Adoption of International Financial Reporting Standards (IFRS)

Preliminary Restatement of 2004 Financial Information

24 May 2005

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Introduction

Kerry, the global ingredients, flavours and consumer foods group, has adopted International Financial Reporting Standards (IFRS) as its primary accounting basis for all reporting periods beginning on or after 1 January 2005 as required for all EU listed Companies. As part of the transition from Irish/UK GAAP, Kerry herein presents financial information prepared in accordance with IFRS for the date of transition 1 January 2004 and for the year ended 31 December 2004.

The purpose of this document is to provide information on the impact of the adoption of IFRS. The financial information contained herein represents our current best estimates and may be affected by changes to IFRS standards, interpretations thereof and the emergence of best practice. Certain of these standards are still subject to endorsement by the European Commission. For these reasons it is possible that the information presented in this document may be subject to change prior to its finalisation in the 2005 Annual Report. The financial information contained herein is unaudited.

Financial Highlights

- Turnover unchanged at €4,129m
- Trading profit* of €356m (Irish/UK GAAP: €349m)
- Profit after tax of €204m (Irish/UK GAAP: €146m)
- Adjusted earnings per share** is 122.9 cent (Irish/UK GAAP: 123.7 cent)
- Basic earnings per share is 109.5 cent (Irish/UK GAAP: 78.2 cent)
- Group free cash flow remains unchanged at €267m
- Net assets as at 31 December 2004 decreased by €76m

	IFRS	Irish/UK GAAP	Change	Change %
Turnover	€4,129m	€4,129m	-	-
Trading profit*	€356m	€349m	€7m	2%
Profit after tax	€204m	€146m	€58m	40%
Adjusted earnings per share**	122.9c	123.7c	(0.8c)	(0.6%)
Basic earnings per share	109.5c	78.2c	31.3c	40%
Group free cash flow	€267m	€267m	-	-
Net assets as at 31 December 2004	€968m	€1,044m	(€76m)	(7%)

* Trading profit refers to the adjusted operating profit generated by the businesses before intangible asset amortisation and any profits and losses generated from the disposal of fixed assets or businesses and any material restructuring expenditure.

** Based on profit after tax before intangible asset amortisation and any profits and losses generated from the disposal of fixed assets or businesses and any material restructuring expenditure.

Kerry Group Chief Financial Officer, Brian Mehigan commenting on the transition said:

"Kerry Group is, as indicated in our 2004 Annual Report, adopting the new international accounting framework for 2005 reporting. This announcement provides a detailed analysis of the impact of the changes to accounting policies and a restatement of our 2004 reported results. While the restatements have a relatively minor net impact on the adjusted earnings per share of the Group (negative 0.8 cent), and a zero impact on operating cash flows, the restatements do have an impact on a number of other line items. The most significant of these is an increase in profit after tax and basic earnings per share by €58m and 31.3 cent respectively due primarily to the significant reduction in the amortisation charge in the Consolidated Income Statement. In addition the net assets of the Group have decreased by approximately €76m mainly as a result of the adoption of IAS 19 'Employee Benefits' which requires the placing of the previously disclosed net pension deficit on the Consolidated Balance Sheet.

I do not foresee these changes having a material impact on the current adjusted earnings per share expectations in the market place for the Group in 2005."

Basis of Preparation

The financial information presented in this document has been prepared in accordance with IFRS, including all International Accounting Standards (IAS), and interpretations issued by the International Accounting Standards Board (IASB), the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) as published by 31 December 2004.

The rules for first time adoption of IFRS are set out in IFRS 1 'First-time Adoption of International Financial Reporting Standards'. IFRS 1 requires application of the same accounting policies in the IFRS opening balance sheet and for all periods thereafter.

The Group's transition to IFRS has been prepared on the basis of taking the following exemptions available under IFRS 1:

(a) Business combinations prior to 1 January 2004 have not been restated to comply with IFRS 3 'Business Combinations'. The net book value of goodwill as at the transition date has been treated as deemed cost of goodwill under IFRS.

(b) Cumulative translation differences on foreign operations are deemed to be nil at 1 January 2004. Any gains and losses recognised in the Consolidated Income Statement on subsequent disposals of foreign operations will therefore exclude translation differences arising prior to the transition date.

(c) The Group has applied hedge accounting in accordance with Irish/UK GAAP and will adopt IAS 32 'Financial Instruments: Presentation and Disclosure' and IAS 39 'Financial Instruments: Recognition and Measurement' from 1 January 2005, with no restatement of comparative information.

In addition, subject to endorsement by the European Commission, the Group has elected to early-adopt 'Amendment to IAS 19 Employee Benefits'. The Group has selected the option available within this standard, similar to FRS 17 'Retirement Benefits' under Irish/UK GAAP, for immediate recognition of all actuarial gains and losses outside of the Consolidated Income Statement.

The financial information has been prepared under the historical cost convention.

Presentation of financial statements
The financial information contained in this document adopts an Irish/UK GAAP presentation style. The 2005 interim and full year financial statements will be presented in accordance with the IFRS presentation style.

IFRS does not define certain income statement headings. For clarity, the following are the definitions as applied by the Group:

> 'Trading profit' refers to the adjusted operating profit generated by the businesses before intangible asset amortisation and any profits or losses generated from the disposal of fixed assets or businesses and any material restructuring expenditure.
>
> 'Operating profit' is profit before taxation and interest payable and similar charges.

The Group makes this distinction so as to exclude items that do not impact the continuous performance of the businesses.

Reconciliation of Earnings per Share from Irish/UK GAAP to IFRS for the year ended 31 December 2004

		Impact of transition to IFRS				
	Under Irish/UK GAAP cent	IAS 19 Employee benefits cent +(1)	IFRS 3 Business combinations cent +(2)	IAS 12 Income taxes cent +(3)	IAS 38 Intangible assets cent +(4)	Under IFRS cent
Adjusted earnings per ordinary share*	**123.7**	1.6	-	(3.0)	0.6	**122.9**
Goodwill and other intangible amortisation	**(37.2)**	-	32.5	-	(0.6)	**(5.3)**
Non-trading items (net)	**(8.3)**	-	-	0.2	-	**(8.1)**
Basic earnings per ordinary share	**78.2**	1.6	32.5	(2.8)	-	**109.5**
Share option dilution	**(0.4)**	-	(0.2)	-	-	**(0.6)**
Fully diluted earnings per ordinary share	**77.8**	**1.6**	**32.3**	**(2.8)**	**-**	**108.9**

based on:

	€'000	€'000	€'000	€'000	€'000	€'000
Adjusted earnings*	**230,491**	2,971	-	(5,486)	1,070	**229,046**
Goodwill and other intangible amortisation	**(69,252)**	-	60,500	-	(1,070)	**(9,822)**
Non-trading items (net)	**(15,454)**	-	-	280	-	**(15,174)**
Basic earnings	**145,785**	**2,971**	**60,500**	**(5,206)**	**-**	**204,050**

The basic weighted average number of ordinary shares in issue for the year was 186,401,228. The diluted weighted average number of ordinary shares in issue for the year was 187,308,737. The dilution arises in respect of executive share options outstanding.

* Adjusted earnings is calculated as profit after tax, before intangible asset amortisation and any profits and losses generated from the disposal of fixed assets or businesses and any material restructuring expenditure. Adjusted earnings per share is the adjusted earnings divided by the basic weighted average number of ordinary shares.

+ Explanatory notes are presented on pages 13 – 14.

Group Accounting Policies under IFRS

The significant accounting policies adopted by the Group are as follows:

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries all of which present financial statements up to 31 December. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the date of their acquisition or up to the date of their disposal.

Reporting currency
The financial statements contained herein are presented in Euro.

Turnover
Turnover represents the value of sales to third party customers net of discounts, allowances, volume and promotional rebates, other payments to customers and excludes VAT.

Segmental analysis
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 produces rather than the geographical location of the Group's operations.

The Group has two business segments, Ingredients and Consumer Foods. Corporate activities, such as the cost of corporate stewardship, are reported along with the elimination of inter-group activities under the heading "Unallocated and Group Eliminations".

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 segment assets and liabilities mainly include current and deferred income tax balances together with financial assets and liabilities.

The Group's geographical segments are determined by geographical location and similarity of economic environments.

Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation and any impairment losses. Cost comprises purchase price and directly attributable costs. Freehold land is not depreciated. Depreciation on the remaining tangible fixed assets is calculated by charging equal annual instalments to the Consolidated Income Statement so as to provide for their cost over the period of their expected useful lives at the following annual rates:

Buildings	2% - 5%
Plant, Machinery and Equipment	7% - 25%
Motor Vehicles	20%

Non-current assets held for sale
Non-current assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. The sale must be deemed to be highly probable.

Non-current assets, including related liabilities, classified as held for sale are measured at the lower of carrying value and fair value less costs of disposal.

Goodwill
Goodwill represents the difference between the cost of businesses acquired and the aggregate of the fair values of their identifiable net assets at the date of acquisition. Goodwill arising on acquisitions since 1998 has been capitalised on the Consolidated Balance Sheet. This goodwill is tested for impairment annually and is carried at cost less accumulated impairment losses, where identified. At the date of acquisition, goodwill is allocated to one or more cash generating units for the purpose of impairment testing. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold except for goodwill in respect of acquisitions prior to 1998, which remains eliminated against reserves.

Intangible assets

Intangible assets acquired as part of a business combination include brand related intangibles, non-compete agreements and patents. These intangible assets are valued at their fair value at the date of acquisition. Intangible assets determined to have an indefinite life are not amortised and are subject to an annual impairment review. Finite life intangible assets are amortised over the period of their expected useful lives in equal annual instalments.

Intangible assets separately acquired include brand related intangibles, patents and computer software that is not an integral part of an item of computer hardware. These intangible assets are stated at cost less accumulated amortisation and any impairment losses. Cost comprises purchase price and other directly attributable costs. These intangible assets are amortised over their expected useful lives in equal annual instalments.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Stocks

Stocks are valued on a weighted average cost basis, at the lower of cost and estimated net realisable value. Cost includes all expenditure 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 stock on hand less all further costs to completion and all costs expected to be incurred in marketing, distribution and selling.

Taxation

The tax charge includes income taxes payable based on taxable profit for the year and deferred taxes, which have been calculated on the basis set out in IAS 12 'Income taxes'. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Income taxes include all taxes based upon the taxable profits of the Group. Deferred taxes are calculated based on the temporary differences that arise between the tax base of the asset or liability and its carrying value in the Consolidated Balance Sheet. Deferred tax is recognised on all temporary differences in existence at the balance sheet date except as provided under IAS 12. Deferred tax assets are recognised to the extent that it is probable that they will be utilised.

Deferred tax assets and deferred tax liabilities are offset where taxes are levied by the same taxation authority and relate to the same tax period.

Retirement benefits

Payments to defined contribution plans are recognised in the Consolidated Income Statement as they fall due and any contributions outstanding at the period end are included as an accrual in the Consolidated Balance Sheet.

The cost of providing benefits and the liabilities of defined benefit plans are determined, using the projected unit credit method, by independent and professionally qualified actuaries.

Current service cost, interest cost and return on plan assets are recognised in the Consolidated Income Statement. Actuarial gains and losses are recognised in full in the period in which they occur in the Statement of Recognised Income and Expense. Past service cost is recognised immediately to the extent that the benefits are already vested. Otherwise, past service cost is recognised on a straight line basis over the average period until the benefits become vested.

The defined benefit liability recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation less any past service cost not yet recognised and less the fair value of any plan assets. Defined benefit assets are also recognised in the Consolidated Balance Sheet but are limited to the total of any unrecognised past service cost and the present value of available refunds and reductions in future contributions to the plan.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the financial year in which it is incurred.

Development expenditure is assessed and capitalised if it meets all of the following criteria:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Capitalised development costs are amortised over their expected economic lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the financial year in which it is incurred.

Grants

Grants of a capital nature are accounted for as deferred income and are released to the Consolidated Income Statement at the same rates as the related assets are depreciated. Grants of a revenue nature are credited to the Consolidated Income Statement to offset the matching expenditure.

Operating leases

Annual rentals payable under operating leases are charged to the Consolidated Income Statement on a straight line basis over the period of the lease.

Foreign currency

Foreign currency transactions are translated into local currency at the rate of exchange ruling at the date of the transaction. Any exchange difference arising from either the retranslation of the resulting monetary asset or liability at the exchange rate at the balance sheet date or from the settlement of the balance at a different rate is recognised in the Consolidated Income Statement when it occurs.

The Income Statements of foreign currency subsidiaries are translated into Euro at the average exchange rate for the period. The Balance Sheets of such subsidiaries are translated at rates of exchange ruling at the balance sheet date. From 1 January 2004, a separate component of equity is maintained for the recognition of exchange differences arising on the translation of foreign currency subsidiaries.

On disposal of a foreign subsidiary, the cumulative translation difference for that foreign subsidiary is transferred to the Consolidated Income Statement as part of the gain or loss on disposal.

The significant accounting policies applicable from 1 January 2005 are as follows:

Financial assets

Financial fixed assets classified as available-for-sale are stated at their fair market value at the balance sheet date. Any movements in value are taken to equity until the asset is disposed of unless there is deemed to be an impairment on the original cost in which case the loss is taken directly to the Consolidated Income Statement.

All other financial assets are stated at cost less provisions for impairment. Income from financial assets is recognised in the Consolidated Income Statement in the period in which it is receivable.

Borrowings

Debt instruments are initially reported at cost, which is the proceeds received, net of transaction costs. Subsequently they are reported at amortised cost. Any discount between the net proceeds received and the principle value due on redemption is amortised over the duration of the debt instrument, and is recognised as part of the interest expense in the Consolidated Income Statement. To the extent that debt instruments are hedged under qualifying fair value hedges, the hedged item is recorded at fair value.

Derivative financial instruments and hedge accounting

The Group's activities expose it to risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts, interest rate swaps and forward rate agreements to hedge these exposures.

Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

Two types of hedges are used by the Group:

(a) Cash flow hedges
Changes in the fair value of derivative financial instruments that are designated, and are effective, as hedges of changes in future cash flows are recognised directly in equity. Any ineffective portion of the hedge is recognised in the Consolidated Income Statement. When the cash flow hedge of a firm commitment or forecasted transaction subsequently results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are recognised in the Consolidated Income Statement.

(b) Fair value hedges
Where a fair value exposure is hedged effectively, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the Consolidated Income Statement. If derivative financial instruments do not qualify for hedge accounting the changes in fair value are recognised in the Consolidated Income Statement as they arise.

If a hedge is no longer effective or a hedging relationship ceases to exist any cumulative gain or loss on the instrument previously recognised in equity is retained in equity until the forecasted transaction occurs at which time it is released to the Consolidated Income Statement. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss in equity is transferred to the Consolidated Income Statement immediately.

Reconciliation of impact of IFRS on the Consolidated Income Statement for the year ended 31 December 2004

		Impact of transition to IFRS				
	Under Irish/UK GAAP €'000	IAS 19 Employee benefits €'000	IFRS 3 Business combinations €'000	IAS 12 Income taxes €'000	IAS 38 Intangible assets €'000	Under IFRS €'000
		[+](1)	[+](2)	[+](3)	[+](4)	
Turnover	**4,128,736**	-	-	-	-	**4,128,736**
Trading profit	**348,906**	5,804	-	-	1,070	**355,780**
Goodwill and other intangible amortisation	(69,252)	-	60,500	-	(1,070)	(9,822)
Restructuring costs	(41,108)	-	-	-	-	(41,108)
Profit on sale of fixed assets	15,592	-	-	-	-	15,592
Operating profit	**254,138**	5,804	60,500	-	-	**320,442**
Interest payable and similar charges	(48,982)	(2,833)	-	-	-	(51,815)
Profit before taxation	**205,156**	2,971	60,500	-	-	**268,627**
Taxation - current tax	(57,372)	-	-	-	-	(57,372)
- deferred tax	(1,999)	-	-	(5,206)	-	(7,205)
Profit after taxation and attributable to ordinary shareholders	**145,785**	**2,971**	**60,500**	**(5,206)**	**-**	**204,050**
Earnings per ordinary share (cent)						
- adjusted	**123.7**	1.6	-	(3.0)	0.6	**122.9**
- basic	**78.2**	1.6	32.5	(2.8)	**-**	**109.5**
- fully diluted	**77.8**	1.6	32.3	(2.8)	**-**	**108.9**

[+] Explanatory notes are presented on pages 13 – 14.

Reconciliation of impact of IFRS on the Consolidated Balance Sheet as at 1 January 2004

		Impact of transition to IFRS					
	Under Irish/UK GAAP €'000	**IAS 19 Employee benefits €'000**	**IAS 12 Income taxes €'000**	**IAS 38 Intangible assets €'000**	**IAS 10 Events after the balance sheet date €'000**	**IFRS 5 Non current assets held for sale €'000**	**Under IFRS €'000**
		+(1)	**+(3)**	**+(4)**	**+(5)**	**+(6)**	
Fixed assets							
Tangible assets	**844,701**	-	-	(2,781)	-	(4,484)	**837,436**
Intangible assets	**837,301**	-	-	2,781	-	-	**840,082**
	1,682,002	**-**	**-**	**-**	**-**	(4,484)	**1,677,518**
Current assets							
Stocks	**383,899**	-	-	-	-	-	**383,899**
Debtors	**482,955**	-	-	-	-	4,484	**487,439**
Cash at bank and in hand	**56,862**	-	-	-	-	-	**56,862**
	923,716	**-**	**-**	**-**	**-**	4,484	**928,200**
Creditors: Amounts falling due within one year	**(713,013)**		-	-	15,985	-	**(697,028)**
Net current assets	**210,703**	**-**	-	-	15,985	4,484	**231,172**
Total assets less current liabilities	**1,892,705**	**-**	-	-	15,985	-	**1,908,690**
Creditors: Amounts falling due after more than one year	**(924,420)**	(181,661)	-	-	-	-	**(1,106,081)**
Provisions for liabilities and charges	**(48,333)**	-	51,454	-	-	-	**3,121**
	919,952	**(181,661)**	**51,454**	**-**	**15,985**	**-**	**805,730**
Capital and reserves							
Called-up equity share capital	**23,234**	-	-	-	-	-	**23,234**
Capital conversion reserve fund	**340**	-	-	-	-	-	**340**
Share premium account	**365,229**	-	-	-	-	-	**365,229**
Profit and loss account	**531,149**	(181,661)	51,454	-	15,985	-	**416,927**
	919,952	**(181,661)**	**51,454**	**-**	**15,985**	**-**	**805,730**

+ Explanatory notes are presented on pages 13 – 14.

Reconciliation of impact of IFRS on the Consolidated Balance Sheet as at 31 December 2004

	Under Irish/UK GAAP €'000	Impact of transition of IFRS: IAS 19 Employee benefits €'000 [+](1)	IFRS 3 Business combinations €'000 [+](2)	IAS 12 Income taxes €'000 [+](3)	IAS 38 Intangible assets €'000 [+](4)	IAS 10 Events after the balance sheet date €'000 [+](5)	IFRS 5 Non current assets held for sale €'000 [+](6)	IAS 21 Effects of changes in foreign exchange rates €'000 [+](7)	Under IFRS €'000
Fixed assets									
Tangible assets	**968,480**	-	-	-	(3,395)	-	(4,418)	-	**960,667**
Intangible assets	**1,283,237**	1,488	58,263	9,053	3,395	-	-	(591)	**1,354,845**
	2,251,717	1,488	58,263	9,053	-	-	(4,418)	(591)	**2,315,512**
Current assets									
Stocks	**457,662**	-	-	-	-	-	-	-	**457,662**
Debtors	**566,938**	-	-	-	-	-	4,418	-	**571,356**
Cash at bank and in hand	**65,328**	-	-	-	-	-	-	-	**65,328**
	1,089,928	**-**	-	-	**-**	**-**	4,418	**-**	**1,094,346**
Creditors: Amounts falling due within one year	**(861,446)**	-	-	-	-	17,751	-	-	**(843,695)**
Net current assets	**228,482**	-	-	-	-	17,751	4,418	-	**250,651**
Total assets less current liabilities	**2,480,199**	1,488	58,263	9,053	-	17,751	-	(591)	**2,566,163**
Creditors: Amounts falling due after more than one year	**(1,375,613)**	(199,262)	-	-	-	-	-	-	**(1,574,875)**
Provisions for liabilities and charges	**(60,681)**	-	-	37,553	-	-	-	-	**(23,128)**
	1,043,905	**(197,774)**	**58,263**	**46,606**	**-**	**17,751**	**-**	**(591)**	**968,160**
Capital and reserves									
Called-up equity share capital	**23,356**	-	-	-	-	-	-	-	**23,356**
Capital conversion reserve fund	**340**	-	-	-	-	-	-	-	**340**
Share premium account	**375,032**	-	-	-	-	-	-	-	**375,032**
Profit and loss account	**645,177**	(197,774)	58,263	46,606	-	17,751	-	(591)	**569,432**
	1,043,905	**(197,774)**	**58,263**	**46,606**	**-**	**17,751**	**-**	**(591)**	**968,160**

[+] Explanatory notes are presented on pages 13 – 14.

Explanatory Notes on the Impact of the IFRS Adjustments

A summary of the impact of the principal differences and resulting adjustments between Irish/UK GAAP and IFRS as they apply to the Consolidated Income Statement for the year ended 31 December 2004, the Consolidated Balance Sheet as at 1 January 2004 and the Consolidated Balance Sheet as at 31 December 2004 are as follows:

(1) Employee Benefits (IAS 19)

Under Irish/UK GAAP, the Group accounted for pensions in accordance with SSAP 24 'Accounting for Pension Costs' and complied with the disclosure requirements of FRS 17 'Retirement Benefits'.

Accounting for defined contribution pension plans remains unchanged under IFRS. The Irish/UK GAAP defined benefit pension cost charged to the Consolidated Income Statement was based on current service cost plus the impact of spreading any deficits/surpluses arising on the Group's defined benefit pension and post retirement plans over the estimated average remaining service lives of the employees. Under IFRS, the defined benefit pension charge is based on current service cost and a financing charge/credit.

The 2004 Irish/UK GAAP Consolidated Income Statement has been adjusted to comply with IAS 19 by:

- eliminating the cost of spreading the deficit relating to past service under SSAP 24;
- taking account of differences in measurement bases in the current service cost;
- recognising the past service cost arising in 2004 under IFRS; and
- recognising the IFRS financing charge.

The Group has opted for the full recognition of pension deficits/surpluses on the Consolidated Balance Sheet under IFRS. The deficit arising on the Group's defined benefit pension and post retirement plans, as measured by the plans' actuaries using the projected unit credit method at 1 January 2004 and 31 December 2004 under IFRS guidelines, has been recognised in full in the IFRS Consolidated Balance Sheets as at 1 January 2004 and 31 December 2004 respectively. The pension deficit has been included in creditors falling due after more than one year. The net actuarial loss arising in 2004 has been taken to the Statement of Recognised Income and Expense.

The net impact on the 2004 Consolidated Income Statement of adopting IAS 19 is an increase of €5.8m in operating profit and an increase in interest payable and similar charges of €2.8m. The deficit in the Group's defined benefit pension and post retirement plans at 1 January 2004 of €181.7m and at 31 December 2004 of €199.3m, has been recognised in full on the IFRS Consolidated Balance Sheet as at 1 January 2004 and 31 December 2004 respectively.

(2) Business Combinations (IFRS 3)

Under Irish/UK GAAP the Group capitalised and amortised goodwill and intangible assets over the period of its expected useful life, not exceeding 20 years. Goodwill purchased prior to 1 January 1998 was written off to reserves and on subsequent disposal of the related business is reinstated to the Consolidated Income Statement in calculating the profit or loss on disposal.

Under IFRS the Group will no longer amortise goodwill, but will instead test it for impairment at least on an annual basis. On disposal of a related business, goodwill acquired prior to 1 January 1998 will no longer be reinstated to the Consolidated Income Statement in calculating the profit or loss on disposal.

The Group has availed of the exemption under IFRS 1 of not reviewing business combinations prior to the date of transition. From 1 January 2004 intangible assets acquired are separately identified. Intangible assets with indefinite lives are not amortised. Intangible assets with finite lives are amortised over their estimated useful lives.

The net impact on the 2004 Consolidated Income Statement of reversing the Irish/UK GAAP goodwill amortisation and recognition of the intangible asset amortisation under IFRS is a decrease in the amortisation charge of €60.5m. The impact on the Consolidated Balance Sheet as at 31 December 2004 is €58.3m (net of exchange movements).

(3) Income Taxes (IAS 12)

Deferred tax under IAS 12 is based on the concept of temporary differences. This is a broader concept than under Irish/UK GAAP, where deferred tax was calculated based on the concept of timing differences.

(a) Under Irish/UK GAAP, deferred tax was provided on differences between the pension charge for the year in the Consolidated Income Statement and the amount deductible for tax purposes in the year. Under IFRS, the full pension deficit is included on the Consolidated Balance Sheet, resulting in an additional deferred tax asset being recognised in the Consolidated Balance Sheet as at 1 January 2004 and additional deferred tax being recognised on balance sheet movements in the year. Deferred tax also arises on the movement in the pension charge in the Consolidated Income Statement from Irish/UK GAAP to IFRS.

(b) Under Irish/UK GAAP, deferred tax balances were discounted to reflect the net present value of future assets and liabilities. As discounting is not allowed under IFRS the impact of discounting on deferred tax balances in the year must be eliminated in the Consolidated Income Statement. Discounting of balances carried in the Consolidated Balance Sheet as at 1 January 2004 and the Consolidated Balance Sheet as at 31 December 2004 is also eliminated.

(c) Other adjustments to deferred tax in the Consolidated Income Statement and Consolidated Balance Sheets relate mainly to differences arising as a result of recognising temporary differences that were not regarded as timing differences under Irish/UK GAAP. The most significant of these relates to intangible assets.

The overall impact of the move from Irish/UK GAAP to IFRS in the Consolidated Income Statement is an increase in the deferred tax charge of €5.2m. The net impact on the Consolidated Balance Sheet as at 1 January 2004 is a reduction of €51.5m in the deferred tax liability, which is split as pensions €44.8m, discounting (€40.9m) and other €47.6m. The net impact on the Consolidated Balance Sheet as at 31 December 2004 is a reduction of €37.6m in the deferred tax liability, which is split as pensions €52.3m, discounting (€40.9m) and other €26.2m.

(4) Intangible Assets (IAS 38)

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

Computer software as at 1 January 2004 and 31 December 2004 with a net book value of €2.8m and €3.4m respectively, has been transferred from tangible fixed assets to intangible assets in the Consolidated Balance Sheets. The impact on the Consolidated Income Statement is the reclassification of the 2004 related depreciation as recognised under Irish/UK GAAP to intangible asset amortisation under IFRS of €1.1m.

(5) Events after the Balance Sheet Date (IAS 10)

Under Irish/UK GAAP, the Group accounted for proposed dividends relating to a given accounting period within that period, even if the approval of that dividend took place after the balance sheet date. Under IFRS proposed dividends do not meet the definition of a liability until such time as they have been approved.

The impact of this in the 1 January 2004 Consolidated Balance Sheet is to derecognise the €16.0m liability for the 2003 final dividend. This dividend was recognised in the IFRS Statement of Changes in Equity during 2004. The Irish/UK GAAP liability for the 2004 final dividend of €17.8m is derecognised from the 31 December 2004 Consolidated Balance Sheet.

(6) Non-current Assets Held for Sale (IFRS 5)

Non-current assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. The sale must be deemed to be highly probable. On transition fixed assets qualifying as non-current assets held for sale were reclassified from within fixed assets to non-current assets held for sale within current assets.

(7) The Effects of Changes in Foreign Exchange Rates (IAS 21)

IAS 21 requires that any goodwill held in a currency other than the functional currency of the acquired operation shall be treated as an asset of the foreign operation, resulting in a negative reserve movement of €0.6m in the 31 December 2004 Consolidated Balance Sheet.