



ANNUAL REPORT AND ACCOUNTS **2007**

REOX HOLDINGS plc IS AN IRISH UNLISTED  
HOLDING COMPANY FOR A NUMBER OF  
SEPARATE BUSINESSES; 4HOME SUPERSTORES,  
BREEO FOODS AND ALCHEMY PROPERTIES.

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## DIRECTORS



### Directors

1. V Buckley
2. J Fitzgerald
3. J Henchy
4. M Jacob
5. L McGreal
6. P O'Donoghue
7. B O'Leary
8. F Riordan
9. J Walsh (Chairman)

### Secretary

R O'Leary

### Bankers

Allied Irish Banks plc  
Bank of Ireland  
Bank of Scotland (Ireland)  
IIB Bank  
National Irish Bank  
Ulster Bank Ireland Limited

### Solicitors

Arthur Cox,  
Earlsfort Centre,  
Earlsfort Terrace,  
Dublin 2.

### Auditor

KPMG,  
90 South Mall,  
Cork.

### Registered office

Building 5100,  
Cork Airport Business Park,  
Kinsale Road,  
Cork.

### Company registered number

417941

### Website

[www.reoxholdings.ie](http://www.reoxholdings.ie)

## CHAIRMAN'S STATEMENT

### Overview

The year to the end of September 2007 represented the first full twelve months of operation for Reox Holdings plc. It has been an extremely busy period for the Group. As a holding company, with a diversified portfolio of businesses, it has delivered a strong financial performance with an operating profit of €20 million coupled with an increase in shareholders' funds of €30.3 million to €66.3 million.

As at 30 September 2007 Reox shares were trading in the 'grey' market at €2.70 each, a 35% uplift over their first traded price in July 2006.

### Review of year

The rollout of the 4HOME Superstores network on a national basis saw six new stores being opened during the year, with twelve stores now operating under the 4HOME Superstores brand at 30 September 2007. A significant landmark in the development of the brand in the homeware, DIY and builders providers market was the opening of the first 4HOME Superstores franchisee in Gorey Co. Wexford. Franchisees offer a new route to network expansion. Though a very wet summer proved challenging for retailers 4HOME delivered on its financial target in 2007.

Breeo made significant progress in 2007. In Ireland it continued its strategy of transforming the business from one that was once input driven further towards a model focused on new product development and customer service. This focus has ensured that both the Galtee and Dairygold brands continue to occupy leading positions in their respective categories, while Shaws is the fastest growing brand in premium sliced cooked meats. The transformation of the business, now almost complete, involved some difficult decisions. 2007 saw the outsourcing of meat manufacturing and process cheese production with the closure of two manufacturing sites in Mitchelstown.



Shortly before the end of the 2007 financial year, Reox Holdings plc received an approach from a third party seeking to negotiate to acquire Breeo Foods Irish operations. While this approach might or might not lead to a sale of the business, any decision will be referenced as to whether a sale represents a substantial and compelling value benefit for shareholders.

In Holland, Reox Holdings plc reviewed a number of food businesses during the year resulting in two acquisitions being completed by Breeo Holland; one in consumer foods and the second in the food service market. Breeo Holland's original meat trading and value add business focused on servicing the multiple private label market continued to be exposed to margin pressure during 2007. The combined Dutch businesses performed well in 2007 and we look forward to the full year impact on earnings of the acquisitions during the coming year.

Alchemy Properties had a portfolio of properties valued at in excess of €250 million after debt at 30 September 2007. The book carrying value of these properties in the financial statements is €99 million (€85 million after debt). Following extensive submissions to Cork County Council for the new Mallow Local Area Plan, the draft plan includes a rezoning of lands, north of West End, of over nine hectares from industrial to town centre/commercial and the rezoning of a portion of the lands totalling forty three hectares in Ballyvrisheen from agricultural to residential.

Alchemy also received six favourable planning decisions and lodged an application for an extension to and revision of the original grant of permission in respect of an exciting mixed use town centre scheme in Mallow, Co. Cork. The majority of the Alchemy Properties portfolio comprises town centre, commercial and other non residential property and the portfolio offers substantial equity for leverage and future development.

In 2007, Reox Holdings plc received a loan of €55 million from Shinagh Estates Limited, formerly the SWS Group. In December 2006, the SWS Group, in which Reox Holdings plc holds an investment, sold its non agricultural businesses to Ion Equity for a consideration of €110 million. While Reox Holdings plc was a reluctant seller of its stake in the SWS Group; the decision to sell became more compelling when it became apparent that all of the existing shareholders in SWS were not in a position to fund its significant future capital needs and were reluctant to accept a change in the mix of ownership.

### Shareholder Value

Reox Holdings plc is focused on maximising shareholder value. The Company had a market capitalisation of €185 million on 3 July 2006, the first day of share trading after the date of spinout.

At the end of the financial year 30 September 2007, the market capitalisation of the business stood at almost €250 million.

Though shares traded on the 'grey' market at a range from €2.35 to €2.80 during the year it is recognised that volumes were thin with a lack of liquidity. Only 3% of the shares have changed hands since the commencement of trading on 3 July 2006. The Board are conscious of the need to increase the profile of the Company to expand the demand for shares.

### Board and corporate governance

The Board of Reox Holdings plc continues to maintain a high standard of corporate governance in everything we do and in all our relationships. Our belief is that those who ascribe to corporate governance best practice are best placed to achieve continued success and the creation of value for shareholders. A statement on corporate governance is incorporated in the directors' report on pages 8 to 13.

### Future

The Reox Holdings plc business is now well established as a holding company. With capable and enthusiastic management and a strong balance sheet Reox is ideally positioned to take advantage of future investment opportunities albeit against a backdrop of a more challenging economic climate.

As I come towards the end of my term as Chairman, I wish to pay tribute to my fellow Board colleagues, to the management team, staff and in particular to shareholders for the enthusiastic support that you have given to the success of the business to date.

As we begin our third year of operation I am confident that Reox Holdings plc will continue to deliver value and wealth for its shareholders.

John Walsh  
Chairman

## CHIEF EXECUTIVE'S REVIEW

The financial year ended on 30 September 2007 saw Reox Holdings plc continue its migration from its Co-op roots to a fully fledged holding company with investments in three diverse businesses, 4HOME Superstores, Breeo Foods and Alchemy Properties.

### 4HOME Superstores

4HOME Superstores has delivered continued growth in 2007 through strong store performance throughout the year and the addition of six new stores including our first franchise. Our significant investment in information technology in 2006 has started to deliver in the control and management areas allowing our pilot franchisee to come on board in a seamless manner. Our investment in information technology also drove our strong progress in gross margin improvement as better information helped drive better category management. 4HOME Superstores' young but experienced management team have a clear strategy for the business in terms of the categories we want to excel in, the service levels we will deliver for our customers and the imaginative and aggressive purchasing we will pursue. 2008 will see further rollout of the network with a focus on franchisees, further commitment to brand building through national and local advertising programmes and continued commitment to staff training to ensure a service leadership position. Sales growth in this sector will be impacted in 2008 with falling house completions. We are confident we can again outperform our peers in terms of growth in the Irish market building on our leadership position in the locations in which we operate.

### Breeo Foods

Breeo Foods consists of two separate businesses. Breeo Ireland is responsible for our stable of chilled Irish food brands and Breeo Holland, which operates primarily in the Netherlands.

The Irish and Dutch businesses are in different stages of development and are run by separate management teams.



### Breeo Ireland

In 2007 Breeo Ireland continued its transition from a raw material and processing operation to a consumer facing organisation with an absolute focus on understanding the current and future needs of modern Irish consumers and aligning our iconic brands with their requirements. The increased focus on new product development and market intelligence development was mirrored with the continued movement toward significantly less capital employed on the manufacturing front with the closure of our facilities at Mitchelstown for meat and process cheese. Our business model utilises high quality third parties to manufacture some of our brands to our formula and specification. We continue to manage the key control points of raw material formula and quality control but have efficiently created the cost structure and flexibility our consumer focus requires.

Highlights during the year included:

- Dairygold Original re-launch cementing its position as Ireland's leading spread;
- Dairygold Omega launch stretching the brand successfully into health and wellness;
- Calvita Kids lunchbox range launch, ensuring our brands relevance in today's convenience society;
- Galtee's continued dominance of the rasher sector serving indulgence with the launch of "Rind On" and "The Big One";

- Shaws continued strong growth second only to Red Bull in terms of the speed which it is ascending Ireland's league of Top 100 brands;
- Bellini & Blake launched and Yee By Yum Limited acquired making Breeo a real player in the growing Dublin food on the go sector;
- Seamless movement of internally produced breakfast meats to high quality third party manufacturers;
- Product range rationalisation to eliminate marginal and loss making lines.

Breeo Ireland brands are well positioned to go forward, with a strong pipeline of new products for 2008 and 2009. Raw material costs have been challenging for the third and fourth quarter of the financial year 2007. In common with other operators in the food industry managing the price dynamic will continue to be a challenge. We believe the robust nature of our brand offering combined with the annualisation of efficiencies brought to bear in 2007 will allow Breeo to grow successfully.

Breeo Ireland's success in 2007 was reflected in an approach by a third party, before the end of financial 2007, to acquire the business. Reox Holdings is very pleased with the 2007 performance and prospects for Breeo Ireland so a decision to sell will only be taken if it presents an unequivocal value benefit for shareholders.

#### **Breeo Holland**

Breeo Holland's strategy revolves around building a successful fresh chilled food service business and a specialised chilled consumer food products business from the platform of our legacy meat trading business. We experienced success in these goals in 2007 with the acquisition of the Prime Meats Food Services business in January and the Westland Salades business in March. Meat trading had a difficult year and the volatility of this sector is unattractive but it does provide a solid trading platform with some of the Netherlands' leading supermarket stores from which we can grow our unique food offering as exemplified by Westland premium quality salad offer which cater for single unit 'on the go' meals and eat at home family offerings.

#### **Alchemy Properties**

On Spin-Out in May 2006 we identified three categories of property within our portfolio:

- Property with the appropriate zoning but requiring planning permission for schemes to achieve full value;
- Property held for long term investment potential but requiring both zoning change/planning permission to achieve full value;
- Property which was considered to have maximised its value or because of its size would not be the focus of a development plan.

Alchemy achieved significant growth in 2007 and is pleased to report an increase in portfolio value from circa €150 million at Spin Out to a value in excess of €250 million at year end. The key elements that delivered this improvement were:

- Completion of Midleton Retail Park with circa 6,500sqm. of retail warehousing space being constructed. Five of the units in the scheme have been let to date, with the scheme being anchored by 4HOME Superstores. Leases are to tenants with strong covenants, including Instore and MaxiZoo, leaders in the furniture/interiors and pet/pet product retail markets respectively;
- Rezoning of forty three hectares in Ballyvorisheen, Mallow from agricultural to residential and nine hectares in Mallow Town from industrial to town centre;
- Planning permission granted for various mixed use town centre schemes in Cahir (two sites) Co. Tipperary and Ballinacurra, Ballyclough and Mallow in Co. Cork;

Alchemy continues to actively manage, develop and extract value from its existing property portfolio. Alchemy Properties core business activities now focuses on generating sustainable income and investment value.

The company holds property interests in Ireland and the UK. Though Alchemy has a number of residential sites it did not engage in any development of these during 2007. There is further potential to grow the value of the existing property portfolio but the rate of growth will not continue at the pace set in 2006 and 2007 as much of the additional value has now been achieved.

Given the capability to drive property projects now established in the organisation Alchemy has commenced to investigate property opportunities outside our existing portfolio with a view to achieving continued growth beyond 2008. We are confident that the quality locations, mix and stage of development of our properties means we can look forward with confidence.

### Other Business

Apart from our three business sectors of homeware, DIY and builders providers, food and property within Reox Holdings plc the other activity of note in 2007 was the receipt of €55 million cash from the sale of SEL's (formally SWS) non agri business to Ion Equity resulting in a €38.8 million uplift from our book valuation. Given the significant stewardship and funding issues that went with SWS's complicated ownership structure we are very pleased with this outcome.

### Summary

2007 has been an important year for Reox Holdings plc as in this first full financial year each element of our business, homeware, DIY and builders providers, food and property has delivered on plan. The holding company is now heavily weighted towards property with the value of the Alchemy Properties business outweighing all other businesses following the significant increase in value achieved in the property portfolio during the year.

The approach to purchase the Irish element of our food business has brought into focus Reox's role as a holding company as the final decision around the future of our food business will rest primarily on whatever route best grows the long term share value of the holding company.

Whilst 2007 has seen significant growth in the underlying value of the business the share price (though performing well in the context of the current market) has not kept pace with what we believe is the underlying value of the business.

We will focus on improving the profile of the company in 2008 as well as continuing to consider all structural options to ensure the share price better reflects our true worth.

In conclusion, I would like to thank the outgoing Chairman John Walsh for his advice and support throughout the creation and launch of Reox Holdings. Rarely has a Chairman contributed so much to shareholder wealth in such a short period of time.

Jerry Henchy  
Chief Executive

## DIRECTORS' REPORT

The Directors present the report and audited consolidated financial statements for the year ended 30 September 2007.

### Principal activities

The principal activity of the Company is that of an investment holding Company. The Group has three operational businesses, 4HOME Superstores which operates a homeware, DIY and builders providers business, Breeo Foods which operates a consumer foods business and Carraigdubh (Holdings) T/A Alchemy Properties which is involved in property trading and development. In addition the Group holds a non-controlling 54.54% shareholding in an associate, Shinagh Estates Limited (SEL, which was formerly South Western Services Co-Operative Society Limited).

The Chairman's statement and the Chief Executive's review on pages 3 to 7 report on developments during the year; on events since 30 September 2007 and on likely future developments.

The detailed financial statements are set out on pages 17 to 51.

### Key performance indicators

The Reox Group is a diversified holding company. Its number one focus is maximising shareholder value. For the year to 30 September 2007 shareholders' funds increased from €36.0 million to €66.3 million.

As a diversified holding company the Group's value drivers are:

- Growing EBITDA in its cashflow businesses; namely 4HOME and Breeo Foods
- Increasing the Net Development Value of its property portfolio in Alchemy Properties
- Acquiring and disposing of investments assessed on the basis of future reward and risk
- Managing debt.

In the year to 30 September 2007 the Group had an operating profit of €20.0 million compared to €9.1 million for the nine months to 30 September 2006.

### Risks and uncertainties

The businesses, in which the subsidiaries of Reox Holdings plc operate, are in a diversified range of activities. This diversification reduces the potential impact of industry specific risk on the Group as a whole. The principal risks and uncertainties faced by the Group's businesses generally are:

#### Backdrop of the Irish Economy

The majority of the Group's business activities are based in Ireland. A general slowdown in economic activities and increased bank interest rates negatively impacts the level of disposable income and the affordability of property.

#### Input cost increases

The global economy has entered a period of food inflation. The ability of Breeo Foods to both manage its procurement of input commodities and its ability to recover increased costs in a timely fashion has a direct impact on profitability.

#### Competition

The Irish consumer foods business operates in an increasingly competitive market place dominated by the multiples. Changing consumer habits combined with pressure on margins has resulted in the multiples allocating more retail space to their non-food offerings and reducing the number of food brands they carry.

#### Dividends

The Directors do not recommend the payment of a dividend.

#### Research and development

Breeo Foods carries out on-going research and development particularly in the area of new product development aimed at driving turnover and stretching its brand portfolio.

## Subsidiary Companies

The Group's principal operating subsidiary and associated companies are as follows:

<b>Name of subsidiary</b>	<b>Country of operation</b>	<b>Activity</b>
4Home Superstores Limited	Ireland	Homeware, DIY and builders providers
Breeo Foods Limited	Ireland, UK and Europe	Consumer foods
Carraigdubh (Holdings) Limited T/A Alchemy Properties	Ireland and UK	Property

## Associate Company

The Group's associate is:

<b>Name of associate</b>	<b>Country of operation</b>	<b>Activity</b>
Shinagh Estates Limited	Ireland	Agri businesses

A full list of all subsidiaries and the associate are set out in note 13 to the financial statements.

## Directors and secretary and their interests

The Directors and secretary who held office at 30 September 2007 had no interests other than those shown below in the shares in, or debentures or loan stock of, the Company or Group companies.

<b>Name of director</b>	<b>In Reox Holdings plc - description of instrument</b>	<b>Interest at end of financial year</b>	<b>Interest at beginning of financial year</b>
V Buckley	"B" Ordinary shares of €0.10	33,222	33,222
B O'Leary	"B" Ordinary shares of €0.10	14,049	14,049
F Riordan	"B" Ordinary shares of €0.10	37,462	37,462
J Walsh	"B" Ordinary shares of €0.10	24,783	24,783

The following Directors have notified the Company of their beneficial interest in the shares of Reox Finance Limited, a subsidiary Company:

<b>Name of director</b>	<b>In Reox Finance Limited - description of instrument</b>	<b>Interest at end of financial year</b>	<b>Interest at beginning of financial year</b>
J Henchy	"B" Ordinary shares of €0.01	113,055	113,055
P O'Donoghue	"B" Ordinary shares of €0.01	75,362	75,362

The market price of a share in Reox Holdings plc at 30 September 2007 was €2.70 and the range during the financial year was €2.35 to €2.80.

Each of the Directors, Mr. John Walsh (Chairman), Mr. Vincent Buckley, Mr. John Fitzgerald, Mr. Jerry Henchy, Mr. Michael Jacob, Mr. Liam McGreal, Mr. Peter O'Donoghue, Mr. Bertie O'Leary and Mr. Flor Riordan acted as Directors for the whole of the year ended 30 September 2007. Mr. Richard O'Leary acted as Company Secretary for the whole of the year ended 30 September 2007.

In accordance with the Articles of Association, Mr. Jerry Henchy and Mr. Peter O'Donoghue retire from the board and offer themselves for re-election.

### Shareholding in excess of 3%

At 15 November 2007, the Company had been notified that Dairygold Co-Operative Society Limited was the holder of all the issued "A" ordinary shares of €0.10 each and 517,946 of the issued "B" ordinary shares of €0.10 each. These holdings amounted to 25.56% of the total issued share capital of the Company. In addition the Company has been notified that Dairygold Nominees Limited was the holder of 5,450,021 of the issued "B" ordinary shares of €0.10 each. This holding amounted to 5.89% of the total issued share capital of the Company. Many of the beneficial owners of these shares are untraceable shareholders of Reox Holdings plc.

### Corporate Governance

The Company is not a listed Company and accordingly has no requirement to report on corporate governance. The Board of Reox Holdings plc however is committed to maintaining high standards of corporate governance. The following outlines how the Company applies corporate governance policies to its actions.

## The Board of Directors

### Role

The Board of Reox Holdings plc is responsible for the leadership, strategic direction and overall management of the Group and has a formal schedule of matters specifically reserved to it for decision, which covers key areas of the Group's business including approval of financial statements, budgets (including capital expenditure), acquisitions, divestments and dividends. The Board has delegated certain responsibilities for the management of the Group, through the Chief Executive, to executive management. There is a clear division of responsibilities between the Chairman and the Chief Executive. Certain additional matters are delegated to Board Committees.

### Composition

The Board consists of two executive and seven non-executive Directors. Four non-executive Directors are nominated by Dairygold Co-Operative Society Limited, the "A" shareholder. Three other non-executive Directors are appointed by the Board for an initial term of three years. These non-executive Directors are considered to be independent as their sole connection with the Company is in their roles as non-executive Directors. The Board may invite non-executive directors to serve an additional period thereafter. The terms and conditions of appointment of non-executive Directors are set out in their letters of appointment.

Following appointment, Directors are subject to re-election at the next Annual General Meeting other than those appointed by the "A" shareholder whose continuation as Directors is at the discretion of that shareholder. At least one third of the Directors, who are subject to retirement by rotation, retire by rotation at each Annual General Meeting and all of the Directors other than those appointed by the "A" shareholder are subject to re-election at least every three years. This year, the two Directors who have been longest in office, other than those appointed by the "A" shareholder, are subject to re-election. Non-executive Directors who have served on the Board for more than nine years are subject to annual re-election. All of the Directors' bring independent judgement to bear on issues of strategy, risk, performance, resources, key appointments and standards.

### Board procedures

The Board recognises the need for Directors, in particular new Directors, to be aware of their legal responsibilities as Directors and, in addition, the Board ensures that Directors are kept up to date on the latest corporate governance guidance and best practice. In addition, all Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

### Meetings

The Board held ten formal board meetings during the financial year and there is contact as required between meetings in order to progress the Group's business.

## Board Committees

### Audit and Risk Committee

The Audit and Risk Committee comprises three non-executive Directors, Liam McGreal (Chairman), John Fitzgerald and Bertie O'Leary. The Chief Executive, Finance Director, Group Internal Auditor, other Directors and executives and representatives of the external auditors may be invited to attend all or part of any meeting. The Committee also meets separately with the external auditors without executive management present.

The role and responsibilities of the Audit and Risk Committee are set out in its written terms of reference, and include:

- monitoring the integrity of the financial statements of the Company and reviewing significant financial reporting judgements contained in them;
- reviewing the annual financial statements before submission to the Board;
- considering and making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors and terms of engagement of the external auditors;
- approving the remuneration of the external auditors, whether fees for audit or non-audit services, and ensuring that the level of fees is appropriate to enable an adequate audit to be conducted;
- assessing annually the independence and objectivity of the external auditors and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services;
- reviewing the operation and the effectiveness of the Group Internal Audit function;
- reporting to the Board on its annual assessment of the operation of the Group's system of internal control, making any recommendations to the Board thereon and reviewing the Company's statements on internal control and risk management prior to endorsement by the Board; and
- reviewing the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

### Capital Expenditure and Investments Committee

The Capital Expenditure and Investments Committee comprises three non-executive Directors, Flor Riordan (Chairman), Michael Jacob and John Walsh. The role and responsibilities of the Capital Expenditure and Investments Committee are set out in its written terms of reference. The principal responsibilities of the Committee are to review capital expenditures, acquisitions and divestments proposed by the Group.

### **Nomination Committee**

The Nomination Committee comprises three non-executive Directors, John Walsh (Chairman), John Fitzgerald and Bertie O'Leary, and the Chief Executive, Jerry Henchy. The role and responsibilities of the Nomination Committee are set out in its written terms of reference. The principal responsibilities of the Committee are to keep Board renewal, structure, size and composition under regular review, including the skills, knowledge and experience required.

John Walsh is due to retire as Chairman on 31 December 2007 and a new Chairman will be elected by that date. The Board would like to acknowledge John's role as a catalyst in the formation of Reox Holdings plc; the shareholders have benefited greatly from his vision, energy and single minded dedication to purpose. We wish John and his family well for the future.

### **Remuneration Committee**

The Remuneration Committee comprises four non-executive Directors, Michael Jacob (Chairman), Vincent Buckley, Liam McGreal and John Walsh. The role and responsibilities of the Remuneration Committee are set out in its written terms of reference. The principal responsibilities of the Committee are to determine the policy for the remuneration of the executive Directors and to determine their remuneration packages including pension arrangements. The Chief Executive is consulted about all remuneration proposals other than his own. The Remuneration Committee has delegated responsibility for setting the remuneration of senior management to the Chief Executive.

The Remuneration of Directors is set out in Note 7 to the financial statements. Fees to non-executive Directors are paid at the rate of €36,000 each per annum with the Chairman receiving €48,000 per annum. Executive Directors do not receive fees for their services as Directors.

### **Long Term Incentive Scheme**

The Group has in place a Long Term Incentive Scheme for certain senior executives. The Scheme is aimed at retaining and motivating senior executives and to ensure the alignment of interest between the objectives of shareholders and management.

As set out in Note 19 detailed performance criteria have been set in relation to the circumstances under which payments can be made to executives under the scheme.

### **Relations with shareholders**

The Company's Annual General Meeting affords shareholders the opportunity to adopt the annual report and to discuss the progress in the businesses with the Chairman and the Board. The chairmen of the Audit and Risk, Capital Expenditure and Investments, Nomination and Remuneration Committees also attend. The Form of Proxy and the Annual Report are sent to shareholders at least 21 days before the Meeting. The Annual General Meeting will be held at 11am on 28 December 2007 at Silver Spring Moran Hotel, Tivoli, Cork, Ireland.

### **Internal control**

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Group, that it has been in place for the financial period under review and up to the date of approval of the financial statements and that this process is reviewed by the Board.

The key risk management and internal control procedures, which are supported by detailed controls and processes, include:

- skilled and experienced Group and divisional management;
- an organisation structure with clearly defined lines of authority and accountability;
- a comprehensive system of financial reporting involving budgeting, monthly reporting and variance analysis;
- an independent Group Internal Audit; and
- a formally constituted Audit and Risk Committee which liaises with the external auditors and reviews the Group's internal control systems.

### Going concern

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Directors' responsibility for preparing the financial statements is explained on page 14 and the reporting responsibilities of the auditors are set out in their report on pages 15 and 16.

### Political donations

During the period the Group and Company made no disclosable political donations.

### Books of Account

The measures taken by the Directors to ensure compliance with the requirements of Section 202, Companies Act, 1990, regarding proper books of account are the implementation of necessary policies and procedures for recording transactions, the employment of competent accounting personnel with appropriate expertise and the provision of adequate resources to the finance function. The books of account of the Company are maintained at Building 5100, Cork Airport Business Park, Cork.

### Post balance sheet events

The Group has received an unsolicited approach from a third party regarding the Group's interest in Breeo Foods Limited.

This approach may or may not result in the sale of this business.

There are no other important events affecting the Group which have taken place since the end of the financial year.

### Auditor

In accordance with Section 160 (2) of the Companies Act, 1963, the auditor, KPMG, Chartered Accountants, having been appointed during the period, will continue in office.

Approved by the Board on 15 November 2007 and signed on its behalf by

John Walsh	Jerry Henchy
Director	Director

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law, the directors have elected to prepare the Company and Group financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The Company's and Group's financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss for that period.

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

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

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

Approved by the Board on 15 November 2007 and signed on its behalf by

John Walsh	Jerry Henchy
Director	Director

## INDEPENDENT AUDITOR'S REPORT

*to the Members of Reox Holdings plc*

We have audited the Group and Company financial statements (the "financial statements") of Reox Holdings plc for the year ended 30 September 2007 which comprise the Consolidated profit and loss account, the Consolidated statement of total recognised gains and losses, the Consolidated balance sheet, the Consolidated cash flow statement, the Company balance sheet, and the 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 auditors

The directors' responsibilities for preparing the Directors' Report and the 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 14.

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 prepared in accordance with the Companies Acts, 1963 to 2006. 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's balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the Chairman's Statement and the Chief Executive's Review and consider the implications for our report if we become aware of any apparent misstatements contained within.

### 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 the 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.

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Group's and Company's affairs as at 30 September 2007 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The balance sheet of the Company 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 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 30 September 2007 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 and Registered Auditor  
90 South Mall  
Cork

29 November 2007



## STATEMENT OF ACCOUNTING POLICIES

*for the year ended 30 September 2007*

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group and Company financial statements.

### Basis of preparation

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

### Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and entities controlled by the Company (its subsidiaries), all made up to 30 September 2007. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition. Upon the acquisition of a business, fair values are attributed to the identifiable net assets acquired. The Group's accounting policy in relation to goodwill is set out below.

### Associate undertakings

Associated undertakings (associates) are those undertakings in which the Group has a participating interest in the equity capital and over which it exercises significant influence.

Associates are accounted for using the equity method. The Group's share of the profits less losses of associates are included in the consolidated profit and loss account. The Group's interests in their net assets or liabilities are included as fixed asset investments in the consolidated balance sheet at an amount representing the Group's share of the fair values of the net asset at acquisition plus the Group's share of post acquisition retained profits or losses. Goodwill arising on acquisition of associates is dealt with as stated below.

The amounts included in the consolidated financial statements in respect of the post acquisition profits of associates are taken from their latest unaudited management financial statements for the year to the balance sheet date.

### Turnover

Turnover comprises the following:

- i) The invoiced value of goods and services delivered to third parties exclusive of all rebates, trade discounts and Value Added Tax. The risk and rewards of ownership are transferred to the purchaser at the point of delivery.
- ii) The value of rental income earned in the period.
- iii) Property sales are recognised when unconditional contracts of sale of the related properties are in place, no significant obligations are remaining and collection of the resulting receivable is considered probable.

## STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 September 2007

### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. No depreciation is provided on freehold land. The charge for depreciation is calculated to write down the cost of other tangible fixed assets to their estimated residual values by equal annual instalments over their expected useful lives which are as follows:

Freehold buildings	10 to 50 years
Plant and machinery	3.33 to 11 years
Motor vehicles	4 to 5 years
Fixtures and fittings	5 to 10 years

Development lands are land and buildings which the Directors intend to develop in the future. These assets are held at cost and are not depreciated as they are all not in use in the businesses.

Provision is also made for any impairments of tangible fixed assets.

### Investment properties

Investment properties are revalued annually and are not depreciated or amortised. Where the valuation indicates a permanent diminution in the value of the property, the permanent diminution is charged to the profit and loss account. All other fluctuations in value are transferred to a revaluation reserve.

This treatment is a departure from the requirement of Company Law to provide depreciation on all fixed assets which have a limited useful economic life. However, these investment properties are not held for consumption but for investment and the Directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. If depreciation were to be provided, it would be provided at a rate of 2% per annum on the revalued amount.

### Research and development expenditure

Research and development costs are written off to the profit and loss account as incurred.

### Goodwill

Goodwill arising on the acquisition of a business represents the excess of the acquisition cost over the fair value of the identifiable net assets when they were acquired.

Purchased goodwill arising on acquisitions is capitalised in the balance sheet and amortised over the estimated economic life of the goodwill.

Goodwill arising on the acquisition of associates is included in the carrying amount of the investments.

### Leased assets

Tangible fixed assets acquired under finance leases are included in the balance sheet at their equivalent capital value and are depreciated over 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.

### Stocks

Stocks are stated at the lower of cost and net realisable value. In the case of finished goods and work in progress, cost is defined as the aggregate cost of raw material, direct labour and the attributable proportion of direct production overheads. Net realisable value is based on normal selling price, less further costs expected to be incurred to completion and disposal.

### Trading properties

Expenditure on the acquisition of properties and their development for purposes of resale is stated at the lower of cost and net realisable value.

Expenditure comprises the cost of properties, site clearance, construction costs, related professional services and capitalised interest. Interest which can be attributed to trading properties in the course of development and which relates to specific borrowings is capitalised as part of the cost of such assets. When development is complete no further interest costs are capitalised.

## STATEMENT OF ACCOUNTING POLICIES

*for the year ended 30 September 2007*

### 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.

The Group's net investments in overseas subsidiary undertakings are translated at the rate ruling at the balance sheet date. The profits and losses of overseas subsidiary undertakings are translated at average rates for the year. Exchange differences resulting from the retranslation of the opening balance sheets of overseas subsidiary undertakings together with the differences on the translation of the profit and loss accounts, are dealt with through reserves and reflected in the statement of total recognised gains and losses.

### Taxation

The charge for taxation is based on the profit for the year. Deferred taxation is calculated on the differences between the Company's taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. The full deferred tax effect is recognised on differences between amounts funded and amounts charged to the profit and loss account in relation to pensions and other post retirement benefits. No deferred tax is provided in respect of revaluation gains on investment properties recognised under FRS19.

### Pensions

Under FRS 17, pension scheme assets are measured using fair values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality bond or equivalent term to the liability.

Each pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full, net of deferred tax, and presented on the face of the balance sheet. The movement in the scheme surplus/deficit is split between operating and financing items in the profit and loss account and the statement of total recognised gains and losses.

The full service cost of the pension provision is charged to operating profit. The net impact of the unwinding of the discount rate on scheme liabilities and the expected return of the scheme assets is charged/credited to finance costs.

Any difference between the expected return on assets and that actually achieved is charged through the statement of total recognised gains and losses. Similarly, any movement in the defined benefit obligations that arise from experience or assumption changes are charged through the statement of total recognised gains and losses.

### Share based payments

The Company and one of its subsidiaries operate a cash settled share incentive scheme for certain senior executives. The scheme allows the executives acquire shares in a subsidiary Company, Reox Finance Limited.

The fair value of the awards granted are recognised as an employee expense in the profit and loss account with a corresponding increase in liabilities.

The fair values of the cash settled awards under the scheme are initially measured at the date of grant and are spread over the period during which the employees become entitled to payment. The liability is re-measured at the end of each financial period until the awards are settled.

The fair value of the awards granted is calculated using an appropriate pricing model which takes into account the terms and conditions upon which the awards were granted.

Any change in the fair value of the liability is charged to profit and loss account as part of employee benefit costs.

## STATEMENT OF ACCOUNTING POLICIES

*for the year ended 30 September 2007*

### Government grants

Capital government grants received are shown as deferred income and credited to the profit and loss account by instalments on a basis consistent with the depreciation policy of the relevant assets.

Other grants are credited to the profit and loss account to offset the matching expenditure.

### Merger accounting

The financial statements in the prior year were prepared under merger accounting principles in relation to the exchange of shares in Reox Holdings plc. Under merger accounting the results and cash flows of the companies are combined from the beginning of the financial period in which the merger transaction occurred. Profit and loss account and balance sheet comparatives are restated on a combined basis.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30 September 2007

	Notes	2007			9 months to 30 September 2006		
		Continuing Operations €'000	Discontinued Operations €'000	Total Operations €'000	Continuing Operations €'000	Discontinued Operations €'000	Total Operations €'000
<b>Turnover</b>	1						
Existing operations		328,094	-	328,094	250,057	18,266	268,323
Acquisitions		15,728	-	15,728	-	-	-
		<b>343,822</b>	<b>-</b>	<b>343,822</b>	250,057	18,266	268,323
Raw materials and consumables		(212,866)	-	(212,866)	(169,339)	(4,311)	(173,650)
Payroll costs		(44,474)	-	(44,474)	(31,265)	(759)	(32,024)
Operating costs		(57,448)	-	(57,448)	(36,776)	(73)	(36,849)
Depreciation		(7,137)	-	(7,137)	(5,888)	-	(5,888)
Grant amortisation		58	-	58	212	-	212
Change in stock of finished goods and goods for resale		(1,117)	-	(1,117)	2,154	(13,150)	(10,996)
<b>Group operating profit/(loss) before goodwill amortisation</b>							
Existing operations		18,905	-	18,905	9,184	(27)	9,157
Acquisitions		1,933	-	1,933	(29)	-	(29)
		<b>20,838</b>	<b>-</b>	<b>20,838</b>	9,155	(27)	9,128
Goodwill amortisation	10	(822)	-	(822)	-	-	-
<b>Group operating profit/(loss)</b>		<b>20,016</b>	<b>-</b>	<b>20,016</b>	9,155	(27)	9,128
Share of operating profit of associate	12	1,977	-	1,977	402	-	402
<b>Profit before exceptional items</b>		<b>21,993</b>	<b>-</b>	<b>21,993</b>	9,557	(27)	9,530
<b>Exceptional Items</b>							
Restructuring and reorganisation (costs)/credits <sup>2</sup>		(31,759)	-	(31,759)	(550)	600	50
Share of exceptional items of associate	12	35,320	-	35,320	-	-	-
<b>Profit on ordinary activities before interest</b>		<b>25,554</b>	<b>-</b>	<b>25,554</b>	9,007	573	9,580
Investment income	3	3,316	-	3,316	1,400	-	1,400
Interest payable and similar charges	4	(8,224)	-	(8,224)	(2,558)	27	(2,531)
<b>Profit on ordinary activities before taxation</b>		<b>20,646</b>	<b>-</b>	<b>20,646</b>	7,849	600	8,449
Taxation on profit on ordinary activities	9	(3,227)	-	(3,227)	(1,476)	-	(1,476)
<b>Profit for the financial period</b>	24	<b>17,419</b>	<b>-</b>	<b>17,419</b>	6,373	600	6,973

Approved by the Board on 15 November 2007 and signed on its behalf by

John Walsh  
Director

Jerry Henchy  
Director

'07

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
for the year ended 30 September 2007

	Notes	2007 €'000	9 months to 30 September 2006 €'000
<b>Profit for the financial period</b>		<b>17,419</b>	6,973
Currency translation difference on foreign currency net investment - profit and loss account reserve		<b>(204)</b>	(138)
Actuarial gain on defined benefit pension scheme	22	<b>11,690</b>	4,581
Share of associate's total recognised gains and losses	12	<b>1,120</b>	-
Change in deferred taxation arising from movements on pension scheme		<b>(1,347)</b>	(507)
Unrealised surplus on revaluation of properties	11	<b>1,638</b>	2,789
<b>Total recognised gains and losses relating to the period</b>		<b>30,316</b>	13,698

## CONSOLIDATED BALANCE SHEET

at 30 September 2007

	Notes	2007		2006	
		€'000	€'000	€'000	€'000
<b>Fixed assets</b>					
Goodwill	10		21,880		3,256
Tangible assets	11		142,904		128,457
Investment properties	11		10,536		5,940
Financial assets	12		50,954		12,161
			<b>226,274</b>		149,814
<b>Current assets</b>					
Stocks	14		28,957		29,479
Debtors	15		60,426		61,538
Cash at bank and in hand			44,791		31,699
			<b>134,174</b>		122,716
<b>Creditors:</b> amounts falling due within one year	16		<b>(157,293)</b>		(109,060)
<b>Net current (liabilities)/assets</b>			<b>(23,119)</b>		13,656
<b>Total assets less current liabilities</b>			<b>203,155</b>		163,470
<b>Creditors:</b> amounts falling due after more than one year	17		<b>(142,474)</b>		(123,674)
<b>Provision for liabilities</b>	20		<b>(15,251)</b>		(11,617)
<b>Capital grants</b>	21		-		(1,473)
<b>Net assets excluding pension asset</b>			<b>45,430</b>		26,706
<b>Pension asset</b>	22		<b>20,869</b>		9,277
<b>Net assets including pension asset</b>			<b>66,299</b>		35,983
<b>Capital and reserves</b>					
Called up share capital	23		9,253		9,253
Merger reserve	24		4,205		4,205
Other reserves	24		7,208		5,570
Profit and loss account	24		45,633		16,955
<b>Shareholders' funds</b>	25		<b>66,299</b>		35,983

Approved by the Board on 15 November 2007 and signed on its behalf by

John Walsh  
DirectorJerry Henchy  
Director

## COMPANY BALANCE SHEET

at 30 September 2007

	Notes	2007		2006	
		€'000	€'000	€'000	€'000
<b>Fixed assets</b>					
Tangible assets	11		<b>55</b>		55
Financial assets	12		<b>96</b>		96
		<b>151</b>			
<b>Current assets</b>					
Debtors	15	<b>78,618</b>		115,474	
Cash at bank and in hand		<b>324</b>		2,264	
		<b>78,942</b>		117,738	
<b>Creditors:</b> amounts falling due within one year	16	<b>(64,304)</b>		(103,100)	
<b>Net current assets</b>		<b>14,638</b>		14,638	
<b>Total assets less current liabilities</b>		<b>14,789</b>		14,789	
<b>Capital and reserves</b>					
Called up share capital	23	<b>9,253</b>		9,253	
Merger reserve	24	<b>4,205</b>		4,205	
Other reserves	24	<b>5</b>		5	
Profit and loss account	24	<b>1,326</b>		1,326	
<b>Shareholders' funds</b>		<b>14,789</b>		14,789	

Approved by the Board on 15 November 2007 and signed on its behalf by

John Walsh  
DirectorJerry Henchy  
Director

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 September 2007

	Notes	2007 €'000	9 months to 30 September 2006 €'000
<b>Net cash flow from operating activities before exceptional item</b>	26	<b>31,198</b>	30,763
Reorganisation and restructuring		<b>(15,234)</b>	(3,490)
<b>Net cash flow from operating activities after exceptional item</b>		<b>15,964</b>	27,273
Returns on investments and servicing of finance	27	<b>(6,422)</b>	(1,522)
Taxation	27	<b>(1,811)</b>	(706)
Capital expenditure and financial investment	27	<b>(28,851)</b>	(15,758)
		<b>(21,120)</b>	9,287
Acquisitions	27	<b>(20,628)</b>	(96)
Payment arising on reconstruction from Dairygold Co-Operative Society Limited – borrowings applicable to Reox Holdings plc on spin-out		<b>(17,068)</b>	(94,144)
<b>Net cash (outflow) before financing</b>		<b>(58,816)</b>	(84,953)
Financing	27	<b>77,524</b>	94,144
<b>Increase in cash for the period</b>		<b>18,708</b>	9,191

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

for the year ended 30 September 2007

	Notes	2007 €'000	9 months to 30 September 2006 €'000
Increase in cash		<b>18,708</b>	9,191
Increase in debt		<b>(77,524)</b>	(127,144)
Changes in net debt resulting from cash flows		<b>(58,816)</b>	(117,953)
Acquisitions		<b>(655)</b>	(739)
Finance leases		-	(223)
Translation differences		<b>(49)</b>	(241)
Movement in net debt in the period		<b>(59,520)</b>	(119,156)
Net (debt)/funds at beginning of period	28	<b>(103,773)</b>	15,383
<b>Net (debt) at end of period</b>	28	<b>(163,293)</b>	(103,773)

## NOTES (forming part of the financial statements)

## I Segmental information on turnover

	2007			9 Months to 30 September 2006		
	Continuing Operations €'000	Discontinued Operations €'000	Total Operations €'000	Continuing Operations €'000	Discontinued Operations €'000	Total Operations €'000
<i>By class of business</i>						
Breeo Foods	261,963	-	261,963	201,864	18,266	220,130
4HOME	61,632	-	61,632	41,785	-	41,785
Alchemy Properties:						
- Property sales	19,133	-	19,133	5,825	-	5,825
- Rental income	1,094	-	1,094	583	-	583
	<b>343,822</b>	-	<b>343,822</b>	250,057	18,266	268,323
<i>By geographical area</i>						
Ireland	272,094	-	272,094	173,855	-	173,855
United Kingdom	10,841	-	10,841	42,032	18,266	60,298
Rest of Europe	59,380	-	59,380	33,997	-	33,997
Rest of World	1,507	-	1,507	173	-	173
	<b>343,822</b>	-	<b>343,822</b>	250,057	18,266	268,323

Further segmental information has not been given because, in the opinion of the Board of Directors, to do so would be prejudicial to the interests of the Group.

## 2 Exceptional items

	2007 €'000	9 months to 30 September 2006 €'000
Restructuring of continuing operations at Breeo Foods Limited	(i) (30,986)	(550)
Provision for discontinued businesses at Dairygold Food Products (UK) Limited, Dairygold Food Service Limited and the grocery business in 4HOME	(773)	600
	<b>(31,759)</b>	50
<b>(i) Restructuring of continuing operations comprises:</b>		
Write off of fixed assets	(10,638)	-
Redundancies, closure costs, etc	(20,348)	(550)
	<b>(30,986)</b>	(550)

The Breeo Foods Limited restructuring charge relates to the closure of the meats manufacturing and process cheese facilities in Mitchelstown, Co. Cork. The provision for discontinued business includes additional costs incurred in 2007 in relation to the closure of the Group's UK cheese operations.

NOTES *(forming part of the financial statements)*

## 3 Investment income

	2007 €'000	9 months to 30 September 2006 €'000
Expected return on pension scheme assets	6,492	1,948
Interest on past service scheme liabilities	(4,636)	(730)
Net finance income arising from defined pension schemes	1,856	1,218
Other interest receivable and similar income	924	182
Share of interest income of associate (Note 12)	536	-
	<b>3,316</b>	1,400

## 4 Interest payable and similar charges

	2007 €'000	9 months to 30 September 2006 €'000
On bank loans, overdrafts and other loans wholly repayable within five years	6,371	1,259
On Redeemable Interest Bearing Bond (Notes 18 and 33)	2,475	1,309
	<b>8,846</b>	2,568
Less finance costs capitalised (Note 11)	(622)	(37)
	<b>8,224</b>	2,531

## 5 Statutory and other information

	2007 €'000	9 months to 30 September 2006 €'000
Charged/(credited):		
Auditor's remuneration		
- for audit	250	200
- for non-audit services	259	50
Depreciation of:		
- Owned tangible assets	7,062	5,843
- Leased tangible assets	75	45
Lease and rental charges on properties	2,233	703
Research and development expenditure written off	318	782
Government grants amortised	(58)	(212)

NOTES *(forming part of the financial statements)*

## 6 Profit attributable to Reox Holdings plc

Profit for the period after taxation and attributable to ordinary shareholders amounting to €Nil (2006: €1,326,000) has been accounted for in the financial statements of the Holding Company. As permitted by Section 148 (8) of the Companies Act, 1963, a separate profit and loss account of the Holding Company is not presented.

## 7 Directors' remuneration and transactions

	2007 €'000	9 months to 30 September 2006 €'000
<b>Directors' remuneration:</b>		
Fees to non-executive directors (i)	264	82
Salaries of executive directors (ii)	1,079	261
Other remuneration including pension contributions (iii)	197	37
	<b>1,540</b>	<b>380</b>

- (i) Fees to non-executive Directors are paid at the rates stated in the directors' report.
- (ii) The comparative amount for the Executive Directors' remuneration relates to the period from 1 June 2006 to 30 September 2006. Prior to this date, both the Executive Directors were employed by Dairygold Co-Operative Society Limited.
- (iii) This relates to expenses chargeable to tax, VHI expenses and employer pension contributions for Executive Directors.
- (iv) The Chief Executive of Reox Holdings plc is also, jointly, chief executive of Dairygold Co-Operative Society Limited. A portion of the costs associated with his employment are charged to Dairygold Co-Operative Society Limited.
- (v) During the year an amount relating to the Long Term Incentive Plan (Note 19) of €1,341,000 (2006: €102,000) arose which may become payable to the Executive Directors. This amount is not included above.

## 8 Staff numbers and costs

The average number of persons employed by the Group (including executive directors) during the period, analysed by category, was as follows:

	2007 No. of Employees	9 months to 30 September 2006 No. of Employees
Group management and administration	22	22
Breeo Foods	595	682
4HOME	450	435
Alchemy Properties	9	7
	<b>1,076</b>	<b>1,146</b>

Prior to 31 May 2006, all Reox group management and administration personnel were employed by Dairygold Co-Operative Society Limited.

All employees transferred to Reox Holdings plc and subsidiaries from Dairygold Co-Operative Society Limited and subsidiaries on 31 May 2006 under Transfer of Undertakings (Protection of Employment) Regulations.

## NOTES (forming part of the financial statements)

## 8 Staff numbers and costs (continued)

The aggregate payroll costs of these employees were as follows:

	2007 €'000	9 months to 30 September 2006 €'000
Wages and salaries	38,503	28,392
Social welfare costs	3,323	2,681
Other pension costs (Note 22)	2,648	951
	<b>44,474</b>	<b>32,024</b>

- (i) During the year an amount relating to the Long Term Incentive Plan (Note 19) of €2,284,000 (2006: €219,000) arose which may become payable. This amount is not included above.

## 9 Tax on profit on ordinary activities

	2007 €'000	9 months to 30 September 2006 €'000
<b>Current tax</b>		
Ireland – Corporation tax principally at 20% (2006:20%)	2,850	1,226
Overseas – Taxation at 30% (2006:30%)	155	-
Adjustments in respect of previous periods	(226)	-
	<b>2,779</b>	<b>1,226</b>
Share of associate's taxation	448	250
	<b>3,227</b>	<b>1,476</b>
<b>Deferred taxation</b> (Note 20)	-	-
	<b>3,227</b>	<b>1,476</b>

**Factors affecting tax charge for period**

Profit on ordinary activities before taxation	20,646	8,449
Expected taxation charge at standard rate of corporation tax in Ireland of 12.5%	2,581	1,056
<i>Tax effects of:</i>		
Income not taxable/expenses (deducted) for tax purposes	(2,682)	(342)
Other timing differences	1,147	-
Capital allowances for period less than depreciation	(612)	95
Effect of manufacturing relief	-	(114)
Losses forward utilised	(80)	(767)
Unrelieved tax losses	1,719	-
Impact of tax rates other than 12.5% on certain items	1,265	1,434
Higher rates on overseas earnings	155	114
Adjustments in respect of prior periods	(266)	-
	<b>3,227</b>	<b>1,476</b>

## NOTES (forming part of the financial statements)

## 10 Goodwill

	2007 €'000	9 months to 30 September 2006 €'000
<i>Cost</i>		
At beginning of period	3,256	-
Acquisitions in period	19,446	3,256
<b>At end of period</b>	<b>22,702</b>	3,256
<i>Amortisation</i>		
At beginning of period	-	-
Amortisation in period	822	-
At end of period	822	-
<i>Net book value</i>		
<b>At 30 September</b>	<b>21,880</b>	3,256

Goodwill is allocated, at acquisition, to the income generating units (IGUs) that are expected to benefit from the acquisition. The carrying amount of goodwill relates to the Dutch businesses acquired during 2007 and to the Super Chill business acquired in both 2006 and 2007.

Goodwill is written off over periods between 10 and 20 years.

The Group reviews goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Provision is made as and when a permanent impairment has arisen. On the basis of the most recent cash flow forecasts for each of the IGUs derived from the most recent financial budgets, the Directors are of the opinion that no impairment provision is required.

## 11 Tangible assets

(i) Tangible fixed assets	Land and Buildings €'000	Development Assets €'000	Plant and Machinery €'000	Motor Vehicles €'000	Total
<b>Group</b>					
<i>Cost</i>					
At 1 October 2006	54,750	51,276	69,991	5,056	181,073
Additions during year	4,198	21,808	9,207	-	35,213
Relating to acquisitions	4,694	-	1,328	185	6,207
Disposals	(728)	-	(2,077)	(1,803)	(4,608)
Transfers to stocks (Note 14)	-	(4,932)	-	-	(4,932)
Transfers to investment properties	-	(2,958)	-	-	(2,958)
Exchange adjustment	130	-	10	1	141
<b>At 30 September 2007</b>	<b>63,044</b>	<b>65,194</b>	<b>78,459</b>	<b>3,439</b>	<b>210,136</b>

## NOTES (forming part of the financial statements)

## II Tangible assets (continued)

## (i) Tangible fixed assets (continued)

	Land and Buildings €'000	Development Assets €'000	Plant and Machinery €'000	Motor Vehicles €'000	Total €'000
<b>Group</b>					
<i>Depreciation</i>					
At 1 October 2006	11,899	-	36,794	3,923	52,616
Charge for the year	848	-	5,620	669	7,137
Impairment	2,139	-	8,499	-	10,638
Eliminated on disposals	(949)	-	(476)	(1,754)	(3,179)
Exchange adjustment	12	-	7	1	20
<b>At 30 September 2007</b>	<b>13,949</b>	<b>-</b>	<b>50,444</b>	<b>2,839</b>	<b>67,232</b>
<i>Net book value</i>					
<b>At 30 September 2007</b>	<b>49,095</b>	<b>65,194</b>	<b>28,015</b>	<b>600</b>	<b>142,904</b>
At 30 September 2006	42,851	51,276	33,197	1,133	128,457
<b>Company</b>					
<i>Cost</i>					
At 1 October 2006 and 30 September 2007	55	-	-	-	55
<i>Depreciation</i>					
At 1 October 2006 and 30 September 2007	-	-	-	-	-
<i>Net book value</i>					
<b>At 30 September 2007</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55</b>
At 30 September 2006	55	-	-	-	55

The total net book value of plant and machinery includes the following amounts in respect of assets held under finance leases and similar hire purchase contracts:

	2007 €'000	2006 €'000
Group	410	485
Company	-	-

NOTES *(forming part of the financial statements)*

## II Tangible assets (continued)

Alchemy Properties has adopted a policy of capitalising interest which can be attributed to trading properties in the course of development and which relates to specific borrowings. When development is complete no further interest costs are capitalised. The total interest paid by the Group is set out in Note 4 above. The amounts capitalised are:

	<b>2007</b> €'000	9 Months to 30 September 2006 €'000
At beginning of period	<b>37</b>	-
Capitalised during period	<b>622</b>	37
At end of period	<b>659</b>	37

**(ii) Investment properties**

	<b>2007</b> €'000	2006 €'000
Valuation at beginning of period	<b>5,940</b>	-
Transfer from tangible fixed assets	<b>2,958</b>	3,151
Revaluation during period	<b>1,638</b>	2,789
Valuation at end of period	<b>10,536</b>	5,940

The investment properties of the Group were revalued to an open market value basis reflecting the current rent and yields on 30 September 2007. The investment properties were valued by Hamilton Osborne King on 23 March 2006 and 11 May 2007 and updated by the directors to 30 September 2007.

Investment properties are not depreciated.

The historical cost of the investment properties is:

	<b>2007</b> €'000	2006 €'000
Historical cost	<b>6,479</b>	3,521
Historical accumulated depreciation	<b>(370)</b>	(370)
Historical net book value	<b>6,109</b>	3,151

## NOTES (forming part of the financial statements)

## 12 Financial Assets

**(i) Investment in Associate**

	2007 €'000	2006 €'000
Share of net assets at beginning of period		
- At cost	160	160
- Net assets other than goodwill	9,225	6,869
- Goodwill	-	2,204
- Revaluation reserve	2,776	2,776
Share of operating profits for period (net of taxation)	1,529	152
Share of exceptional profit for period (net of taxation) (i)	35,608	-
Share of interest income	536	-
Share of actuarial gain	1,120	-
Share of net assets at end of period	<b>50,954</b>	12,161

- (i) On 22 December 2006, Shinagh Estates Limited (SEL) disposed of certain operating subsidiaries and investments to Oak Acquisitions Limited for €110 million. This disposal resulted in an exceptional profit being recognised in the SEL financial statements for the year ended 31 December 2006.

The Group's share of this profit amounted to €35,608,000 and this has been recognised as a share of the exceptional items of associates in the profit and loss account less associated costs incurred by Reox of €288,000. The share of profit recognised by Reox in the profit and loss account is therefore €35,320,000.

- (ii) The Group's investment in SEL is subject to a put/call option with the other shareholders whereby the Group has entered a put/call option subject to certain conditions being finalised by 29 February 2008.
- (iii) During the period SEL advanced a €55 million interest free loan to the Group and this is incorporated in creditors falling due within one year.

	2007 €'000	2006 €'000
The investment in net assets by the Group comprises:		
<i>Share of gross assets</i>		
- Share of fixed assets	3,724	44,140
- Share of current assets	51,682	13,329
	<b>55,406</b>	57,469
<i>Share of gross liabilities</i>		
- Liabilities due within one year	(4,452)	(2,459)
- Liabilities due after more than one year	-	(42,849)
	<b>(4,452)</b>	(45,308)
<i>Share of net assets</i>	<b>50,954</b>	12,161
<i>Share of turnover of associate</i>	<b>5,107</b>	15,115

**(ii) Investment in Subsidiaries**

	2007 €'000	2006 €'000
Investment at cost	96	96

## NOTES (forming part of the financial statements)

## 13 Subsidiaries and Associate

Name and Registered Office	Country of Incorporation	Proportion Held by Company / Subsidiary		Principal Activity
<i>Subsidiary undertakings</i>				
4HOME Limited	Ireland	-	100%	Intermediate holding company
4HOME Superstores Limited	Ireland	-	100%	Homeware, DIY and builder providers
4HOME Wholesale Services Limited	Ireland	-	100%	Dormant
Breeo Enterprises Limited	Ireland	-	100%	Research and development
Breeo Foods Limited	Ireland	-	100%	Consumer foods
Breeo Food Products (Northern Ireland) Limited <i>Knockmore Industrial Estate, Lisburn, Co. Antrim.</i>	UK	-	100%	Consumer foods
Carraigdubh Limited	Ireland	-	100%	Property
Carraigdubh Developments (Carrigaline) Limited	Ireland	-	100%	Property
Carraigdubh Developments (Cork) Limited	Ireland	-	100%	Property
Carraigdubh Developments (Mallow) Limited	Ireland	-	100%	Property
Carraigdubh Developments (Mallow 2) Limited	Ireland	-	100%	Property
Carraigdubh Developments (Mallow 3) Limited	Ireland	-	100%	Property
Carraigdubh Developments (Parkmore) Limited	Ireland	-	100%	Property
Carraigdubh Developments (UK) Limited <i>2 Temple Back East, Bristol, BS1 6EG.</i>	UK	-	100%	Property
Carraigdubh (Holdings) Limited	Ireland	-	100%	Property
Carraigdubh (Investments) Limited	Ireland	-	100%	Property
Carraigdubh (Properties) Limited	Ireland	-	100%	Property
CISL van der Ham B.V. <i>Rijnland 1, 1948RL, Beverwijk.</i>	Holland	-	100%	Consumer foods
Cool Foods Limited	Ireland	-	100%	Dormant
Dairy World Marketing Limited	Ireland	-	100%	Consumer foods
Dairygold Food Products (UK) Limited <i>Lancaster Fields, Crewe Gates Farm Industrial Estate, Crewe, Cheshire, CW1 6FU.</i>	UK	-	100%	Dormant
Dairygold Food Service Limited <i>Lancaster Fields, Crewe Gates Farm Industrial Estate, Crewe, Cheshire, CW1 6FU.</i>	UK	-	100%	Dormant
Dairygold USA Inc. <i>Newport Office Tower, 525 Washington Boulevard, Suite 2440, Jersey City, NJ 07310.</i>	USA	-	100%	Consumer foods
Duijndam Vleeswaren B.V. <i>Elbe 2, 2491BS, 's-Gravenhage.</i>	Holland	-	100%	Consumer foods

## NOTES (forming part of the financial statements)

## 13 Subsidiaries and Associate (continued)

Name and Registered Office	Country of Incorporation	Proportion Held by Company Subsidiary		Principal Activity
Flare Wholesale Services Limited	Ireland	-	100%	Dormant
Galtee Meats (Holland) B.V. <i>Elbe 2, 2491BS, 's-Gravenhage.</i>	Holland	-	100%	Consumer foods
Galtee Real Estate B.V. <i>Elbe 2, 2491BS, 's-Gravenhage.</i>	Holland	-	100%	Property
Galtee Real Estate Holding B.V. <i>Elbe 2, 2491BS, 's-Gravenhage.</i>	Holland	-	100%	Property
Horlicks Farms & Dairies Limited <i>Lancaster Fields, Crewe Gates Farm Industrial Estate, Crewe, Cheshire, CW1 6FU.</i>	UK	-	100%	Consumer foods
Lifeforce Foods Research Limited	Ireland	-	100%	Research and development
M.U.D. Science Limited	Ireland	-	100%	Dormant
North Cork New Square Management Limited	Ireland	-	100%	Property
Panneclae Holding B.V. <i>Rijnland 1,1948RL, Beverwijk</i>	Holland	-	100%	Consumer foods
Panneclae Vleesspecialiteiten B.V. <i>Rijnland 1,1948RL, Beverwijk</i>	Holland	-	100%	Consumer foods
Prime Meat B.V. <i>Rijnland 1,1948RL, Beverwijk</i>	Holland	-	100%	Consumer foods
Reox Finance Limited	Ireland	100%	-	Group operations and finance
Super Chill Limited <i>(formerly John Daly Refrigerated Foods Limited)</i>	Ireland	-	100%	Consumer foods
Tara Benelux B.V. <i>Elbe 2, 2491BS, 's-Gravenhage.</i>	Holland	-	100%	Administration
Westland Salades B.V. <i>Heulweg 50, 2295KH, Kwintsheul.</i>	Holland	-	100%	Consumer foods
Yee By Yum Limited	Ireland	-	100%	Consumer foods

All subsidiaries registered in Ireland have their registered office at Building 5100, Cork Airport Business Park, Cork.

**Associate**

Shinagh Estates Limited <i>Shinagh House, Bandon, Co. Cork</i>	Ireland	-	54.54%	Agri businesses
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This company is treated as an associate due to the voting rights attached to the shareholding.

## NOTES (forming part of the financial statements)

## 14 Stocks

	Group		Company	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000
Raw materials and consumables	<b>2,620</b>	3,668	-	-
Finished goods	<b>7,405</b>	6,580	-	-
Goods for resale	<b>18,932</b>	19,231	-	-
Transfers in from development properties (Note 11)	<b>4,932</b>	-	-	-
Sale of development properties	<b>(4,932)</b>	-	-	-
	<b>28,957</b>	29,479	-	-

There are no material differences between the replacement cost of stock and the balance sheet amounts.

## 15 Debtors

	Group		Company	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000
<i>Amounts falling due within one year</i>				
Trade debtors	<b>43,858</b>	38,634	-	-
Grants receivable	-	345	-	-
Amounts owed by subsidiary companies	-	-	<b>78,603</b>	115,474
Amounts owed by related parties	<b>5,421</b>	10,163	-	-
VAT repayment due	<b>824</b>	1,220	-	-
Prepayments and accrued income	<b>10,323</b>	11,176	<b>15</b>	-
	<b>60,426</b>	61,538	<b>78,618</b>	115,474

The amounts owed by subsidiary companies are interest-free loans repayable on demand.

## NOTES (forming part of the financial statements)

## 16 Creditors: amounts falling due within one year

	Group		Company	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000
<i>Loans and other borrowings (Note 18)</i>				
Bank loans	12,500	5,000	-	-
Bank overdrafts	3,278	8,105	-	-
Obligations under finance leases	138	223	-	-
	<b>15,916</b>	13,328	-	-
<i>Creditors</i>				
Trade creditors	40,126	36,660	-	-
Other creditors including tax and social welfare	3,776	2,247	-	174
Amounts owed to subsidiary companies	-	-	64,231	82,825
Amounts owed to related parties	1,184	27,231	-	19,261
Amount owed to associate (Note 12)	55,297	-	-	-
Accruals and deferred income	39,579	29,594	73	840
Government grants (Note 21)	1,415	-	-	-
	<b>157,293</b>	109,060	<b>64,304</b>	103,100

The amounts owed to subsidiary companies are interest-free loans repayable on demand.

*Other creditors*

Tax and social welfare included in other creditors:

	2007 €'000	2006 €'000	2007 €'000	2006 €'000
- Corporation tax	2,625	1,226	-	-
- PAYE/PRSI	1,151	1,021	-	174
	<b>3,776</b>	2,247	-	174

## 17 Creditors: amounts falling due after more than one year

	Group		Company	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000
<i>Loans and other borrowings</i>				
Redeemable Interest Bearing Bond (Note 18)	33,000	33,000	-	-
Bank loans (Note 18)	103,871	89,144	-	-
Deferred consideration on acquisitions	3,100	1,311	-	-
Long term incentive plan (Note 19)	2,503	219	-	-
	<b>142,474</b>	123,674	-	-

## NOTES (forming part of the financial statements)

## 18 Details of borrowings

## Maturity analysis

	Within one year	Between one & two years	Between two & five years	After five years	Total
	€'000	€'000	€'000	€'000	€'000
<b>Group</b>					
<i>Repayable other than by instalments:</i>					
Bank overdrafts	3,278	-	-	-	<b>3,278</b>
<i>Repayable by instalments:</i>					
Bank loans (i)	12,500	29,304	74,567	-	<b>116,371</b>
Redeemable Interest Bearing Bond (ii)	-	-	13,200	19,800	<b>33,000</b>
Obligations under finance leases	138	-	-	-	<b>138</b>
	<b>15,916</b>	<b>29,304</b>	<b>87,767</b>	<b>19,800</b>	<b>152,787</b>

(i) The bank loans are secured against property assets and share capital of the subsidiaries of Reox Holdings plc.

(ii) The Redeemable Interest Bearing Bond (RIBB) was issued on 3 March 2006 to Dairygold Co-Operative Society Limited as part of that Group's internal restructuring. The liability for the RIBB was transferred to the Reox Group on 21 March 2006. The principal conditions attaching to the RIBB are:

- Interest for first four years will be at a rate of 7.5% per annum.
- Interest for remaining years will be 6% per annum.
- Redemption of the RIBB may commence on the day after the fifth anniversary of the date of issue at the discretion of the holder.
- Redemption is permitted at a rate of €6,600,000 per annum.

## 19 Long Term Incentive Plan

The Company established a Long Term Incentive Plan (LTIP) on 29 May 2006 extending to 30 September 2010 for certain employees of the Group. Under the terms of the LTIP, "B" ordinary shares in Reox Finance Limited have been issued to these employees. Dependent on the achievement of valuation targets based on pre determined criteria for the Group at the end of 30 September 2008, 2009 and 2010 respectively, these shares may convert into "C" ordinary shares in Reox Finance Limited. The percentage of "B" shares available for conversion to "C" shares are as follows:

30 September 2008	30%
30 September 2009	30%
30 September 2010	40%

The "C" ordinary shares are the subject of a put and call option arrangement between the employee shareholders and Reox Holdings plc with the option price being reduced should the Group valuation be lower than its market capitalisation. The maximum cost to the Group of the LTIP is capped at €16 million and could become payable over a three year period from 30 September 2010. In the interim, should an offer be accepted for the Group in excess of €195 million, participants in the LTIP would be entitled to a payment calculated by reference to the implicit annual growth rate of the offer price over €195 million.

NOTES *(forming part of the financial statements)*

## 19 Long Term Incentive Plan (continued)

Included in the financial statements is an expense of €2,284,000 (2006: €219,000) being the estimate of the cost of the LTIP to the 30 September 2007. In calculating the expense, account was taken of, among other things, the valuation of the Group as at 30 September 2007 using the valuation methodology set out in the LTIP rules, the period the scheme has been in existence, the number of "B" shares issued to participants, the probability of certain valuation growth rates being achieved, future inflation, as well as the number of participants in the employment of the Group on 30 September 2010. The present value of the resultant expense has been charged to the profit and loss account

The accrued benefit at the balance sheet date is €2,503,000 (2006: €219,000). Any benefit that may have accrued to a participant will be forfeited if he is not in the employment of the Group on 30 September 2010

	Number of "B" ordinary shares of €0.01 each issued	
	2007	2006
At beginning of period	404,160	-
Issued during the period	-	404,160
At 30 September	404,160	404,160

## 20 Provisions for liabilities

	Deferred Taxation €'000	Reorganisation Provision €'000	Merger Commitments €'000	Total €'000
<b>Group</b>				
At 1 October 2006	(500)	2,400	9,717	11,617
Charged during period	-	21,121	-	21,121
Arising in respect of acquisitions fair value adjustment	330	-	-	330
Utilised during period	-	(15,234)	(2,583)	(17,817)
At 30 September 2007	(170)	8,287	7,134	15,251

The amounts provided for deferred taxation arise from losses forward. There are no material unprovided amounts.

The reorganisation provision relates to the restructuring of Breco Foods Limited from a manufacturing driven business to a sales focused business.

The provision for merger commitments is in relation to the transfer of the activities of Dairygold Co-operative Society Limited from Alchemy Property sites to new locations. These are expected to be completed within the next two years.

NOTES *(forming part of the financial statements)*

## 21 Government grants deferred

	Group		Company	
	2007 €'000	2006 €'000	2006 €'000	2006 €'000
At beginning of period	-	1,685	-	-
Amortised in period	-	(212)	-	-
At end of period	-	1,473	-	-

Under agreements between certain Group companies, Enterprise Ireland and the European Agricultural Guidance and Guarantee Fund, the Group repaid €1,415,000 in October 2007. This appears as a current liability at the 30 September 2007 (Note 16).

## 22 Pension information

*Pension commitments*

The Company and its subsidiaries in Ireland contribute to a number of externally funded defined benefit pension schemes. The defined benefit pension schemes are operated by the Group in conjunction with Dairygold Co-Operative Society Limited. In addition, the Company also operates defined contribution pension schemes.

Pensions for substantially all employees are funded through defined benefit pension schemes, the assets of which are vested in trustees for the benefit of employees and their dependants. The pension cost is assessed in accordance with the advice of independent qualified actuaries using the projected unit methods of funding where applicable.

The most recent full actuarial valuations of the Irish schemes (incorporating Dairygold Co-Operative Society Limited) were carried out as at 1 January 2005. The principal assumptions used in the actuarial valuations were that the investment returns would be 2.25% greater than the payroll increases and future pension payments. At the date of the latest actuarial valuations, the market value of the assets was €191.6 million and the actuarial value of the assets was sufficient to cover in excess of 100% of the benefits that had accrued to members, after allowing for future expected increases in pensionable remuneration.

There is no legal separation of the Irish pension scheme assets between those relating to Reox members and those relating to Dairygold members. Therefore, Reox's share of the assets and liabilities of the scheme at 1 January 2005 were apportioned based on the appropriate "company" status of the various employees, former employees and pensioners. Having established the split of assets at 1 January 2005, the split at subsequent accounting dates was then estimated by accumulating the notional assets, allowing for investment returns and making suitable adjustment for contributions paid to the plans and benefits paid from the plans since 1 January 2005. The approach outlined above was necessarily approximate in some respects and will be refined as part of the actuarial valuation as at 1 January 2008.

The most recent full actuarial valuations of the U.K. schemes were carried out as at 1 April 2005. The market value of the assets was £9.8 million sterling. The actuarial valuations were carried out under rules introduced by the U.K. Pensions Act 1995 (Minimum Funding Requirement – MFR) and showed a combined funding level of 91% of the accrued MFR liabilities. The scheme actuary has prepared a schedule of contributions which satisfies the requirements of the MFR regulations at which rate contributions are being made.

The actuarial reports are not available for public inspection but the results are advised to members of the various scheme

*Pension costs*

The total pension cost charged to operating profit, net of settlements and curtailments for existing businesses, was: €2,648,000 (2006: €951,000), including payments to defined contribution schemes.

## NOTES (forming part of the financial statements)

## 22 Pension information (continued)

**Balance sheet amounts**

In addition to the amounts included as a pension asset the following amounts relating to pensions and post retirement benefits are included in the balance sheet:

	<b>2007</b> €'000	2006 €'000
Accruals		
Pension costs accrued	-	31

Pension costs for 2007 were paid over to the pension funds prior to the balance sheet date. The amount for 2006 was paid over to the pension funds prior to 21 October 2006.

Valuations have been performed in accordance with the requirements of FRS 17 as at 30 September 2007. Scheme liabilities have been calculated using the projected unit valuation method and compared to the market value of the schemes assets at the valuation date.

The main financial assumptions are:

	<b>2007</b> €'000	2006 €'000	At 31 December 2005 €'000
Inflation rate increase	<b>2.25%</b>	2.25%	2.25%
General payroll rate increase	<b>3.75%</b>	3.75%	3.75%
Pension payment increase	<b>2.25%</b>	2.25%	2.25%
Discount rate	<b>5.40%</b>	4.50%	4.00%

The expected long-term rates of return on the assets in the pension scheme are as follows:

	<b>2007</b> €'000	2006 €'000	At 31 December 2005 €'000
Equities	<b>7.60%</b>	7.40%	6.80%
Bonds	<b>4.20%</b>	3.80%	3.30%
Properties	<b>6.60%</b>	6.40%	4.80%
Cash	<b>4.00%</b>	3.25%	3.00%

**Pension Asset**

The overall surpluses/deficits in the defined benefit schemes relating to the Reox Group is:

	<b>2007</b> €'000	2006 €'000	At 31 December 2005 €'000
<i>Fair value of assets:</i>			
Equities	<b>52,816</b>	60,314	58,568
Bonds	<b>53,935</b>	37,275	35,982
Properties	<b>8,850</b>	12,801	12,257
Cash	<b>437</b>	1,665	672
Total market value of assets	<b>116,038</b>	112,055	107,479
Present value of pension scheme liabilities	<b>(92,073)</b>	(101,029)	(105,157)
Pension fund surplus	<b>23,965</b>	11,026	2,322
Related deferred tax liability	<b>(3,096)</b>	(1,749)	(1,242)
<b>Net pension asset</b>	<b>20,869</b>	9,277	1,080

NOTES *(forming part of the financial statements)*

## 22 Pension information (continued)

The closing pension asset, net of deferred tax, is analysed between Ireland and the UK as follows:

	<b>2007</b> €'000	2006 €'000	At 31 December 2005 €'000
Ireland	<b>21,668</b>	12,240	8,697
UK	<b>(799)</b>	(2,963)	(7,617)
<b>Total net pension asset</b>	<b>20,869</b>	9,277	1,080

The amount included within operating profit for the period is:

	<b>2007</b> €'000	9 months to 30 September 2006 €'000
Current service cost	<b>2,428</b>	2,624
Gains on settlements or curtailments	<b>(289)</b>	(1,887)
<b>Total charged within operating profit</b>	<b>2,139</b>	737

The amount included in investment income for the period is:

	<b>2007</b> €'000	9 months to 30 September 2006 €'000
Expected return on pension scheme assets	<b>6,492</b>	1,948
Interest on past service scheme liabilities	<b>(4,636)</b>	(730)
<b>Net finance income within investment income</b>	<b>1,856</b>	1,218

The analysis of the amount recognised in the statement of total recognised gains and losses is:

	<b>2007</b> €'000	9 months to 30 September 2006 €'000
Actual return on pension scheme assets less expected return	<b>1,046</b>	1,329
Experience gains and losses arising on pension scheme liabilities	<b>(3,064)</b>	(4,546)
Changes in assumptions underlying the present value of the scheme liabilities	<b>13,738</b>	8,607
Changes in underlying deferred members liabilities	<b>(46)</b>	(726)
Currency movements	<b>16</b>	(83)
<b>Actuarial gain on defined pension schemes</b>	<b>11,690</b>	4,581

NOTES *(forming part of the financial statements)*

## 22 Pension information (continued)

Movement in pension surplus during the period

	<b>2007</b> €'000	9 months to 30 September 2006 €'000
Surplus at beginning of period before deferred tax	<b>11,026</b>	2,322
Movement during the period:		
Current service costs	<b>(2,428)</b>	(2,624)
Contributions to the schemes	<b>1,532</b>	3,642
Settlements and curtailments	<b>289</b>	1,887
Other finance income	<b>1,856</b>	1,218
Actuarial gain	<b>11,690</b>	4,581
Surplus at 30 September	<b>23,965</b>	11,026

History of pension scheme experience gains and losses:

	<b>2007</b> €'000	2006 €'000
Difference between expected return on pension scheme assets and actual returns		
- Amount (€'000)	<b>1,046</b>	1,329
- As a percentage of pension scheme assets	<b>0.90%</b>	1.19%
Experience gains and losses arising on pension scheme liabilities		
- Amount (€'000)	<b>(3,064)</b>	4,546
- As a percentage of the present value of the pension scheme liabilities	<b>(3.33%)</b>	4.50%
Total amount recognised in Statement of Total Recognised Gains and Losses		
- Amount (€'000)	<b>11,690</b>	4,581
- As a percentage of the present value of the pension scheme liabilities	<b>12.70%</b>	4.53%

## NOTES (forming part of the financial statements)

## 23 Called up share capital

	2007 €'000	2006 €'000
<b>Authorised</b>		
250,000,000 "A" ordinary shares of €0.10 each	<b>25,000</b>	25,000
750,000,000 "B" ordinary shares of €0.10 each	<b>75,000</b>	75,000
	<b>100,000</b>	100,000
<b>Allotted, called up and fully paid</b>		
23,136,989 "A" ordinary shares of €0.10 each	<b>2,313</b>	2,313
69,395,547 "B" ordinary shares of €0.10 each	<b>6,940</b>	6,940
	<b>9,253</b>	9,253

Reox Holdings plc was established on 3 April 2006 following a change in status of Dairygold Foods Co-Operative Society Limited, a co-operative registered in Ireland under the Industrial and Provident Societies Acts 1893 to 1978.

The "A" ordinary shares and the "B" ordinary shares rank pari passu in all respects except for:

Notwithstanding any other provision in the Articles of Association the following rights are conferred on the "A" ordinary shares:

- (i) no amendment to the Articles of Association without the prior approval of the "A" Shareholder.
- (ii) the "A" Shareholder is entitled to appoint a maximum of four Directors for so long as the existing "A" Shareholder holds all of the "A" ordinary shares. The entitlement to nominate four directors reduces if the "A" shareholder reduces its shareholding.
- (iii) The quorum for the transaction of the business of the Directors must include a minimum of one "A" Shareholder Appointee Director (if any are serving on the board at the time).
- (iv) the "A" Shareholder shall be exclusively entitled to the first €500,000 of dividends declared in respect of each of the financial periods to 31 December 2009 for as long as the "A" Shareholder holds 100% of the Qualifying Shares or pro rata if less than 100%.

## NOTES (forming part of the financial statements)

## 24 Reserves

	Merger reserve	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total
	€'000	€'000	€'000	€'000	€'000
<b>Group</b>					
At 1 October 2006	4,205	5	5,565	16,955	26,730
Retained profit for year	-	-	-	17,419	17,419
Pension asset changes through Statement of Total Recognised Gains and Losses	-	-	-	10,343	10,343
Exchange translation differences on retranslation of net assets of foreign subsidiary undertakings	-	-	-	(204)	(204)
Share of associate's total recognised gains and losses	-	-	-	1,120	1,120
Arising on revaluation of investment properties	-	-	1,638	-	1,638
<b>At 30 September 2007</b>	<b>4,205</b>	<b>5</b>	<b>7,203</b>	<b>45,633</b>	<b>57,046</b>
Relating to trading	4,205	5	7,203	24,764	36,177
Relating to pensions	-	-	-	20,869	20,869
	<b>4,205</b>	<b>5</b>	<b>7,203</b>	<b>45,633</b>	<b>57,046</b>
<b>Company</b>					
At 1 October 2006	4,205	5	-	1,326	5,536
Retained profit for year	-	-	-	-	-
<b>At 30 September 2007</b>	<b>4,205</b>	<b>5</b>	<b>-</b>	<b>1,326</b>	<b>5,536</b>

The merger reserve arose on the spinout of businesses and assets from Dairygold Co-operative Society Limited on 31 May 2006 whereby certain tangible fixed assets, financial fixed assets and companies were transferred, at cost or net book value to Reox Holdings plc. Reox Holdings plc in return issued ordinary share capital and made certain commitments to Dairygold Co-operative Society Limited. The merger reserve is the difference in value between the assets transferred, liabilities undertaken and the ordinary share capital issued.

## NOTES (forming part of the financial statements)

## 25 Reconciliation of movements in shareholders' funds

	Group		Company	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000
<b>Total recognised gains and losses for the period</b>	<b>30,316</b>	13,698	-	1,326
<i>Transactions with shareholders:</i>				
- Merger reserve	-	13,922	-	13,922
- Nominal value of shares issued	-	9,258	-	9,258
- Nominal value of shares cancelled	-	(5)	-	(5)
- Capital redemption reserve fund	-	5	-	5
- Merger commitments	-	(9,717)	-	(9,717)
<i>Other movements</i>				
- Elimination of share capital and reserves in subsidiaries arising on spin out	-	(5,557)	-	-
<b>Net increase in shareholders' funds</b>	<b>30,316</b>	21,604	-	14,789
<b>Opening shareholders' funds</b>	<b>35,983</b>	14,379	<b>14,789</b>	-
<b>Closing shareholders' funds</b>	<b>66,299</b>	35,983	<b>14,789</b>	14,789

## 26 Reconciliation of operating profit to net cash inflow from operating activities

	2007 €'000	2006 €'000
Operating profit	<b>20,838</b>	9,128
Depreciation of tangible fixed assets	<b>7,137</b>	5,888
Amortisation of grants	<b>(58)</b>	(212)
Difference between current service pension costs and contributions made	<b>607</b>	(2,905)
Decrease in stocks	<b>2,165</b>	16,570
(Increase) in operating debtors	<b>(5,098)</b>	(16,486)
Increase in operating creditors	<b>5,607</b>	18,780
<b>Net cash inflow from operating activities before exceptional items</b>	<b>31,198</b>	30,763

## NOTES (forming part of the financial statements)

## 27 Analysis of headings grouped in cash flow

	2007 €'000	2006 €'000
<b>Returns on investments and servicing of finance</b>		
Interest and similar income received	633	182
Interest paid	(7,055)	(1,704)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(6,422)</b>	<b>(1,522)</b>
<b>Taxation</b>		
Corporation tax paid	(1,811)	(706)
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(35,213)	(20,060)
Sales of tangible fixed assets	6,362	4,302
<b>Total capital expenditure and financial investment</b>	<b>(28,851)</b>	<b>(15,758)</b>
<b>Acquisitions</b>		
<b>Purchase of subsidiary undertakings</b>	<b>(20,628)</b>	<b>(96)</b>
<b>Financing</b>		
Received from associate	55,297	-
Bank loans	22,227	94,144
<b>Total financing</b>	<b>77,524</b>	<b>94,144</b>

## 28 Analysis of changes in net debt during the year

	At 1 October 2006 €'000	Cash flows €'000	Acquisitions €'000	Non cash movements €'000	Exchange movements €'000	At 30 September 2007 €'000
Cash at bank and in hand	31,699	11,640	1,501	-	(49)	44,791
Bank overdrafts	(8,105)	4,827	-	-	-	(3,278)
Bank loans due within one year	-	2,144	(2,144)	(12,500)	-	(12,500)
Obligations under finance leases	(223)	97	(12)	-	-	(138)
	23,371	18,708	(655)	(12,500)	(49)	28,875
Due to associate*	-	(55,297)	-	-	-	(55,297)
Bank loans due after one year	(94,144)	(22,227)	-	12,500	-	(103,871)
Redeemable Interest Bearing Bond	(33,000)	-	-	-	-	(33,000)
	(127,144)	(77,524)	-	12,500	-	(192,168)
<b>Net debt</b>	<b>(103,773)</b>	<b>(58,816)</b>	<b>(655)</b>	<b>-</b>	<b>(49)</b>	<b>(163,293)</b>

\* As outlined in Note 12 this is an interest free loan from the associate SEL.

## NOTES (forming part of the financial statements)

## 29 Acquisitions of subsidiary undertakings

During the financial year, Galtee Meats (Holland) B.V. acquired all the issued share capital of Prime Meats and associated companies on 29 January 2007 and Westland Salades B.V. on 30 March 2007 both in Holland. Breeo Foods Limited acquired all the issued share capital of Dairygold USA Inc on 2 July 2007 and Super Chill Limited (formerly John Daly Refrigerated Foods Limited) acquired all the issued share capital of Yee By Yum Limited on 7 August 2007. Neither of these two acquisitions is considered material for separate disclosure.

**(a) Goodwill arising from acquisitions:**

	<b>Prime Meat B.V. €'000</b>	<b>Westland Salades B.V. €'000</b>	<b>Others €'000</b>	<b>Total €'000</b>
<b>Book value at date of acquisition:</b>				
Tangible fixed assets	5,086	975	146	6,207
Intangible fixed assets	-	-	-	-
Stocks	458	135	1,050	1,643
Debtors	1,702	1,218	1,033	3,953
Creditors	(3,131)	(1,659)	(976)	(5,766)
(Bank loans)/Cash at bank	(663)	363	(355)	(655)
<b>Value acquired</b>	<b>3,452</b>	<b>1,032</b>	<b>898</b>	<b>5,382</b>
<b>Satisfied by:</b>				
Consideration payable	8,800	14,200	1,524	24,524
Acquisition costs	143	145	16	304
	<b>8,943</b>	<b>14,345</b>	<b>1,540</b>	<b>24,828</b>
<b>Goodwill arising on acquisition</b>	<b>5,491</b>	<b>13,313</b>	<b>642</b>	<b>19,446</b>
<b>(b) Cash impact of acquisition</b>				
Consideration Paid	6,800	12,000	1,524	20,324
Borrowings/(Cash) acquired	663	(363)	355	655
Expenses incurred	143	145	16	304
	<b>7,606</b>	<b>11,782</b>	<b>1,895</b>	<b>21,283</b>

Relating to the two material subsidiaries above, the profit after taxation made prior to their acquisition was as follows:

	<b>Period before acquisition 2007 €'000</b>	<b>12 months ended 31 December 2006 €'000</b>
Prime Meat B.V. – 1 January to 29 January 2007	18	1,036
Westland Salades B.V. – 1 January 2007 to 30 March 2007	350	1,719

All of the assets and liabilities of the acquired companies have been valued at their Net Book Value at the date of acquisition with the exception of one Prime Meats property which has been revalued upwards by €1,300,000.

NOTES *(forming part of the financial statements)*

## 30 Commitments

**Capital commitments**

Future capital expenditure approved by the directors but not provided for in these financial statements is as follows:

	Group		Company	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000
Contracted	4,506	5,236	-	-
Not contracted	105,000	-	-	-

**Operating lease commitments**

At 30 September 2007, the Group and Company had annual commitments under operating leases as set out below.

	Group		Company	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000
Operating Leases which expire:				
- within one year	-	-	-	-
- within two to five years inclusive	2,809	2,199	-	-
- in over five years	400	-	-	-
	3,209	2,199	-	-

## 31 Contingencies

**Group**

The Group has entered into bank guarantees on behalf of various Group companies. The maximum amounts guaranteed at the balance sheet date were €120 million (2006: €100 million) and they are secured by fixed and floating charges on the assets of Group companies. The amounts outstanding under the agreements at the end of the year amounted to €116 million (2006: €96 million).

As permitted by Section 17 of the Companies (Amendment) Act, 1986, the Company has irrevocably guaranteed the liabilities, specified in section 5(c) of that Act, of all its Irish subsidiary undertakings listed in note 13 and, consequently, the subsidiary undertakings do not file their financial statements.

**Company**

The Company is joined in the guarantee of bank debt noted above.

## 32 Post balance sheet events

The Group has received a number of enquiries regarding its interest in Breeo Foods Limited, its subsidiary operating in the consumer foods business in Ireland.

The Directors of the Company have appointed Merrion Corporate Finance Limited to assist them in assessing these enquiries.

This assessment may or may not result in the disposal of the Group's interest in this subsidiary.

## NOTES *(forming part of the financial statements)*

### 33 Related party transactions

The Group's related parties, as defined by Financial Reporting Standard No. 8, the nature of the relationships and the extent of transactions with them are summarised below:

- (i) During the nine months ended 30 September 2006 dividend income was received by Reox Holdings plc from its subsidiary Reox Finance Limited in the amount of €1,989,000.
- (ii) The Chief Executive of Reox Holdings plc is also jointly Chief Executive of Dairygold Co-Operative Society Limited. Certain costs associated with his joint employment are charged by Reox Holdings plc to Dairygold Co-Operative Society Limited.
- (iii) Reox Holdings plc and subsidiaries purchase goods from Dairygold Co-Operative Society Limited on a commercial arms length basis. There are no contracts in place between the two Groups in regard to quantities or prices which might be charged.
- (iv) There is a Redeemable Interest Bearing Bond in place between Reox Holdings plc and subsidiaries and Dairygold Co-Operative Society Limited and subsidiaries in the sum of €33 million. The interest rate attaching to this bond together with the terms of repayment are outlined in Note 18 to these financial statements.

Reox Holdings plc (Reox) and Dairygold Co-Operative Society Limited (Dairygold) have a number of arms length commercial arrangements. All agreements are based on an open and transparent basis and reflect the agreed actual cost of providing the services to both parties. These are summarised below:

- (i) IT Systems support agreement. This agreement is for the support of certain software and certain shared servers and network components.
- (ii) Corporate Support Agreement. This agreement is for the provision of certain corporate support services such as HR, pensions and finance.
- (iii) A large number of trademarks relating to the transferring businesses have been assigned from Dairygold to Reox, including the "Dairygold" name and logo. To ensure Dairygold continues to trade under and benefit from the use of and goodwill associated with the "Dairygold" name, a perpetual royalty-free and irrevocable non-exclusive licence has been granted to Dairygold by Reox to use such name in connection with Dairygold activities. A similar licence has been granted by Dairygold to Reox with respect to the "Co-op Superstores Label" and "Dairygold Superstores" trademarks. The "Dairygold" name and logo is to be transferred to Dairygold subsequent to the balance sheet date.
- (iv) Licence Agreements. A number of the sites which are owned by Dairygold have a license agreement (999 year term) in place and are used by Reox with an annual cost of €614,000.

A number of the sites which are owned by Reox have a license agreement (5 year term at a nil rent) in place and will be used by Dairygold until an acceptable replacement site is available for use by Dairygold.

- (v) Shared Services: Pursuant to shared services agreements, certain shared services, including with respect to effluent treatment, energy, water and security, with respect to both the Dairy Spreads Site and the Process Cheese Factory, will be provided by Dairygold to Reox on arm's length commercial terms, payment for such services to be made annually by Reox to Dairygold on a cost-basis.

### 34 Approval of financial statements

The board of directors approved these financial statements on 15 November 2007.



