheme liabilities   | (1.1%)       | (2.0%)         |
| Total actuarial gain/(loss) recognised in Statement of recognised income and expense                |              |                |
| - Amount (€'000)  | 4,811        | (7,454)        |
| - % of scheme liabilities   | 5.2%         | (7.3%)         |



## Notes (continued)

| 26 Share capital   | 2006<br>'000   | 2006<br>€'000 | 2005<br>'000   | 2005<br>€'000 |
|--|----------------|---------------|----------------|---------------|
| <i>Authorised</i>  |                |               |                |               |
| Ordinary shares of 30 cent each (i)                                    | 228,000        | 68,400        | 228,000        | 68,400        |
| 8.5% cumulative redeemable convertible preference shares of €1.20 each | 15,000         | 18,000        | 15,000         | 18,000        |
| Total  | <u>243,000</u> | <u>86,400</u> | <u>243,000</u> | <u>86,400</u> |
| <i>Allotted, called up and fully paid</i>                              |                |               |                |               |
| At 1 August  | 124,905        | 37,471        | 123,925        | 37,177        |
| Issued on exercise of options  | 1,283          | 385           | 980            | 294           |
| Total (all ordinary shares of 30 cent each)                            | <u>126,188</u> | <u>37,856</u> | <u>124,905</u> | <u>37,471</u> |

(i) Ordinary shareholders are entitled to dividends as declared and each ordinary share carries equal voting rights at meetings of the Company.

## 27 Statement of changes in shareholders' equity

| 31 July 2006  | Share<br>premium<br>€'000 | Cash flow<br>hedge<br>reserve<br>€'000 | Share<br>option<br>reserve<br>€'000 | Other<br>reserves<br>€'000 | Foreign<br>currency<br>translation<br>reserve<br>€'000 | Retained<br>earnings<br>€'000 | Total<br>€'000 |
|---|---------------------------|--|-------------------------------------|----------------------------|--|-------------------------------|----------------|
| At 1 August 2005  | 43,745                    | -                                      | 1,517                               | 3,198                      | (1,097)  | 294,597                       | 341,960        |
| Impact of adoption<br>of IAS 32 and IAS 39              | -                         | 711                                    | -                                   | -                          | -  | -                             | 711            |
| Related deferred tax                                    | -                         | (89)                                   | -                                   | -                          | -  | -                             | (89)           |
| At 1 August 2005, adjusted                              | 43,745                    | 622                                    | 1,517                               | 3,198                      | (1,097)  | 294,597                       | 342,582        |
| Foreign exchange translation                            | -                         | -                                      | -                                   | -                          | (57)   | -                             | (57)           |
| Group and associate defined benefit<br>pension schemes  | -                         | -                                      | -                                   | -                          | -  | 4,811                         | 4,811          |
| Deferred tax on Group defined<br>benefit schemes        | -                         | -                                      | -                                   | -                          | -  | (469)                         | (469)          |
| Gains relating to cash flow hedges                      | -                         | 174                                    | -                                   | -                          | -  | -                             | 174            |
| Deferred tax relating to<br>cash flow hedges            | -                         | (40)                                   | -                                   | -                          | -  | -                             | (40)           |
| Profit for the period attributable<br>to equity holders | -                         | -                                      | -                                   | -                          | -  | 98,798                        | 98,798         |
| Issue of ordinary shares                                | 8,154                     | -                                      | -                                   | -                          | -  | -                             | 8,154          |
| Share based payments                                    | -                         | -                                      | 1,550                               | -                          | -  | -                             | 1,550          |
| Dividends paid  | -                         | -                                      | -                                   | -                          | -  | (16,036)                      | (16,036)       |
| Share of associates' other reserve<br>movements         | -                         | (21)                                   | -                                   | -                          | 524  | -                             | 503            |
| At 31 July 2006   | <u>51,899</u>             | <u>735</u>                             | <u>3,067</u>                        | <u>3,198</u>               | <u>(630)</u>   | <u>381,701</u>                | <u>439,970</u> |

## Notes (continued)

### 27 Statement of changes in shareholders' equity (continued)

| 31 July 2005   | Share<br>premium<br>€'000 | Share<br>option<br>reserve<br>€'000 | Other<br>reserves<br>€'000 | Foreign<br>currency<br>translation<br>reserve<br>€'000 | Retained<br>earnings<br>€'000 | Total<br>€'000        |
|--|---------------------------|-------------------------------------|----------------------------|--|-------------------------------|-----------------------|
| <b>At 1 August 2004</b>                                  | <b>37,918</b>             | <b>650</b>                          | <b>3,198</b>               | -  | <b>223,401</b>                | <b>265,167</b>        |
| Foreign exchange translation                             | -                         | -                                   | -                          | (1,097)  | -                             | (1,097)               |
| Group and associate defined benefit<br>pension schemes   | -                         | -                                   | -                          | -  | (10,175)                      | (10,175)              |
| Deferred tax on group defined<br>benefit pension schemes | -                         | -                                   | -                          | -  | 1,063                         | 1,063                 |
| Profit for the period attributable to equity holders     | -                         | -                                   | -                          | -  | 94,360                        | 94,360                |
| Issue of ordinary shares                                 | 5,827                     | -                                   | -                          | -  | -                             | 5,827                 |
| Expensing of employee share options                      | -                         | 867                                 | -                          | -  | -                             | 867                   |
| Dividends paid   | -                         | -                                   | -                          | -  | (14,052)                      | (14,052)              |
| <b>At 31 July 2005</b>                                   | <b><u>43,745</u></b>      | <b><u>1,517</u></b>                 | <b><u>3,198</u></b>        | <b><u>(1,097)</u></b>                                  | <b><u>294,597</u></b>         | <b><u>341,960</u></b> |

#### *Other reserves*

These reserves comprise €2,118,000 relating to a capital conversion reserve which arose on the renominationalisation of the Group's share capital following the introduction of the euro as well as €1,080,000 of other non-distributable reserves.

#### *Share option reserve*

This reserve comprises amounts credited to reserves in connection with share option grants less the effect of any exercises of such options.

#### *Hedging reserve*

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

#### *Foreign currency translation reserve*

The translation reserve comprises all foreign exchange differences from 1 August 2004, arising from the translation of the net assets of the Group's non-euro denominated operations, including the translation of the profits of such operations from the average exchange rate for the year to the exchange rate at the balance sheet date, net of hedging.

## Notes (continued)

| 28 Minority interest                             | 2006         | 2005         |
|--|--------------|--------------|
|  | €'000        | €'000        |
| Balance at 1 August                              | 3,924        | 3,270        |
| Share of profit after tax for the year           | 331          | 276          |
| Share of foreign exchange translation adjustment | 21           | (75)         |
| Arising on acquisition                           | -            | 528          |
| Repurchase of minority interest                  | (1,366)      | -            |
| Dividends paid                                   | -            | (205)        |
| Other  | -            | 130          |
|  | <u>2,910</u> | <u>3,924</u> |
| Balance at 31 July                               | <u>2,910</u> | <u>3,924</u> |

During the year, the Group repurchased a minority interest held in a subsidiary of the Food Europe business.

## 29 Commitments under operating leases

Non-cancellable operating lease rentals are payable as set out below. These amounts represent minimum future lease payments, in aggregate, that the Group is required to make under existing lease agreements.

|                                | 2006          | 2005          |
|--------------------------------|---------------|---------------|
|                                | €'000         | €'000         |
| Operating leases which expire: |               |               |
| Within one year                | 6,908         | 3,924         |
| In two to five years           | 9,185         | 8,050         |
| After more than five years     | 5,092         | 3,911         |
|                                | <u>21,185</u> | <u>15,885</u> |
| Balance at 31 July             | <u>21,185</u> | <u>15,885</u> |

## Notes (continued)

### 30 Acquisitions

During the year, the Food Europe division acquired a small business which did not have a significant effect on the results of the Group.

On 10 December 2004, the Group completed the acquisition of Groupe Hubert, a French food company.

| Details of net assets acquired and goodwill arising from the business combination is as follows: | <b>2005</b>           |
|--|-----------------------|
|  | <b>€'000</b>          |
| <i>Net assets acquired:</i>  |                       |
| Property, plant and equipment  | 9,403                 |
| Customer and brand intangible assets   | 44,410                |
| Other intangible assets  | 23,913                |
| Inventory  | 5,431                 |
| Trade and other receivables  | 18,462                |
| Minority interest  | (528)                 |
| Trade and other payables   | (28,354)              |
| Deferred tax   | (23,821)              |
| Debt assumed on acquisition  | (12,393)              |
| Finance leases acquired  | <u>(3,759)</u>        |
| Net assets acquired excluding minority   | 32,764                |
| Goodwill arising on acquisition  | <u>87,931</u>         |
| Consideration  | <u>120,695</u>        |
| <i>Satisfied by:</i>   |                       |
| Cash   | 104,090               |
| Cash acquired on acquisition   | (9,949)               |
| Deferred purchase consideration  | <u>26,554</u>         |
|  | <u><u>120,695</u></u> |

Post acquisition revenues and operating profit relating to Groupe Hubert amounted to €82,625,000 and €7,375,000, respectively. Goodwill arising on the acquisition of Groupe Hubert reflects the strategic positioning of the Group in mainland Europe.

## Notes (continued)

| 31 Contingent liabilities  | 2006<br>€'000 | 2005<br>€'000 |
|--|---------------|---------------|
| (a) Government grants repayable if grant conditions are not met  | <u>3,910</u>  | <u>3,910</u>  |
| (b) In order to avail of the exemption under Section 17 of the Companies (Amendment) Act, 1986 the Group has guaranteed the liabilities of certain of its subsidiaries registered in Ireland. Where the Group has entered into financial guarantee contracts to guarantee the indebtedness of such subsidiaries, the Group considers these to be insurance contracts and accounts for them as such. The Group treats the guarantee contract as a contingent liability until such time as it becomes probable that that the Group will be required to make a payment under the guarantee. |               |               |
| (c) The Group and its subsidiaries have given composite guarantee and indemnity to secure obligations of fellow subsidiary undertakings on all sums due: €500,000,000 in respect of bank loans and bank advances and €20,000,000 in respect of guarantee and trade finance facilities. The Group considers these to be insurance contracts and accounts for them as such.  |               |               |

## 32 Related party transactions

In the normal course of business, the Group undertakes arms-length transactions with its associates, joint venture and other related parties. Included in sale of goods below are sales to associates of €9,619,000. A summary of transactions with these related parties during the year are as follows:

|                       | 2006<br>€'000 | 2005<br>€'000  |
|-----------------------|---------------|----------------|
| Sale of goods         | 70,969        | 61,514         |
| Purchase of goods     | (5,903)       | (6,660)        |
| Provision of services | 596           | 2,051          |
| Receiving of services | <u>(13)</u>   | <u>(1,260)</u> |

The trading balances owing to the Group from related parties were €4,243,000 (2005: €4,161,000) and the trading balances owing from the Group to these related parties were €7,769,000 (2005: €3,296,000).

During the year, the Group invested €35,061,000 in acquiring an additional 10% shareholding in one of its associates, Hiestand Holding AG.

*Compensation of key management personnel*

For the purposes of the disclosure requirements of IAS 24, *Related Party Disclosures*, the term "key management personnel" (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group) comprises the Board of Directors which manages the business and affairs of the Group. Full disclosure in relation to the compensation entitlements of the Board of Directors is provided in the Report on directors' remuneration on pages 39 to 43 of this Annual Report.

## Notes (continued)

### 33 Transition to International Financial Reporting Standards

As stated in the accounting policies, these are the Group's first financial statements prepared in accordance with IFRS.

#### *Impact on Group financial statements*

In restating the Group's financial statements, IAWS Group, plc, in common with most other listed companies, has availed of the following relevant mandatory and optional exemptions in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*, and a number of other standards:

- Business combinations before 1 August 2004 have not been restated. Consequently, goodwill at the transition date is carried forward at its net book value and, along with goodwill on subsequent acquisitions, is subject to annual impairment testing. Goodwill was assessed for impairment at the transition date and no impairment charges arose from this exercise. Goodwill on acquisitions prior to 1998, which was set-off against revenue reserves under Irish/UK Generally Accepted Accounting Principles (Irish/UK GAAP) is deemed to be permanently written off under IFRS and not subject to impairment testing or write-off on disposal.
- Cumulative currency translation differences have been reset at zero at the transition date. The currency translation reserve mainly comprises the re-translation of the net assets of the Group's non-euro denominated subsidiaries and joint venture net of exchange differences on related borrowings. Going forward, cumulative currency translation differences will be included in the profit or loss on disposal of any subsidiary, joint venture or associate.
- Cumulative actuarial gains or losses on the Group's defined benefit pension schemes have been recognised in full in the transition balance sheet. IAWS Group, plc is not applying the corridor approach to recognising actuarial gains or losses.
- IFRS 2, *Share-based Payment* is being applied in respect of share options granted after 7 November 2002.
- The Group is applying IAS 32, *Financial Instruments: Presentation and Disclosure* and IAS 39, *Financial Instruments: Recognition and Measurement* prospectively from 1 August 2005. Consequently, financial instruments are recognised in accordance with Irish/UK Generally Accepted Accounting Principles (Irish/UK GAAP) in the 2005 comparative information. The fair value of derivatives on 1 August 2005 was adjusted against the opening balance on the hedging reserve.

The Group accounting policies, set out on pages 53 to 59 have been applied in preparing the financial statements for the years ended 31 July 2005 and 2006 and in the preparation of an opening IFRS balance sheet at 1 August 2004 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its Irish basis of accounting (Irish GAAP).

The key impacts on the Group arising from transition to IFRS can be summarised as follows:

#### *Pensions*

IAS 19, *Employee Benefits*, requires that surpluses or deficits under defined benefit pension schemes be recognised on the Group balance sheet. In addition, any operating and financial costs of these schemes, which should be calculated in line with IAS 19 principles, are accounted for in the Group income statement. Under Irish GAAP, the Group provided for its defined benefit plans under SSAP 24, which spread the cost of pensions over the employees' period of service. This cost, which was broadly the same as the annual funding contribution, was charged to the profit and loss account.

## Notes (continued)

### 33 Transition to International Financial Reporting Standards (continued)

#### *Pensions (continued)*

IAS 19 allows a number of alternatives in relation to the recognition of actuarial gains and losses. The Group is adopting a policy of the immediate recognition of such gains or losses in full through the Statement of Recognised Income and Expense. This option has been applied upon the early adoption of the Amendment to IAS 19, *Employee Benefits*.

#### *Goodwill and intangible assets*

Under IFRS 3, *Business Combinations*, goodwill is no longer amortised, but is subject to annual impairment tests. As a result, goodwill amortisation that was charged in the Group's 2005 interim and full year financial statements, originally prepared under Irish GAAP, has been reversed in the revised IFRS financial information. The Group conducted impairment testing on its goodwill for 2005 and these tests did not identify any impairment charges on transition or in the year.

IFRS 3 also requires companies to determine the fair value of intangible assets acquired as part of any business combination, after the transition date of 1 August 2004, where these are identifiable and can be measured reliably. Such intangible assets can include customer - related intangibles, brand related intangibles, contract based intangibles, technology, patents etc. Intangible assets that are separately identified must be amortised to the income statement over their estimated useful economic lives, except where such lives are infinite.

In accordance with IFRS 3, the Group has reviewed its acquisition of Groupe Hubert, in December 2004, and has identified intangible assets amounting to €44.4m at the date of acquisition. These assets are brand related intangibles (€27.1m) and customer related intangibles (€17.3m) and are being amortised over fifteen and twelve year periods respectively. The goodwill on this transaction has therefore been reduced to €87.9m, as opposed to €131.8m under Irish GAAP. Under IFRS, deferred tax is recognised in a business combination for any difference between the fair value of an acquired asset and its equivalent tax base. Therefore, based on current interpretation of IFRS 3 and IAS 12, *Income Taxes*, the Group has recognised an incremental deferred tax liability of €23.9m, with a corresponding increase in intangible assets. There is no net effect on the income statement as the increase in the intangible asset amortisation charge each year is offset by the release of an equal deferred tax credit.

The Group has excluded amortisation charges on these intangible assets from its adjusted earnings per share, in the same way that goodwill amortisation was previously excluded in its Irish GAAP financial statements.

In addition, a licence with a carrying value of €5.1m previously included in goodwill, but which meets the definition of a brand related intangible, has been reclassified to intangible assets under IAS 38 and will continue to be amortised over its useful life of 20 years.

Under Irish GAAP, computer software was previously capitalised as a tangible fixed asset. Under IAS 38, *Intangible Assets*, computer software that is not an integral part of an item of computer hardware is capitalised as an intangible asset.

#### *Expensing of share options*

Under IFRS 2, *Share-based Payment*, the charge to the income statement is based on the fair value of share options granted to employees, after 7 November 2002, spread on a straight line basis over the vesting period of the options.

#### *Dividend recognition*

Under IAS 10, *Events after the Balance Sheet*, dividends declared after the balance sheet date are not recognised in the balance sheet, but are disclosed in the notes to the accounts. Consequently the proposed dividends provided at 1 August 2004 and 31 July 2005 have been reversed.

## Notes (continued)

### 33 Transition to International Financial Reporting Standards (continued)

#### *Accounting for associates and joint venture*

Under Irish GAAP the Group's share of profit from its joint venture and associates was split in the profit and loss account between operating profit, interest income/expense and taxation. The joint venture was accounted for under the gross equity method, under which the Group's share of the joint venture turnover was disclosed separately within turnover and the Group's share of gross assets and liabilities was disclosed separately in the balance sheet. The Group has elected to continue to apply equity accounting in relation to its joint venture, rather than proportionate consolidation. However, under IAS 1, *Presentation of Financial Statements*, the Group's share of the profit after tax of entities accounted for under equity accounting rules must be presented as a single figure in the Group's profit before tax line, with no separate analysis of interest or tax charges.

This required presentation does not impact profit attributable to shareholders or earnings per share. Under IFRS, the accounting policies of associates and joint ventures must be consistent with the policies of the Group. As a result, further adjustment is required to reflect IFRS policies in the accounts of the Group's associates and joint venture. This adjustment relates mainly to the adoption of IAS 19 in respect of associates.

#### *Taxation*

The main difference in IAS 12, *Income Taxes*, compared to Irish GAAP relates to the basis of accounting for deferred tax. Under IAS 12, deferred tax is based on the concept of temporary differences, which are calculated by comparing the carrying value of each balance sheet item to its tax base.

The main adjustments arising in relation to tax are as follows:

- Recognition of deferred tax assets in relation to the Group's defined benefit pension schemes.
- Recognition of deferred tax liability in relation to intangible assets. This liability is released to the income statement in line with the amortisation of the related intangible assets.
- Deferred tax was not recognised on timing differences arising on gains on the sale of assets, under FRS 19, if it was more likely than not that such gains would be rolled over. Deferred tax must be provided on all rolled over gains under IAS 12.
- Deferred tax was not recognised on timing differences arising on the revaluation of assets under FRS 19, whereas this must be recognised under IAS 12.
- The Group's share of the tax charge of its joint venture and associates is netted against the Group's share of profit of these entities rather than included in the total tax charge, when accounted for under IFRS equity accounting rules.
- The tax impact of certain adjustments to the income statement arising from the adoption of other standards under the transition to IFRS.

Detailed reconciliations from Irish GAAP to IFRS of the Group's financial performance, financial position and cash flows are contained in the following pages.



## Notes (continued)

## 33 Transition to International Financial Reporting Standards (continued)

Group transition balance sheet as at 1 August 2004

|                                       | Under<br>Irish GAAP<br>€'000 | Pensions<br>€'000 | Share<br>options<br>€'000 | Goodwill &<br>intangibles<br>reclass<br>€'000 | Events after<br>B/S date<br>€'000 | Other<br>Incl. reclass<br>€'000 | Restated<br>IFRS<br>€'000 |
|---------------------------------------|------------------------------|-------------------|---------------------------|---|-----------------------------------|---------------------------------|---------------------------|
| <b>Assets</b>                         |                              |                   |                           |   |                                   |                                 |                           |
| <i>Non current asset</i>              |                              |                   |                           |   |                                   |                                 |                           |
| Property, plant & equipment           | 247,135                      | -                 | -                         | (4,365)                                       | -                                 | -                               | 242,770                   |
| Intangible assets - goodwill          | 183,531                      | -                 | -                         | (5,139)                                       | -                                 | -                               | 178,392                   |
| Intangible assets - other             | -                            | -                 | -                         | 9,504   | -                                 | -                               | 9,504                     |
| Investments using equity accounting   | 116,991                      | (4,865)           | -                         | -   | -                                 | (1,825)                         | 110,301                   |
| Investments (available for sale)      | 245                          | -                 | -                         | -   | -                                 | -                               | 245                       |
| Deferred tax assets                   | -                            | 3,904             | -                         | -   | -                                 | 3,897                           | 7,801                     |
| <b>Total non current assets</b>       | <b>547,902</b>               | <b>(961)</b>      | <b>-</b>                  | <b>-</b>                                      | <b>-</b>                          | <b>2,072</b>                    | <b>549,013</b>            |
| <i>Current assets</i>                 |                              |                   |                           |   |                                   |                                 |                           |
| Inventory                             | 88,740                       | -                 | -                         | -   | -                                 | -                               | 88,740                    |
| Trade debtors and other receivables   | 130,588                      | -                 | -                         | -   | -                                 | -                               | 130,588                   |
| Current asset investments             | -                            | -                 | -                         | -   | -                                 | -                               | -                         |
| Cash and cash equivalents             | 46,508                       | -                 | -                         | -   | -                                 | -                               | 46,508                    |
| <b>Total current assets</b>           | <b>265,836</b>               | <b>-</b>          | <b>-</b>                  | <b>-</b>                                      | <b>-</b>                          | <b>-</b>                        | <b>265,836</b>            |
| <b>Total assets</b>                   | <b>813,738</b>               | <b>(961)</b>      | <b>-</b>                  | <b>-</b>                                      | <b>-</b>                          | <b>2,072</b>                    | <b>814,849</b>            |
| <b>Equity</b>                         |                              |                   |                           |   |                                   |                                 |                           |
| Called up share capital               | 37,177                       | -                 | -                         | -   | -                                 | -                               | 37,177                    |
| Share premium                         | 37,918                       | -                 | -                         | -   | -                                 | -                               | 37,918                    |
| Share option reserve                  | -                            | -                 | 650                       | -   | -                                 | -                               | 650                       |
| Capital conversion reserve fund       | 2,118                        | -                 | -                         | -   | -                                 | -                               | 2,118                     |
| Other non distributable reserves      | 1,080                        | -                 | -                         | -   | -                                 | -                               | 1,080                     |
| Goodwill write off reserve            | (111,206)                    | -                 | -                         | -   | -                                 | -                               | (111,206)                 |
| Retained earnings                     | 367,035                      | (27,099)          | (650)                     | -   | 6,744                             | (11,423)                        | 334,607                   |
| <b>Total shareholders equity</b>      | <b>334,122</b>               | <b>(27,099)</b>   | <b>-</b>                  | <b>-</b>                                      | <b>6,744</b>                      | <b>(11,423)</b>                 | <b>302,344</b>            |
| <b>Minority interest</b>              | <b>3,270</b>                 | <b>-</b>          | <b>-</b>                  | <b>-</b>                                      | <b>-</b>                          | <b>-</b>                        | <b>3,270</b>              |
| <b>Total equity and minority</b>      | <b>337,392</b>               | <b>(27,099)</b>   | <b>-</b>                  | <b>-</b>                                      | <b>6,744</b>                      | <b>(11,423)</b>                 | <b>305,614</b>            |
| <b>Liabilities</b>                    |                              |                   |                           |   |                                   |                                 |                           |
| <i>Non current liabilities</i>        |                              |                   |                           |   |                                   |                                 |                           |
| Interest bearing loans and borrowings | 174,011                      | -                 | -                         | -   | -                                 | -                               | 174,011                   |
| Employee benefits                     | 2,326                        | 28,339            | -                         | -   | -                                 | -                               | 30,665                    |
| Government grants                     | 4,429                        | -                 | -                         | -   | -                                 | -                               | 4,429                     |
| Other payables                        | 987                          | -                 | -                         | -   | -                                 | -                               | 987                       |
| Deferred tax liabilities              | 5,932                        | -                 | -                         | -   | -                                 | 13,495                          | 19,427                    |
| Provisions                            | 16,938                       | -                 | -                         | -   | -                                 | -                               | 16,938                    |
| <b>Total non current liabilities</b>  | <b>204,623</b>               | <b>28,339</b>     | <b>-</b>                  | <b>-</b>                                      | <b>-</b>                          | <b>13,495</b>                   | <b>246,457</b>            |
| <i>Current liabilities</i>            |                              |                   |                           |   |                                   |                                 |                           |
| Interest bearings borrowings          | 13,907                       | -                 | -                         | -   | -                                 | -                               | 13,907                    |
| Trade payables and other payables     | 237,708                      | (2,201)           | -                         | -   | (6,744)                           | -                               | 228,763                   |
| Corporation tax payable               | 14,674                       | -                 | -                         | -   | -                                 | -                               | 14,674                    |
| Provisions                            | 5,434                        | -                 | -                         | -   | -                                 | -                               | 5,434                     |
| <b>Total current liabilities</b>      | <b>271,723</b>               | <b>(2,201)</b>    | <b>-</b>                  | <b>-</b>                                      | <b>(6,744)</b>                    | <b>-</b>                        | <b>262,778</b>            |
| <b>Total liabilities</b>              | <b>476,346</b>               | <b>26,138</b>     | <b>-</b>                  | <b>-</b>                                      | <b>(6,744)</b>                    | <b>13,495</b>                   | <b>509,235</b>            |
| <b>Total liabilities and equity</b>   | <b>813,738</b>               | <b>(961)</b>      | <b>-</b>                  | <b>-</b>                                      | <b>-</b>                          | <b>2,072</b>                    | <b>814,849</b>            |

## Notes (continued)

### 33 Transition to International Financial Reporting Standards (continued)

Restatement of Group income statement for the year ended 31 July 2005

|  | Under<br>Irish GAAP<br>€'000 | Reclass<br>deprn to<br>amortisation<br>€'000 | Pension<br>€'000 | Share<br>option<br>expense<br>€'000 | Amortisation<br>€'000 | Asso/JV<br>presentation<br>€'000 | Goodwill<br>writeback<br>€'000 | Reclass<br>€'000 | Restated<br>IFRS<br>€'000 |
|--|------------------------------|--|------------------|-------------------------------------|-----------------------|----------------------------------|--------------------------------|------------------|---------------------------|
| Revenue including Group<br>share of joint venture        | 1,455,061                    | -  | -                | -                                   | -                     | -                                | -                              | -                | 1,455,061                 |
| Group revenue  | 1,408,174                    | -  | -                | -                                   | -                     | -                                | -                              | -                | 1,408,174                 |
| Cost of sales  | (1,110,506)                  | -  | -                | -                                   | -                     | -                                | -                              | -                | (1,110,506)               |
| <b>Gross profit</b>                                      | <b>297,668</b>               | -  | -                | -                                   | -                     | -                                | -                              | -                | <b>297,668</b>            |
| Distribution, administration<br>and other expenses       | (201,064)                    | 1,157  | 2,108            | (867)                               | -                     | -                                | -                              | (454)            | (199,120)                 |
| Intangible amortisation                                  | (3,548)                      | (1,157)                                      | -                | -                                   | 81                    | -                                | -                              | -                | (4,624)                   |
| Profit on disposal of operations                         | 8,670                        | -  | -                | -                                   | -                     | -                                | 1,331                          | -                | 10,001                    |
| Loss on termination of operations                        | (1,374)                      | -  | -                | -                                   | -                     | -                                | -                              | -                | (1,374)                   |
| Loss on disposal of fixed assets                         | (454)                        | -  | -                | -                                   | -                     | -                                | -                              | 454              | -                         |
| Share of profit of associates<br>& joint venture         | 27,478                       | -  | -                | -                                   | -                     | (5,958)                          | -                              | -                | 21,520                    |
| <b>Profit from operations before<br/>financing costs</b> | <b>127,376</b>               | -  | <b>2,108</b>     | <b>(867)</b>                        | <b>81</b>             | <b>(5,958)</b>                   | <b>1,331</b>                   | -                | <b>124,071</b>            |
| Net financing costs (Group)                              | (11,851)                     | -  | (449)            | -                                   | -                     | -                                | -                              | -                | (12,300)                  |
| Net financing costs associates<br>and joint venture      | (541)                        | -  | -                | -                                   | -                     | 541                              | -                              | -                | -                         |
| <b>Profit before tax</b>                                 | <b>114,984</b>               | -  | <b>1,659</b>     | <b>(867)</b>                        | <b>81</b>             | <b>(5,417)</b>                   | <b>1,331</b>                   | -                | <b>111,771</b>            |
| Income tax   | (23,555)                     | -  | (99)             | -                                   | 462                   | 6,057                            | -                              | -                | (17,135)                  |
| <b>Profit for the year</b>                               | <b>91,429</b>                | -  | <b>1,560</b>     | <b>(867)</b>                        | <b>543</b>            | <b>640</b>                       | <b>1,331</b>                   | -                | <b>94,636</b>             |
| <i>Attributable as follows:</i>                          |                              |  |                  |                                     |                       |                                  |                                |                  |                           |
| Equity shareholders                                      | 91,153                       | -  | 1,560            | (867)                               | 543                   | 640                              | 1,331                          | -                | 94,360                    |
| Minority interest  | 276                          | -  | -                | -                                   | -                     | -                                | -                              | -                | 276                       |
|  | <b>91,429</b>                | -  | <b>1,560</b>     | <b>(867)</b>                        | <b>543</b>            | <b>640</b>                       | <b>1,331</b>                   | -                | <b>94,636</b>             |
| Earnings per share                                       |                              |  |                  |                                     |                       |                                  |                                |                  |                           |
| Basic  | 73.29                        |  |                  |                                     |                       |                                  |                                |                  | 75.86                     |
| Fully diluted  | 72.27                        |  |                  |                                     |                       |                                  |                                |                  | 74.87                     |

## Notes (continued)

## 33 Transition to International Financial Reporting Standards (continued)

Restatement of Group balance sheet as at 31 July 2005

|                                       | Under<br>Irish GAAP<br>€'000 | Pensions<br>€'000 | Share<br>options<br>€'000 | Goodwill &<br>intangibles<br>reclass<br>€'000 | Amortisation<br>€'000 | Events after<br>B/S date<br>€'000 | Associate<br>& JV Adj.<br>€'000 | Other incl<br>reclasses<br>€'000 | Restated<br>IFRS<br>€'000 |
|---------------------------------------|------------------------------|-------------------|---------------------------|---|-----------------------|-----------------------------------|---------------------------------|----------------------------------|---------------------------|
| <b>Assets</b>                         |                              |                   |                           |   |                       |                                   |                                 |                                  |                           |
| <i>Non current assets</i>             |                              |                   |                           |   |                       |                                   |                                 |                                  |                           |
| Property, plant & equipment           | 294,598                      | -                 | -                         | (7,020)                                       | -                     | -                                 | -                               | -                                | 287,578                   |
| Intangible assets - goodwill          | 304,511                      | 503               | -                         | (49,549)                                      | 3,548                 | -                                 | -                               | -                                | 259,013                   |
| Intangible assets - other             | -                            | -                 | -                         | 80,482  | (3,467)               | -                                 | -                               | -                                | 77,015                    |
| Investments using equity accounting   | 124,858                      | (7,586)           | -                         | -   | -                     | -                                 | 640                             | (1,825)                          | 116,087                   |
| Investments (available for sale)      | 242                          | -                 | -                         | -   | -                     | -                                 | -                               | -                                | 242                       |
| Deferred tax assets                   | -                            | 4,868             | -                         | -   | -                     | -                                 | -                               | 10,161                           | 15,029                    |
| <b>Total non current assets</b>       | <b>724,209</b>               | <b>(2,215)</b>    | <b>-</b>                  | <b>23,913</b>                                 | <b>81</b>             | <b>-</b>                          | <b>640</b>                      | <b>8,336</b>                     | <b>754,964</b>            |
| <i>Current assets</i>                 |                              |                   |                           |   |                       |                                   |                                 |                                  |                           |
| Inventory                             | 88,299                       | -                 | -                         | -   | -                     | -                                 | -                               | -                                | 88,299                    |
| Trade debtors and other receivables   | 169,514                      | -                 | -                         | -   | -                     | -                                 | -                               | -                                | 169,514                   |
| Current asset investments             | -                            | -                 | -                         | -   | -                     | -                                 | -                               | 4,000                            | 4,000                     |
| Cash and cash equivalents             | 51,687                       | -                 | -                         | -   | -                     | -                                 | -                               | (4,000)                          | 47,687                    |
| <b>Total current assets</b>           | <b>309,500</b>               | <b>-</b>          | <b>-</b>                  | <b>-</b>                                      | <b>-</b>              | <b>-</b>                          | <b>-</b>                        | <b>-</b>                         | <b>309,500</b>            |
| <b>Total assets</b>                   | <b>1,033,709</b>             | <b>(2,215)</b>    | <b>-</b>                  | <b>23,913</b>                                 | <b>81</b>             | <b>-</b>                          | <b>640</b>                      | <b>8,336</b>                     | <b>1,064,464</b>          |
| <b>Equity</b>                         |                              |                   |                           |   |                       |                                   |                                 |                                  |                           |
| Called up share capital               | 37,471                       | -                 | -                         | -   | -                     | -                                 | -                               | -                                | 37,471                    |
| Share premium                         | 43,745                       | -                 | -                         | -   | -                     | -                                 | -                               | -                                | 43,745                    |
| Share option reserve fund             | -                            | -                 | 1,517                     | -   | -                     | -                                 | -                               | -                                | 1,517                     |
| Capital conversion reserve fund       | 2,118                        | -                 | -                         | -   | -                     | -                                 | -                               | -                                | 2,118                     |
| Other non distributable reserves      | 1,080                        | -                 | -                         | -   | -                     | -                                 | -                               | -                                | 1,080                     |
| Goodwill write off reserve            | (109,875)                    | -                 | -                         | -   | -                     | -                                 | -                               | (1,331)                          | (111,206)                 |
| Foreign currency translation reserve  | -                            | -                 | -                         | -   | -                     | -                                 | -                               | (1,097)                          | (1,097)                   |
| Retained earnings                     | 442,224                      | (34,651)          | (1,517)                   | -   | 543                   | 7,559                             | 640                             | (8,995)                          | 405,803                   |
| <b>Total shareholders equity</b>      | <b>416,763</b>               | <b>(34,651)</b>   | <b>-</b>                  | <b>-</b>                                      | <b>543</b>            | <b>7,559</b>                      | <b>640</b>                      | <b>(11,423)</b>                  | <b>379,431</b>            |
| <b>Minority interest</b>              | <b>3,924</b>                 | <b>-</b>          | <b>-</b>                  | <b>-</b>                                      | <b>-</b>              | <b>-</b>                          | <b>-</b>                        | <b>-</b>                         | <b>3,924</b>              |
| <b>Total equity and minority</b>      | <b>420,687</b>               | <b>(34,651)</b>   | <b>-</b>                  | <b>-</b>                                      | <b>543</b>            | <b>7,559</b>                      | <b>640</b>                      | <b>(11,423)</b>                  | <b>383,355</b>            |
| <b>Liabilities</b>                    |                              |                   |                           |   |                       |                                   |                                 |                                  |                           |
| <i>Non current liabilities</i>        |                              |                   |                           |   |                       |                                   |                                 |                                  |                           |
| Interest bearing loans and borrowings | 237,555                      | -                 | -                         | -   | -                     | -                                 | -                               | -                                | 237,555                   |
| Employee benefits                     | 2,309                        | 34,543            | -                         | -   | -                     | -                                 | -                               | -                                | 36,852                    |
| Government grants                     | 3,359                        | -                 | -                         | -   | -                     | -                                 | -                               | -                                | 3,359                     |
| Other payables                        | 450                          | -                 | -                         | -   | -                     | -                                 | -                               | -                                | 450                       |
| Deferred tax liabilities              | 8,575                        | -                 | -                         | 23,913  | (462)                 | -                                 | -                               | 19,759                           | 51,785                    |
| Provisions                            | 31,950                       | -                 | -                         | -   | -                     | -                                 | -                               | -                                | 31,950                    |
| <b>Total non current liabilities</b>  | <b>284,198</b>               | <b>34,543</b>     | <b>-</b>                  | <b>23,913</b>                                 | <b>(462)</b>          | <b>-</b>                          | <b>-</b>                        | <b>19,759</b>                    | <b>361,951</b>            |
| <i>Current liabilities</i>            |                              |                   |                           |   |                       |                                   |                                 |                                  |                           |
| Interest bearings borrowings          | 30,001                       | -                 | -                         | -   | -                     | -                                 | -                               | -                                | 30,001                    |
| Trade payables and other payables     | 283,131                      | (2,107)           | -                         | -   | -                     | (7,559)                           | -                               | -                                | 273,465                   |
| Corporation tax payable               | 11,027                       | -                 | -                         | -   | -                     | -                                 | -                               | -                                | 11,027                    |
| Provisions                            | 4,665                        | -                 | -                         | -   | -                     | -                                 | -                               | -                                | 4,665                     |
| <b>Total current liabilities</b>      | <b>328,824</b>               | <b>(2,107)</b>    | <b>-</b>                  | <b>-</b>                                      | <b>-</b>              | <b>(7,559)</b>                    | <b>-</b>                        | <b>-</b>                         | <b>319,158</b>            |
| <b>Total liabilities</b>              | <b>613,022</b>               | <b>32,436</b>     | <b>-</b>                  | <b>23,913</b>                                 | <b>(462)</b>          | <b>(7,559)</b>                    | <b>-</b>                        | <b>19,759</b>                    | <b>681,109</b>            |
| <b>Total liabilities and equity</b>   | <b>1,033,709</b>             | <b>(2,215)</b>    | <b>-</b>                  | <b>23,913</b>                                 | <b>81</b>             | <b>-</b>                          | <b>640</b>                      | <b>8,336</b>                     | <b>1,064,464</b>          |

## Notes (continued)

### 33 Transition to International Financial Reporting Standards (continued)

Restatement of Group cash flow statement as at 31 July 2005

|   | Under<br>Irish GAAP<br>€'000 | Goodwill and<br>intangibles<br>reclass<br>€'000 | Pension<br>€'000 | Share<br>options<br>€'000 | Other<br>reclasses<br>€'000 | Restated<br>IFRS<br>€'000 |
|---|------------------------------|---|------------------|---------------------------|-----------------------------|---------------------------|
| <b>Cash flows from operating activities</b>                                     |                              |   |                  |                           |                             |                           |
| Operating profit  | 93,056                       | 81  | 2,108            | (867)                     | (454)                       | 93,924                    |
| Depreciation of property, plant and equipment                                   | 24,651                       | (1,157)   | -                | -                         | -                           | 23,494                    |
| Amortisation of intangible assets   | 3,548                        | 1,076   | -                | -                         | -                           | 4,624                     |
| Amortisation of government grants   | -                            | -   | -                | -                         | -                           | -                         |
| Cost of employee share-based payments   | -                            | -   | -                | 867                       | -                           | 867                       |
| Loss on disposal of property, plant and equipment                               | -                            | -   | -                | -                         | 454                         | 454                       |
| Foreign exchange gains  | 728                          | -   | -                | -                         | -                           | 728                       |
| <b>Operating profit before changes in working capital</b>                       | <b>121,983</b>               | <b>-</b>  | <b>2,108</b>     | <b>-</b>                  | <b>-</b>                    | <b>124,091</b>            |
| Increase/(decrease) in inventory  | 4,598                        | -   | -                | -                         | -                           | 4,598                     |
| Increase in trade and other receivables   | (26,229)                     | -   | -                | -                         | -                           | (26,229)                  |
| (Decrease)/increase in trade and other payables                                 | 20,157                       | -   | (2,108)          | -                         | -                           | 18,049                    |
| <b>Cash generated from operating activities</b>                                 | <b>120,509</b>               | <b>-</b>  | <b>-</b>         | <b>-</b>                  | <b>-</b>                    | <b>120,509</b>            |
| Interest paid   | (12,411)                     | -   | -                | -                         | -                           | (12,411)                  |
| Income tax paid   | (18,771)                     | -   | -                | -                         | -                           | (18,771)                  |
| Dividends paid to minorities  | (205)                        | -   | -                | -                         | -                           | (205)                     |
| <b>Net cash from operating activities</b>                                       | <b>89,122</b>                | <b>-</b>  | <b>-</b>         | <b>-</b>                  | <b>-</b>                    | <b>89,122</b>             |
| <b>Cash flows from investing activities</b>                                     |                              |   |                  |                           |                             |                           |
| Proceeds from sale of property, plant and equipment                             | 2,451                        | -   | -                | -                         | -                           | 2,451                     |
| Purchase of property plant and equipment  | -                            | -   | -                | -                         | -                           | -                         |
| - Ongoing   | (7,363)                      | -   | -                | -                         | -                           | (7,363)                   |
| - New investments   | (43,931)                     | -   | -                | -                         | -                           | (43,931)                  |
| Acquisition of subsidiaries, businesses and associates,<br>net of cash acquired | (90,141)                     | -   | -                | -                         | (4,000)                     | (94,141)                  |
| Disposal of subsidiaries and business   | 14,743                       | -   | -                | -                         | -                           | 14,743                    |
| Dividends received  | 16,223                       | -   | -                | -                         | -                           | 16,223                    |
| Investments in and advances to associates and joint venture                     | (3,304)                      | -   | -                | -                         | -                           | (3,304)                   |
| Deferred consideration paid   | (6,788)                      | -   | -                | -                         | -                           | (6,788)                   |
| Other   | 33                           | -   | -                | -                         | -                           | 33                        |
| <b>Net cash flow from investing activities</b>                                  | <b>(118,077)</b>             | <b>-</b>  | <b>-</b>         | <b>-</b>                  | <b>(4,000)</b>              | <b>(122,077)</b>          |
| <b>Cash flows from financing activities</b>                                     |                              |   |                  |                           |                             |                           |
| Proceeds from issue of share capital  | 6,121                        | -   | -                | -                         | -                           | 6,121                     |
| Drawdown of loan capital  | 46,409                       | -   | -                | -                         | -                           | 46,409                    |
| Capital element of finance lease liabilities                                    | (565)                        | -   | -                | -                         | -                           | (565)                     |
| Equity dividends paid   | (14,052)                     | -   | -                | -                         | -                           | (14,052)                  |
| <b>Net cash from financing activities</b>                                       | <b>37,913</b>                | <b>-</b>  | <b>-</b>         | <b>-</b>                  | <b>-</b>                    | <b>37,913</b>             |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                     | <b>8,958</b>                 | <b>-</b>  | <b>-</b>         | <b>-</b>                  | <b>(4,000)</b>              | <b>4,958</b>              |
| Translation adjustment  | (155)                        | -   | -                | -                         | -                           | (155)                     |
| Cash and cash equivalents at 1 August 2004                                      | 38,616                       | -   | -                | -                         | -                           | 38,616                    |
| <b>Cash and cash equivalents at 31 July 2005</b>                                | <b>47,419</b>                | <b>-</b>  | <b>-</b>         | <b>-</b>                  | <b>(4,000)</b>              | <b>43,419</b>             |

### 34 Approval of financial statements

These financial statements were approved by the Board on 25 September 2006.

## Company statement of accounting policies

FOR THE YEAR ENDED 31 JULY 2006

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements, with the exception of the accounting policies for pensions, share based payments, dividends and financial instruments which have been changed following the adoption of FRS 17, *Retirement Benefits*, FRS 20, *Share Based Payment*, FRS 21, *Events After The Balance Sheet Date*, FRS 25, *Financial Instruments: Disclosure and Presentation* and FRS 26, *Financial Instruments: Recognition and Measurement*.

### Basis of preparation

The financial statements are prepared in euro and in accordance with generally accepted accounting principles under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board, as promulgated by The Institute of Chartered Accountants in Ireland.

In accordance with the Companies Acts, 1963 to 2005 the Company is permitted to take advantage of the exemption in Section 148(8) of the Companies Act 1963 from presenting to its members its Company profit and loss account and related notes that form part of the approved Company financial statements.

### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and provisions for impairment.

Freehold land is not depreciated. The charge for depreciation is calculated to write down the cost of other fixed assets including leased assets to their estimated residual values by equal instalments over their expected useful lives which are as follows:

|                       |                |
|-----------------------|----------------|
| Buildings             | 25 to 50 years |
| Fixtures and fittings | 3 to 15 years  |
| Motor vehicles        | 3 to 7.5 years |

The carrying value of tangible assets is reviewed for impairment if events or changes in circumstances indicate that the net book amount may not be recoverable.

### Investments in subsidiaries

Investments in subsidiaries are shown at cost less provisions for impairments in value. Income from financial fixed assets is recognised in the profit and loss account in the year in which it is receivable.

### Leased assets

Tangible fixed assets acquired under finance leases are included in the balance sheet at their equivalent capital value and are depreciated over the shorter of the lease term and their useful lives. The corresponding liabilities are recorded as a creditor and the interest element of the finance lease rentals is charged to the profit and loss account on an annuity basis. Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

### Employee benefits

The Company makes pension contributions for a substantial number of employees.

For the Company's defined benefit scheme, the difference between the market value of the scheme's assets and the actuarially assessed present value of the scheme's liabilities, calculated using the projected unit credit method, is disclosed as an asset/liability in the balance sheet, net of deferred tax to the extent that it is deemed to be recoverable.

## Company statement of accounting policies (continued)

FOR THE YEAR ENDED 31 JULY 2006

### Employee benefits (continued)

The amount charged to operating profit is the actuarially determined cost of pension benefits promised to employees and earned during the year plus the cost of any benefit improvements granted to members during the year.

The expected return on the pension scheme's assets during the year and the increase in the scheme's liabilities due to the unwinding of the discount during the year are shown as financing costs in the profit and loss account. Any difference between the expected return on assets and that actually achieved, and any changes in the liabilities due to changes in assumptions or because actual experience during the year was different to that assumed, are recognised as actuarial gains and losses in the statement of total recognised gains and losses.

### Taxation

Current tax is provided on the Company's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, as required by FRS 19: *Deferred Tax*. Provision is made at the rates expected to apply when the timing differences reverse. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions or at a contracted rate. The resulting monetary assets and liabilities are translated at the balance sheet rate or the contracted rate and the exchange differences are dealt with in the profit and loss account.

### Cash flow statement

Under the provisions of FRS 1, *Cash Flow Statements*, a cash flow statement has not been prepared as the published Group financial statements, in which the Company's results are consolidated, include a cash flow statement.

### Related party transactions

Under the exemption granted by FRS 8, *Related Party Disclosures*, the Company, as a member of a group which publishes Group financial statements in which the Company's results are consolidated, is not required to, and does not, disclose transactions with fellow members, associates and joint venture of that Group.

### Dividends

Dividends are recognised in the period in which they are approved by the Company's shareholders, or in the case of an interim dividend, when it has been approved by the Board of Directors and paid.

### Share based payment

The fair value of options granted under the Company's equity settled share option scheme is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an approved binomial model, taking into account the terms and conditions upon which the options were granted. The scheme is subject to a non-market vesting condition and, therefore, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

## Company balance sheet

AS AT 31 JULY 2006

|   |       | 2006                  | 2005<br>(as restated) |
|---|-------|-----------------------|-----------------------|
|   | Notes | €'000                 | €'000                 |
| <b>Fixed assets</b>                                   |       |                       |                       |
| Tangible assets                                       | 1     | 18,508                | 37,954                |
| Investments in subsidiaries                           | 2     | <u>123,228</u>        | <u>129,736</u>        |
|   |       | <u>141,736</u>        | <u>167,690</u>        |
| <b>Current assets</b>                                 |       |                       |                       |
| Debtors   | 3     | 156,848               | 161,237               |
| Cash at bank and on hand                              |       | <u>1</u>              | <u>5</u>              |
|   |       | 156,849               | 161,242               |
| <b>Creditors: amounts falling due within one year</b> | 4     | <u>(20,972)</u>       | <u>(59,242)</u>       |
| Net current assets                                    |       | <u>135,877</u>        | <u>102,000</u>        |
| <b>Net assets before post employment liabilities</b>  |       | 277,613               | 269,690               |
| Post employment liabilities                           | 5     | <u>(2,247)</u>        | <u>(26,392)</u>       |
| <b>Net assets</b>                                     |       | <u><u>275,366</u></u> | <u><u>243,298</u></u> |
| <b>Capital and reserves</b>                           |       |                       |                       |
| Called up share capital                               | 6     | 37,856                | 37,471                |
| Share premium   | 7     | 51,899                | 43,745                |
| Profit and loss account and other reserves            | 7     | <u>185,611</u>        | <u>162,082</u>        |
| <b>Shareholders' funds - equity</b>                   |       | <u><u>275,366</u></u> | <u><u>243,298</u></u> |

## Notes to the Company balance sheet

FOR THE YEAR ENDED 31 JULY 2006

|                                     |                           |                              |                |
|-------------------------------------|---------------------------|------------------------------|----------------|
| <b>1 Tangible assets</b>            | <b>Land and buildings</b> | <b>Fixtures and fittings</b> | <b>Total</b>   |
|                                     | <b>€'000</b>              | <b>€'000</b>                 | <b>€'000</b>   |
| <i>Cost</i>                         |                           |                              |                |
| At 1 August 2005                    | 37,644                    | 1,731                        | 39,375         |
| Additions                           | 93                        | 785                          | 878            |
| Transfers to fellow group companies | (20,209)                  | -                            | (20,209)       |
| Disposals                           | -                         | (1,045)                      | (1,045)        |
| <b>At 31 July 2006</b>              | <b>17,528</b>             | <b>1,471</b>                 | <b>18,999</b>  |
| <i>Depreciation</i>                 |                           |                              |                |
| At 1 August 2005                    | 67                        | 1,354                        | 1,421          |
| Charge for year                     | 268                       | 99                           | 367            |
| Transfers to fellow group companies | (252)                     | -                            | (252)          |
| Disposals                           | -                         | (1,045)                      | (1,045)        |
| <b>At 31 July 2006</b>              | <b>83</b>                 | <b>408</b>                   | <b>491</b>     |
| <i>Net book amounts</i>             |                           |                              |                |
| <b>At 31 July 2006</b>              | <b>17,445</b>             | <b>1,063</b>                 | <b>18,508</b>  |
| At 31 July 2005                     | 37,577                    | 377                          | 37,954         |
| <b>2 Financial assets</b>           |                           |                              | <b>Total</b>   |
|                                     |                           |                              | <b>€'000</b>   |
| At 1 August 2005                    |                           |                              | 129,736        |
| Additions                           |                           |                              | 1,276          |
| Disposals                           |                           |                              | (9,460)        |
| Translation adjustments             |                           |                              | 1,676          |
| <b>At 31 July 2006</b>              |                           |                              | <b>123,228</b> |
| <b>3 Debtors</b>                    |                           | <b>2006</b>                  | <b>2005</b>    |
|                                     |                           | <b>€'000</b>                 | <b>€'000</b>   |
| Trade debtors                       |                           | 32                           | 34             |
| Amounts owed by subsidiaries        |                           | 150,946                      | 156,682        |
| Amounts owed by associates          |                           | 28                           | 7              |
| Other debtors                       |                           | 5,842                        | 4,514          |
|                                     |                           | <b>156,848</b>               | <b>161,237</b> |



## Notes to the Company balance sheet (continued)

FOR THE YEAR ENDED 31 JULY 2006

| 4 Creditors: amounts falling due within one year | 2005               |               |
|--|--------------------|---------------|
|  | 2006 (as restated) | 2005          |
|  | €'000              | €'000         |
| Bank overdrafts                                  | 3,637              | 18,300        |
| Trade creditors                                  | 1,303              | 960           |
| Deferred consideration                           | -                  | 1,771         |
| Accruals and other creditors                     | 14,961             | 17,015        |
| Leasing creditors                                | -                  | 19,956        |
| VAT payable                                      | 656                | 809           |
| PAYE and PRSI                                    | 415                | 431           |
|  | <u>20,972</u>      | <u>59,242</u> |

### 5 Post employment liabilities

The Company operates a number of pension schemes, comprising a defined benefit scheme and a number of defined contribution schemes, with assets held in separate trustee administered funds.

Under FRS 17 calculations the total deficit in the Company's defined benefit schemes at 31 July 2006 was €2,568,000 (2005: €30,082,000). The pension cost expensed in the profit and loss account for the year in respect of the Company's defined benefit schemes was €1,273,000 (2005: €1,474,000).

The valuation of the defined benefit scheme used for the purposes of the following disclosures are those of the most recent actuarial valuations carried out from 1 January 2001 to 6 April 2004 and updated to 31 July 2006 by an independent, qualified actuary. The valuations have been performed using the projected unit method.

| The main assumptions used by the actuary were as follows:                | 2006  | 2005  | 2004  |
|--|-------|-------|-------|
| Rate of increase in salaries   | 4.01% | 4.01% | 4.04% |
| Rate of increases in pensions in payment and deferred benefits           | 2.06% | 2.06% | 2.08% |
| Discount rate in scheme liabilities                                      | 5.00% | 4.45% | 5.29% |
| Inflation rate   | 2.06% | 2.06% | 2.08% |
| The expected long term rate of return on the assets of the schemes were: | 2006  | 2005  | 2004  |
| Equities   | 7.30% | 6.72% | 7.62% |
| Bonds  | 3.90% | 3.29% | 4.67% |
| Property   | 6.70% | 4.75% | 5.49% |
| Other  | 3.00% | 3.00% | 3.00% |

## Notes to the Company balance sheet (continued)

FOR THE YEAR ENDED 31 JULY 2006

### 5 Post employment liabilities (continued)

| <i>Net pension liability</i>        | 2006           | 2005            | 2004            |
|-------------------------------------|----------------|-----------------|-----------------|
|                                     | €'000          | €'000           | €'000           |
| Market value of scheme assets:      |                |                 |                 |
| Equities                            | 55,943         | 37,846          | 31,491          |
| Bonds                               | 16,256         | 11,839          | 9,851           |
| Property                            | 5,345          | 3,511           | 2,922           |
| Other                               | 3,986          | 251             | 208             |
| Total market value of assets        | 81,530         | 53,447          | 44,472          |
| Present value of scheme liabilities | (84,098)       | (83,529)        | (69,153)        |
| Deficit in the scheme               | (2,568)        | (30,082)        | (24,681)        |
| Related deferred tax asset          | 321            | 3,690           | 3,047           |
| <b>Net pension liability</b>        | <b>(2,247)</b> | <b>(26,392)</b> | <b>(21,634)</b> |

#### *Movement in net liability recognised in the balance sheet*

|   | 2006           | 2005            |
|---|----------------|-----------------|
|   | €'000          | €'000           |
| Net liability in scheme at 1 August       | (30,082)       | (24,681)        |
| Current service cost                      | (1,725)        | (1,142)         |
| Past service cost                         | -              | (27)            |
| Contributions                             | 24,476         | 3,279           |
| Other finance income                      | 452            | (305)           |
| Actuarial gain/(loss)                     | 5,582          | (7,206)         |
| Other                                     | (1,271)        | -               |
| <b>Net liability in scheme at 31 July</b> | <b>(2,568)</b> | <b>(30,082)</b> |

#### *Analysis of defined benefit expense recognised in the profit and loss account*

|  | 2006         | 2005         |
|--|--------------|--------------|
|  | €'000        | €'000        |
| Current service cost                             | 1,725        | 1,142        |
| Past service cost                                | -            | 27           |
| Total recognised in operating profit             | 1,725        | 1,169        |
| Expected return on scheme assets                 | (4,242)      | (2,948)      |
| Interest cost on scheme liabilities              | 3,790        | 3,253        |
| Included in financing costs                      | (452)        | 305          |
| <b>Net charge to the profit and loss account</b> | <b>1,273</b> | <b>1,474</b> |

## Notes to the Company balance sheet (continued)

FOR THE YEAR ENDED 31 JULY 2006

### 5 Post employment liabilities (continued)

| <i>Defined benefit pension expense recognised in the statement of total recognised gains and losses</i> | 2006                | 2005                  |
|---|---------------------|-----------------------|
|   | €'000               | €'000                 |
| Actual return less expected return on scheme assets   | (1,482)             | 4,904                 |
| Experience gains and losses on scheme liabilities   | (445)               | (2,188)               |
| Changes in demographic and financial assumptions  | <u>7,509</u>        | <u>(9,922)</u>        |
| Actuarial gain/(loss)   | 5,582               | (7,206)               |
| Deferred tax (charge)/credit  | <u>(698)</u>        | <u>1,013</u>          |
| Actuarial gain/(loss) recognised in Statement of total recognised gains and losses                      | <u><u>4,884</u></u> | <u><u>(6,193)</u></u> |

| History of experience gains and losses:   | 2006    | 2005    | 2004    |
|---|---------|---------|---------|
| <i>Difference between expected and actual return on assets</i>                                  |         |         |         |
| - Amount (€'000)  | 1,482   | (4,904) | (2,028) |
| - % of scheme assets  | 1.8%    | (9.2%)  | (4.6%)  |
| <i>Experience losses on scheme liabilities</i>  |         |         |         |
| - Amount (€'000)  | 445     | 2,188   | 6,218   |
| - % of scheme liabilities   | 0.5%    | 2.6%    | 9.0%    |
| <i>Total actuarial (gain)/loss recognised in Statement of total recognised gains and losses</i> |         |         |         |
| - Amount (€'000)  | (5,582) | 7,206   | 4,190   |
| - % of scheme liabilities   | (6.6%)  | 8.6%    | 6.1%    |

### 6 Called up share capital

|   | 2006                 | 2005                 |
|---|----------------------|----------------------|
|   | €'000                | €'000                |
| <i>Authorised</i>   |                      |                      |
| 228,000,000 ordinary shares of 30 cent each   | 68,400               | 68,400               |
| 15,000,000 8.5% cumulative redeemable convertible preference shares of €1.20 each               | <u>18,000</u>        | <u>18,000</u>        |
|   | <u><u>86,400</u></u> | <u><u>86,400</u></u> |
| <i>Allotted, called up and fully paid</i>   |                      |                      |
| 126,187,535 ordinary shares of 30 cent each (2005: 124,904,535 ordinary shares of 30 cent each) | <u>37,856</u>        | <u>37,471</u>        |
|   | <u><u>37,856</u></u> | <u><u>37,471</u></u> |

#### *Options over ordinary shares*

Options are held over a total number of 5,587,500 (2005: 4,314,000) unissued ordinary shares at prices ranging from €2.92 cent to €14.36 cent. Options were exercised during the year, resulting in the issue of 1,283,000 (2005: 979,500) ordinary shares.

## Notes to the Company balance sheet (continued)

FOR THE YEAR ENDED 31 JULY 2006

### 7 Movement on reserves

|   | Share<br>premium<br>€'000 | Conversion<br>reserve<br>€'000 | Share<br>option<br>reserve<br>€'000 | Profit<br>and loss<br>€'000 | Total<br>€'000 |
|---|---------------------------|--------------------------------|-------------------------------------|-----------------------------|----------------|
| At 1 August 2005 (as restated)                | 43,745                    | 2,118                          | 1,517                               | 158,447                     | 205,827        |
| Profit for year                               | -                         | -                              | -                                   | 33,131                      | 33,131         |
| Dividends                                     | -                         | -                              | -                                   | (16,036)                    | (16,036)       |
| Actuarial gain on post employment liabilities | -                         | -                              | -                                   | 4,884                       | 4,884          |
| Share based payments                          | -                         | -                              | 1,550                               | -                           | 1,550          |
| Premium on shares issued                      | 8,154                     | -                              | -                                   | -                           | 8,154          |
| <b>At 31 July 2006</b>                        | <b>51,899</b>             | <b>2,118</b>                   | <b>3,067</b>                        | <b>180,426</b>              | <b>237,510</b> |

### 8 Commitments under operating leases

Non-cancellable operating lease rentals are payable as set out below. These amounts represent minimum future lease payments in aggregate, that the Group is required to make under existing lease agreements.

|                                | 2006<br>€'000 | 2005<br>€'000 |
|--------------------------------|---------------|---------------|
| Operating leases which expire: |               |               |
| Within one year                | 168           | 135           |
| In two to five years           | -             | 168           |
| Balance at 31 July             | <u>168</u>    | <u>303</u>    |

### 9 Financial guarantee contracts

In order to avail of the exemption under Section 17 of the Companies (Amendment) Act, 1986 the Company has guaranteed the liabilities of certain of its subsidiaries registered in Ireland. Where the Company has entered into financial guarantee contracts to guarantee the indebtedness of such subsidiaries, the Company considers these to be insurance contracts and accounts for them as such.

The Company is party to cross guarantees on Group borrowings. These are treated as insurance contracts and accounted for as such.

## Notes to the Company balance sheet (continued)

FOR THE YEAR ENDED 31 JULY 2006

### 10 Prior period adjustments

An explanation of the prior period adjustments arising from the adoption of certain new financial reporting standards during the year, together with their impact on the comparative financial statements are set out below:

#### *Restatement of Company balance sheet*

|  |                       |
|--|-----------------------|
|  | 2005                  |
| <i>Debtors</i>   | €'000                 |
| Debtors as previously stated   | 160,630               |
| FRS 20, <i>Share-based Payment</i> (a)                               | <u>607</u>            |
| <b>Debtors as restated</b>   | <b><u>161,237</u></b> |
| <i>Total liabilities and post employment benefits</i>                | 2005                  |
|  | €'000                 |
| Total liabilities and post employment benefits as previously stated  | 68,658                |
| FRS 21, <i>Events after the Balance Sheet Date</i> (b)               | (7,559)               |
| FRS 17, <i>Retirement Benefits</i> (c)                               | <u>24,535</u>         |
| <b>Total liabilities and post employment benefits, as restated</b>   | <b><u>85,634</u></b>  |
| <i>Profit and loss account and other reserves</i>                    | 2005                  |
|  | €'000                 |
| Profit and loss account and other reserves as previously stated      | 178,451               |
| FRS 21, <i>Events after the Balance Sheet Date</i>                   | 7,559                 |
| FRS 20, <i>Share-based Payment</i>                                   | 607                   |
| FRS 17, <i>Retirement Benefits</i>                                   | <u>(24,535)</u>       |
| <b>Total profit and loss account and other reserves, as restated</b> | <b><u>162,082</u></b> |

#### (a) *FRS 20, Share-based Payment*

In accordance with the new accounting policy in respect of share based payments as set out in the Company statement of accounting policies, a share option reserve of €1,517,000 was created as at 31 July 2005 in respect of option grants in October 2003. Corresponding debits of €910,000 and €607,000 were made to the profit and loss account and debtors, respectively.

#### (b) *FRS 21, Events after the Balance Sheet Date*

In accordance with the new accounting policy in respect of dividends, as set out in the Company statement of accounting policies, dividends are recognised in the period in which they are approved by the Company's shareholders, or in the case of an interim dividend, when it has been approved by the Board of Directors and paid. The effect on the balance sheet is a reduction of €7,559,000 in "Creditors: amounts falling due within one year" and a corresponding increase in retained earnings.

#### (c) *FRS 17, Retirement Benefits*

The adoption of FRS 17 has required a change to the accounting treatment of defined benefit pension arrangements such that the Company now includes the assets and liabilities of these arrangements in the balance sheet. Current service costs, curtailment and settlement gains and losses and net financial returns are included in the profit and loss account in the year to which they relate. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. The effect on the balance sheet is an increase of €24,535,000 in total liabilities and post employment benefits and a corresponding decrease in retained earnings.

## Notes to the Company balance sheet (continued)

FOR THE YEAR ENDED 31 JULY 2006

### 11 Share based payment

The Company grants share options under one share option plan, the "1997 Share Option Scheme". All disclosures relating to the plan are made in Note 8 to the Group financial statements.

| 12 Statutory and other information        | 2006<br>€'000 | 2005<br>€'000 |
|---|---------------|---------------|
| Auditor's remuneration for audit services | 13            | 11            |
| Profit for the financial year             | 33,131        | 85,657        |

Substantially all the Group audit fee is recharged by the Company to its subsidiaries.

### 13 Employment

| The average number of persons employed by the Company during the year was as follows: | 2006          | 2005          |
|---|---------------|---------------|
| Management and administration   | <u>58</u>     | <u>48</u>     |
| Aggregate employment costs of the Company are analysed as follows:                    | 2006<br>€'000 | 2005<br>€'000 |
| Wages and salaries  | 7,377         | 5,556         |
| Social welfare costs  | 404           | 227           |
| Pension costs   |               |               |
| - defined benefit schemes – statement of total recognised gains and losses            | (5,582)       | 7,206         |
| - defined benefit schemes – income statement  | 1,273         | 1,474         |
| Share based payment   | <u>899</u>    | <u>520</u>    |
|   | <u>4,371</u>  | <u>14,983</u> |

### 14 Approval of financial statements

These financial statements were approved by the Board on 25 September 2006.

## Principal subsidiary undertakings

At 31 July 2006 the Company had the following significant subsidiaries, associates and joint venture:

| Name   | Nature of business                        | Group % share | Registered office |
|--|---|---------------|-------------------|
| <i>(a) Subsidiaries – Ireland</i>                  |   |               |                   |
| Cuisine de France Limited                          | Food manufacturing and distribution       | 100*          | 3                 |
| Goulding Chemicals Limited                         | Fertiliser blending and distribution      | 100*          | 1                 |
| IAWS Management Services Limited                   | Management                                | 100           | 1                 |
| IAWS Technology and Global Services Limited        | Research and development                  | 100           | 1                 |
| Power Seeds Limited                                | Seed assemblers                           | 100           | 1                 |
| R. & H. Hall Limited                               | Grain and feed trading                    | 100*          | 1                 |
| Shamrock Foods Limited                             | Food distribution                         | 100*          | 1                 |
| United Fish Industries Limited                     | Fish processing                           | 100           | 1                 |
| <i>(b) Subsidiaries – United Kingdom</i>           |   |               |                   |
| Cuisine de France (UK) Limited                     | Food distribution                         | 100           | 8                 |
| Delice de France, plc                              | Food manufacturing and distribution       | 100           | 12                |
| Hall Silos Limited                                 | Grain handling                            | 100           | 5                 |
| IAWS Fertilisers (UK) Limited                      | Fertiliser blending and distribution      | 100           | 2                 |
| R. & H. (Holdings) Limited                         | Holding company                           | 100           | 6                 |
| SFP (Shetland Fish Products) Limited               | Fish processing                           | 50(i)         | 7                 |
| United Fish Industries (UK) Limited                | Fish processing                           | 100           | 13                |
| <i>(c) Subsidiaries – Mainland Europe</i>          |   |               |                   |
| Groupe Hubert                                      | Food distribution                         | 100           | 9                 |
| <i>(d) Subsidiaries – United States of America</i> |   |               |                   |
| Cuisine de France, Inc.                            | Bread distribution                        | 100           | 10                |
| La Brea Holdings, Inc.                             | Bread manufacturing and food distribution | 100 (ii)      | 11                |
| <i>(e) Associates:</i>                             |   |               |                   |
| Hiestand Holding AG                                | Gourmet Bakery                            | 32            | 16                |
| John Thompson and Sons Limited                     | Provender millers                         | 50            | 4                 |
| North West Silos Limited                           | Feed processing                           | 50            | 14                |
| Odlum Group  | Flour milling                             | 50            | 15                |
| West Twin Silos Limited                            | Silo operation                            | 50            | 5                 |
| <i>(f) Joint venture</i>                           |   |               |                   |
| CillRyan's Bakery Limited                          | Bread manufacturing and distribution      | 50            | 1                 |
| *Direct ownership                                  |   |               |                   |

(i) SFP (Shetland Fish Products) Limited is consolidated on the basis of the Group having the power to control the financial and operating policies of this undertaking.

(ii) The Group holds 97% of the common stock including 100% of the voting common stock of La Brea Bakery Holdings, Inc.

## Principal subsidiary undertakings (continued)

### Registered offices

1. 151 Thomas Street, Dublin 8, Ireland.
2. Orchard Road, Royston, Hertfordshire SG8 5HW, England.
3. Belgard Square, Tallaght, Dublin 24, Ireland.
4. 35/39 York Road, Belfast BT15 3GW, Northern Ireland.
5. 7 McCaughey Road, Belfast BT3 9AG, Northern Ireland.
6. Unit 4a, McLean Road, Campsie Real Estate, Londonderry, BT47 3PF, Northern Ireland.
7. Greenwell Place, Aberdeen AB12 3AY, Scotland.
8. Unit 4, Blaris Industrial Estate, Old Hillsborough Road, Lisburn, Co. Antrim, BT 27 5QB, Northern Ireland.
9. Boulevard de Beaubourg, B.P. 22 – Emerainville, 77313 Marne-La-Vallee, Cedex 2, France.
10. 203 North La Salle Street, Suite 1800, Park Ridge, Chicago, Illinois 60601, United States of America.
11. 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, United States of America.
12. Rubastic Road, Southhall, Middlesex UB2 5LL, England.
13. Gilbey Road, Grimsby, South Humberside DN31 2SL, England.
14. Clarendon House, 23 Clarendon Road, Belfast BT1 3BG, Northern Ireland.
15. Alexandra Road, Dublin 1, Ireland.
16. Ifangstrasse 9-11 / P.O. Box, CH-8952 Schlieren-Zurich, Switzerland.

The country of registration is also the principal location of activities in each case.

A full list of subsidiaries, associates and joint venture will be filed with the relevant Registrar of Companies.



## Directors and other information

|                          |  |                          |   |
|--------------------------|--|--------------------------|---|
| <b>Directors</b>         | D. Lucey – Chairman<br>O. Killian – Chief Executive Officer<br>P. McEniff – Chief Financial Officer<br>H. Kane – Executive<br>D. Buckley<br>B. Dardis<br>J. B. Davy<br>N. Hynes<br>P. Lynch<br>D. Martin<br>W. G. Murphy<br>P. Wall<br>P. N. Wilkinson | <b>Syndicate bankers</b> | BNP Paribas<br>5 George's Dock<br>IFSC<br>Dublin 1<br><br>IIB Bank<br>Sandwith Street<br>Dublin 2<br><br>Ulster Bank Group<br>George's Quay<br>Dublin 2 |
| <b>Secretary</b>         | A. Lowther   | <b>Registrars</b>        | Capita Corporate Registrars Plc<br>Unit 5<br>Manor Street Business Park<br>Dublin 7   |
| <b>Registered office</b> | 151 Thomas Street<br>Dublin 8  | <b>Stockbrokers</b>      | J. & E. Davy<br>49 Dawson Street<br>Dublin 2  |
| <b>Solicitors</b>        | L. K. Shields & Partners<br>39/40 Upper Mount Street<br>Dublin 2<br><br>Mason Hayes & Curran<br>South Bank House<br>Barrow Street<br>Dublin 4  | <b>Auditor</b>           | KPMG<br>Chartered Accountants<br>1 Stokes Place<br>St. Stephen's Green<br>Dublin 2  |
| <b>Syndicate bankers</b> | ABN AMRO Bank<br>ABN AMRO House<br>IFSC<br>Dublin 1<br><br>Bank of America<br>5 Canada Square<br>London E14 5AQ<br><br>Bank of Ireland<br>Lower Baggot Street<br>Dublin 2<br><br>Barclays Bank<br>47/48 St Stephen's Green<br>Dublin 2                 |                          |   |

## Additional information (Listing Rule 6.8.6)

There have been no changes in the interests of the directors of the Group between 31 July 2006 and 10 October 2006.