Kerry Group Interim Report and Accounts 2004









the science of food

Our Mission

Kerry Group will be a major international specialist food ingredients corporation, a leading international flavour technology company and a leading supplier of added-value brands and customer branded foods to the Irish and UK markets.

We will be leaders in our selected markets – excelling in product quality, technical and marketing creativity and service to our customers – through the skills and wholehearted commitment of our employees.

We are committed to the highest standards of business and ethical behaviour, to fulfilling our responsibilities to the communities which we serve and to the creation of long-term value for all stakeholders on a socially and environmentally sustainable basis.

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Financial Highlights

Sales increased by **8.5%** to €1,955 million.

Operating profit* increased by **10.2%** to €146.8 million.

Operating margin* increased from 7.4% to **7.5%**.

Adjusted profit after tax* up **10.7%** to €94.8 million.

Earnings per share* increased by **10.4%** to 50.9 cent.

Interim dividend per share increased by **11.1%** to 4.5 cent.

* Before goodwill amortisation and exceptional items

Results

The Group continued to perform strongly in the first half of 2004, delivering good results throughout all core businesses. In a very busy period for the Group, Kerry invested considerable management and financial resources in the further development of its lifestyle and nutritional foods, flavours and ingredient ranges, while also extending its technology portfolio into bio-ingredients and pharma-ingredients growth sectors.

Throughout all Group markets the heightened awareness of balanced dietary requirements and healthy lifestyles experienced in 2003 continued to drive consumer demand for more varied, tasteful, convenient, nutritional food and beverage products in the period under review. Total Group turnover in the first six months of 2004 grew to €1,955m, reflecting an increase of 8.5% on the same period of 2003. Acquisitions concluded primarily during the second quarter contributed €73m to this result. Adjusting for the impact of foreign exchange translation, acquisitions and divestitures, on a like-for-like basis sales increased by 3.8% compared with the first half of 2003. Operating profit before goodwill and exceptional items increased by 10.2% to €147m. Notwithstanding the busy acquisition programme in the period, the consistency of Group performance was again exemplified through the increase in the Group operating margin to 7.5% from 7.4% in the same period of 2003 and 7.1% in the same period of 2002. Adjusted profit after tax increased by 10.7% to €94.8m. Earnings per share before goodwill and exceptionals increased by 10.4% to 50.9 cent. Allowing for goodwill and exceptional items (including exceptional restructuring costs in the half year of €6.7m) basic FRS3 earnings per share was reported at 33.1 cent compared to 33.4 cent for the first half of 2003.

Operations Reviews

Ireland and Rest of Europe

Building on the strong sales growth achieved in Ireland in 2002 and in 2003, sales originating from Irish based operations again grew satisfactorily to a level of €670m (H1 2003 : €656m). Operating profit increased to €32.2m, from €31.6m in the first half of 2003.

European operations (excluding Ireland) increased sales by 11.6% to €694m and increased operating profits by 10.9% to €52.4m.

Development across European markets was again fuelled by demand for more impactful flavours, new functional health and 'wellness' food and beverages, and greater convenience. Kerry continued to make good progress across European food ingredient markets. Growth continued through sauces and culinary systems for the prepared meals sector. Development through added-value food coatings applications was maintained with steady progress in the seafood and poultry sectors and into new foodservice categories.

The German market showed encouraging progress overall but market conditions in France, particularly for seasonings, proved difficult due to the poor barbecue season.

Development across the overall European snack sector also proved slow during the period. However, in Eastern Europe, particularly in the E.U. accession countries, seasonings and coatings continued to record good growth.

In line with increasing demand for functional, high protein and low-carbohydrate ingredients, Kerry continued to make good progress through its Irish based speciality dairy ingredients and protein facilities. Fruit preparations also benefited from such trends, in particular the Kerry Ravifruit range and functional/health confectionery items from the York (UK) based sweet ingredients facilities. To maximise technical synergies across Group ingredients businesses, cross divisional business development teams have been established to lead development in the functional bar sector and in the sports/lifestyle nutrition sectors.

In European flavour markets, Mastertaste Italy again significantly outperformed the market through sweet, savoury and beverage applications. Capitalising on recent acquisitions and the division's sweet and beverage flavour development capabilities, Mastertaste Europe successfully established a strong technical platform for development in such categories in Europe.

In the UK and Irish consumer foods markets, Kerry Foods again recorded encouraging progress. All Kerry branded categories continued to out-perform market growth rates. Cheestrings is now the leading brand in its sector of the UK cheese snacks market. Stage 1 of the major expansion programme at the Charleville production plant to expand capacity across the Cheestrings range was completed during the half year at a cost of €5m. The second phase of this €14m investment programme will commence during the second half of 2004. Charleville Cheese also continued to build on its brand leadership position in the natural cheese market in Ireland. Denny again made good progress in the sausage, rasher and pre-packed cooked meats market in Ireland, leading market development in all categories. Performance through the new Freshways manufacturing facility in Dublin proved very satisfactory, fuelling good growth in the pre-packed sandwich sector and in 'on-the-go' salads. In response to the increasing trend towards convenient health functional foods and beverages, Dawn Dairies successfully launched Dawn Omega Milk on the Irish market in March 2004. Available in full-fat and low-fat variants, Dawn is the first milk brand in the market to offer fresh milk as a medium to introduce essential Omega-3 fatty acids. Kerry Spring also recorded encouraging results through the launch of Kerry Spring Still Flavoured Water, adding to its reputation as the leading supplier of flavoured water on the Irish market. Despite increased margin pressure due to relative sterling and dollar exchange rates, Saint Brendan's branded cream liqueur again recorded good sales growth.

In the Irish and UK poultry markets, escalating costs and competitive pressures again contributed to difficult trading conditions in the sector. In the convenience sector, the former Hibernia Foods facilities acquired prior to year-end were successfully integrated. The expanded ready meals operation performed ahead of market growth rates. Kerry Foods also recorded encouraging results in the UK chilled desserts sector from the former Hibernia chilled patisserie facility in Birmingham.

The strengths of Kerry's marketing and distribution skills were again evidenced by the strong performance of the Richmond and Wall's brands. Wall's microwaveable sausage offering made excellent progress.

Americas

The Group's American operations performed strongly in the first half of 2004. Sales increased by 11.2% to €504m. Allowing for the impact of acquisitions and the shift in the exchange rate of the US dollar versus Euro, like-for-like sales growth of 6% in Kerry's core businesses again proved satisfactory. Operating profits grew by 13% to €55.3m, reflecting like-for-like growth of 9%. Greater awareness of dietary and health concerns accelerated the pace of new product introductions - particularly in North American markets. Kerry technologists have led development of new formulations for managing carbohydrates in a broad range of food categories and in enhancing the nutritional value of wellness and health food and beverages. In the USA and Canada progress in the sweet sector, responding to such trends, has been very strong. Nutriant also benefited strongly through customer launches of new products with low-carb positioning containing soy isolates and soy protein systems. While overall conditions in the North American speciality ingredients markets remained challenging, again progress was achieved through nutritional lipids in the functional bar sector and in low-carb products.

In the food coatings sector, the restructuring of operations initiated in 2003 across Kerry manufacturing plants contributed to an improved business performance in the sector in the period. Product price increases and greater business efficiencies helped to offset higher sectoral raw material costs. In seasonings, good progress continued through the meat industry and regional snack producers. In the U.S. and Canadian markets, the Group's customised and branded food and beverage foodservice solutions business will form a new 'Food and Beverage Creations' division. Embracing Kerry's foodservice beverage brands (including Da Vinci Gourmet, JetTea, JetCafe and Oregon Chai), its food sector brands (Golden Dipt, Alferi and Aromont) and foodservice chains' business, development through this dedicated foodservice solutions division will be driven by an industry-leading culinary team based at the new Kerry Innovation Centre in Dallas.

Satisfactory growth and development was achieved throughout all foodservice applications in the first half of 2004, particularly in the specialty coffee sector and the Group's recently acquired complementary flavoured beverage businesses.

In Mexican and Central American ingredients markets satisfactory business development continued, with further progress through seasonings and nutritional beverage applications. The foodservice sector in the region also exhibited encouraging prospects and activity in the speciality coffee sector appears promising. Kerry also recorded good growth in the Colombian and Venezuelan markets. Kerry's Brazilian based ingredients businesses recorded good growth in the artisinal ice-cream sector and through seasonings in the meat industry.

In line with dietary trends and increased demand for high impact flavours and natural authentic flavours, Kerry's Mastertaste flavour division made excellent progress in sweet and beverage sectors in American markets. Development in the nutritional, nutraceutical and healthy beverages categories was driven through the SunPure and Crystals businesses acquired in 2003. Flavour business development in the region continued with the completion of three further acquisitions based in the USA and Mexico. Mastertaste also made an important first step into the specialist international fragrance market.

Asia Pacific

An excellent business performance was achieved in Asia Pacific markets in the first half of 2004. Sales increased by 22% to €87.3m and operating profits increased by 28% to €6.9m. In line with the pace of development in major Asian economies, Kerry has made good progress in providing ingredient technologies to match the requirements of global food and beverage manufacturers now successfully established in Asia's fast growing consumer markets. Development through Kerry's speciality branded flavoured beverage applications was most encouraging. In Asia sales growth also increased through nutritional ingredients cheese systems, seasonings, food coatings and speciality lipids.

Kerry also recorded continued growth in its Australian and New Zealand businesses. Seasonings benefited from the expansion of the poultry sectors. Natural sauces were successfully introduced to the Australian prepared meals and foodservice sectors. The Kerry Pinnacle bakery division in Australia also recorded further growth through major supermarket chains.

Development

In the first half of 2004, the Group invested considerable resources in providing for future growth and development in line with evolving consumer nutritional, health, lifestyle and convenience requirements. The acquisition programme completed during the period, at a cost of €674m, has extended the Group's food ingredients platform to bio-ingredients and pharma-ingredients applications, significantly broadened the Group's flavour development technical and regional base, and also expanded the Group's interests in the U.S. branded beverage foodservice and natural foods sectors.

Acquisitions concluded during the period comprised:

(a) Ingredients Businesses

Quest Food Ingredients, a leader in innovation and applications of bio-ingredients and pharma-ingredients, serving pharmaceutical, culinary, snack, bakery, dairy, beverage and confectionery markets worldwide. The acquisition completed on 30 April 2004, establishes a new Kerry Bio-Science division, operating from nine major manufacturing units located in Utrecht, Netherlands; Norwich NY, USA; Rochester MN, USA; Zwijndrecht, Netherlands; Esterol, Malaysia; Brantford, Canada; Cebu, Philippines; Cork, Ireland; and Menstrie, UK.

Technology and innovation is driven from two Centres of Excellence located in Naarden, Netherlands and Chicago, USA - complemented by satellite development centres across major markets. The acquired business significantly expands Kerry's technological base and has well established leading global positions in bio-ingredients and pharma-ingredients - including protein hydrolysates, emulsifiers, yeast flavourings, enzymes, hydrocolloids, cultures and fermentation products.

Cremo Ingredients, based in Glamsbjerg, Denmark, a leading supplier of dairy ingredients and flavourings to an extensive customer base in the savoury, convenience and snack food sectors throughout Europe and Asia.

(b) Foodservice Businesses

Oregon Chai, a leading U.S. branded supplier of natural Chai Tea Lattes and Chai Tea Latte mixes, concentrates and ready-to-drink products. Serving specialist foodservice beverage chains, grocery, club and natural food store channels throughout the U.S. and Canada, Oregon Chai is the recognised brand leader in both natural and organic segments of the speciality Chai tea market.

Extreme Foods, a leader in developing and marketing branded ready-to-use ice blended flavoured beverages for the U.S. foodservice industry. Serving independent coffeehouses, national coffeehouse chains and department store in-house cafés, Extreme Foods produces unique ice-blended fruit smoothies and coffee frappés marketed under the JetTea and JetCafe brand names respectively. Available in nine different flavours, JetTea Smoothies are market leading premium quality, pre-packaged, shelf stable, fat-free, fruit based smoothies. JetCafe is the world's only super-premium all natural ice-blended coffee frappé.

(c) Flavour Businesses

Manheimer, a leading formulator and supplier of natural flavours for the beverage, confectionery, meat and soup industries from its state-of-the-art facilities based in New Jersey, USA. The Manheimer Fragrances division develops and markets innovative fragrances for application in home environmental, personal care, household and industrial products.

Flavurence, based in Los Angeles, specialising in natural fruit flavours, a major flavour supplier to food and beverage producers in the west coast of the USA.

Laboratorios Krauss, based in Mexico, a supplier of sweet flavours to the food industry in Mexico, Latin America and the Caribbean.

Fructamine, based in Mozzo, Bergamo in Northern Italy, a leading Italian producer of naturally extracted flavours, serving European savoury, bakery and soft drink markets.

Finance

At the end of the half year Group borrowings amounted to €1,334m, compared to €852m at the end of the first half of 2003, notwithstanding record expenditure of €668m on acquisitions in the period. Kerry's businesses continue to generate a strong free cash flow which will ensure a speedy reduction in Group indebtedness.

The ratio of debt to EBITDA increased to 2.9 times (H1 2003 : 2.3 times), while debt to EV (Enterprise Value) increased from 26% at the end of the first half of 2003 to 29% at the end of the first half of 2004. Interest charges for the period were €23.3m compared to €22.3m in the first half of 2003, with EBITDA to net interest covered 12.0 times (H1 2003 : 8.6 times).

Dividend

The Board has declared an interim dividend of 4.5 cent per share, an increase of 11.1% on the 2003 interim dividend of 4.05 cent per share. The interim dividend will be paid on 29 November 2004 to shareholders registered on the record date 29 October 2004.

Current Trading and Outlook

The Group has demonstrated a strong capability to respond to evolving consumer trends through provision of flavour and ingredient technologies, and consumer food and beverage offerings which meet consumer lifestyle, convenience, health and nutritional requirements. This consistent strategy and clarity of focus in the organisation continues to deliver good results. Furthermore through the Group's recent acquisitions, including global flavour, food ingredients and bio-science technologies, important platforms have been established for future profitable growth and market development. In particular through the Kerry Bio-Science division the Group has established an important science foundation and significantly enlarged its food technology research capability. As part of Kerry's global operations - with the opportunity to leverage research results and technical development through Kerry's complementary businesses - this science platform will deliver strong commercial applications. In terms of nutrition and diet, Kerry Bio-Science research has already led to a deeper understanding of satiety control and new methodologies to regulate insulin and glucagon excretion. In addition, building on its relationship with major global pharmaceutical companies, Kerry Bio-Science, through its hydrolysed protein technologies, has a strong pipeline of development projects in cell tissue culture, diagnostics and production of 'smart' drugs for targeted therapy.

All core businesses and recently acquired businesses are performing well. Building on the good first half performance, the Group is confident of achieving a good outcome for the full year.

Denis Buckley

Denis Buckley, Chairman
30 August 2004

Consolidated Profit and Loss Account

for the half year ended 30 June 2004

	Notes	**Half year ended 30 June 2004 Unaudited €'000**	Half year ended 30 June 2003 Unaudited €'000	Year ended 31 Dec. 2003 Audited €'000
Turnover				
Continuing operations		**1,882,158**	1,802,092	3,693,410
Acquisitions		**73,186**	–	–
	1	**1,955,344**	1,802,092	3,693,410
Operating profit before goodwill amortisation and exceptional items				
Continuing operations		**140,605**	133,155	308,519
Acquisitions		**6,167**	–	–
		146,772	133,155	308,519
Goodwill amortisation		**30,335**	24,661	48,103
Exceptional restructuring costs	4	**6,720**	–	–
Operating profit		**109,717**	108,494	260,416
Profit on sale of fixed assets		**1,643**	1,017	942
Interest payable and similar charges		**23,266**	22,281	37,356
Profit before taxation		**88,094**	87,230	224,002
Taxation		**26,570**	25,297	63,025
Profit after taxation and attributable to ordinary shareholders		**61,524**	61,933	160,977
Dividends		**8,446**	7,520	23,610
Retained profit for the period		**53,078**	54,413	137,367
Earnings per ordinary share (cent)				
- basic before goodwill amortisation and exceptional items	2	**50.9**	46.1	112.1
- basic after goodwill amortisation and exceptional items	2	**33.1**	33.4	86.7
- fully diluted after goodwill amortisation and exceptional items	2	**32.9**	33.3	86.4

Consolidated Balance Sheet
as at 30 June 2004

	30 June 2004 Unaudited €'000	30 June 2003 Unaudited €'000	31 Dec. 2003 Audited €'000
Fixed assets			
Tangible assets	**979,896**	843,264	844,701
Intangible assets	**1,314,377**	821,433	837,301
	2,294,273	1,664,697	1,682,002
Current assets			
Stocks	**530,011**	427,453	383,899
Debtors	**652,434**	550,994	482,955
Cash at bank and in hand	**50,695**	32,013	56,862
	1,233,140	1,010,460	923,716
Creditors: Amounts falling due within one year	**(1,060,679)**	(877,751)	(709,872)
Net current assets	**172,461**	132,709	213,844
Total assets less current liabilities	**2,466,734**	1,797,406	1,895,846
Creditors: Amounts falling due after more than one year	**(1,398,794)**	(858,223)	(899,024)
Provisions for liabilities and charges	**(53,223)**	(57,197)	(48,333)
	1,014,717	881,986	948,489
Capital and reserves			
Called-up equity share capital	**23,307**	23,211	23,234
Capital conversion reserve fund	**340**	340	340
Share premium account	**370,377**	363,574	365,229
Profit and loss account	**591,730**	465,266	531,149
	985,754	852,391	919,952
Deferred income	**28,963**	29,595	28,537
	1,014,717	881,986	948,489

Consolidated Cash Flow Statement

for the half year ended 30 June 2004

	Half year ended 30 June 2004 Unaudited €'000	Half year ended 30 June 2003 Unaudited €'000	Year ended 31 Dec. 2003 Audited €'000
Operating profit before goodwill amortisation and exceptional items	**146,772**	133,155	308,519
Depreciation (net)	**46,873**	43,174	83,827
Change in working capital	**(374)**	(79,160)	9,138
Exchange translation adjustment	**(309)**	84	(1,176)
Net cash inflow from operating activities	**192,962**	97,253	400,308
Return on investments and servicing of finance	**(21,107)**	(21,633)	(40,774)
Taxation	**(22,860)**	(13,549)	(40,476)
Capital expenditure			
Purchase of fixed assets	**(50,252)**	(38,670)	(101,632)
Proceeds on the sale of fixed assets	**2,275**	1,923	7,683
Development grants received	**233**	236	1,194
Acquisitions and disposals			
Purchase of subsidiary undertakings	**(668,431)**	(124,896)	(207,376)
Proceeds on the sale of businesses	**–**	–	1,264
Deferred creditors paid	**(28,767)**	(2,027)	(5,532)
Exceptional restructuring costs	**(1,761)**	(8,892)	(16,575)
Consideration adjustment on previous acquisitions	**(895)**	(97)	(248)
Equity dividends paid	**(16,041)**	(14,571)	(22,196)
Cash outflow before the use of liquid resources and financing	**(614,644)**	(124,923)	(24,360)
Financing			
Issue of share capital	**5,221**	609	2,287
Increase / (decrease) in debt due within one year	**148,856**	43,703	(123,860)
Increase in debt due after one year	**454,400**	66,040	156,211
(Decrease) / increase in cash in the period	**(6,167)**	(14,571)	10,278

Reconciliation of Net Cash Flow to Movement in Net Debt

for the half year ended 30 June 2004

(Decrease) / increase in cash in the period	**(6,167)**	(14,571)	10,278
Cash flow from debt financing	**(603,256)**	(109,743)	(32,351)
Change in net debt resulting from cash flows	**(609,423)**	(124,314)	(22,073)
Exchange translation adjustment on net debt	**(19,315)**	35,910	80,677
Movement in net debt in the period	**(628,738)**	(88,404)	58,604
Net debt at beginning of period	**(705,200)**	(763,804)	(763,804)
Net debt at end of period	**(1,333,938)**	(852,208)	(705,200)

Statement of Total Recognised Gains and Losses

for the half year ended 30 June 2004

	Half year ended 30 June 2004 Unaudited €'000	Half year ended 30 June 2003 Unaudited €'000	Year ended 31 Dec. 2003 Audited €'000
Profit attributable to ordinary shareholders	**61,524**	61,933	160,977
Exchange translation adjustment on foreign currency net investments	**7,503**	(7,159)	(24,230)
Total recognised gains and losses relating to the period	**69,027**	54,774	136,747

Reconciliation of Movements in Share Capital and Reserves

for the half year ended 30 June 2004

	Share Capital and Premium €'000	Capital Conversion Reserve Fund €'000	Profit & Loss Account €'000	Total €'000
At beginning of period	388,463	340	531,149	919,952
Retained profit	–	–	**53,078**	**53,078**
Share issue	**5,221**	–	–	**5,221**
Exchange translation adjustment	–	–	**7,503**	**7,503**
At end of period	**393,684**	**340**	**591,730**	**985,754**

The Profit & Loss Account figures comprise the following:

	Intangible Assets Written Off €'000	Retained Profits €'000	Profit & Loss Account €'000
At beginning of period	(527,802)	1,058,951	531,149
Retained profit	**(30,335)**	**83,413**	**53,078**
Exchange translation adjustment	–	**7,503**	**7,503**
At end of period	**(558,137)**	**1,149,867**	**591,730**

The exchange translation adjustment arises on the retranslation of the Group's opening net investment in its overseas subsidiaries.

Notes to the Interim Report

for the half year ended 30 June 2004

1. Analysis of results by region

	Half year ended 30 June 2004 Unaudited		Half year ended 30 June 2003 Unaudited		Year ended 31 Dec. 2003 Audited	
	Turnover €'000	Operating Profit €'000	Turnover €'000	Operating Profit €'000	Turnover €'000	Operating Profit €'000
By geographical market of origin:						
Ireland	**669,992**	**32,191**	655,641	31,640	1,331,879	69,078
Rest of Europe	**693,596**	**52,395**	621,373	47,225	1,265,001	111,516
Americas	**504,451**	**55,274**	453,499	48,904	939,104	113,441
Asia Pacific	**87,305**	**6,912**	71,579	5,386	157,426	14,484
	1,955,344	**146,772**	1,802,092	133,155	3,693,410	308,519
Goodwill amortisation	**–**	**(30,335)**	–	(24,661)	–	(48,103)
Exceptional restructuring costs	**–**	**(6,720)**	–	–	–	–
	1,955,344	**109,717**	1,802,092	108,494	3,693,410	260,416

	Turnover €'000	Turnover €'000	Turnover €'000
By destination:			
Ireland	**356,681**	351,298	725,879
Rest of Europe	**934,178**	862,449	1,764,163
Americas	**538,246**	487,501	984,808
Asia Pacific	**126,239**	100,844	218,560
	1,955,344	1,802,092	3,693,410

Turnover and operating profit as presented above, are stated net of intra Group transactions.

2. Earnings per share

	Half year ended 30 June 2004 Unaudited		Half year ended 30 June 2003 Unaudited		Year ended 31 Dec. 2003 Audited	
	EPS cent	**€'000**	EPS cent	€'000	EPS cent	€'000
Adjusted earnings*	**50.9**	**94,766**	46.1	85,577	112.1	208,183
Goodwill amortisation	**16.3**	**30,335**	13.3	24,661	25.9	48,103
Exceptional items (net of tax)	**1.5**	**2,907**	(0.6)	(1,017)	(0.5)	(897)
Profit after taxation, goodwill amortisation and exceptional items	**33.1**	**61,524**	33.4	61,933	86.7	160,977
Share option dilution	**0.2**	**–**	0.1	–	0.3	–
	32.9	**61,524**	33.3	61,933	86.4	160,977

The basic weighted average number of ordinary shares in issue for the period was **186,087,228** (half year ended 30 June 2003: 185,631,612; year ended 31 December 2003: 185,707,545). The diluted weighted average number of ordinary shares in issue for the period was **186,993,765** (half year ended 30 June 2003: 186,224,863; year ended 31 December 2003: 186,418,117). The dilution arises in respect of executive share options outstanding.

In addition to the basic and diluted earnings per share, an earnings per share before goodwill amortisation and exceptional items calculation is also provided, as it more accurately reflects the Group's underlying trading performance.

*Adjusted earnings is calculated as profit after taxation, before goodwill amortisation and exceptional items. Adjusted earnings per share is the adjusted earnings divided by the basic weighted average number of ordinary shares.

3. Businesses acquired

The Group completed a number of acquisitions during the period at a total cost of **€674m**.

The acquisition of **Quest Food Ingredients** from the ICI Group was completed at the end of April 2004. The acquired business has operations in The Netherlands, USA, Malaysia, Canada, Philippines, Ireland and the UK and also has two Centres of Excellence driving technology and innovation in The Netherlands and USA. Quest Food Ingredients has leading global positions in bio-ingredients and pharma-ingredients and has well established global customer relationships across the pharmaceutical, culinary, bakery, dairy, brewing and confectionery industries.

In May 2004, the Group acquired **Manheimer.** With state-of-the-art research and development facilities and manufacturing facilities in New Jersey, Manheimer is a leading formulator and supplier of natural flavours for the beverage, confectionery, meat and soup industries, while Manheimer Fragrances develops and markets innovative fragrances for application in home-environmental, personal care, household and industrial products. The **Cremo** dairy ingredients and flavourings business was also acquired in May 2004. Based in Glamsbjerg, Denmark, the business has state-of-the-art manufacturing and product development facilities and has established an extensive customer base throughout Europe and Asia within the savoury convenience and snack food industry.

The acquisitions of **Flavurence, Laboratorios Krauss, Fructamine, Oregon Chai** and **Extreme Foods** were also completed in the period. Flavurence, based in Los Angeles, is a major flavour supplier to food and beverage producers in the West Coast of the USA and specialises in natural fruit flavours. Laboratorios Krauss has a strong market presence through sweet flavours particularly in the bakery sector and is headquartered in Mexico City with flavour development facilities based in Pachuca, Mexico. Fructamine, based in Bergamo in Northern Italy, is a leading Italian producer of naturally extracted flavours and has a well established position across European savoury, bakery and soft drinks markets. Oregon Chai, a leading US-branded supplier of natural Chai Tea Lattes and Chai Tea Latte mixes, concentrates and ready-to-drink products based in Oregon and Extreme Foods, a developer and marketer of blended flavour beverages based in Nevada hold leading positions in the fast-growing niches of the US-branded beverage foodservice sector.

4. Exceptional restructuring costs

The exceptional restructuring costs in the period relate to the rationalisation of new and existing businesses arising from the integration of Quest Food Ingredients and other acquisitions made in 2004 and 2003.

5. Accounting policies

These accounts have been prepared using the same accounting policies detailed in the 2003 annual financial statements.

6. Interim accounts

These accounts are not full accounts and except where indicated are unaudited. Full accounts to 31 December 2003, which received an unqualified audit report, have been filed with the Registrar of Companies.

Notes

Notes

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