

Notes to the interim financial statements

for the half year ended 1 July 2006

1 Basis of preparation

This condensed interim financial information for the half year ended 1 July 2006 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The condensed interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

The figures for the half years ended 1 July 2006 and 2 July 2005 have not been audited. The figures for the full year ended 31 December 2005 represent an abbreviated version of the Group's financial statements for that year, which received an unqualified audit report.

2 Accounting policies

The accounting policies adopted are consistent with those adopted in the preparation of the annual financial statements for the year ended 31 December 2005 and are as described therein, except as outlined below.

The Group has considered all amendments to current standards and interpretations together with all new standards and interpretations and have identified the following changes that are applicable to the Group:

The Group has adopted the amendment to IAS 21 'Net Investment in a Foreign Operation', from 1 January 2006. The adoption of this amendment requires that all foreign exchange gains and losses that form part of the net investment in a foreign operation, including loans between fellow subsidiaries, will be recognised directly in reserves on consolidation. Prior period comparative figures have been restated to reflect the impact of this change.

The Group has also adopted IFRIC Interpretation 4 (*Determining whether an Arrangement contains a Lease*) and accordingly, from 1 January 2006, has capitalised certain arrangements as finance leases.

3 Segment information

At 1 July 2006 the Group is organised into three main business segments:

- Consumer Foods
- Food Ingredients and Nutritionals
- Agribusiness and Property

	Half year 2006 €'000	Half year 2005 €'000	Year 2005 €'000
Revenue by business segment			
Consumer Foods	252,282	242,523	493,582
Food Ingredients and Nutritionals	504,896	541,321	1,107,288
Agribusiness and Property	165,615	142,283	229,142
	922,793	926,127	1,830,012
Pre-exceptional operating profit by business segment			
Consumer Foods	8,470	8,208	27,139
Food Ingredients and Nutritionals	12,079	22,094	42,746
Agribusiness and Property	15,857	8,026	10,684
	36,406	38,328	80,569

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4 Exceptional items

	Notes	Half year 2006 €'000	Half year 2005 (as restated) €'000	Year 2005 (as restated) €'000
(Loss) on sale or termination of operations	(a)	-	-	(331)
Restructuring cost	(b)	-	(6,338)	(15,669)
Profit on sale of quoted investments	(c)	-	-	10,959
		-	(6,338)	(5,041)
Finance cost - cancellation of preferred securities (note 5)		-	(5,304)	(5,304)
Income taxes	(d)	-	7,454	6,935
		-	(4,188)	(3,410)

- (a) This represents the revision of losses arising in prior years on disposals, restructuring and termination of operations.
- (b) The restructuring cost in 2005 relates to costs of rationalisation programmes carried out mainly in the Consumer Foods and Food Ingredients business units in Ireland.
- (c) During 2005, the Group benefited from the exchange of shares held in Irish Agricultural Wholesale Society Limited for shares in IAWS Group plc. The profit arises from the subsequent sale of these shares.
- (d) A taxation benefit arising from the disposal of certain US operations in prior years, which previously had not been recognised in the financial statements, was finalised during 2005. This gave rise to a gain, which by virtue of its scale and nature, was separately disclosed as a non-recurring exceptional item in the financial statements.

5 Finance income and costs

(a) Finance income

	Half year 2006 €'000	Half year 2005 €'000	Year 2005 €'000
Interest income (i)	2,125	2,144	4,209

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5 Finance income and costs (continued)

(b) Finance costs - pre-exceptional

	Half year 2006 €'000	Half year 2005 €'000	Year 2005 €'000
Interest expense			
- Bank borrowings repayable within five years	(6,695)	(4,944)	(10,291)
- Bank borrowings repayable after five years	-	-	-
- Finance leases	<u>(147)</u>	<u>(34)</u>	<u>(109)</u>
	(6,842)	(4,978)	(10,400)
Finance cost of preferred securities and preference shares	<u>(1,820)</u>	<u>(4,891)</u>	<u>(6,595)</u>
Total finance costs - pre-exceptional	<u>(8,662)</u>	<u>(9,869)</u>	<u>(16,995)</u>
Finance costs – exceptional			
Cancellation of preferred securities (ii)	<u>-</u>	<u>(5,304)</u>	<u>(5,304)</u>
Total finance costs	<u>(8,662)</u>	<u>(15,173)</u>	<u>(22,299)</u>

(i) Interest income consists mainly of interest on a Stg£35 million subordinated secured loan note granted by The Cheese Company Holdings Limited in 2004, representing part proceeds on the sale by the Group of a 75% interest in its UK hard cheese business.

(ii) On 15 June 2005 the Group prepaid the US\$100 million 7.99% cumulative guaranteed preferred securities, giving rise to a cost of €5.3 million, which has been disclosed as an exceptional item.

6 Dividends

A final dividend in respect of the year ended 31 December 2005 of 3.24 cent per share was paid during the period. On 5 September 2006, the Directors approved the payment of an interim dividend for 2006 of 2.38 cent per share (2005 interim dividend: 2.27 cent per share). This interim dividend will be reflected in the financial statements for the full year 2006 in line with IAS 10.

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7 Earnings per share

	Half year 2006 €'000	Half year 2005 (as restated) €'000	Year 2005 (as restated) €'000
Basic			
Profit attributable to equity holders of the Company	<u>26,725</u>	<u>22,293</u>	<u>57,396</u>
Weighted average number of ordinary shares in issue	<u>292,943,460</u>	<u>290,911,646</u>	<u>291,469,902</u>
Basic earnings per share (cent per share)	<u>9.12</u>	<u>7.66</u>	<u>19.69</u>
Diluted			
Weighted average number of ordinary shares in issue	<u>292,943,460</u>	290,911,646	291,469,902
Adjustments for share options	<u>493,424</u>	<u>1,776,440</u>	<u>1,134,139</u>
Adjusted weighted average number of ordinary shares	<u>293,436,884</u>	<u>292,688,086</u>	<u>292,604,041</u>
Diluted earnings per share (cent per share)	<u>9.11</u>	<u>7.62</u>	<u>19.62</u>
Adjusted			
Profit attributable to equity holders of the Company	<u>26,725</u>	22,293	57,396
Exceptional items	<u>-</u>	<u>4,188</u>	<u>3,410</u>
	<u>26,725</u>	<u>26,481</u>	<u>60,806</u>
Adjusted earnings per share (cent per share)	<u>9.12</u>	<u>9.10</u>	<u>20.86</u>
Diluted adjusted earnings per share (cent per share)	<u>9.11</u>	<u>9.05</u>	<u>20.78</u>

8 Borrowings

	Half year 2006 €'000	Half year 2005 €'000	Year 2005 €'000
Borrowings due within one year	986	324	330
Borrowings due after one year	333,392	316,724	319,727
Less:			
Cash and cash equivalents	<u>(33,183)</u>	<u>(30,438)</u>	<u>(104,405)</u>
Net Group borrowings	<u>301,195</u>	<u>286,610</u>	<u>215,652</u>

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9 Other reserves

	Capital and mergers reserves €'000	Currency reserve €'000	Fair value reserves €'000	Total €'000
Balance at 1 January 2006	116,250	(1,335)	2,144	117,059
Amendment to IAS 21 (note 2)	-	3,931	-	3,931
Restated balance at 1 January 2006	116,250	2,596	2,144	120,990
Translation differences on foreign currency net investments	-	(1,756)	-	(1,756)
Gains on interest rate swaps	-	-	2,246	2,246
Foreign exchange contracts - gain in period	-	-	3,375	3,375
Transfers to income statement				
- Foreign exchange contracts	-	-	(285)	(285)
- Available for sale investments	-	-	6	6
Revaluation of forward commodity contracts	-	-	(146)	(146)
Deferred tax on fair value adjustments	-	-	(639)	(639)
Cost of share options	123	-	-	123
Discount on own shares vested	(29)	-	-	(29)
Balance at 1 July 2006	116,344	840	6,701	123,885

10 Retained earnings

	Retained earnings €'000	Goodwill reserve €'000	Total €'000
Balance at 1 January 2006	(2,979)	(94,625)	(97,604)
Currency translation differences - Amendment to IAS 21 (note 2)	(3,931)	-	(3,931)
Restated balance at 1 January 2006	(6,910)	(94,625)	(101,535)
Actuarial gain - defined benefit schemes	42,536	-	42,536
Deferred tax on pension gain	(4,796)	-	(4,796)
Currency translation differences	813	-	813
Net income recognised directly in equity	38,553	-	38,553
Profit for the period	26,725	-	26,725
Total recognised income for the period	65,278	-	65,278
Dividends paid in the period	(9,499)	-	(9,499)
Balance at 1 July 2006	48,869	(94,625)	(45,756)

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11 Cash generated

	Half year 2006 €'000	Half year 2005 <i>(as restated)</i> €'000	Year 2005 <i>(as restated)</i> €'000
Profit for the period	26,926	22,506	57,713
Non-cash restructuring costs	-	1,364	2,172
Share of results of joint ventures and associates	(283)	(38)	(932)
Income taxes	3,226	(3,507)	657
Depreciation	13,122	12,884	23,518
Amortisation	1,788	1,702	3,313
Cost of share options	123	-	161
Exchange losses	66	(2,074)	196
Gain on disposal of investments	(1,538)	-	(10,959)
Gain on disposal of property, plant and equipment	(7,128)	(915)	(2,509)
Interest income	(2,125)	(2,144)	(4,209)
Interest expense	8,662	15,173	22,299
Amortisation of government grants received	(471)	(817)	(1,424)
Net profit before changes in working capital	42,368	44,134	89,996
Change in net working capital			
(Increase) in inventory	(15,379)	(5,016)	(5,501)
(Increase)/decrease in short term receivables	(91,792)	(71,192)	35,419
Increase in short term liabilities	19,710	81,718	35,849
(Decrease)/increase in provisions	(6,076)	642	7,142
Cash (absorbed by)/generated from operations	(51,169)	50,286	162,905