KERRY GROUP ANNUAL REPORT 2014

GLOBAL LEADER IN TASTE & NUTRITION THROUGH SCIENCE + NATURE

KERRY

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INVESTOR APP

Download our investor app at www.kerrygroup.com

INNOVATION Expenditure on research and development increased to €197m. Establishment of the Kerry Global Technology & Innovation Centre in Ireland is well advanced and on schedule to be fully operational by mid-year 2015.

Kerry Group is a world leader in food ingredients and flavour technologies, serving the food, beverage and pharmaceutical industries, and also a leading consumer foods processor and supplier in selected EU markets.

RESULTS 2014

REVIEW OF 2014

- Good underlying growth ahead of our markets.
- Kerry business model delivering continued business margin improvement and earnings growth.
- Results reflect the strength of Kerry's Taste and Nutrition platforms and investment in the Group's Technology and Innovation Centre Network.
- Increased deployment of Group resources in developing markets is achieving excellent results.
- Kerry Foods has repositioned its portfolios for today's consumer and channel requirements.
- The Board recommends a final dividend of 31.5 cent per share (an increase of 12.5% on the 2013 final dividend) payable on 15 May 2015 to shareholders registered on the record date 10 April 2015.

GROUP REVENUE OF

€5.8 BILLION

TRADING PROFIT UP €25m TO

€636 MILLION

R&D INVESTMENT OF

€197 MILLION

FREE CASH FLOW OF

€303 MILLION

ADJUSTED EPS** UP 8.1% TO

278.9c

BASIC EPS OF

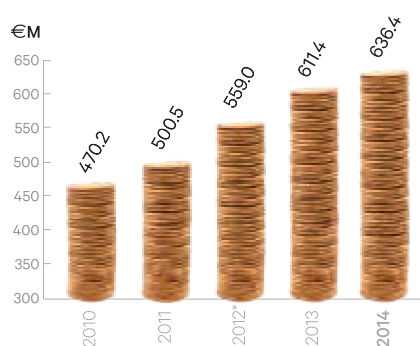
273.0c

TOTAL DIVIDEND PER SHARE UP 12.5% TO

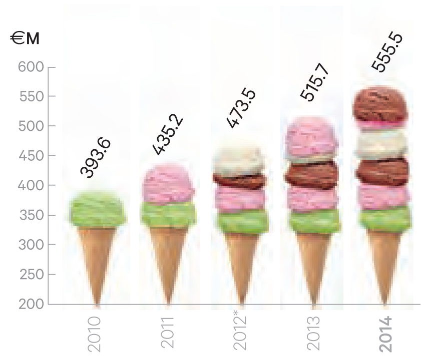
45.0c

REVENUE

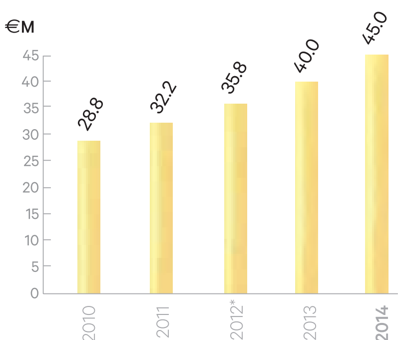
TRADING PROFIT



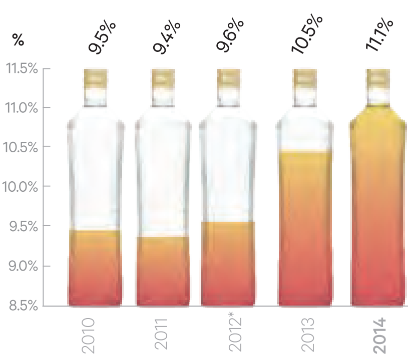
PROFIT BEFORE TAXATION AND NON-TRADING ITEMS



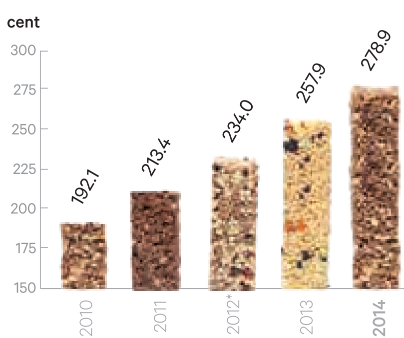
DIVIDEND PER SHARE



TRADING PROFIT MARGIN



ADJUSTED EPS **



** 2012 results have been restated for the impact of adopting IAS 19 (2011) Employee Benefits. All other years are presented as reported.*
***Earnings per share before brand related intangible asset amortisation and non-trading items (net of related tax).*

CHAIRMAN'S STATEMENT

I am pleased to report that Kerry Group again recorded another year of good growth and business development in 2014, a year marked by challenging economic conditions, geopolitical issues and significant currency shifts - in particular in developing markets.

FOR INGREDIENTS & FLAVOURS.
UNRIVALLED TASTE & NUTRITION PORTFOLIOS.
NO.1 IN DEVELOPING MARKETS.

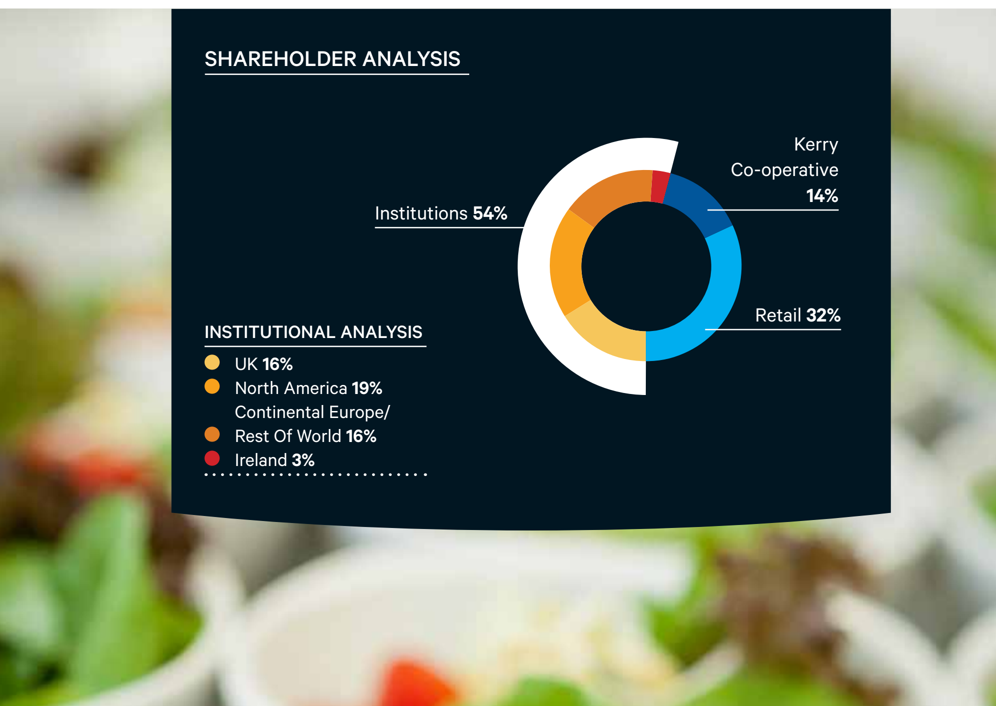
The consumer environment across developed and developing markets continues to change rapidly, with growing demand for enhanced nutritional values, increased functionality and convenience, coupled with wider product offerings and menu lines for retail and foodservice markets. Kerry is well positioned to meet such challenges and to lead innovation and development in response to changing customer / consumer needs – leveraging our leading technologies, supported by the Group's unrivalled Technology Innovation Centre network.

RESULTS

Group sales revenue in 2014, reported at €5.8 billion reflects 2.4% continuing business volume growth. Adjusted profit after tax before brand related intangible assets amortisation and non-trading items increased by 8.2% to €490m. Adjusted earnings per share increased by 8.1% to 278.9 cent (2013 : 257.9 cent). Substantive shareholder value was added during the year and the Group's financial position remains very strong. The Board is confident that the Group is well positioned to capitalise on our significant organic development and acquisitive growth opportunities.

STRATEGIC DEVELOPMENT

In ingredients & flavours markets, the Group has continued to successfully develop its Taste, Nutrition and Functional Ingredients & Actives technology platforms which are well aligned to today's market growth sectors and consumer requirements.



Continued investment in research, development and applications' expertise across Kerry's Technology & Innovation Centre network underpins our performance and strategic pillars for sustainable growth. Increased deployment of Group resources in developing markets is achieving excellent results. In addition we have continued to expand our routes to market – in particular in the foodservice sector.

Following a period of unprecedented change in the Irish and UK consumer foods' markets, the Group's consumer foods business is well advanced in repositioning its portfolio for today's consumer and channel requirements. Kerry Foods is now well focused on snacking, health and convenience growth trends and continues to strategically broaden its footprint beyond the UK and Ireland.

MORE INFORMATION

Details of the Group's business performance in 2014 are presented in the Chief Executive's Review **pg6** and in the Business Reviews **pgs10-21**

DIVIDEND

The Board recommends a final dividend of 31.5 cent per share (an increase of 12.5% on the 2013 final dividend) payable on 15 May 2015 to shareholders registered on the record date 10 April 2015. When combined with the interim dividend of 13.5 cent per share, this brings the total dividend for the year to 45 cent, an increase of 12.5% on 2013.

BOARD CHANGES

Denis Buckley retired as Chairman and Director of the Group at year-end and I was appointed non-executive Chairman of the Board. As Chairman, I wish to thank Denis for his enormous contribution to Kerry's successful development and achievement over the years. Denis served as Chairman for eleven years and as a Director since the formation of the Group in 1986. All stakeholders can be justifiably proud of all that has been achieved and on behalf of the Board I wish to pay tribute to Denis for his commitment and dedication to the success of the organisation since its establishment.

I would like to welcome Dr Hugh Brady who joined the Board in February 2014 and Patrick Casey who joined the Board in May. On the Board's behalf, I would like to thank Sean Bugler who retired from the Board in May for his personal contribution and service to the organisation.

May I also welcome Dr Karin Dorrepaal who joined the Board as a non-executive Director in January 2015. Dr Dorrepaal has held a number of international business leadership roles and currently serves as a member of the Triton Private Equity Industry Board in Frankfurt, Germany. She is a member of the Supervisory Board at Gerresheimer AG (Germany) since 2012. She is also a member of the Supervisory Board at Grontmij NV (the Netherlands) since 2013, Vice Chairman of the Supervisory Board of Paion AG (Germany) since end 2012 and has served as a member of the Supervisory Board of Almirall S.A. (Spain) since 2013. Dr Dorrepaal received her Ph.D from the Free University of Amsterdam, the Netherlands and also holds an MBA from the Erasmus University Rotterdam School of Management.

PROSPECTS

Management's views regarding the prospects for the Group in 2015 are outlined in the Chief Executive's Review. The Board is confident that Kerry's well focused strategies and successful business model will continue to achieve Group targets and deliver sustained value for all stakeholders. On the Board's behalf, I would like to thank Stan McCarthy Chief Executive, Group management and all employees, for their contribution to Kerry's successful performance in 2014.

Michael Dowling
Chairman
23 February 2015

CHIEF EXECUTIVE'S REVIEW

Kerry Group achieved another year of good underlying growth ahead of our markets and sustained business margin expansion in 2014. Despite a challenging macro-economic landscape and the impact of geopolitical issues – particularly in developing markets, the Group continued to successfully develop across its three strategic pillars – Taste, Nutrition and Developing Markets.

GROWTH MODEL

WE ARE SUCCESSFULLY BUILDING OUR STRATEGIC PILLARS FOR SUSTAINABLE GROWTH

MORE INFORMATION

Read our Sustainability Review **pg30**

Changing consumer demographics and shopping behaviour are driving a paradigm shift in food and beverage consumption trends, impacting industry, retail and foodservice developments. In particular increased urbanisation, millennial growth and life-stage requirements continue to increase demands for innovation to meet convenience, snacking, functionality and health / wellness trends. Demand for clean-label, enhanced nutrition, natural, 'free-from' – in particular gluten-free offerings, and wider flavour profiles continued to provide solid growth opportunities for Kerry's leading taste, nutritional and functional ingredients & actives technology platforms. Partnerships with the Group's global and regional customers were further advanced – benefiting from the Group's 1 Kerry capabilities and expertise provided by Kerry Global Technology & Innovation Centre and Regional Development & Application Centre developments.

While showing early signs of recovery, increased fragmentation and polarisation in the Irish and UK consumer foods markets contributed to increased competitiveness. Kerry Foods performed satisfactorily against this background whilst continuing to progress its business repositioning strategies.

The consumer environment across developed and developing markets is changing rapidly, but Kerry is well positioned to capitalise on global growth opportunities.

- Stan McCarthy, Chief Executive

RESULTS

In 2014 Group businesses grew ahead of our markets delivering 2.4% continuing business volume growth. In a relatively benign input cost environment, pricing decreased by 0.5%. Group sales revenue at €5.8 billion on a reported basis was 1.4% lower, reflecting the adverse translation impact of currency movements, acquisitions net of disposals and business rationalisation volume loss.

Despite weaker overall market conditions and lower industry inventory levels, Kerry's ingredients & flavours businesses achieved good volume growth and a strong trading performance. Continuing business volumes increased by 3.4% and net pricing declined by 0.5%.

Kerry Foods continued to successfully progress its business repositioning, with continuing business volumes reduced by 0.7% and net pricing 0.6% lower.

The Group's trading performance maintained a strong positive momentum benefiting from Groupwide business operational improvements due to the 1 Kerry Business Transformation Programme and portfolio repositioning in Kerry Foods. Group trading profit increased by 4.1% to €636m reflecting 5.3% like-for-like [LFL] growth. The Group trading profit margin increased by 60 basis points to 11.1%. This reflects an 80 basis points improvement in trading margin in ingredients & flavours to 13.7% and a 30 basis points improvement in Kerry Foods' margin to 8.3%.

Adjusted profit before tax, brand related intangible asset amortisation and non-trading items increased by 7.1% to €570m. Adjusted profit after tax before brand related intangible asset amortisation and non-trading items increased by 8.2% to €490m.

Basic earnings per share increased to 273 cent from 48 cent, as the prior year number was impacted by non-trading items. Adjusted earnings per share increased by 8.1% to 278.9 cent (2013 : 257.9 cent).

Expenditure on research and development increased to €197m (2013 : €186m). Establishment of the Kerry Global Technology & Innovation Centre in Ireland is well advanced and on schedule to be fully operational by mid-year 2015. This development will also include the Group's Global Centre of Excellence for Nutrition.

Net capital expenditure in 2014 amounted to €257m (2013 : €177m). The Group achieved a free cash flow of €303m (2013 : €412m).

BUSINESS REVIEWS

INGREDIENTS & FLAVOURS

The Group's Taste & Nutrition Systems and Functional Ingredients & Actives performed well across all geographic markets in 2014. Demand for clean-label, enhanced nutritional and health offerings, wider flavour profiles and increased convenience continued to drive innovation requirements – providing good growth opportunities for Kerry's technology portfolio.

Sales revenue on a reported basis at €4,337m reflects continuing business volume growth of 3.4% and 0.5% lower net pricing. Trading profit grew by 6.1% to €593m reflecting an 80 basis points increase in divisional trading margin to 13.7%. In 2014 ingredients & flavours accounted for 74% of Group revenue and 83% of Group trading profit.

Despite the overall weaker industry environment, Kerry performed well in the Americas in 2014 – in particular through clean-label, all-natural and health / wellness solutions. Revenue in the American region at €1,901m reflects 3.3% continuing volume growth and 0.4% lower pricing.

EMEA region market conditions remained challenging with limited growth opportunities. However Kerry continued to record good development progress and greater business efficiencies. Revenues in the EMEA region reported at €1,549m reflect a 0.5% reduction in continuing volumes and 0.8% lower pricing.

Localisation of taste and speed of innovation are key drivers of growth and development throughout all Asia-Pacific food and beverage markets – enabling Kerry to exploit its broad technology and applications capabilities. Reported Group revenues in the region grew to €807m, reflecting 11.8% growth in continuing volumes and 0.3% lower pricing.

CONSUMER FOODS

Conditions in the Group's primary consumer markets in the UK and Ireland remained highly competitive due to increased market fragmentation arising from consumer trends favouring convenience formats, discounter channels and retailing. Whilst consumers continue to pursue value offerings, Kerry Foods' priority brands performed well in the UK market and maintained brand positioning in the Irish market. UK Customer Brands' performance, particularly in chilled ready meals, improved significantly in the second half of 2014.

The ongoing repositioning programme in Kerry Foods, to improve the quality of its portfolio in line with Group metrics was further progressed which impacted reported sales revenue in 2014. This included restructuring of the Direct-To-Store services to the independent and convenience retail sectors in the UK and Ireland and following agreement with Pork Farms, Kerry Foods' chilled savoury pastry manufacturing assets in Poole, Dorset and Spalding, Lincolnshire were acquired by the Pork Farms Group in August. Since year-end a management buy-out of the division's Direct-To-Store business in the UK was completed.

Reported revenues decreased by 5.8% to €1,509m. Continuing business volumes were 0.7% lower and pricing reduced by 0.6%. Trading profit decreased by 2.6% to €125m. Business efficiency improvements and repositioning to-date contributed to the division's 30 basis points improvement in trading margin to 8.3%.

MORE INFORMATION

Read details of the Group's 2014 business performance in the Business Reviews **pgs10-21**

FINANCE

Finance costs (net) for the year decreased by €14.7m to €52.9m (2013 : €67.6m) primarily due to a combination of cash generated from operations, lower interest rates and foreign exchange movements. The Group's average interest rate for the year was 3.6%, a decrease of 40 bps from the prior year (2013 : 4.0%). The tax charge for the year, before non-trading items, was €79.6m (2013 : €79.1m) representing an effective tax rate of 14.3% (2013 : 15.3%). The decrease in the effective tax rate was primarily driven from the geographical split of profits, R&D investment – mainly in Ireland and changes in country tax rates. Net debt at the end of the year was €1,195.3m (2013 : €1,083.1m).

The Company's shares traded in the range €49.60 to €60.09 during the year. The share price at 31 December was €57.07 (2013 : €50.50) giving a market capitalisation of €10.0 billion (2013 : €8.9 billion). Total Shareholder Return for 2014 was 13.8%.

POST BALANCE SHEET EVENTS

Since the year end, the Group has;

- advanced repositioning of its Consumer Foods business by disposing of the division's Direct-to-Store business in the UK in January 2015. This follows the disposal of the division's Pastry business in the UK in Q3 2014. (combined annual revenue €271m),
- completed the acquisition of Rollover Ltd in the UK in January 2015 (annual revenue €18m),
- completed the acquisition of the trade and certain assets of Dairygold Co-operative's French food ingredients business in February 2015 (annual revenue €7m),
- commenced negotiations, which are now at an advanced stage, in relation to the sale of the Pinnacle lifestyle bakery business in Australia (annual revenue €160m).

The above will result in a net reduction in annualised revenues of approximately €406m (average EBITDA margin 9.5%).

Demand for clean-label, enhanced nutritional and health offerings, wider flavour profiles and increased convenience continued to drive innovation requirements.

FUTURE PROSPECTS

In the rapidly changing consumer and geopolitical environment across developed and developing markets, Kerry is well placed to maximise our global growth opportunities through strong innovation in partnership with our customers – exploiting the Group's market-leading taste & nutrition systems and functional ingredients & actives. Kerry Foods has made good progress to-date in repositioning its business portfolio and 'go-to-market' structures for today's consumer markets and channel requirements.

Our significant front office investment in recent years positions the Group well for future growth. Capital resources will be invested in continued organic development of the Group's growth platforms and in complementary acquisition investments. The current acquisition pipeline is strong, which building on the Group's 1 Kerry model can be readily structurally integrated.

Stan Mc Carthy
Chief Executive
23 February 2015

BUSINESS REVIEW

INGREDIENTS & FLAVOURS

REVENUE

2014

€4,337m

GROWTH

3.4%*

TRADING PROFIT

2014

€593m

GROWTH

+6.1%

TRADING MARGIN

2014

13.7%

GROWTH

+80bps

* continuing volume growth

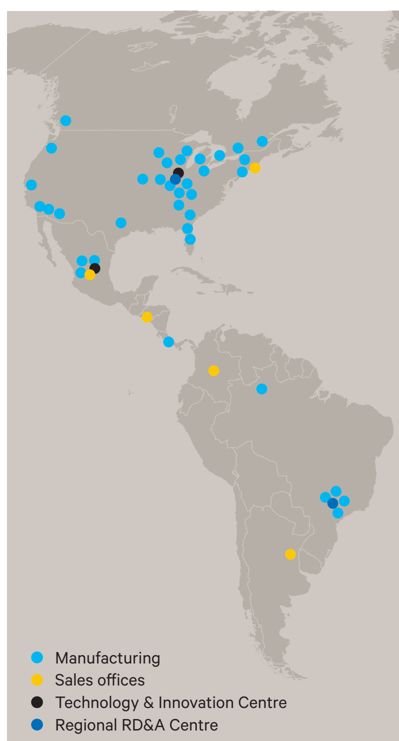
Gerry Behan, President and CEO Kerry Ingredients & Flavours.

Challenging macro-economic trends and changing consumer shopping behaviours meant that developed markets overall were relatively weak but provided good scope for innovation in health / wellness and niche growth sectors. While industry growth was weaker in some developing markets due to political or currency related issues, nevertheless Kerry continued to achieve solid growth and development – in particular in Asia. Group technologies grew favourably through successful partnership and alignment with customer / consumer needs for natural, authentic ingredients & flavours delivering enhanced nutritional values, functionality, convenience, quality and product safety.

Sales revenue on a reported basis at €4,337m reflects continuing business volume growth of 3.4% and 0.5% lower net pricing.

Trading profit grew by 6.1% to €593m reflecting an 80 basis points increase in divisional trading margin to 13.7%. In 2014 ingredients & flavours accounted for 74% of Group revenue and 83% of Group trading profit.

INNOVATION Our strong innovation pipeline in Taste & Nutrition is well aligned to changing consumer trends.
Kerry provides the largest, most innovative portfolio of Taste & Nutrition Systems and Functional Ingredients & Actives for the global Food, beverage and pharmaceutical industries.



Kerry performed well in the Americas in 2014 – in particular through clean-label, all-natural and health / wellness solutions.

3.3%

CONTINUING VOLUMES GREW BY OF 3.3% IN THE AMERICAS REGION

AMERICAS REGION

Economic growth in North America was positive in 2014 but lower than expected. Increased raw material and food price inflation limited growth opportunities for food and beverage manufacturers. In addition traditional grocery formats experienced lower sales as consumers increasingly utilised different channels and more convenient shopping formats. Packaged food and beverage demand in Mexico was also impacted by tax changes, including a new tax on high-calorie food and beverages. Consumer confidence in Brazil declined due to mounting concerns about high inflation and sluggish economic growth.

Despite the overall weaker industry environment, Kerry performed well in the Americas in 2014 – in particular through clean-label, all-natural and health / wellness solutions. Revenue in the American region at €1,901m reflects 3.3% continuing volume growth and 0.4% lower pricing.

Beverage systems & flavours delivered good growth in particular through aseptic offerings in nutritional segments. Tea and coffee applications maintained good growth momentum in foodservice chain accounts and through Kerry's branded products. Development in the soft drinks sector was subdued but good innovation opportunities were realised in the alcohol spirits categories and through brewing application solutions. *Da Vinci Gourmet* and *Big Train* branded beverage portfolios achieved solid growth particularly in Latin America.

Savoury, Dairy & Culinary systems & flavours performed well in particular in the meat industry and through foodservice applications. Performance in the North American meat sector was highly favourable through Kerry's seasonings and coatings technologies, and excellent progress was achieved through clean-label solutions. Growth in North American culinary segments was assisted by Wynnstarr Flavors acquired prior to year-end 2013.

Culinary technologies also grew in Central America and the Andean region of Latin America. The savoury snack sector continued to provide good growth opportunities and Kerry's market reach was further extended in Latin America.

In November the Group acquired *Junior Alimentos*, a leading provider of culinary and sweet systems, and complete solutions to the foodservice market in Brazil. Based in Cotia, Sao Paulo, Junior provides a complete portfolio of sauces, seasonings, dairy products, sweet ingredients and beverage systems to leading QSR chains and casual dining, restaurants and hospitality outlets in Brazil.

Cereal & Sweet technologies performed well despite industry conditions. Fermented ingredients' technologies consolidated Kerry's position as a preferred supplier of clean-label solutions to leading bakery companies in North and South America. Innovative snack offerings provided growth opportunities in the cereal and confectionery sectors. The Group's cereal manufacturing business in Argentina was disposed of in Q3.

Pharma ingredients recorded strong growth, in particular through cell nutrition and excipient applications. Cell nutrition growth was driven by increased global demand for therapeutic drug and vaccine solutions. Excipients grew across all regions with solid growth in Asian markets. Pharmaceutical applications also provided favourable opportunities for Kerry's flavour systems.

CONSUMER INSIGHTS Group technologies grew favourably through successful partnership and alignment with customer / consumer needs for natural, authentic ingredients & flavours delivering enhanced nutritional values, functionality, convenience, quality and product safety.

NUTRITION Kerry's goal is to enable our customers to deliver great-tasting, scientifically based, nutritional products to consumers across all stages of life, from new-born to ageing adults, for building and sustaining health.

EMEA REGION

The slow pace of economic recovery in Europe and continued frugal spending patterns at consumer level intensified competitiveness, particularly in developed markets. Youth unemployment levels remain a concern in many markets impacting consumer confidence. Geopolitical tensions and currency related pressures impacted growth in EMEA developing markets. While the Middle Eastern and South African markets showed some improvement in the second half of 2014, Russia and Eastern European markets progressively weakened due to the economic impact of the political situation in the region.

Overall EMEA market conditions remained challenging with limited growth opportunities. However Kerry continued to record good development progress and greater business efficiencies. Realignment of business structures and customer service capabilities ahead of the transition to the new Kerry Global Technology & Innovation Centre in Ireland was significantly advanced. Revenues in the EMEA region reported at €1,549m reflect a 0.5% reduction in continuing volumes and 0.8% lower pricing.

Beverage systems & flavours maintained solid progress through leading beverage accounts and in the foodservice channel. In line with customer demand for low calorie and zero calorie variants, Kerry flavour systems and citrus capabilities recorded good growth. In Western Europe and Sub-Saharan Africa successful development was achieved through Kerry taste solutions and enzyme technology – in particular in the brewing and wine sectors. In the branded foodservice segment the *Da Vinci* and *Big Train* brands continued to successfully extend penetration across new geographies in the speciality coffee and related beverage sectors – achieving significant growth in the Middle East.

Savoury, Dairy & Culinary systems maintained good growth in EMEA developing markets but market conditions in Western European markets remain challenging.

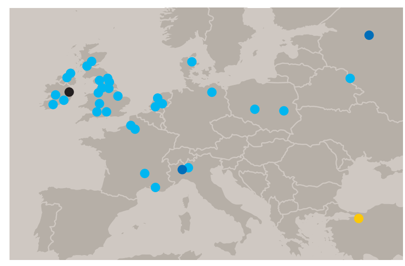
Kerry recorded good growth in the savoury snacks sector throughout the region. Dairy and culinary systems also performed well in the foodservice channel with good growth through *Kerrymaid* branded offerings. Performance in the meat category was mixed in 2014. Coatings technologies continued to achieve good growth in developed markets. Seasonings and functional systems progressed market development in developing markets. However, the strong growth recorded in Russia in 2014 slowed in Q4 due to the prevailing market situation.

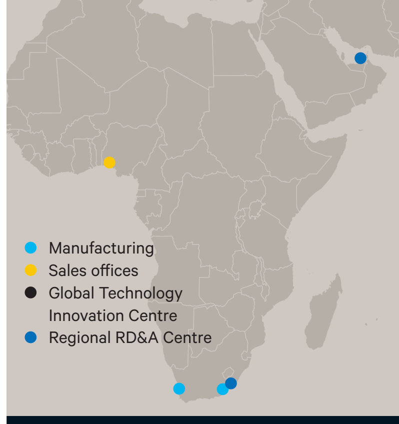
Since year-end the Group has acquired the trade and certain assets of Dairygold Co-operative's French food ingredients business.

Cereal & Sweet systems & flavours were impacted by sectoral competitiveness issues. However strong growth was achieved in the bakery and cereal bar categories – leveraging Kerry's all-natural functional solutions and low-water activity fillings. New inclusions and coatings lines achieved good growth in the ice cream and frozen desserts markets. Kerry also outperformed market conditions in the confectionery sector. South African markets, while extremely competitive in H1 2014, stabilised in Q4.

Functional Ingredients & Actives maintained a strong performance particularly in nutritional applications. Proteins benefited from strong demand for protein enriched foods globally. Expansion of the Utrecht (Netherlands) facility provided increased capacity to meet customer requirements for nutritional and functional hydrolysates. Enzymes delivered good growth in bakery and beverage markets. Nutritional ingredients and systems grew across all life-stage end-use-markets, particularly in the infant sector. Ongoing investment at the Charleville site in Ireland included commissioning of new nutritional production and packing facilities in Q1 2014.

Primary Dairy market price returns progressively weakened in H2 2014 due to increased output in key exporting countries and a build-up of inventories.





In Western Europe and Sub-Saharan Africa successful development was achieved through Kerry taste solutions and enzyme technology – in particular in the brewing and wine sectors.

In May, the Group opened a new Regional Development & Application Centre in Durban, South Africa to serve Sub-Saharan African markets and, in October, a new Centre was opened in Moscow to serve the Russian and CIS markets.

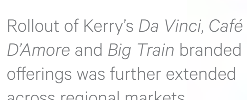
ASIA-PACIFIC REGION

Asia-Pacific developing markets provided excellent growth opportunities in 2014 where Kerry outperformed food and beverage market growth rates – benefiting from the increased Group resources deployed to market development in the region. Regional developed markets, in particular Australia and New Zealand, were impacted by intense competition due to retail pressures and industry profitability issues. The expanding foodservice channel continued to provide solid development opportunities for Kerry solutions throughout all regional markets. Localisation of taste and speed of innovation are key drivers of growth and development throughout all Asia-Pacific food and beverage markets – enabling Kerry to exploit its broad technology and applications capabilities. Reported Group revenues in the region grew to €807m, reflecting 11.8% growth in continuing volumes and 0.3% lower pricing.

Beverage systems & flavours maintained good growth in dairy, tea, coffee and nutritional beverage segments. Rollout of Kerry's *Da Vinci, Café D'Amore* and *Big Train* branded offerings was further extended across regional markets.

Savoury & Dairy technologies benefited from increased consumption trends in Asian markets but performance in Australia, New Zealand and Japan was impacted by industry competitive issues. Kerry's 'Dairy Complete' offerings recorded solid growth in confectionery, bakery and beverage markets – particularly in bakery and snack applications in China and Indonesia. Dairy technologies also continued to grow in India and the Philippines. Culinary systems performed well in foodservice applications throughout Asian developing markets. Phase 1 of a major upgrading and expansion programme at the Group's Nantong, China production facility was significantly progressed.

Localisation of taste and speed of innovation are key drivers of growth and development throughout all Asia-Pacific food and beverage markets – enabling Kerry to exploit its broad technology and applications capabilities.



Rollout of Kerry's *Da Vinci, Café D'Amore* and *Big Train* branded offerings was further extended across regional markets.

11.8%

11.8% GROWTH IN CONTINUING VOLUMES IN THE ASIA-PACIFIC REGION

Asia-Pacific developing markets provided excellent growth opportunities in 2014 where Kerry outperformed food and beverage market growth rates – benefiting from the increased Group resources deployed to market development in the region.

Sweet technologies continued to grow through Kerry Pinnacle in the Australian lifestyle bakery sector and through further market development in Asia.

Functional Ingredients & Actives maintained good growth in Asian nutritional, pharmaceutical and beverage markets. Benefiting from Kerry's expanded production facilities in Ireland and sustainable dairy raw materials, excellent market development was recorded in premium infant nutrition markets, particularly in China and Vietnam.

Establishment of the Group's Technology & Innovation Centre in Singapore was completed prior to year-end. A new Regional Development & Application Centre was opened in Bangalore, India and a Regional Application Centre was established in Manila, the Philippines.

BUSINESS REVIEW

CONSUMER FOODS

REVENUE

2014

€1,509m

GROWTH

(0.7%)*

TRADING PROFIT

2014

€125m

GROWTH

(2.6%)

TRADING MARGIN

2014

8.3%

GROWTH

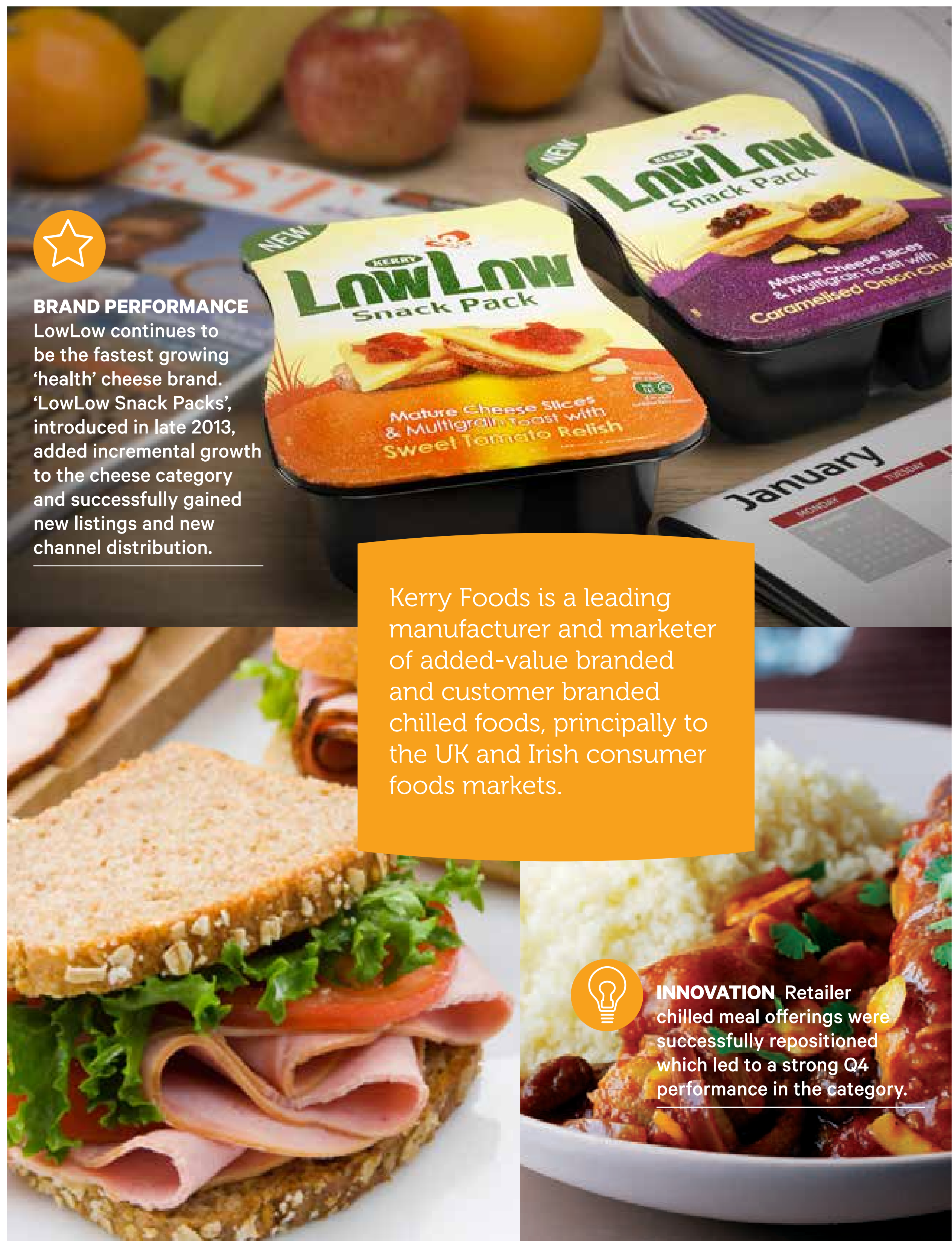
+30bps

* continuing volume growth

Flor Healy, CEO Kerry Foods

Against a background of difficult market conditions in the Irish and UK consumer foods' markets; due to increased fragmentation, polarisation and intense competitiveness in the retail grocery sector coupled with continued restrained consumer spending; Kerry Foods performed satisfactorily in 2014 – while continuing to successfully progress its business repositioning strategies for today's changing marketplace.

Consumer confidence improved in 2014 but growth rates across consumer foods categories remain weak to negative in most sectors. However with softening inflation and marginal deflation by year-end in the UK, trading conditions showed some improvement in Q4. Discounter chains continued to gain traction at the expense of other multiple retailers. Online grocery shopping continued to grow where Kerry's increased channel investment led to strong growth of its branded offerings – outperforming retail channel growth rates. Promotional activity continued in 2014 but focused more on pricing than volume related programmes.



BRAND PERFORMANCE
LowLow continues to be the fastest growing 'health' cheese brand. 'LowLow Snack Packs', introduced in late 2013, added incremental growth to the cheese category and successfully gained new listings and new channel distribution.

Kerry Foods is a leading manufacturer and marketer of added-value branded and customer branded chilled foods, principally to the UK and Irish consumer foods markets.

INNOVATION Retailer chilled meal offerings were successfully repositioned which led to a strong Q4 performance in the category.

The ongoing repositioning programme in Kerry Foods, to improve the quality of its portfolio in line with Group metrics and to capitalise on snacking, health and convenience trends, was further progressed which impacted reported sales revenue in 2014. This included restructuring of the Direct-To-Store services to the independent and convenience retail sectors in the UK and Ireland and following agreement with Pork Farms, Kerry Foods' chilled savoury pastry manufacturing assets in Poole, Dorset and Spalding, Lincolnshire were acquired by the Pork Farms Group in August. Since year-end a management buy-out of the division's Direct-To-Store business in the UK was completed.

Reported revenues decreased by 5.8% to €1,509m. Continuing business volumes were 0.7% lower and pricing reduced by 0.6%. Trading profit decreased by 2.6% to €125m. Business efficiency improvements and repositioning to-date contributed to the division's 30 basis points improvement in trading margin to 8.3%.

UK Brands maintained strong brand development. Kerry Foods offerings traded ahead of market growth rates in the sausage sector. Richmond again grew brand penetration where seasonal pack formats assisted sales growth at key events. Wall's microwaveable sausages were successfully re-launched as 'Wall's Ready Baked' – with range extension to three flavours. Mattessons Fridge Raiders improved its brand positioning in the meat snacking sector - recording double digit growth in the convenience channel and solid Q4 overall category performance. Mattessons Double Dippers further consolidated its positioning in the female snack category. In the cheese snacking sector, Cheestrings, while continuing to be the most frequently purchased cheese snack in the category, was impacted in 2014 by deep competitor promotional activity. LowLow continues to be the fastest growing 'health' cheese brand. 'LowLow Snack Packs', introduced in late 2013, added incremental growth to the cheese category and successfully gained new listings and new channel distribution.

Business efficiency improvements and repositioning to-date contributed to the division's 30 basis points improvement in trading margin to 8.3%.

Since year-end, the Group acquired *Rollover Ltd* in the UK, further extending Kerry Foods' 'hot-to-go' offering and broadening channel distribution in the 'out-of-home' sector – in particular in the leisure and foodservice segments.

UK Customer Brands performance, particularly in chilled ready meals, recovered encouragingly in H2 in comparison to the first half of 2014. Retailer chilled meal offerings were successfully repositioned which led to a strong Q4 performance in the category. Kerry Foods outperformed market growth rates in the ready-to-cook sector. The frozen meals market remains highly competitive due to a continued high level of retailer promotional activity. However Kerry Foods performed satisfactorily in the frozen category due to new channel and business development and strong year-on-year growth of the Bisto and Sharwoods brands. In the private label spreads sector Kerry traded well ahead of the overall market.

Brands Ireland continued to invest in quality offerings across its core brands, including Denny Deli Style 100% Natural Ham and Shaws and Denny poultry premium crafted meats. The re-launched Denny Gold Medal sausage brand also grew brand market share in a continuing competitive market where discounter offerings continue to increase category growth. Dairygold again grew brand share in dairy spreads – benefiting from the successful "Butter it with Dairygold" campaign featuring new usage occasions and seasonal programmes. Charleville also gained brand growth in the cheese category. Cheestrings continued to grow satisfactorily in France and Germany, and experienced significant growth in its new markets in Austria and Poland. The 'Yollies' children's yoghurt snack achieved encouraging growth following its launch in Ireland in Q3 and introduction to the UK market later in the year.

FINANCIAL REVIEW

CONTINUING VOLUME GROWTH

2014

2.4%

TRADING PROFIT UP 4.1% TO

€636 million

ADJUSTED* EPS GROWTH UP 8.1% TO

278.9c

Brian Mehigan, Chief Financial Officer

The Financial Review provides an overview of the Group's financial performance for the year ended 31 December 2014 and of the Group's financial position at that date. Specifically, the following measures, which are considered key performance indicators of the Group's underlying performance, are also discussed:

Growth

- Adjusted* earnings per share (EPS) growth
- Continuing volume growth
- Trading profit margin growth

Return

- Return on average equity (ROAE*)
- Return on average capital employed (ROACE*)
- Cash flow return on investment (CFROI)

MORE INFORMATION

* Before brand related intangible asset amortisation and non-trading items (net of related tax)

ANALYSIS OF RESULTS

Reconciliation of adjusted* earnings to profit after taxation	% change	2014 €'m	2013 €'m
Revenue	(1.4%)	**5,756.6**	5,836.7
Trading profit	4.1%	**636.4**	611.4
Trading margin		***11.1%***	*10.5%*
Computer software amortisation		**(13.6)**	(11.5)
Finance costs (net)		**(52.9)**	(67.6)
Adjusted earnings before taxation	7.1%	**569.9**	532.3
Income taxes (excluding non-trading items)		**(79.6)**	(79.1)
Adjusted earnings after taxation	8.2%	**490.3**	453.2
Brand related intangible asset amortisation		**(14.4)**	(16.6)
Non-trading items (net of related tax)		**4.0**	(352.2)
Profit after taxation		**479.9**	84.4
		EPS Cent	EPS Cent
Adjusted* EPS	8.1%	**278.9**	257.9
Brand related intangible asset amortisation		**(8.2)**	(9.4)
Non-trading items (net of related tax)		**2.3**	(200.5)
Basic EPS		**273.0**	48.0

** Before brand related intangible asset amortisation and non-trading items (net of related tax)*

Revenue
On a reported basis Group revenue decreased by **1.4%** to **€5.76 billion** (2013: €5.84 billion). Like-for-like (LFL) revenue grew **0.4%** after allowing for the negative impact of business disposals net of acquisitions of **1.3%** and the negative reporting currency impact of **0.5%**. Continuing volumes grew by **2.4%**, product pricing decreased by **0.5%** and there was a negative transaction related currency impact of **0.1%**. Rationalisation volumes, due to restructuring of production across the Group's manufacturing sites in the previous year amounted to **1.4%**.

In Ingredients & Flavours, reported revenue increased by **0.2%** to **€4.3 billion** (2013: €4.3 billion). LFL revenue grew **1.6%** after allowing for business acquisitions net of disposals of **0.3%** and the negative reporting currency impact of **1.7%**. Continuing volumes grew by **3.4%**, product pricing decreased by **0.5%** and there was a negative transaction related currency impact of **0.1%**. Rationalisation volumes, due to restructuring of production across the Group's manufacturing sites in the previous year amounted to **1.2%**.

Reported revenue growth by destination was **1.0%** in the Americas, **(3.3%)** in EMEA and **5.4%** in Asia Pacific, while LFL revenue growth in each region was **1.8%** in the Americas, **(2.8%)** in EMEA and **10.5%** in Asia Pacific. Sales to developing markets represent **25%** of Ingredients & Flavours revenue.

In Consumer Foods, reported revenue decreased by **5.8%** to **€1.5 billion** (2013: €1.6 billion). LFL revenue decreased **3.0%** after allowing for the negative impact of business disposals net of acquisitions of **5.3%** and the positive reporting currency impact of **2.5%**. Continuing volumes decreased by **0.7%**, product pricing decreased by **0.6%** and there was a positive transaction related currency impact of **0.1%**. Rationalisation volumes, due to restructuring of production across the Group's manufacturing sites in the previous year amounted to **1.8%**.

Trading profit
On a reported basis, Group trading profit increased by **4.1%** to **€636.4m** (2013: €611.4m). This equates to LFL growth of **5.3%** allowing for the negative impact of reporting currency of **0.6%** and business disposals net of acquisitions of **0.6%.** This LFL growth increases to **6.2%** when the incremental year on year expenditure on the Kerryconnect programme of €5.6m is taken into account.

Trading profit margin
Group trading profit margin increased **60 basis points** (bps) to **11.1%**. Ongoing added value business development which is improving product mix, coupled with the benefits accruing through the 1 Kerry Business Transformation Programme and the positive impact from exiting non-core business activities contributed to the improvement in the Group trading profit margin.

Trading profit margin in Ingredients & Flavours increased by **80 bps** to **13.7%**, due to the benefits of improved product mix, operating leverage and business efficiency programmes. Trading profit margin in Consumer Foods increased by **30 bps** to **8.3%** due to business efficiency gains combined with the positive impact from exiting non-core business activities.

MORE INFORMATION

A comprehensive analysis of the revenue and trading profit performance of the Ingredients & Flavours and Consumer Foods divisions is included in the Business Review on **pgs10-21**

Finance costs (net)

Finance costs (net) for the year decreased by €14.7m to **€52.9m** (2013: €67.6m) primarily due to a combination of cash generated from operations, lower interest rates and foreign exchange movements. The Group's average interest rate for the year was **3.6%**, a decrease of 40 bps from the prior year (2013: 4.0%).

Disposal of businesses and assets

During the year, the Group disposed of the Consumer Foods Pastry business in the UK, and a small Ingredients & Flavours subsidiary in Argentina. A loss of **€0.6m** was recorded on these disposals. A net tax credit of **€3.9m** arose due to the tax deduction on disposal. These businesses were classified as held for sale in 2013. The Group also disposed of property, plant and equipment for a gain of **€0.7m**. The Group is actively progressing the divestiture of the remaining assets held for sale at year-end.

Taxation

The tax charge for the year, before non-trading items, was **€79.6m** (2013: €79.1m) representing an effective tax rate of **14.3%** (2013: 15.3%). The decrease in the effective tax rate was primarily driven from the geographical split of profits, R&D investment mainly in Ireland and changes in country tax rates.

Adjusted EPS

Adjusted EPS increased by **8.1%** to **278.9 cent** (2013: 257.9 cent).

Basic EPS

Basic EPS increased to **273.0 cent** from 48.0 cent, as the prior year number was impacted by non-trading items.

Exchange rates

Group results are impacted by fluctuations in exchange rates versus the euro. The average and closing rates used to translate reported results are detailed below:

	Average Rates		Closing Rates	
	2014	2013	**2014**	2013
Australian Dollar	**1.46**	1.36	**1.48**	1.54
Brazilian Real	**3.14**	2.84	**3.22**	3.23
British Pound Sterling	**0.81**	0.84	**0.78**	0.83
Canadian Dollar	**1.47**	1.37	**1.41**	1.47
Chinese Renminbi	**8.16**	8.13	**7.46**	8.42
Malaysian Ringgit	**4.33**	4.13	**4.25**	4.53
Mexican Peso	**17.54**	16.81	**17.87**	18.03
Russian Ruble	**50.95**	42.30	**68.34**	44.97
South African Rand	**14.28**	12.77	**14.04**	14.57
US Dollar	**1.33**	1.32	**1.21**	1.38

Dividends

The Board has proposed a final dividend of 31.5 cent per A ordinary share payable on 15 May 2015 to shareholders registered on the record date 10 April 2015. When combined with the interim dividend of 13.5 cent per share, the total dividend for the year amounted to 45.0 cent per share (2013: 40.0 cent per share) an increase of 12.5%.

KEY PERFORMANCE INDICATORS

The metrics outlined below have been identified as the Key Performance Indicators (KPIs) for the Group. These KPIs are used to measure the financial and operational performance of the Group and are used to track progress in achieving long term targets. KPIs for the current 5 year cycle (2013 - 2017) including the Group's performance in 2014 are discussed below:

Key Performance Indicators	Target	*2 Year Average*	2014	2013
Growth				
Adjusted* EPS growth	**10%+**	*9.2%*	**8.1%**	10.2%
Continuing volume growth	**3% to 5%****	*2.7%*	**2.4%**	3.0%
Trading profit margin growth	**30 bps p.a.**	*75 bps*	**60 bps**	90 bps
Return				
Return on average equity (ROAE*)	**15%+**	*18.3%*	**18.6%**	18.0%
Return on average capital employed (ROACE*)	**12%+**	*14.3%*	**14.4%**	14.2%
Cash flow return on investment (CFROI)	**12%+**	*10.9%*	**9.1%**	12.6%

** Before brand related intangible amortisation and non-trading items (net of related tax)*
*** Assumes market growth rate of 2% to 3% p.a. and neutral currency and raw materials*

Adjusted* EPS growth was **8.1%** for the year. The year on year increase in adjusted EPS from 257.9 cent to **278.9 cent** was primarily attributable to higher trading profits and a decrease in finance costs.

Continuing volume growth in 2014 was **2.4%** (2013: 3.0%) driven by **3.4%** (2013: 4.1%) in Ingredients & Flavours and **(0.7%)** (2013: 0.1%) in Consumer Foods.

Trading profit margin increased by **60 bps** to **11.1%** (2013: 10.5%). Trading profit margin in Ingredients & Flavours increased **80 bps** to **13.7%** (2013: 12.9%) while Consumer Foods trading margin increased **30 bps** to **8.3%** (2013: 8.0%).

Return on investment is measured by the Group on a profit basis using ROAE and ROACE and on a cash basis using CFROI. For 2014 the Group achieved ROAE of **18.6%** (2013: 18.0%), ROACE of **14.4%** (2013: 14.2%), while CFROI was **9.1%** (2013: 12.6%).

Free cash flow is seen as an important indicator of the strength and quality of the business and of the availability of funds to the Group for reinvestment or for return to the shareholder. In 2014 the Group achieved a free cash flow of **€302.9m** (2013: €412.1m) analysed below with a free cash flow to EBITDA conversion rate of **40.9%**.

Free Cash Flow	2014 €'m	2013 €'m
Trading profit	**636.4**	611.4
Depreciation (net)	**103.5**	108.9
Movement in average working capital	**(59.2)**	(9.4)
Purchase of assets (excluding R&D centres)	**(201.0)**	(156.0)
Business operating cash flow	**479.7**	554.9
Capital expenditure on R&D centres	**(56.4)**	(20.7)
Pension contributions paid less pension expense	**(48.0)**	(35.6)
Finance costs paid (net)	**(41.8)**	(50.3)
Income taxes paid	**(30.6)**	(36.2)
Free cash flow	**302.9**	412.1

MORE INFORMATION

In addition to the above KPIs, the Group also has a number of non-financial measures, which are outlined in the Sustainability Review on **pg30**

BALANCE SHEET

A summary balance sheet as at 31 December is provided below:

	2014 €'m	2013 €'m
Intangible assets	**2,629.0**	2,392.7
Property, plant & equipment	**1,283.4**	1,090.5
Other non-current assets	**228.6**	77.3
Current assets	**1,826.8**	1,649.1
Total assets	**5,967.8**	5,209.6
Current liabilities	**1,633.7**	1,366.6
Non-current liabilities	**2,098.5**	1,875.5
Total liabilities	**3,732.2**	3,242.1
Net assets	**2,235.6**	1,967.5
Shareholders' equity	**2,235.6**	1,967.5

Intangible assets & acquisitions

Intangible assets increased by €236.3m to **€2,629.0m** (2013: €2,392.7m). Intangible assets of **€124.2m** were recorded in the year relating to acquisitions completed by the Group, with an additional increase of **€103.9m** due to year-end exchange rates used to translate intangible assets other than those denominated in euro. There was no impairment charge in the year (2013: €61.0m).

Retirement benefits

At the balance sheet date, the net deficit for defined benefit schemes (after deferred tax) was **€393.3m** (2013: €207.3m). The deficit increased during the year, primarily due to a decrease in the discount rates in the UK, Eurozone and the US. The net deficit expressed as a percentage of market capitalisation at 31 December was **3.9%** (2013: 2.3%). The charge to the income statement during the year, for both defined benefit and defined contribution schemes was **€50.4m** (2013: €52.4m).

Shareholders' equity

Shareholders' equity increased by €268.1m to **€2,235.6m** (2013: €1,967.5m), resulting from profits generated during the year and stronger year-end exchange rates, offset in part by dividends.

A full reconciliation of shareholders' equity is disclosed in the Consolidated Statement of Changes in Equity on page 90.

CAPITAL STRUCTURE

The Group finances its operations through a combination of equity and borrowing facilities, including bank borrowings and senior notes from capital markets.

The financing structure of the Group is managed in order to optimise shareholder value while allowing the Group to take advantage of opportunities that might arise to grow the business. The Group targets acquisition and investment opportunities that are value enhancing and the Group's policy is to fund these transactions from cash flow or borrowings while maintaining its investment grade debt status.

This is managed by setting net debt to EBITDA targets while allowing flexibility to accommodate significant acquisition opportunities. Any expected variation from these targets should be reversible within twelve to eighteen months; otherwise consideration would be given to issuing additional equity in the Group.

FREE CASH FLOW	NET DEBT : EBITDA	ROACE
2014	2014	2014
€303m	1.6 times	14.4%

Net debt

Net debt at the end of the year was **€1,195.3m** (2013: €1,083.1m). The increase during the year is analysed in the table below:

Movement in Net Debt	2014 €'m	2013 €'m
Free cash flow	**302.9**	412.1
Acquisitions (net of disposals) including payments relating to previous acquisitions	**(156.5)**	(106.8)
Difference between average working capital and year-end working capital	**(20.1)**	(24.6)
Expenditure on non-trading items	**(74.5)**	(104.8)
Equity dividends paid	**(73.0)**	(65.0)
Issue of share capital	**-**	0.1
Exchange translation adjustment on profits	**3.3**	(0.2)
(Increase)/decrease in net debt resulting from cash flows	**(17.9)**	110.8
Fair value movement on interest rate swaps	**(5.5)**	(3.9)
Exchange translation adjustment on net debt	**(88.8)**	20.8
(Increase)/decrease in net debt in the year	**(112.2)**	127.7
Net debt at beginning of year	(1,083.1)	(1,210.8)
Net debt at end of year	**(1,195.3)**	(1,083.1)

Exchange impact on net debt

The exchange translation adjustment of **€88.8m** results primarily from borrowings denominated in US dollar translated at a year-end rate of **$1.21** versus a rate of $1.38 in 2013.

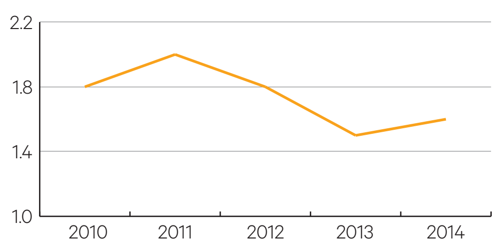
Maturity Profile of Net Debt	2014 €'m	2013 €'m
Within 1 year	**(21.0)**	201.2
Between 1 and 2 years	**(132.4)**	(239.1)
Between 2 and 5 years	**(144.5)**	(207.4)
Over 5 years	**(897.4)**	(837.8)
Net debt at end of year	**(1,195.3)**	(1,083.1)
Weighted average maturity (years)	**5.2**	6.3

Key financial covenants

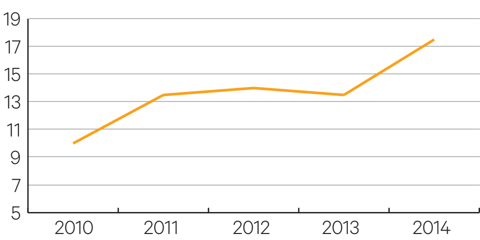
The majority of Group borrowings are subject to financial covenants calculated in accordance with lenders' facility agreements. The Group's balance sheet is in a healthy position. With a net debt to EBITDA* ratio of 1.6 times, the organisation has sufficient headroom to support its future growth plans. Group Treasury monitors compliance with all financial covenants and at 31 December the key covenants were as follows:

	Covenant	**2014 Times**	2013 Times
Net debt: EBITDA*	Maximum 3.5	**1.6**	1.5
EBITDA: Net interest*	Minimum 4.75	**17.2**	13.3

Net Debt: EBITDA*



EBITDA: Net Interest*



** Calculated in accordance with lenders' facility agreements which take account of adjustments as outlined on page 156.*

Credit facilities

Undrawn committed facilities at the end of the year were **€867.0m** (2013: €927.0m) while undrawn standby facilities were **€351.0m** (2013: €315.0m).

MORE INFORMATION

Full details of the Group's financial liabilities, cash at bank and in hand and credit facilities are disclosed in **notes 23** and **24** to the consolidated financial statements.

Share price and market capitalisation

The Company's shares traded in the range €49.60 to €60.09 during the year. The share price at 31 December was **€57.07** (2013: €50.50) giving a market capitalisation of **€10.0 billion** (2013: €8.9 billion). Total Shareholder Return for 2014 was **13.8%**.

Investor Relations

Kerry's senior management team are committed to interacting with the international shareholder community to ensure a full understanding of Kerry's strategic plan, long term targets and current trading performance. During the year members of the executive management team presented at 16 capital market conferences and met approximately 500 institutional investors at conferences, one-on-one meetings and group presentations.

FINANCIAL RISK MANAGEMENT

The Group has a clearly defined Financial Risk Management Programme, which is approved by the Board of Directors and is subject to regular monitoring by the Finance Committee and the Group Internal Auditors. The Group operates a centralised treasury function, which manages the principal financial risks of the Group. The Group does not engage in speculative trading.

POST BALANCE SHEET EVENTS

Since the year-end, the Group has:

- completed the acquisition of Rollover Limited in the Consumer Foods division in the UK;
- completed the disposal of the Consumer Foods division's Direct-To-Store business in the UK;
- completed the acquisition of the trade and certain assets of Dairygold Co-Operative's French food ingredients business; and
- commenced negotiations, which are now at an advanced stage, in relation to the sale of the Pinnacle lifestyle bakery business in Australia.

SUMMARY AND FINANCIAL OUTLOOK

Despite challenging consumer, trading and financial conditions the Group delivered another strong performance in 2014 generating revenue of **€5.8 billion**, trading profit of **€636.4m** and free cash flow of **€302.9m**. At year-end the balance sheet is also in a good position and with a net debt: EBITDA ratio of **1.6 times**, the Group has sufficient headroom to support the future growth plans of the organisation.

Despite challenging market and financial conditions continuing to prevail going into 2015, the Group looks forward to further financial growth and development in the year ahead.

MORE INFORMATION

Further details relating to the Group's financial risks and its Financial Risk Management Programme are disclosed in Principal Risk and Uncertainties on **pgs46-48** and in **note 24** to the consolidated financial statements.

KERRY GROUP - 10 YEAR EARNINGS HISTORY

	2005 €'m	2006 €'m	2007 €'m	2008 €'m	2009 €'m	2010 €'m	2011 €'m	**2012 €'m	2013 €'m	2014 €'m
Revenue	4,429.8	4,645.9	4,787.8	4,790.8	4,520.7	4,960.0	5,302.2	5,848.3	5,836.7	**5,756.6**
Trading profit	380.2	383.7	401.1	409.2	422.3	470.2	500.5	559.0	611.4	**636.4**
Computer software amortisation	(1.5)	(2.0)	(2.6)	(3.6)	(4.5)	(4.3)	(5.4)	(8.7)	(11.5)	**(13.6)**
Finance costs (net)	(68.4)	(76.9)	(79.1)	(77.6)	(69.8)	(60.5)	(46.0)	(62.1)	(67.6)	**(52.9)**
Adjusted earnings before taxation*	310.3	304.8	319.4	328.0	348.0	405.4	449.1	488.2	532.3	**569.9**
Income taxes (excluding non-trading items)	(65.7)	(57.8)	(64.5)	(62.7)	(61.2)	(68.7)	(74.6)	(77.3)	(79.1)	**(79.6)**
Adjusted earnings after taxation*	244.6	247.0	254.9	265.3	286.8	336.7	374.5	410.9	453.2	**490.3**
Brand related intangible asset amortisation	(8.8)	(10.1)	(10.0)	(11.3)	(12.3)	(11.8)	(13.9)	(14.7)	(16.6)	**(14.4)**
Non-trading items (net of tax)	0.1	(59.2)	1.2	(77.0)	(73.3)	(0.7)	0.1	(135.5)	(352.2)	**4.0**
Profit after taxation and attributable to owners of the parent	235.9	177.7	246.1	177.0	201.2	324.2	360.7	260.7	84.4	**479.9**
Adjusted EPS (cent)*	130.8	132.8	142.4	151.8	163.9	192.1	213.4	234.0	257.9	**278.9**

** Adjusted EPS, adjusted earnings before taxation and adjusted earnings after taxation are calculated before brand related intangible asset amortisation and non-trading items (net of related tax) and are considered more reflective of the Group's underlying trading performance.*

*** 2012 was restated in line with IAS 19 (2011) 'Employee Benefits' which was adopted as required by IFRS in 2013. All other years are presented as reported.*

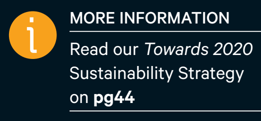
SUSTAINABILITY REVIEW

KERRY SUSTAINABILITY PROGRAMME

Kerry has worked systematically since its establishment to recognise its corporate social responsibilities. Over the past decade, the Group has increasingly embedded sustainability thinking and positive action into the activities of all Group businesses and operations worldwide. Our Sustainability Programme represents a journey of continuous improvement – an ongoing process and strategy to secure sustainable growth.

As a world leader in ingredients & flavours and as a major consumer foods organisation in Europe, Kerry aims to conduct its business in a responsible and sustainable manner. This demands a holistic approach to Group activities involving close liaison with our customers, suppliers, regulatory authorities, employees and other relevant stakeholders. Our Kerry Group Sustainability Council appraises, directs and provides leadership in promoting industry best practice sustainability programmes throughout the Group. Its membership includes Directors of Group functions with responsibility for all pillars of Kerry's Sustainability Programmes. The Kerry Group Sustainability Council, led by a Senior Executive reports to the Group CEO – who reports to the Kerry Group Board of Directors on sustainability issues.

'TOWARDS 2020'



MORE INFORMATION

Read our *Towards 2020* Sustainability Strategy on **pg44**

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

Stan McCarthy,
Chief Executive

OUR SUSTAINABILITY STRATEGY

In 2012, we launched our 1 Kerry Sustainability Programme 2012 – 2015, a three year sustainability plan, with focused measurable goals aligned with business objectives. The Programme has provided a framework and governance approach to ensure the long-term development of the organisation by building competitiveness, while at the same time enhancing the quality of life and protecting our natural resources. The Group delivered good progress on all its sustainability aspirations and objectives in 2014. The results also mark the completion of the Group's 2012 – 2015 programme, exceeding many of the targets set.

We have worked diligently to progress our 1 Kerry Sustainability vision, making many accomplishments along the way – a number of which are detailed in this Sustainability Review. We are now determined to take the next big step on our sustainability journey through our new Kerry Group Sustainability Strategy 'Towards 2020'. Our 'Towards 2020' strategy will build on the Group's work and achievements to date and will guide Kerry's work during the next five years - becoming a blueprint for successful and sustainable development for years to come.

OUR FRAMEWORK

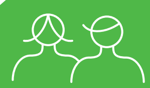
At Kerry, our approach to sustainable development is based around four key pillars: **Environment, Marketplace, Workplace and Community.** These pillars provide a clear vision for our critical areas of focus and reflect the global challenges and opportunities that are material to Kerry Group and its stakeholders.

Under each pillar we have identified our aspirations, our medium-term strategic plan and annual targets. This Sustainability Review and our 'Towards 2020' Strategy will reflect the progress we are making and our plans as we continue our sustainability journey.

ENVIRONMENT SUSTAINABILITY

MARKETPLACE SUSTAINABILITY

WORKPLACE SUSTAINABILITY



COMMUNITY SUSTAINABILITY

Our Technology and Innovation Centres provide research and expertise enabling the development of new products to meet consumers' changing health and nutritional needs **pg36**

Kerry continues to play a vital role in supporting local communities and in participating in community development programmes throughout the world **pg42**

KERRY'S CODE OF CONDUCT

Employees at all levels in the Group must adhere to Kerry's Code of Conduct and the Group policies supporting it.

It is the responsibility of Directors and senior management to ensure that all employees who directly or indirectly report to them are fully aware of Kerry's policies and procedures regarding the conduct of Group businesses. It is also the responsibility of Directors and senior management to lead by example and to demonstrate the highest standards of integrity in carrying out their duties on behalf of the Company.

1 KERRY SUSTAINABILITY PROGRAMME 2012-2015

1. ENVIRONMENT	2. MARKET	3. WORKPLACE	4. COMMUNITY
Climate / Efficiency / Waste	*Quality / Sourcing / Nutrition*	*People / Ethics*	*Social / Economic*
ASPIRATIONS			
Continue to improve our environmental stewardship	Through our leading innovation and product development expertise, we will continue to enhance the nutritional value of our ingredients and continue to assist our valued customers	Continue to conduct our business in a responsible and ethical manner and be an employer of choice	Be a responsible neighbour by driving and supporting outreach initiatives in our local communities
Drive efficiency in resource use (energy & water)	Make quality a distinguishing capability	Through our Code of Conduct we will continue to provide a safe and healthy environment in which to work	Continue to partner with the international programme to alleviate world hunger in developing regions
Exceed in efforts to reduce waste and increase recycling	Ensure responsible sourcing practices		
	Ensure 75% of strategic supply partners are formalised as members of SEDEX		
THREE YEAR STRATEGIC PLAN			
Manage climate change, drive efficiency in resource use and reduce waste	Leverage Kerry's ingredients & flavours' technology platforms and applications expertise to improve nutritional values of food and beverage products in partnership with our customers	Drive ethical business practices and compliance to Kerry Code of Conduct	Assist and actively engage in development programmes in our communities to improve - health and nutrition, entrepreneurship, amenity/community development projects, education, sport and the arts
Develop long and short term sustainability gains in operations	Embed postive nutritional values in product development and innovation programmes aligned to customer requirements	Ensure wages are competitive and all labour standards are fair, equitable and meet or exceed local guidelines	Assist Concern Worldwide in implementing the 'RAIN' (Realigning Agriculture to Improve Nutrition) project in the developing world
Deliver on our brand sustainability strategy plan	Achieve Global Food Safety Initiative (GFSI) certification of all Kerry manufacturing sites	Embrace diversity across our workforce, our customer base and the communities we serve	
	Partner with our customers in sustainable sourcing of strategic ingredients		
2014 GOALS			
Achieve our annual goal for ISO 14001 approvals	Implementation of 1 Kerry Global Quality Management System (GQMS)	Promote Kerry employee brand values	Formalise community engagement programmes in all our communities
Achieve an overall 12% reduction in greenhouse gas emissions by end of 2014 (compared to baseline year 2009)	Certify all plants against an accredited Global Food Safety Initiative (GFSI) safety standard	Formalise policies in line with Human Rights Conventions	Share community support best practices
Reduce water use by 4% by end of 2014 (compared to baseline year 2011)	Achieve our annual targets for SEDEX membership	Implement 1 Kerry Global Health & Safety Management Systems	Support employee philanthropy programmes
Reduce waste by 6.5% by end of 2014 (compared to baseline year 2011)	Achieve 100% sourcing of sustainable palm oil for all Kerry Foods' branded products	Achieve a 5% reduction in the Accident Incident Rate (AIR)	
Implement our Origin Green Programme in Ireland	Implement our Origin Green Programme in Ireland	Implement our Origin Green Programme in Ireland	Implement our Origin Green Programme in Ireland

SECURING SUSTAINABLE GROWTH

ENVIRONMENT

For Kerry Group, sustainable production encompasses social, economic and ecological considerations such as emissions, energy utilisation, waste reduction and improving water utilisation. All our work is supported by new technologies, processes, innovation and by some of the most highly trained experts in industry. The Group's Environmental Policy, 'Kerry's Eye for the Environment' sets out our core goals and commitment to conducting our business in an environmentally friendly and responsible manner. Through our extensive environmental management systems and ongoing improvement programmes, we are actively addressing the challenges posed by climate change and managing our environmental impact. These include measures with respect to energy utilisation, water intake, effluent and waste; and our Sustainability Programme sets out our targets against these KPIs.

Through our extensive environmental management systems and ongoing improvement programmes, we are actively addressing the challenges posed by climate change and managing our environmental impact.

KERRY'S EYE FOR THE ENVIRONMENT

Kerry Group is committed to supplying products that meet or exceed the expectations of our customers while conducting business in an environmentally friendly and Responsible manner.

This will be achieved through;

1. Managing the impact on the environment in a pro-active way through waste prevention and minimisation, re-use, recycling and ultimately safe disposal.

2. Conserving energy, raw materials and natural resources throughout all Group operations.
3. Adopting appropriate measures to manage environmental risks, including emergency response plans.
4. Complying with all applicable environmental legislation/regulations and with accepted codes of good environmental practice.
5. Taking account of the environment at all stages, including product development, manufacturing and distribution operations.
6. Encouraging and where appropriate requiring suppliers and contractors to implement sustainable environmental policies and effective environmental management systems.
7. Striving to continuously improve environmental performance in all aspects of the business.
8. Setting and reviewing specific environmental objectives and targets based on this policy–including targets relating to the conservation of energy and material resources, emissions to air, land and water and risk management.
9. Putting in place the necessary structures and resources, including training and awareness programmes, to underpin this policy.

KERRY 2012-2015 ENVIRONMENT PROGRAMME

TARGETS	SCOPE 1 & 2 CARBON EMISSIONS v BASELINE YEAR 2009	WATER USE v BASELINE YEAR 2011	WASTE v BASELINE YEAR 2011
	-12%	-4%	-6.5%
PERFORMANCE	-13.4%	-4.2%	-20%

Greenhouse gas (GHG) emission reduction remains a key priority for us.

2014 CO_2 PER TONNE FG	2014 TARGET CO_2 PER TONNE FG*
319kg	324kg

% REDUCTION SINCE 2009*	% TARGET REDUCTION FROM 2009 BY 2014*
13.4%	12%

*Novem Adjusted

CARBON EMISSIONS

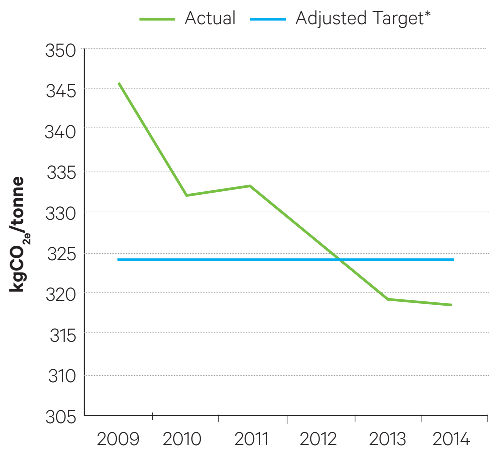
Greenhouse gas (GHG) emission reduction remains a key priority for us. In recent years we have been measuring our carbon footprint in accordance with the GHG protocol. The footprint measurement includes Scope 1 & 2 emissions (incorporating fossil fuels and fugitive emissions & emissions related to electricity consumption). In 2009, Kerry Group committed to achieving an overall 12% reduction in emissions by the end of 2014 compared to the baseline year 2009. By the end of 2014, Kerry achieved a 13.4% reduction in emissions, 1.4% ahead of target. We are committed to reducing emissions from our operations even further by continuing to improve energy efficiency by switching to cleaner fuels and investing in renewable sources. For example, during 2014, we completed natural gas conversion projects (from fuel oil) at our sites in Irapuato (Mexico) and Tres Coracoes (Brazil). We are now extending our carbon emissions programmes to include scope 3 reporting, further illustrating the importance Kerry Group places on carbon reduction throughout our supply chain.

In 2014, to confirm accuracy and consistency of our carbon accounting with Kerry's documented carbon measurement methodology, we worked with an independent third-party, Jacobs, to verify our carbon performance data. Reporting to the CDP is also key to our carbon management strategy – we use it to compare our performance against global standards, adopt best practice and monitor our performance. We continue to strive to improve our CDP scores each year.

JACOBS SUMMARY ASSURANCE STATEMENT:

Jacobs has assured Kerry's greenhouse gas performance data (scope one and two emissions) from its manufacturing facilities for 2014 in accordance with AA1000AS (2008). Jacobs evaluated the systems and processes used to collate and report the greenhouse gas performance data. Jacobs has been able to obtain a moderate level of assurance for the data reported in the Group Annual Report 2014. Jacobs full assurance statement can be found on Kerry's website **www.kerrygroup.com**

Kerry Carbon performance (carbon emissions per tonne) against target – Group



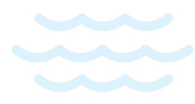
*Novem Adjusted

NOTES

1. Kerry Group's KPI on Carbon is the Relative Measure of CO_2 divided by Tonnes of Finished Goods.
2. Definition of Scope 1 & Scope 2: Scope 1 emissions consist of fuel (natural gas, fuel oil, coal, etc.) and fugitive emissions (i.e. refrigerant gas leakage from chiller systems). Scope 2 emissions consist of electricity consumption by sites.
3. Kerry Group's target performance is Scope 1 & Scope 2 emissions from our manufacturing facilities (this accounts for 96% of Kerry Group's carbon emissions).
4. Kerry Group's actual performance has been adjusted to reflect like-for-like performance to our baseline year and we are using the Novem Methodology* for carbon reporting to adjust our baseline target reduction number in order to account for changes to product mix that have had a material effect on carbon intensity.
5. The Novem methodology predicts what the absolute GHG emissions for the production of a group of products would be if the base year emissions/tonne were applied to today's production levels and product mix. This allows a meaningful comparison between two production periods based on improvements in the emissions per tonne for each product group. The Novem procedure applies only where targets are relative and Kerry Group measures GHG emissions on a CO_2/tonne output basis.

WATER MANAGEMENT

By the end of 2014, Kerry achieved a 4.2% reduction in water usage, ahead of our 2014 target using 2011 as our base year. In 2014, a number of projects contributed greatly in reducing water use including the installation of new freeze production equipment at our Anneyron site in France which will result in an annual water saving of 300,000 m^3.



2014 WATER M^3 PER TONNE FG	TARGET WATER M^3 PER TONNE
4.97	4.99

% REDUCTION SINCE 2011	% TARGET REDUCTION FROM 2011 BY 2014
4.2%	4%

NOTES
1. Our KPI on water is the relative measure of m^3 (metres cubed) divided by tonnes of product produced.
2. Our target performance is water usage from our manufacturing facilities.
3. Our actual performance has been adjusted to reflect like for like performance to our base year.

WASTE REPORTING

The Group significantly exceeded its goal to reduce waste by 6.5% by the end of 2014 using 2011 as our base year, reporting a cumulative 20% reduction since 2011. The Group achieved above target performance due to significant improvement across U.S manufacturing sites. To-date in excess of 50% 'waste-to-landfill' has been diverted across the Group. We continue to roll out waste reduction and recycling initiatives to improve our waste management performance in all our manufacturing operations.

2014 WASTE M^3 PER TONNE FG	TARGET WASTE PER TONNE FG
96kg	113kg

% REDUCTION SINCE 2011	% TARGET REDUCTION FROM 2011 BY 2014
20%	6.5

NOTE
1. Our KPI on waste is the relative measure of waste divided by tonnes of product produced.

Together with our customers, our supply chain partners and our people we are committed to addressing solutions for complex environmental challenges.

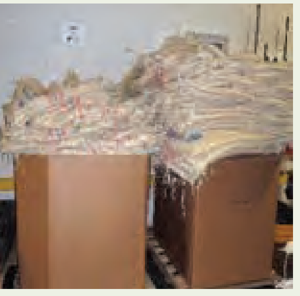
By fostering relationships with a wide range of stakeholders, Kerry can leverage their expertise and perspective to strengthen our business and drive further environmental performance improvements. In partnership with our customers, novel initiatives and new technologies are leading to significant reductions in waste. Working with the 'Heart-to-Hand' Charity in Ireland, Kerry Foods is donating close to sell-by-date foodstuffs to the charity's outlets.

MORE INFORMATION

Read our 'Heart-to-Hand' case study on **pg43**

PORTLAND RECYCLING PROJECT

In 2014, Kerry, Portland, USA began a site-wide recycling programme. Utilising a third-party recycling company, the local environment team identified recyclable materials for resale and/or upcycling. One item, unique to the Portland site are burlap sacks – which store coffee beans. These sacks once emptied are a large waste stream for the site. However, it was discovered that the sacks can be re-purposed and sold on to scallop fisherman and the craft industry. The scallop fisherman, specifically in Louisiana use the sacks to store their daily catch. The other burlap sacks are sent to a mill to be cleaned and then sold to craft stores where consumers can use the sacks for various craft projects. Through extensive training, monitoring and an ongoing communication programme, the Portland Recycling Project reduced its waste to landfill by 65% in 2014.



65%
THE PORTLAND RECYCLING PROJECT REDUCED ITS WASTE TO LANDFILL BY 65% IN 2014.

ENVIRONMENTAL MANAGEMENT SYSTEMS

Accredited Environmental Management Systems are progressively being established across all sites. Building on the ISO 14001 certification of all our Kerry Foods manufacturing sites, we have achieved 100% ISO 14001 certification of our Kerry EMEA and Kerry APAC sites in 2014. The Programme to implement ISO 14001 certification of our Kerry Americas' sites will be significantly progressed in 2015 and completed in 2016.

MARKETPLACE

Everyday millions of people throughout the world consume food or beverage products produced by Kerry or by our customers using Kerry's ingredients & flavours. Through our leading innovation and product development expertise, we work closely with our customers to develop and deliver great-tasting, nutritious food and beverages. This is achieved through:

- The creative and successful integration of the industry's largest, most comprehensive portfolio of ingredients & flavours including a broad portfolio of nutritional ingredients, actives and functional ingredients.
- Biological sciences expertise including a complete understanding of dietary guidelines, the latest nutrition and health research and the potential nutrient needs of specific populations.
- An extensive knowledge of consumer attitudes towards nutrition and health/wellness trends.

In combination with our unrivalled culinary, applications and sensory expertise, Kerry is uniquely positioned to provide customers with solutions that allow them to deliver against a number of consumer needs within the nutritional management space.

NUTRITIONAL EXPERTISE AND POSITIVE NUTRITION

Kerry continues to improve the nutritional content and the product ranges of all our ingredients and brands, in line with established up to date research, without compromise on taste or quality. Kerry provides nutritional solutions that enable individuals to meet their dietary recommendation, such as whole grains, protein, healthy fats; nutrients of deficit in their diets, such as fibre, calcium, iron, potassium, vitamin A, vitamin D; and limiting intakes of nutrients that have been shown to have an adverse impact on health, such as sodium, sugar, and trans- fat. Kerry also provides nutritional solutions that meet the specific nutritional and health needs of the target population across all life stages, such as infant nutrition, child nutrition, maternal nutrition, performance nutrition and nutrition for individuals with specific health conditions.

Our Technology and Innovation Centres provide research and expertise enabling the development of new products to meet consumers' changing health and nutritional needs. Through the 'Kerry Nutrition Institute', our nutritionists also collaborate with external scientific and nutrition experts to provide scientific insights and feedback regarding our general wellness and nutrition research. Kerry has fostered a commitment to food research since its inception through experienced on-site technical and new product development personnel.

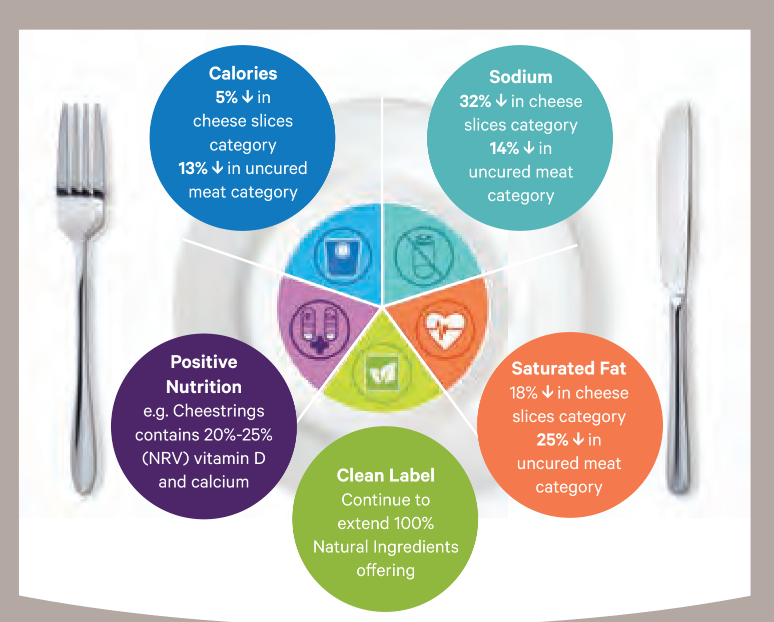
In 2014 Group expenditure on research, development and application amounted to €197m.

Establishment of the Kerry Global Technology & Innovation Centre in Ireland is well advanced and on schedule to be fully operational by mid-year 2015. This development will also include the Group's Global Centre of Excellence for Nutrition. The Group's consumer foods division recognises the role the food industry has to play in helping overcome public health concerns. Kerry Foods is committed to ensuring our products can be consumed with confidence as part of a healthy balanced diet and lifestyle, and has established four areas of priority which underline our commitment.

800

KERRY EMPLOYS 800 SCIENTISTS AND FOOD SCIENCE SPECIALISTS IN OUR TECHNOLOGY & INNOVATION CENTRES AND REGIONAL DEVELOPMENT & APPLICATION CENTRES.

We fully recognise our role in making a positive contribution to healthy diets and lifestyles and have enabled our customers to achieve significant improvement in the nutritional value of their product offerings through calorie reduction, sodium reduction, reduced saturated fats, elimination of trans-fat and incorporation of all-natural ingredients.



KERRY FOODS' 'BETTER FOR YOU' PROGRAMME

Kerry Foods' 'Better For You' Programme aims to improve existing products and develop new ones that can contribute to a healthy balanced diet and lifestyle. The primary focus of our 'Better For You' programme is to reduce calories, saturated fat, and sodium, and add positive nutrition as appropriate without compromising on taste. A strong scientific foundation underpins our reformulation priorities.

In 2012, Kerry Foods joined the Department of Health Public Health Responsibility Deal calorie reduction pledge in the UK. As part of this pledge, our goal was to reduce calories by on average 5% in key brands across the categories in which we operate by the end of 2014. Key achievements under this pledge include a 13% calorie reduction within the uncured meat products category, a 5% reduction within the cheese slice category and a 5% reduction in the sausage category. In 2014 Kerry foods became a signatory to the saturated fat reduction pledge under the Responsibility Deal. Sodium reduction remains a key element of our "Better For You" Programme, where a 32% reduction was achieved in the sliced cheese category and a 14% reduction in sodium was achieved in the uncured meat category in 2014 .In 2014, a number of healthy choice options were launched under the LowLow brand including the LowLow Snack Pack (200kcal) and LowLow Ready Meal (350kcal) range.

13%

CALORIE REDUCTION WITHIN THE UNCURED MEATS CATEGORY

32%

REDUCTION IN SODIUM IN THE SLICED CHEESE CATEGORY

CONSUMER INFORMATION

Kerry provides the clear information necessary for consumers to make informed choices. This is achieved through on-pack nutritional labelling and the development of additional consumer information services e.g. business/brand websites.

The Group has established best practice guidelines for nutrition labelling. Nutrition labelling across our portfolio has been updated in line with the Food Information to Consumers legislation (EU Regulation No 1169/2011). In addition to mandatory labelling requirements under this legislation we also support the voluntary addition of front of pack 'Reference Intake' information to aid consumer choice.

Our customer enquiry lines are manned by experienced teams who answer all nutritional queries in an efficient and professional manner.

MARKETING

Kerry is passionate about promoting the real food values of our products and in our advertising we ensure a responsible approach with particular consideration given to the status of children. Our advertising and brand positioning conforms to national advertising codes of practice.

COLLABORATION

We continue to work with relevant organisations and government bodies to promote the best possible solutions to questions of health and nutrition and we actively participate in food and nutrition groups, ensuring an industry-wide approach to diet and nutrition issues. Kerry is actively engaged with the external Nutrition community, through its participation in global nutrition research programmes, engagement with global key opinion leaders and policy makers, collaborations with academics and researchers in relevant areas, exhibiting and presenting at scientific conferences, memberships in professional scientific and trade organisations.

FOOD SAFETY

Kerry is committed to excelling in product quality, product safety, technical and marketing creativity and service to our customers. This is achieved through the skills and wholehearted commitment of all our employees. As food safety is of paramount importance to Kerry, we work closely with our customers, with industry and regulatory agencies to ensure we operate to the highest industry standards and levels of accreditation. In driving sustainable improvement, all Kerry manufacturing sites have implemented Kerry's Global Food Safety Initiative (GFSI) and to-date 99% of sites have achieved full certification.

1 KERRY GLOBAL QUALITY MANAGEMENT SYSTEM (GQMS)

In line with our Kerry Global Quality Management System (GQMS), we are committed to producing high quality food ingredients and consumer food products that consistently satisfy customer needs while complying with all applicable regulatory requirements. Each business unit has established exacting product and service standards in support of these goals and put in place resources and programmes to assure superior manufacturing practices that reflect continuous improvement through our people, practices, processes and products. All employees in Kerry are responsible for understanding their internal and external customer's needs and developing work processes that achieve enhanced consumer value.

99%

99% OF SITES HAVE ACHIEVED FULL CERTIFICATION HAVING IMPLEMENTED KERRY'S GLOBAL FOOD SAFETY INITIATIVE

KERRY'S EYE FOR FOOD SAFETY AND QUALITY

Enhancing our customers' success by delivering consistently high quality and value - Kerry is committed to producing safe, high quality food ingredients and consumer food products that consistently satisfy customer needs while complying with all applicable regulatory requirements.

As a 1 Kerry organisation leveraging a holistic quality management system, we deliver on this commitment by:

- Achieving a right first time quality culture and engagement through people development and on-going training programmes.
- Adhering to standardised global policies, systems and standards.
- Supporting global procurement activities/opportunities while safeguarding food safety, quality and sustainability.
- Leveraging cross-functional ways of working to ensure quality is designed in at New Product Development stage.
- Optimising and standardising testing capability through automation, validation and trend analysis.
- Driving continuous improvement by benchmarking, auditing and monitoring performance to targets.
- Fostering a culture inclusive of trust, teamwork, responsibility, open communications, empowerment, high expectations and clear accountability.

KERRY'S ORIGIN GREEN STRATEGIES

In 2013 Kerry became an approved member of Origin Green, An Bord Bia's (the Irish Food Board) sustainability programme. Origin Green – a nationally accredited sustainability programme in Ireland, is an ongoing voluntary programme that seeks to demonstrate the commitment of Irish Food and drink manufacturers to operate in the most sustainable manner possible.

The programme aims to ensure that:

- Irish food and drink suppliers become globally recognised for their industry leading sustainability practices.
- Ireland is recognised as a world leader in high quality food production.
- The commitment of Irish food and drink producers to operate sustainably in terms of raw material sourcing, greenhouse gas emissions, energy conservation, water management, biodiversity, community initiatives and health and nutrition is demonstrated through the programme.

Kerry's Origin Green Plan includes our ambitions, specific targets and timelines in key sustainability areas which the Group has committed to for the next number of years. In 2014, Kerry submitted its first Annual Progress Report to Bord Bia outlining the progress made against our Origin Green commitments. Our performance was reviewed by SGS, who on behalf of Bord Bia, verified our performance against the Sustainability Charter of the Origin Green Programme.

SUSTAINABLE AGRICULTURE AT KERRY – KERRY MILK SUPPLIER CHOSEN AS MCDONALD'S DAIRY FLAGSHIP FARM

In 2014, the McCarthy farm in Milltown, Co Kerry, was chosen to showcase best-in-class sustainable milk production within McDonald's international supply chain. The dairy farm, which is farmed by Eoghan McCarthy, is the first dairy Flagship Farm to be selected by McDonald's for the Irish market and was chosen because of its 'best-in-class' approach to sustainable primary milk production, while maintaining high animal welfare standards and improving the surrounding natural environment. Through its partnership with Kerry Group, Irish dairy produce, including milk and cheese, is used in McDonald's markets including France, Sweden, Norway and the UK. The Flagship Farms project was developed by McDonald's with the Food Animal Initiative and aims to encourage sharing of sustainable agricultural practices according to ethical, environmental and economic standards.

RESPONSIBLE SOURCING – SUSTAINABILITY PROJECT FOR VANILLA IN MADAGASCAR

The Group continues to partner with its strategic vendors in Certifiable sustainable sourcing of raw materials. In 2014, we made continued progress in advancing our Responsible Sourcing Strategy. For example, Kerry committed to support a Sustainability Project for Vanilla in Madagascar through the creation of a farmers' association in the municipality of Maroamby and its villages in the SAVA Region of the island. Several projects have been identified to ensure the development of a sustainable vanilla supply – enabling Kerry and its customers to **source higher quality vanilla beans while improving the standard of living for local farmers and communities.** The project will focus on 5 key pillars – Increased Revenue for Farmers, Woman Empowerment, Environmental Actions, Education, Nutrition, Water and Health.

KERRY GROUP CODE OF CONDUCT FOR SUPPLIERS

The Group Supply Chain Management System includes the requirement for all suppliers, vendors, contractors, consultants and agents to adhere to Kerry's Labour standards and Code of Conduct policies. All Kerry Group businesses are members of SEDEX, the Supplier Ethical Data Exchange to ensure supplier compliance with Kerry Codes of Conduct and principles.

SECURING SUSTAINABLE GROWTH

WORKPLACE

With over 24,000 employees across the globe, our diverse high performance teams are key to our innovative culture and ongoing success. Retaining and developing their enthusiasm and determination to succeed is central to the Group's strategy for growth and development.

Achieving business results ethically and legally will always be an absolute expectation because our everyday actions are the basis of trusting, productive relationships with each other, our customers, our local communities, investors, suppliers and or stakeholders, wherever Kerry operates.

We are committed to building a sustainable, responsible business which serves and builds value for all our stakeholders. Achieving business results ethically and legally will always be an absolute expectation because our everyday actions are the basis of trusting, productive relationships with each other, our customers, our local communities, investors, suppliers and or stakeholders, wherever Kerry operates. Through our Kerry Code of Conduct, we focus critical attention on ethical business practices and provision of a safe and healthy workplace.

In 2014, we formalised our policies with Human Rights Conventions. Kerry's Global Human Rights Policy reflects our commitment to respecting internationally recognised Human Rights as established in the Universal Declaration on Human Rights and the International Labour Organisation's Core Conventions. This policy applies to all Kerry Group employees and also sets out expectations on our key business and strategic supply chain partners to conduct their business in ways that uphold the principles set out in the policy. Kerry's commitment to a healthy and safe workplace was once again demonstrated by exceeding our annual target of 5% improvement in regional global metrics. The implementation of our Kerry Global Health and Safety Management Systems continues to be implemented throughout all Group businesses – guided by the requirements set forth in the Group's Eye for Safety Policy, which establishes the fundamental principles that all employees must integrate into their role and each business decision they make.

The Group is committed to the principles of equality and diversity and complies with all relevant equality and anti-discrimination legislation. We encourage and embrace differences in terms of education, experience, background, thinking styles, insights, values, personality and experience. We recognise that to thrive globally requires a strong foundation of tolerance and the ability to develop and embrace a truly diverse workforce in terms of age, gender, nationality, ethnicity, language and sexual orientation.

DIVERSITY

WE RECOGNISE THAT TO THRIVE GLOBALLY REQUIRES A STRONG FOUNDATION OF TOLERANCE AND THE ABILITY TO DEVELOP AND EMBRACE A TRULY DIVERSE WORKFORCE.

As a result, we recruit, hire, develop and retain the best talent from around the world who are dedicated to achieving excellence for all of our stakeholders.

As our workforce continues to grow and diversify, we will continue to ensure excellence in management practice through the ongoing development of business aligned human resource systems and initiatives. Through structured training such as Kerry's Learning Academy and Toolkit, we provide structured training and development programmes for employees through which they can enhance the skills, knowledge and capability necessary for further growth within the organisation. Annually, apart from ongoing career development programmes within the Group, Kerry is also committed to recruitment of a high number of graduates from universities across the globe.

EMPLOYEE COMMUNICATIONS

At Kerry, we recognise the value and individual responsibility for sharing ideas and information with each other. This practice of 'open communication' enhances our ability to achieve our business goals and contributes to a more satisfying work experience for all. It is our policy to communicate honestly, accurately, regularly, and consistently with each other at all levels, empowering line managers to be the prime communicators of information to employees in their team. In addition, employees will be encouraged and expected to contribute their thoughts and ideas during this two-way process.

EMPLOYEE CONCERNS DISCLOSURE

The Kerry Group Employee Concerns Disclosure Policy directs employees to appropriate means of reporting alleged misconduct and allows employees to freely voice concerns.

NO CHILD OR FORCED LABOUR

All employment with Kerry is voluntary. We do not use child or forced labour in any of our operations or facilities. We do not tolerate any form of unacceptable treatment of workers, including but not limited to the exploitation of children, physical punishment or abuse, or involuntary servitude. We fully respect all applicable laws establishing a minimum age for employment, in order to support the effective abolition of child labour worldwide.

POLITICAL ACTIVITIES AND CONTRIBUTIONS

As a non-partisan organization, Kerry Group businesses are prohibited from supporting political parties, either directly or indirectly. The Group or its constituent businesses do not, nor will not make financial contributions to political parties, political candidates or public officials.

VOICE A CONCERN

Employees are encouraged to contact any of the following sources for additional guidance should an employee need to take an ethical issue or concern to someone else for clarification of what action is appropriate:

- Immediate supervisor or manager
- Human Resources representative
- Or the Group's 'Voice a Concern' Ethics Hotline

The Voice a Concern Ethics Hotline is a confidential reporting system available – on-line or by telephone – in more than 100 languages.

MORE INFORMATION

For details on all our policies and codes in relation to the Workplace, please visit our Group website at **www.kerrygroup.com**.

KERRY, TAMPOI, JOHUR BAHRU. MALAYSIA AWARDED PRESTIGIOUS HEALTH & SAFETY AWARD

Kerry manufacturing facility at Tampoi, Johor Bahru, Malaysia, was awarded the prestigious National Occupational Health and Safety Award by the Malaysian Government and the Malaysian Department of Occupational Health Safety (OSH). The National Occupational Health & Safety (OSH) Award recognises industries that have an excellent track record in implementing OSH Management systems. This prestigious National award is part of the Malaysian Government's effort to appreciate and recognise organisations who promote and implement a safe and healthy working culture and environment. It is the highest recognition at national level for practicing and implementing OSH Management systems.

COMMUNITY

Kerry has a proud record of supporting community initiatives and charitable causes. Right through its history from its origins in the co-operative sector in Ireland, the Group has committed significant financial resources and considerable management/employee time in assisting development of facilities, amenities and charitable projects in the communities where it operates.

This philosophy continues to be a core value of the Kerry organisation and on an annual basis the Group sponsors a wide range of education, healthcare, sporting, leisure, arts, amenity, community development and charitable causes. Kerry continues to play a vital role in supporting local communities and in participating in community development programmes throughout the world.

COMMUNITY FOCUS AREAS

In our communities our primary areas of focus and support are:

(a) health, hunger and nutrition,

(b) entrepreneurship,

(c) amenity/community development,

(d) education, arts and sport and

(e) sustainable agriculture.

These areas are of critical importance to our customers, consumers, employees, shareholders and the communities in which we operate.

Supported by Kerry, Concern Worldwide's pioneering RAIN initiative is aimed at improving under-nutrition and mortality rates in children under two years of age in the developing world.

Catherine Mweene (Mother and Small Model Farmer) and her children, Douglas and Oveliana, Schwibwanka RAIN project, Luili.District, Mumbwa, Zambia.
Photographer: Patrick Bentley

COMMUNITY PROJECT CASE STUDIES

In line with Kerry's primary area of focus in supporting our communities, a broad range of community development, amenity, entrepreneurship, education, arts, sport, heritage and economic development projects continue to be successfully implemented throughout all Group businesses. The following case studies highlight some of the projects.

Kerry Concern RAIN Project, Zambia

In December 2011, Concern Worldwide and Kerry Group announced a pioneering initiative aimed at improving under-nutrition and mortality rates in children under two years of age in the developing world. Kerry is contributing €1.25m of the overall €3.7m budget to the five year pilot project called **RAIN** (Realigning Agriculture to Improve Nutrition) in the Mumbwa District, Zambia. In Zambia, nearly every second child under five is chronically malnourished. This results in stunting and has long-lasting, irreversible effects on a child's development. It leads not only to poor school performance, but low productivity and reduced income in adulthood.

RAIN is a unique programme in that it combines agriculture and nutrition programmes to effectively prevent mother and child under-nutrition in rural communities. By increasing the amount of micro-nutrient rich food crops produced at household level, improving health and nutrition behaviour and empowering women in decision making, the prevalence of stunting is greatly reduced. In 2014, the programme:

– Grew to embrace 4,900 families
– Completed the formation of 233 women's groups led by almost 200 Smallholder Model Farmers (SMFs) who were trained to facilitate vegetable gardening and other supports to the groups. Trained almost 200 model farmers in the promotion of appropriate agricultural production.
– Continued to conduct training for Community Health Volunteers (CHVs) in infant and young child feeding practices, child growth monitoring, micronutrient nutrition and cooking demonstrations skills. CHVs are critical to the programme as they educate their own communities on issues such as maternal and infant nutrition. In 2014, CHVs visited 300 homes – increasing the knowledge and skills of families in the region.
– Addressed the issue of gender inequality through a total of 112 community gender sensitization sessions – reaching a total of 5,000 people (40% male and 60% female). Of this total, 313 were traditional leaders and key influencers who have continued to encourage and influence people to support their wives in the production and consumption of micro nutrient crops.
– Procured and distributed assorted vegetable seeds for dry and rainy season gardening to all 233 groups.
– Rehabilitated 18 boreholes to ensure access to water. The boreholes help to provide irrigation and overcomes any issues producing vegetables during the dry season.

Flood Relief Malaysia

Following devastating floods in the North East of Malaysia in December 2014, where many lives were lost and over 100,000 people rendered homeless, Kerry staff at our Shared Service Centre in Johor Bahru and at manufacturing plants in Tampoi, Plentong and Penang, collected and donated through partner organisations, items of food, clothing, other essential items and cash to those affected in the flooding.

'Heart to Hand'

Kerry Foods, Ireland, sponsored local charity, 'Heart to Hand', by donating food close to its sell-by date from their depot to homeless shelters in the Dublin area. Founded in 1991, Heart to Hand distributes food to homeless shelters, soup kitchens, homes for the elderly, people with disabilities, resource centres, homes for distressed women and families, and many deserving organisations around Ireland.

Human Ingredient, LATAM

Launched in 2014, Kerry LATAM's 'Human Ingredient' programme focuses on employees spending time together in volunteering activities or donations for children and families in the communities where we live and work. One of the first projects in 2014 involved a rural school at Três Corações, Brazil. As part of the project, Kerry employees spent time making repairs to the school building and refurbishing classrooms. This initiative also helped foster collaboration, integration and engagement among employees while building a meaningful relationship with the local community.

Limerick City of Culture

In 2014, Kerry Group supported Limerick City of Culture - Ireland's first National City of Culture project. The objective of this initiative was to create a vibrant city, widely recognised as a cultural centre, where arts, culture and sport are placed firmly at the centre of economic, social and physical regeneration in a way which inspires, empowers and elevates those who live, work and visit the city.

Live United USA Campaign

The Live United campaign continued throughout Kerry's U.S operations with a wide variety of community projects to improve our communities through clothing and food collections; cleaning up parks, trails and installing community gardens; constructing playground and fitness equipment for better health; fund raising for local non-profits; construction and fence repair; and multitudes of services and special projects.

'TOWARDS 2020'

KERRY GROUP SUSTAINABILITY STRATEGY 2015 - 2020

The successful implementation of our 1 Kerry Sustainability Programme has provided a firm foundation for advancing Kerry's long term vision and objectives. Now, as we look to the future, the need for environmental, economic and social sustainability has never been greater.

Our 'Towards 2020' Sustainability Programme is the next critical and necessary step forward in building a more sustainable future – helping us advance our performance both financially and environmentally while enhancing quality of life, protecting natural resources and positively supporting the communities which we operate.

The 'Towards 2020' Programme presents the strategic intent for the next stage of Kerry's sustainability journey. Throughout 2014, we consulted key internal and external stakeholders who worked with us to develop this sustainability programme. Utilising our existing four pillar framework of Environment, Marketplace, Workplace and Community, the new plan sets out our new sustainability vision, commitments and targets for the organisation until 2020. We believe that through the hard work and talent of our Kerry people, we can build on the progress achieved over the last three years and accomplish our 'Towards 2020' goals.

The successful implementation of our 1 Kerry Sustainability Programme has provided a firm foundation for advancing Kerry's long term vision and objectives.

1 KERRY SUSTAINABILITY PROGRAMME - *'TOWARDS 2020'*

1. ENVIRONMENT	2. MARKETPLACE	3. WORKPLACE	4. COMMUNITY
Climate / Efficiency / Waste	*Quality / Sourcing / Nutrition*	*People / Ethics*	*Social / Economic*
ASPIRATIONS			
Continue to improve our environmental stewardship	Through our focus on science and technology development, we will generate innovative products that contribute to improving health and wellbeing across all life-stages, creating better lifestyles for people today and future generations	Continue to conduct our business in a responsible and ethical manner and be an employer of choice	Be a responsible neighbour by driving and supporting outreach initiatives in our local communities
Drive efficiency in resource use (energy & water)	Through our leading innovation and product development expertise, we will continue to enhance the nutritional value of our ingredients and continue to assist our valued customers	Through our Code of Conduct we will continue to provide a safe and healthy environment in which to work	Continue to partner with the international programme to alleviate world hunger in developing regions
Exceed in efforts to reduce waste and increase recycling	Make quality a distinguishing capability		Promote Kerry Community Lead Projects in each region
Deliver on our brand sustainability strategy plan	Ensure responsible sourcing practices		
FIVE YEAR STRATEGIC PLAN			
Achieve 100% ISO 14001 approval (all Kerry manufacturing sites)	Leverage Kerry's ingredients & flavours' technology platforms and applications expertise to improve nutritional values of food and beverage products in partnership with our customers	Drive ethical business practices and compliance to Kerry Code of Conduct	Assist and actively engage in development programmes in our communities to improve - health and nutrition, entrepreneurship, amenity/community development projects, education, sport and the arts
Achieve an overall 13% reduction in GHG emissions by 2020 compared to baseline year 2013, reflecting an overall 25% reduction compared to baseline year 2009*	Deliver on our Kerry Foods' 'Better For You' Programme	Ensure wages are competitive and all labour standards are fair, equitable and meet or exceed local guidelines	Assist Concern Worldwide in implementing the 'RAIN' (Realigning Agriculture to Improve Nutrition) project in the developing world
Reduce water use by 7% by 2020 compared to baseline year 2013, reflecting an overall reduction of 11% by 2020 compared to baseline year 2011	Partner with our customers in sustainable sourcing of strategic ingredients. Achieve Kerry sustainable raw material sourcing targets across our raw material categories	Embrace diversity across our workforce, our customer base and the communities we serve	Develop Kerry community Lead Projects in each region
Reduce waste by 12% by 2020 compared to baseline year 2013, reflecting an overall 32% reduction compared to baseline year by 2011	Ensure 100% of strategic and key supply partners are formalised as members of SEDEX and have signed our Supplier Code of Conduct	Continue to improve health and Safety metrics across all Group sites	Assist community development programmes in association with Kerry Vanilla Project in Madagascar
Achieve Zero Waste to Landfill where technically feasible in each jurisdiction	Maintain Global Food Safety Initiative (GFSI) certification of all Kerry manufacturing sites		
2015 GOALS			
Achieve Group ISO 14001 approval targets for 2015	Groupwide implementation of 1 Kerry Global Quality Management System (GQMS). Certify all plants against an accredited Global Food Safety Initiative (GFSI) safety standard	Drive day to day business decisions through our defined Kerry Values	Formalise community engagement programmes in all our communities through Regional Community Relations Advisory Committees and Kerry Community Relations Ambassadors Programme
Implement Kerry Carbon Reduction Projects for 2015 in line with our 2020 targets	Maintain SEDEX membership across all Group manufacturing sites	Achieve annual target for all Kerry Employees to have completed the Kerry Code of Conduct Training through the Learning Academy	Share community support best practices through 'Kerry Community Relations'
Implement Kerry Water Reduction Projects for 2015 in line with out 2020 targets	Achieve SMETA or equivalent certification across all Kerry Developing Market manufacturing plants	Implement 1 Kerry Global Health & Safety Management systems	Support employee philanthropy programmes
Implement Kerry Waste Reduction Projects for 2015 in line with our 2020 targets	Establish Kerry's Nutrition Centre of Excellence and 'Kerry Nutrition Institute'	Achieve a 5% reduction in recognized Global Health & Safety metrics across all sites	Implement Kerry's Origin Green Programme in Ireland
Implement our Origin Green Programme in Ireland	Support and partner with International Nutrition Research programmes	Promote diversity by building a workplace that is free of prejudice and actively fosters the appreciation of diversity throughout the organisation	
	Achieve Kerry Foods' 'Better For You' Programmes' annual goals	Implement Kerry's Origin Green Programme in Ireland	
	Progress Kerry sustainable raw material sourcing objectives		

*Achievement of total target improvement by 2020 is dependent on completion of a planned new Combined Heat and Power (CHP) energy solution at the Listowel plant in Ireland.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group operates in the global food and beverage industries, and in the consumer food industry primarily in the UK and Ireland. As is the case with competitors, the Group is exposed to a variety of risks and uncertainties which are managed in order to make a profitable return for shareholders.

The Group's diversity in terms of its 130 manufacturing facilities across five continents and 140 countries, as well as a broad customer base and product offering, provides the Group with significant protection against the principal risks and uncertainties it faces.

These risks are managed, utilising the embedded management processes and the Group's internal control and risk management framework as outlined below.

- Overall responsibility for risk management is owned by the Board who ensures the risk appetite is set at an appropriate level, as well as monitoring the effectiveness of risk management and internal control systems.
- The Board has delegated responsibility to the Audit Committee to evaluate the risk and control environment, and also to review significant control weaknesses.
- The Risk Oversight Committee (ROC) supports the Audit Committee by undertaking to monitor the risk environment, identify and prioritise the Group's principal risks, evaluate the effectiveness of the risk mitigation activities and ensure any gaps in control are addressed.
- Group management ensure that controls are operating effectively, and risks are managed appropriately within the frameworks.

Where necessary, the Audit Committee will convene to deal with any significant control weaknesses reported by Internal Audit, the Risk Oversight Committee and / or management.

The ROC facilitated the annual risk assessment process, and presented the top 20 risks to the Board of Directors who consider the appropriateness of the strategy and actions to address these risks to ensure the Group achieves its strategic objectives. While the overall risk profile of the Group has not changed versus the prior year, risks with increased potential impact in 2015 include foreign exchange risk, talent management risk and cybercrime risk.

While it is acknowledged that the Group faces many risks, the Board has identified the principal risks that could potentially impact the achievement of the Group's objectives, and these are outlined in the table below.

Risk Name	Risk Description	Actions to Mitigate
Strategic Risks		
Business Acquisition and Divestiture	Poor return on investment and inability to deliver on plans as a result of: Inaccurate evaluation of a target company, poor planning for, and management of, the transaction including integration, overestimation of synergies, an adverse reaction by the Stock Market to an acquisition or disposal and the acquisition not adding shareholder value as expected and this is not detected promptly.	The Group has significant experience and capability in this area. A clearly defined process is employed with regard to evaluation, execution and integration of acquisitions as well as the execution of divestitures.
Product Development and Innovation	Failing to successfully manage increased market competition, new product innovations, changing market trends and consumers' taste could impact the future growth of our business.	As outlined on page 54 significant investment in research and development by Kerry enables the Group to support our customers' drive for choice and market stimulation through new product development. Our commercial team works closely with our customers and consumers to ensure awareness of trends occurring in the market place, both positive and negative.
Operational Risks		
Quality and Food Safety	Poor quality or non-performing products expose the Group to product liability claims, product recall claims and litigation as well as loss of revenue, loss of market share and may negatively impact the Group's reputation.	The Group's manufacturing and supply chain functions operate a well-developed quality management system and have robust policies and procedures in place. Regular supplier audits are carried out to ensure compliance with the Group's quality and procurement standards.
Talent Management	Failure to attract, retain and develop creative, committed and skilled employees could impact the Group's ability to achieve its strategic objectives.	Every effort is made to ensure optimal procedures and policies are in place to attract, develop and retain the capabilities and skill levels needed to achieve the Group's business objectives. These policies include succession planning, remuneration reviews, long and short term initiatives and development programmes.
Information, Communication and Technology	Our Kerryconnect programme will establish a common Information Communication and Technology (ICT) approach and integrated systems throughout the Group. Failing to implement the Kerryconnect programme as planned and within budget could have an impact on our financial performance and business operations.	The Kerryconnect programme is a major undertaking and investment by the Group. The Group has a robust governance structure, programme management and implementation teams in place led by two Executive Directors of the Group. The programme plan allows for a lower risk, phased implementation schedule on a regional basis.
	Cybercrime including unauthorised access to confidential information and systems, inaccurate data being entered into systems and/or interruption of our main operating activities could negatively impact our business.	The Group's ICT team are focused on supporting the Group's key data systems and have detailed process and access controls in place. In the event of a major system failure, the Group has a robust Disaster Recovery plan in place. All Group systems are subject to both internal and external audit reviews.

Risk Name	Risk Description	Actions to Mitigate
Operational Risks (continued)		
Intellectual Property	Kerry develops, manufactures and delivers technology based ingredients, flavours and integrated solutions for the food, beverage and pharmaceutical industries. Any failure to protect the Group's Intellectual Property could have an adverse effect on the Group's business and cash flows.	The Group takes all necessary precautions to protect its trade secrets, and also uses patents and trademarks to protect newly developed and existing brands and products in the jurisdictions where the Group's operations are located. The Group's patents and trademarks are the subject of regular review.
Raw Material Cost Fluctuations	Fluctuating raw material costs, limited availability of key materials, competition between customers, unusual competitive actions by competitors and the resultant difficulties in adjusting prices appropriately can have a detrimental impact on operating margins.	The Group deploys experienced senior purchasing and commercial managers and subject matter experts in this area to manage and mitigate such risks and adopt strategies over time to manage the positioning of the businesses in this regard.
Financial and Compliance Risks		
Taxation	Exposure to changes in international and domestic tax legislation with respect to global tax compliance. Failure to accumulate and consider relevant tax information may result in non-compliance with constantly evolving tax legislation.	The Group's Tax function manages a strong internal compliance control programme and engages extensively with external advisors to monitor and review these controls. The Group also places strong emphasis on proactively engaging with Taxation Authorities in key tax jurisdictions.
Treasury	The Group's operations expose it to liquidity risk, foreign exchange risk and interest rate risk.	Mitigating controls include: the use of cash flow forecasts to monitor funding requirements of the Group; setting and managing of counterparty risk; netting of foreign exchange exposures; and using derivatives to manage foreign exchange and interest rate risk.
Compliance	Operational and technical compliance risks include such matters as managing compliance in an ever changing regulatory environment, specifically in the areas of health and safety, emissions and effluent and in relation to the potential outbreak of disease in an animal population or contamination in any particular food category.	The diverse products and raw materials the Group employs in its operations are substantially all natural in make-up and where disease or contamination could potentially occur, the Group employs strict quality policies to reduce the level of risk encountered to a minimal level. A Group Health and Safety programme is in place across the business. Our Group Health and Safety Officers play a critical role at each facility where they provide safety training and monitor compliance.
	Non-compliance with customer requirements, prescribed organisational policies and procedures, antitrust, competition laws and local regulations could result in regulatory action, legal liability, fines and damage to the Group's reputation.	The Group has a significant investment in its regulatory function across the business to ensure compliance with appropriate regulations and legislations. The Group also operates a central department that monitors changes in regulations applicable to the business. The Group's Code of Conduct and Group policies outline in detail the expectations of all employees working for the Group.

GOVERNANCE

BOARD OF DIRECTORS

The Board consists of 4 Executive and 10 independent Non-Executive Directors.

CHAIRMAN & EXECUTIVE DIRECTORS

Left to right: Gerry Behan, Stan McCarthy, Michael Dowling, Brian Mehigan, Flor Healy.

Mr. Michael Dowling
Chairman of the Board
Age 70
Appointed: 3 March 1998
Michael was appointed Chairman on 1 January 2015. He has served as a Director for 17 years and is a member of the Nomination Committee where he has served since January 2001. He was appointed Committee Chairman effective 1 January 2015. Michael was a member of the Audit Committee for 14 years, including Chairman for 13 years, until he retired from the Committee on 31 December 2014. He is a former Secretary General of the Department of Agriculture, Food and Forestry in Ireland and a Board member of the Agricultural Trust. He is also Chairman of the Board of Management of the UCC/Teagasc Food Innovation Alliance and is a visiting professor, dealing with agri-food policy, in the Department of Food Business at the National University of Ireland, Cork.

Mr. Stan McCarthy*
Chief Executive Officer
Age 57
Appointed: 9 March 1999
Stan joined Kerry's graduate recruitment programme in Ireland in 1976. He has worked in a number of finance roles including Financial Controller in the USA on the establishment of Kerry's operations in Chicago in 1984. Following the Group's acquisition of Beatreme Foods Inc. in 1988 he was appointed Vice President of Materials Management and Purchasing. In 1991, he was appointed Vice President of Sales and Marketing and became President of Kerry North America in 1996. He has served as a Director for 16 years and was appointed Group Chief Executive Officer on 1 January 2008.

Mr. Brian Mehigan*
Chief Financial Officer
Age 53
Appointed: 25 February 2002
Brian joined Kerry Group in 1989, having previously worked in practice for six years. He held a number of finance positions within Kerry between 1989 and 2002. He has served as Chief Financial Officer and as an Executive Director on Kerry Group plc's Board for 13 years. He is a Fellow of Chartered Accountants Ireland and a graduate of National University of Ireland, Cork.

Mr. Gerry Behan*
President and Chief Executive Officer, Kerry Ingredients & Flavours
Age 50
Appointed: 13 May 2008
Gerry joined Kerry's graduate recruitment programme in 1986 and has held a number of senior financial and management roles primarily in the Americas region. He was appointed President and Chief Executive Officer of Kerry Americas in 2008 and has served as a Board member for seven years. He was appointed President and Chief Executive Officer of Kerry Ingredients & Flavours on 19 December 2011.

Mr. Flor Healy*
Chief Executive Officer, Kerry Foods
Age 52
Appointed: 23 February 2004
Flor joined Kerry's graduate recruitment programme in 1984 and has worked for the Group in a number of leading management and finance roles in Ireland and the UK. He was appointed Chief Executive Officer of the Group's Consumer Foods Division in 2004 and has served as a Board member for 11 years.

*Executive Director

NON-EXECUTIVE DIRECTORS

A. Mr. Michael Ahern

Non-Executive Director
Age 57
Appointed: 1 January 2014
Michael operates his own business in the agribusiness sector and is a director of Kerry Co-operative Creameries Limited.

B. Dr. Hugh Brady

Non-Executive Director
Age 55
Appointed: 24 February 2014
Hugh served as President of University College Dublin (UCD) from 2004 until the end of 2013. A medical graduate, Hugh has had a successful career as a physician and biomedical research scientist in the US where he served on the faculty of Harvard Medical School for almost a decade prior to returning to his alma mater as Professor of Medicine and Therapeutics. In addition, Hugh has held many national and international leadership roles which include Chairman of the Irish Health Research Board and Chairman of the Universitas 21 Network of global research universities. Hugh will take up a new role as President and Vice Chancellor of Bristol University in the UK commencing in September 2015. He was appointed a member of both the Audit and Nomination Committees with effect from 1 January 2015.

C. Mr. Patrick Casey

Non-Executive Director
Age 65
Appointed: 2 May 2014
Patrick operates his own business in the agriculture sector and is a director of Kerry Co-operative Creameries Limited.

D. Mr. James Devane

Non-Executive Director
Age 53
Appointed: 1 January 2014.
James operates his own business in the agribusiness sector and is a director of Kerry Co-operative Creameries Limited.

E. Dr. Karin Dorrepaal

Non-Executive Director
Age 53
Appointed: 1 January 2015
Karin has held a number of international business leadership roles and currently serves as a member of Triton Private Equity Industry Board in Frankfurt, Germany. She is a member of the Supervisory Board at Gerresheimer AG (Germany) since 2012. She is also Vice Chairman of the Supervisory Board at Grontmij NV (The Netherlands) since 2014, Vice Chairman of the Supervisory Board of Paion AG (Germany) since the end of 2012 and has served as a member of the Supervisory Board of Almirall S.A. (Spain) since 2013. Dr. Dorrepaal received her Ph.D. from the Free University of Amsterdam, The Netherlands and also holds an MBA from the Erasmus University Rotterdam School of Management. Karin was appointed to the Remuneration Committee with effect from 1 January 2015.

F. Ms. Joan Garahy

Non-Executive Director
Age 52
Appointed: 11 January 2012
Joan is managing director of ClearView Investments & Pensions Limited, an independent financial advisory company as well as being a director of a number of private companies. She has 26 years of experience of advising on and managing investment funds. She is a former managing director of HBCL Investments & Pensions and director of investments at HC Financial Services. In the past she worked with the National Treasury Management Agency as head of research at the National Pension Reserve Fund and was also head of research with Hibernian Investment Managers. Prior to that, she spent ten years as a stockbroker with both Goodbody and NCB in Dublin. On 20 February 2012 Joan was appointed to chair the Remuneration Committee and also became a member of the Audit Committee on the same date.

G. Mr. James C. Kenny

Non-Executive Director
Age 61
Appointed: 1 June 2011
James was formerly Executive Vice President of US based Kenny Construction Inc. and also President of Kenny Management Services Inc. He previously served as US Ambassador to Ireland from July 2003 to June 2006. James was appointed a member of both the Remuneration and Nomination Committees on 20 February 2012.

H. Mr. John Joseph O'Connor

Non-Executive Director
Age 62
Appointed: 1 January 2014
Joseph operates his own business in the agribusiness sector and is a director of Kerry Co-operative Creameries Limited.

I. Mr. Philip Toomey

Non-Executive Director
Age 61
Appointed: 20 February 2012
Philip was formerly Global Chief Operating Officer for the financial services industry practice at Accenture and has a wide range of international consulting experience. He was also a member of the Accenture Global Leadership Council. He is a Fellow of Chartered Accountants Ireland and a Board member of UDG Healthcare plc to which he was appointed in 2008. Philip was appointed as the Senior Independent Director to the Kerry Group plc Board on 20 February 2012 and as a member of the Audit Committee on the same date. Philip was appointed Chairman of the Audit Committee on 25 February 2013.

REPORT OF THE DIRECTORS

DIRECTORS AND OTHER INFORMATION

Directors
Michael Dowling, Chairman
Stan McCarthy, Chief Executive Officer*
Brian Mehigan, Chief Financial Officer*
Gerry Behan, President & CEO Kerry Ingredients & Flavours*
Flor Healy, CEO Kerry Foods*
Michael Ahern
Hugh Brady
Patrick Casey
James Devane
Karin Dorrepaal
Joan Garahy
James C. Kenny
John Joseph O'Connor
Philip Toomey

*Executive Director

Secretary and Registered Office
Brian Durran
Kerry Group plc
Prince's Street
Tralee
Co. Kerry
Ireland

Registrar and Share Transfer Office
Brian Durran
Registrar's Department
Kerry Group plc
Prince's Street
Tralee
Co. Kerry
Ireland

Website
www.kerrygroup.com

The Directors submit their Annual Report together with the audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

Kerry Group is a major international food corporation. The Group is a world leader in ingredients and flavour technologies serving the food, beverage and pharmaceutical industries and is also a leading consumer foods processor and supplier in selected EU markets.

Listed on the Irish and London Stock Exchanges, Kerry has 130 manufacturing facilities across five continents and provides over 15,000 food and ingredient products via its network of international sales and technical centres to a wide customer base in 140 countries.

Results and dividends

The Directors are pleased to report another strong performance for 2014 with an increase in adjusted earnings per share (EPS) before brand related intangible asset amortisation and non-trading items (net of related tax) of **8.1%** over 2013 to **278.9 cent** (2013: 257.9 cent) and an increase in basic EPS to **273.0 cent** (2013: 48.0 cent). Revenue for the year amounted to **€5.8 billion** (2013: €5.8 billion). Further details of the results for the year are set out in the Consolidated Income Statement, in the related notes forming part of the consolidated financial statements and in the Business Review. The Group's key performance indicators are discussed in the Financial Review.

On 23 February 2015, the Directors recommended a final dividend totalling **€55.4m** in respect of the year ended 31 December 2014 (see note 10 to the financial statements). This final dividend per share is an increase of **12.5%** over the final 2013 dividend paid on 9 May 2014. This dividend is in addition to the interim dividend paid to shareholders on 14 November 2014, which amounted to **€23.8m**. The payment date for the final dividend will be 15 May 2015 to shareholders registered on the record date 10 April 2015.

Share capital

Details of the share capital are shown in note 27 of the financial statements. The authorised share capital of the Company is €35,000,000 divided into 280,000,000 A ordinary shares of 12.5 cent each, of which **175,806,602** shares were in issue at 31 December 2014.

The A ordinary shares rank equally in all respects. There are no limitations on the holding of securities in the Company.

There are no restrictions on the transfer of fully paid shares in the Company but the Directors have the power to refuse the transfer of shares that are not fully paid. There are no deadlines for exercising voting rights other than proxy votes, which must be received by the Company at least 48 hours before the time of the meeting at which a vote will take place.

There are no restrictions on voting rights except:

- where the holder or holders of shares have failed to pay any call or instalment in the manner and at the time appointed for payment; or
- the failure of any shareholder to comply with the terms of Article 14 of the Company's Articles of Association (disclosure of beneficial interest).

The Company is not aware of any agreements between shareholders which may result in restrictions on the transfer of securities or on voting rights.

The Directors have the authority to issue new shares in the Company up to the authorised but unissued share capital of the Company but may only allot shares for cash on a non pro-rata basis up to a maximum of 5% of the issued share capital. This authority will expire on 30 April 2015 and it is intended to seek shareholder approval for a new authority at the Annual General Meeting (AGM) to be held on 30 April 2015.

During 2014, **53,564** shares vested under the Company's Long Term Incentive Plan. In the same period, **29,960** share options granted under the Company's Long Term Incentive Plan were exercised. Further details are shown in note 28 to the financial statements.

The Company may purchase its own shares in accordance with the Companies Acts and the Company's Articles of Association. At the 2014 AGM, shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital but the authority was not exercised. This authority is due to expire on 30 April 2015 and it is intended to seek shareholder approval for its renewal at the AGM.

Articles of Association

The Articles of Association empower the Board to appoint Directors but also require such Directors to retire and submit themselves for re-election at the next AGM following their appointment. Specific rules regarding the re-election of Directors are referred to on page 55.

The regulations contained in the Articles of Association of the Company may be amended by special resolution with the sanction of shareholders in a general meeting.

€55.4m

FINAL DIVIDEND IN RESPECT OF THE YEAR ENDED 31 DECEMBER 2014

EXPENDITURE ON RESEARCH AND DEVELOPMENT IN 2014 (2013: €186.4m).

Significant agreements

The Company's financing arrangements include 'Change of Control' provisions which give its lending institutions the right to withdraw their facilities in the event of a change of control occurring unless they agree otherwise in writing. Other than change of control provisions in those arrangements, the Company is not a party to any other significant agreements which contain such a provision.

Acquisitions and disposals

The Group completed a number of acquisitions and disposals during the year. The businesses acquired and divested are described in the Chief Executive's Review and in note 5 and note 31 to the financial statements.

Research and development

The Group is fully committed to ongoing technological innovation in all sectors of its business, providing integrated customer-focused product development by leveraging our global technology capabilities and expertise. To facilitate this, the Group has invested in highly focused research, development and application centres of excellence with a strategically located Global Technology & Innovation Centre, supported by Regional Development & Application Centres. It is by leveraging these global resources and sharing industry, academic and Group-wide scientific developments and knowledge that Kerry will continue to lead in its chosen sectors and proactively meet customer and market needs. The Group recognises the need to evaluate market trends, stay at the forefront of technological development and bring these together to deliver commercially successful solutions in the dynamic and competitive food and beverage marketplace.

Expenditure on research and development amounted to **€196.8m** in 2014 (2013: €186.4m).

Employees

Kerry Group's shareholders have benefited from the sustained growth and development of the business which has, at its heart, a highly committed workforce and a unique culture. At Kerry we maintain a clear focus on doing the right things to ensure we can focus on customers' needs and maintaining success over the long term. Central to this is the real commitment to developing our talent and our systemic approach to talent management.

This commitment starts with our global graduate recruitment and development programmes, is built upon leadership development opportunities where we offer challenging and interesting assignments, which is complimented by targeted business based development programmes. Kerry Executives personally invest in the rigorous and continuous assessment of both current and potential leaders. This unrelenting focus enables us to deploy people effectively across the whole global organisation and to ensure we can support emerging business opportunities and challenges whilst strengthening our leadership pipeline.

The average employment of the Group worldwide in 2014 was **23,767** (2013: 24,492).

Sustainability

Kerry Group is committed to the highest standards of business and ethical behaviour, to fulfilling its responsibilities to the communities it serves and to the creation of long term value for all stakeholders on a socially and environmentally sustainable basis. Our Corporate Mission Statement provides a guiding framework for management and all employees in delivering the Group Sustainability Policy across all operations and worldwide activities. Our Kerry Sustainability Council, with representation from business and functional leadership, provides direction and governance in the implementation of industry best practice sustainability programmes and standards throughout the Group.

The Group is committed to achieving its sustainability vision and objectives through a holistic approach involving close liaison with customers, suppliers, regulatory authorities, employees and other relevant stakeholders. In relation to climate change and the environment, this commitment is borne out by continued investment in facilities, systems and processes that manage waste emissions, energy consumption and materials/packaging conservation. The Group recognises environmental protection as a critical part of all business activities and continues to develop employees' knowledge regarding environmental responsibilities and best practice. Through the adoption of best practice procurement policies, the Group is committed to sourcing raw materials sustainably as it continuously seeks to enhance its role as a leading international food company and supplier of quality products to its valued customers.

Further details regarding Group policies, programmes and projects in respect of the marketplace, environment, workplace and the community are outlined in the Sustainability Review on pages 30 to 45.

23,767

THE AVERAGE EMPLOYMENT OF THE GROUP WORLDWIDE IN 2014 (2013: 24,492)

KERRY GROUP IS WELL POSITIONED ACROSS GLOBAL FOOD, BEVERAGE AND PHARMACEUTICAL GROWTH MARKETS AND OUR STRONG TECHNOLOGY PLATFORMS WILL CONTINUE TO LEAD INNOVATION AND CATEGORY GROWTH.

Future developments

Kerry Group is well positioned across global food, beverage and pharmaceutical growth markets and our strong technology platforms will continue to lead innovation and category growth. The Group is confident that good growth rates are achievable through application of our industry leading ingredients and taste technologies, together with pharma, functional and nutritional ingredients in developed and developing markets. In addition, in the Group's core consumer foods categories, the underlying strength of Kerry Foods' brands and its focus on product innovation and positioning in convenience growth categories will sustain profitable growth. The Group is well positioned to actively pursue strategic acquisition opportunities which will support top-line and earnings growth into the future.

Directors

The Board consists of four Executive and ten independent Non-Executive Directors. The names and biographical details of the Directors are set out on pages 50 to 51.

Under Article 102 of the Company's Articles of Association Mr. Patrick Casey and Dr. Karin Dorrepaal, who were appointed to the Board since the previous AGM, will retire at the next AGM and, being eligible, are seeking re-election.

All other Directors will retire by rotation at the AGM and they, being eligible, are seeking re-election at that meeting.

Following the individual performance evaluation of all Directors, as outlined in the Corporate Governance Report on page 59, the Board recommends the re-election of all Directors seeking re-election.

Board changes

Mr. Sean Bugler retired from the Board following the AGM on 1 May 2014.

Mr. Patrick Casey was appointed to the Board on 2 May 2014 and Dr. Karin Dorrepaal was appointed to the Board on 1 January 2015.

Mr. Denis Buckley retired as Chairman and as a Director on 31 December 2014.

Substantial interests

The Directors have been notified of the following shareholdings of 3% or more in the issued share capital of the Company:

Shareholder	Number Held	%
Kerry Co-operative Creameries Limited (KCC)	24,048,456	13.7%
The Capital Group Companies, Inc.	9,922,821	5.6%
Blackrock Investment Management	5,687,891	3.2%

Apart from the aforementioned, the Company has not been notified of any interest of 3% or more in the issued share capital of the Company.

Corporate Governance

The Corporate Governance Report on pages 57 to 82 sets out the Company's application of the principles, and compliance with, the provisions of the UK Corporate Governance Code and Irish Annex and the adoption of the going concern basis in preparing the consolidated financial statements.

Principal Risks and Uncertainties

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland, a description of the principal risks and uncertainties facing the Group is outlined on pages 46 to 48.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Irish company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. Under that law the Directors are required to prepare group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the European Union. In preparing the 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;
- state that the financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 to enable them to ensure that the financial statements are prepared in accordance with IFRSs as adopted by the European Union and comply with Irish statute comprising the Companies Acts, 1963 to 2013, and as regards to the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Irish legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland, the Directors are required to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group. The Directors are also required by applicable law and the Listing Rules issued by the Irish Stock Exchange and the UK Listing Authority to prepare a Directors Report and reports relating to Directors' remuneration and corporate governance.

Each of the Directors, whose names and functions are listed on page 52, confirms that, to the best of their knowledge and belief:

- the consolidated financial statements for the year ended 31 December 2014 have been prepared in accordance with the applicable IFRSs as adopted by the European Union and give a true and fair view of the assets, liabilities, and financial position of the Group and the undertakings included in the consolidation, taken as a whole, as at that date and it's profit for the year then ended;
- the Company financial statements, prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Acts 1963 to 2013, give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2014;
- the Business Review includes a fair review of the development and performance of the business for the year ended 31 December 2014 and the position of the Company and the Group at the year-end;
- the Report of the Directors provides a description of the principal risks and uncertainties which may impact the future performance of the Company and the Group at the year-end; and
- the Annual Report and financial statements, taken as a whole, provides the information necessary for shareholders to assess the Company's and Group's performance, business model and strategy and is fair, balanced and understandable.

Accountability and audit

To ensure that proper books of account are kept for the Company in accordance with section 202 of the Companies Act, 1990, the Directors employ appropriately qualified accounting personnel and maintain appropriate accounting systems. The books of account of the Company are located at the Company's registered office.

A statement relating to the Directors' responsibilities in respect of the preparation of the financial statements is set out on pages 55 to 56 with the responsibilities of the Company's Independent Auditor outlined on page 85.

Subsidiaries

The principal subsidiaries are listed in note 37 to the financial statements.

Auditors

The auditors, Deloitte & Touche, Chartered Accountants, continue in office in accordance with section 160(2) of the Companies Act, 1963.

Political donations

During the year the Company made no political contributions which require disclosure under the Electoral Act, 1997.

Retirement benefits

Information in relation to the Group's retirement benefit schemes is given in note 26 to the financial statements.

Taxation

So far as the Directors are aware, the Company is not a close company within the definition of the Taxes Consolidation Act, 1997. There has been no change in this respect since 31 December 2014.

Signed on behalf of the Board:

Michael Dowling
Chairman
23 February 2015

Stan McCarthy
Chief Executive Officer

CORPORATE GOVERNANCE REPORT

Dear Shareholder,

Kerry Group plc is committed to achieving high standards of corporate governance and the Board sets the appropriate tone through effective leadership and management. The Board considers that it has complied throughout the period with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex.

The Financial Reporting Council published revisions to the UK Corporate Governance Code in September 2014 relating mainly to going concern, risk management and remuneration. Kerry Group has already adopted a number of these principles and the remainder will be implemented in the current year.

Michael Dowling
Chairman of the Board

THE BOARD OF DIRECTORS

Board composition and role

The Board leads and maintains effective control and oversight of the Group's activities. It numbers 14 directors in total and is comprised of a Non-Executive Chairman, Chief Executive Officer, Chief Financial Officer, two other Executive Directors and nine Non-Executive Directors. The Board considers the current size to be appropriate to address the business of the Board and considers that the number of Non-Executive Directors is sufficient to provide the required oversight and constructively challenge and help develop proposals on strategy.

The Directors consider that the current composition of the Board provides extensive relevant business experience and that the Directors bring the range of skills, knowledge and experience, including industry and international experience, necessary to govern the Company and adequately address and mitigate these principal risks and uncertainties as outlined on pages 46 to 48.

The Directors are responsible for managing the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes, to any directions given by shareholders in the Annual General Meeting and to the Company's Memorandum and Articles of Association. The fundamental responsibility of the Directors is to exercise their business judgement on matters of critical and long-term significance for the Group.

The Board has a formal schedule of matters specifically reserved to it for decision which includes:

- approval of the overall Group strategic and operating plans;
- approval of annual budgets (revenue and capital);
- approval of interim management statements;
- approval of annual and interim financial statements;
- approval of acquisitions and divestitures;
- approval of risk management and internal control systems;
- corporate governance;
- approval of treasury policy and major corporate activities; and
- preparation of and confirmation that the annual report and accounts, present a fair, balanced and understandable assessment of the Company's position and prospects.

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are separate and the division of duties between them is formally established, set out in writing, and agreed by the Board. The Chairman is responsible for leadership of the Board and ensuring its effectiveness in all respects. The Executive Directors of the Company, led by the Chief Executive Officer, are responsible for the management of the Group's business and the implementation of Group strategy and policy.

Board operations

The Chairman ensures that all Directors have full and timely access to such information as they require to discharge their responsibilities fully and effectively. Board papers are issued to each Director at least one week in advance of Board meetings and include the meeting agenda, minutes of the previous Board meeting, Chief Executive Officer's report, capital expenditure and merger and acquisitions reports together with management accounts and commentaries. The Chairman, in conjunction with the Company Secretary, has primary responsibility for setting the agenda for each meeting. At least annually, all Directors receive comprehensive reports and documentation on all matters for which they have responsibility. All Directors participate in discussing strategy, trading, financial performance, significant risks and operational activities. Board meetings are of sufficient duration to ensure that all agenda items and any other material non agenda items that may arise are addressed.

All Directors are expected to prepare for and attend meetings of the Board and the AGM and Board Committee Chairmen are available to answer questions at the AGM. Should any Director be unable to attend a Board meeting in person, conferencing arrangements are available to facilitate participation. In the event that a Director cannot attend or participate in the meeting, the Director may discuss and share opinions on agenda items with the Chairman, Chief Executive Officer or Company Secretary in advance of the meeting.

Each Director has access to the advice and services of the Company Secretary, whose responsibility it is to ensure that Board procedures are followed and that applicable rules and regulations are complied with. In accordance with an agreed procedure, in the furtherance of their duties, each Director is, in addition, able to take independent professional advice at the Company's expense. There is a Directors and Officers liability policy in place for all Directors and Officers of the Company against claims from third parties relating to the execution of their duties as Directors and Officers of the Company and any of its subsidiaries.

Following their appointment all Board members undergo a full and formal induction programme including an overview of the Group's operations and performance, an outline of their duties and responsibilities as a director, an outline of the principal risks facing the Group and opportunities to meet with key executive management. Further training is available subsequently as required as well as regular reviews with the Chairman.

Senior Independent Director

Philip Toomey is the Group's Senior Independent Director (SID). The principal role of the SID is to provide a sounding board for the Chairman, and to act as an intermediary for other Directors as required. The SID is responsible for the appraisal of the Chairman's performance throughout the year. He is also available to meet shareholders upon request, in particular if they have concerns that cannot be resolved through the Chairman or the Chief Executive Officer.

Independence

Michael Dowling was appointed Chairman of the Board on 1 January 2015. The selection process was led by the Senior Independent Director and the Group's external advisors, Heidrick & Struggles in London, were also involved in what ultimately resulted in the unanimous recommendation to the Board that he succeed the outgoing Chairman, Mr. Denis Buckley. While acknowledging Mr. Dowling's tenure, the Board is of the view that he is the most appropriate person to lead the Board. Board refreshment has been significant over the last number of years and as a result 80% of Non-Executive Directors have a tenure of three years or less. Michael's experience in both the industry and as a Board member is critical to ensuring an orderly and appropriate succession of the retiring Chairman. Many major shareholders were consulted for their views on his appointment to the Chair in advance of the Board's decision to elect him.

The Group currently has four independent Non-Executive Directors on the Board who are also directors of Kerry Co-operative Creameries (KCC), the Group's largest shareholder. Over the past 29 years KCC's shareholding has reduced from 100% to its current level of 13.7%. The Board is of the opinion that through their knowledge of the industry, these Directors contribute to the achievement of the Group's objectives.

Although connected to a significant shareholder no trading relationship exists between KCC and the Company. Notwithstanding their connection to KCC, the Board as a whole is of the opinion that these Directors are independent in both character and judgement.

Meetings and attendances

The Board meets at least seven times annually including specific meetings to consider the interim results, interim management statements, and full year results. In 2014 it met on seven occasions. Attendances at scheduled Board Meetings during the year ended 31 December 2014 were as follows:

Attendance at 2014 Board Meetings	Attended	Eligible
Directors		
Michael Ahern	7	7
Gerry Behan	7	7
Hugh Brady	7	7
Denis Buckley	7	7
Sean Bugler*	2	2
Patrick Casey**	5	5
James Devane	7	7
Michael Dowling	7	7
Joan Garahy	7	7
Flor Healy	7	7
James C. Kenny	7	7
John Joseph O'Connor	7	7
Stan McCarthy	7	7
Brian Mehigan	7	7
Philip Toomey	7	7

** Retired 1 May 2014*
*** Joined 1 May 2014*

GOVERNANCE FRAMEWORK AND BOARD COMMITTEES

The Board has three committees in place for which it has delegated authority on a number of specific matters. These are an Audit Committee, a Nomination Committee and a Remuneration Committee. The main roles and responsibilities of these Committees are set out in written terms of reference and are available from the Group's website (www.kerrygroup.com) and upon request.

The undertakings of the Audit Committee are contained in the Audit Committee Report on page 61, while the activities of the Nomination Committee are contained in the Nomination Committee Report on page 64. Details on Directors' Remuneration and the activities of the Remuneration Committee are contained in the Remuneration Committee Report on page 68.

The following outlines the Kerry Group Governance Framework.

SHAREHOLDERS

BOARD OF DIRECTORS

CHAIRMAN	CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	BOARD COMMITTEES		
CHAIRMAN'S REPORT	MANAGEMENT EXECUTIVE	MANAGEMENT EXECUTIVE	AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
Chairman's Report Page 4	Chief Executive Officer Report Page 6	Financial Review Page 22	Audit Committee Report Page 61	Nomination Committee Report Page 64	Remuneration Committee Report Page 68

Board evaluation

The performance of the Board, Board committees, individual directors and the Chairman was undertaken internally against a set of key criteria. The review was facilitated by the Company Secretary and was undertaken using Thinking Board, Independent Audit Limited's governance self-assessment process. Independent Audit Limited is recognised as a leading firm of board reviewers, based in London, which is fully independent of Kerry Group.

At the same time, the Senior Independent Director formally appraised the performance of the Chairman. This appraisal was similar to the Board evaluation process which included feedback from all Directors on the Chairman's performance during the year.

The review covered a range of topics including:

- Board composition and culture;
- ability and effectiveness;
- role and responsibilities;
- strategic development;
- time and commitment; and
- knowledge and communication.

At a meeting in December 2014 the Non-Executive Board members, led by the Chairman, considered the Board evaluation report which included a formal review of its own performance and the Board committees. Progress against recommendations from the previous evaluation was considered and the Board is satisfied that improvements have been made that have enhanced the operations and effectiveness of both the Board and its committees.

The Chairman appraised each of the Non-Executive Directors individually utilising the same process. The key areas reviewed were independence, contribution and attendance at Board meetings, interaction with Executive Directors, the Company Secretary and senior management, ability to communicate issues of importance and concern, their knowledge and effectiveness at meetings and the overall time and commitment to their role on the Board.

In line with the Group's Corporate Governance policy, a full external Board performance evaluation was undertaken in 2013 and will be repeated in 2016.

Internal control and risk management

The Board of Directors is responsible for the operation and monitoring of the Group's internal control and risk management systems. These systems provide reasonable, but not absolute, assurance of:

- the safeguarding of assets against unauthorised use or disposition; and
- the maintenance of proper accounting records and the reliability of the financial information produced.

The key elements of these systems are:

- The Board of Directors review and approve a detailed annual budget as well as the Interim and Annual Consolidated Financial Statements;
- the Board carry out an assessment of principal risks facing the Group, and understand the key actions being taken to mitigate these risks;
- the Board of Directors approves all major strategic decisions;
- a clearly defined reporting and responsibility structure exists;
- the Group has a Code of Conduct and global policies and procedures which are issued centrally for all material functions and approved by Executive Management and the Risk Oversight Committee;
- a centralised treasury function manages the financial risks of the Group;
- the Group has a clearly defined process and system for managing capital expenditure including the use of appropriate authorisation levels;
- the Group Finance Committee has responsibility for raising finance, reviewing foreign currency risk, making decisions on foreign currency, interest rate hedging, and managing the Group's relationship with its finance providers; and

- the Group uses a standardised consolidation system for the preparation of the Group's monthly management accounts, Interim and Annual Consolidated Financial Statements.

The Directors have implemented procedures to enable them continually monitor the effectiveness of the systems of internal control and risk management through:

- the operation of the Audit Committee who approve audit plans, and deal with significant control issues raised by the internal and external auditors;
- the internal audit function, who report to the Audit Committee, review the operation of internal controls and make recommendations for improvement;
- the Group has a country corporate compliance function who establish compliance policy and monitor compliance across the Group's countries of operation;
- the Group operates a control self-assessment system covering the key controls for the financial control and treasury functions of the Group;
- the Audit Committee reviews the report from the External Auditor in respect of significant financial accounting and reporting issues, together with internal control observations including IT controls;
- the Group Code of Conduct and Group policies, published on the Group's intranet, ensures the key controls in the internal control system are complied with; and
- ensuring that significant variances between the budget and detailed monthly management accounts are investigated by management and remedial action is taken as necessary.

The Directors confirm that they have reviewed the effectiveness of the system of risk management and internal control operated during the period covered by these accounts and up to the date of this report. No significant failings or weaknesses were identified from the internal controls review. The procedures adopted comply with the guidance contained in *Internal Control: Guidance for Directors* as published by the Financial Reporting Council in the UK.

Relations with shareholders

Communication with shareholders is of significant importance and the Company undertakes this principally through its Annual and Interim Reports, Interim Management Statements, at the AGM and through the processes described below.

Although most shareholder contact is with the Chief Executive Officer and the Chief Financial Officer, supported by management specialising in investor relations, it is the responsibility of the Board as a whole to ensure that a satisfactory channel of communication with shareholders exists. The Board strongly supports a programme of regular ongoing communication with the Company's shareholders. The programme, which is formalised within an investor relations framework, includes ensuring that:

- presentations of interim and full year results and regular meetings by senior management with the Company's institutional investors;
- a significant amount of published material, including results, presentations, and news releases are accessible to all shareholders on the Group's website (www.kerrygroup.com) and through the Kerry Group Investor Relations app;
- regular communication is also entered into with individual shareholders on a wide range of issues through the website;
- the Chairman periodically attends investor meetings in order to obtain the views of shareholders and shares these views with all Directors in a timely manner; and
- the Senior Independent Director is available to meet shareholders on request.

The AGM provides an opportunity for the Directors to deliver presentations on the business and for shareholders, both institutional and private, to question the Directors directly. The Chairman of the Board together with the Chairman of the Audit, Remuneration and Nomination Committees are available to answer questions as required. Notice of the AGM, proxy statement and the Annual Report and Accounts are sent to shareholders at least 20 working days before the meeting. A separate resolution is proposed at the AGM on each substantially separate issue including a particular resolution relating to the report and accounts. Details of the proxy votes for and against each resolution, together with details of votes withheld are announced after the result of the votes by hand. These details are published on the Group's website following the conclusion of the AGM.

Going concern

The consolidated financial statements have been prepared on the going concern basis and, as required by the UK Corporate Governance Code and the Irish Corporate Governance Annex. The Directors report that they have satisfied themselves and consider it appropriate that the Group is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view the Directors have reviewed the Group's budget for 2015, the medium term plans as set out in the rolling five year plan and have taken into account the cash flow implications of the plans, including proposed capital expenditure, and compared these with the Group's committed borrowing facilities and projected gearing ratios. The Directors have not identified any material uncertainties in the Group's ability to continue over a period of at least 12 months.

The Group's business activities, together with the main trends and factors that are likely to affect the future development, performance and position of the Group are outlined in the Business Review on pages 10 to 21 and the Financial Review on pages 22 to 28. The principal risks and uncertainties facing the Group are identified and described on pages 46 to 48. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and financial risk management are discussed in the Financial Review on pages 22 to 28. In addition, note 24 to the financial statements includes details of the Group's borrowings, financial instruments and its exposures to credit and liquidity risk.

AUDIT COMMITTEE REPORT

Dear Shareholder,

On behalf of the Audit Committee I am pleased to present this report which outlines the work performed by the Committee during the year. During 2014 the Committee successfully satisfied its responsibilities set out in the Audit Committee Terms of Reference.

The report which follows outlines how the Committee discharges its key objectives of monitoring of the Group's financial reporting process, review of the internal control systems, oversight of the Group's Internal Audit function, risk management and control, and advising the Board on the appointment and independence of the Group's external auditor.

In 2014 the Committee approved plans for the Group external audit tendering arrangements and agreed a timeline for the process.

At the end of the year Michael Dowling retired from the Audit Committee and was succeeded by Hugh Brady in January 2015. I would like to take this opportunity to thank Michael for his contribution to the Committee during his tenure.

Philip Toomey
Chairman of the Audit Committee

Committee membership

During 2014, the Audit Committee comprised of three independent Non-Executive Directors; Mr. Michael Dowling, Ms. Joan Garahy and was chaired by Mr. Philip Toomey. As of 31 December 2014 Michael Dowling stepped down from the Audit Committee. Hugh Brady joined the Committee with effect from 1 January 2015.

The Board considers that Philip Toomey and Joan Garahy have relevant and recent financial experience, as set out in their biographical details on page 51.

Depending on the scheduled agenda, key Senior Executive Management including the Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit as well as representatives of the external auditors are regularly invited to attend Audit Committee meetings. When required members of the Risk Oversight Committee are invited to attend meetings to present on agenda items related to risk. The Company Secretary is the Secretary of the Committee.

Role, responsibilities and terms of reference

The primary role of the Audit Committee is to ensure the interests of the shareholders are properly protected in relation to financial reporting and internal control. The Committee also assists the Board in executing its duties in relation to risk management and oversight, and is responsible for overseeing the Company's relations with the external auditor. The Committee advises the Board prior to its approval of the Interim and Annual Consolidated Financial Statements, and whether it believes there are any material uncertainties that may impact the Group's ability to continue as a going concern. It also oversees the operation of the Group's Internal Audit function.

The Audit Committee provided an opinion to the Board that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary to assess the business model, strategy and performance.

In satisfying this responsibility, the Committee considered the following:

- the detailed timetable for the preparation of the Annual Report and Consolidated Financial Statements, including key milestones;
- the systematic approach to review and sign-off carried out by Senior Management and the Group External Auditor, with a focus on consistency and balance;
- Senior Management provided a detailed report verifying their assessment which was presented to the Audit Committee; and
- extended time allocated to the Audit Committee to allow for adequate review of the Annual Report and Consolidated Financial Statements.

During the year the Audit Committee Chairman provided a letter to the Board outlining how the Committee discharged its duties during 2014.

The main responsibilities and role of the Committee, which were reviewed and approved by the Board of Directors during the year, are set out in written terms of reference which are available from the Group's website (www.kerrygroup.com) and upon request.

Committee meetings and activities 2014

The Committee met five times during the year and attendance at these meetings is detailed in the table:

Committee Member	Attended	Eligible
Michael Dowling	5	5
Joan Garahy	5	5
Philip Toomey	5	5

The key activities undertaken by the Committee in discharging its duties during 2014 are set out below:

<table>
<tr><th>Subject</th><th>Committee Activity</th></tr>
<tr><td>Financial Reporting</td><td>The Audit Committee reviewed the Interim Management Statements, the Interim and Annual Consolidated Financial Statements and all formal announcements relating to these statements before submitting them to the Board of Directors with a recommendation to approve. These reviews focused on, but were not limited to:
– the appropriateness and consistency of accounting policies and practices;
– the going concern assumption;
– compliance with applicable financial reporting standards, corporate governance requirements and the sufficiency of disclosures;
– whether the Annual Report, taken as a whole, is fair, balanced, understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy.
The areas of significant judgement in the preparation of the financial statements are outlined below.
Carrying value of intangible assets
Intangible assets, as disclosed in note 12, represents the largest number on the Group balance sheet at €2.6bn. The Committee considered the process used to complete the impairment review of the Group's intangible assets and specifically the assumptions used for the future cash flows, discount rates, perpetuity rates and growth rates. The Committee found that the assumptions used for the review are appropriate following discussions with the external auditor and senior management.
Taxation
An element of judgement is required when arriving at the level of provisioning for uncertain current and deferred tax liabilities. The Committee reviewed the tax provisioning methodology and considered the outcome of the auditor's review of these provisions. As a result, the Committee believes the level of provisioning is appropriate.
Retirement benefit obligations
The Group has a number of defined benefit schemes that are in a deficit position as outlined in note 26. These schemes have been closed to future accrual; however changes in actuarial assumptions can impact the valuation of these obligations. During their review of the financial statements, the Committee considered the assumptions used including discount rates, inflation rates and mortality rates and were satisfied that the methodology employed by the Group and its external advisors were appropriate. The Committee having consulted with senior management and discussed with the external auditor, concluded that these assumptions are appropriate.</td></tr>
<tr><td>Internal Control and Risk Management</td><td>The Board, through the Audit Committee, completed an assessment of the Group's risk and control framework. The Risk Oversight Committee (ROC) and the Internal Audit function facilitated the Board in this assessment by preparing a consolidated Group risk register and control report. The results of the overall risk assessment process and details of the significant risks were presented to the Board of Directors during the year. The Group's assessment of Principal Risks and Uncertainties and risk framework is set out on pages 46 to 48.
As a regular agenda item, members of the ROC presented to the Audit Committee on individual principal risk areas facing the Group. The Chairman of the Audit Committee, after assessing the information presented by the ROC, provided updates and recommendations to the Board on the Group's risk management activities.
In addition the Committee assessed the effectiveness of the internal control framework in accordance with the Turnbull Guidance and received reports from the external auditor on certain aspects of the financial control environment following the statutory audit.
The Committee considered reports from the Head of Internal Audit based on internal audits completed and the results of the Kerry Control Reporting System.
The Audit Committee, having assessed the above information, is satisfied that the internal control and risk management frameworks are operating effectively.</td></tr>
</table>

Subject	Committee Activity
Internal Audit	The Committee approved the annual internal audit plan, ensuring its alignment with the key risks facing the Group, and received regular progress reports from the Head of Internal Audit (HIA). When assessing the work carried out by the Internal Audit function, the Committee considered significant control issues, notable findings and managements' action plans to remediate identified issues. The Committee also monitor the results of the on-going internal audit feedback survey, the level of resources and the composition of the team. During 2014 the Committee Chairman led the recruitment and selection process for a new HIA following the transition of the outgoing HIA to a role within the Kerry business. The appointment of the new HIA is effective from 1 January 2015. The Committee considered the role of the Internal Audit function in the context of the Group risk management programme and encouraged co-ordination between the internal and external auditors. Following an external review of the function in 2012 it was noted that the Internal Audit function conforms to the Institute of Internal Auditors (IIA) International Professional Practice Framework (IPPF).
External Audit and Non-Audit Services	Deloitte and its predecessor firms have been the Group external auditor since the Company was listed in 1986. In keeping with best practice and to comply with changes to the UK Corporate Governance Code and EU legislation, the Audit Committee has committed to put the Group's external audit out to tender. A timeline for the tendering process has been agreed by the Committee. The successful firm will be appointed for the audit of the Group's 31 December 2016 Annual Report and consolidated financial statements. The Audit Committee reviewed the External Auditor's report on quality control procedures and on the safeguards which they have put in place to ensure their objectivity and independence in accordance with regulatory and professional requirements. The Audit Committee also reviewed and approved the annual external audit plan and considered in detail the findings from the audit of the consolidated financial statements. During the year, the Committee met with the external auditor without management present to discuss any issues that may have arisen during the audit of the Group's consolidated financial statements. The Group's policy is that the external auditor and its affiliates may be used for non-audit services that are not in conflict with the auditor's independence and where sound commercial reasons exist. This policy was reviewed and approved by the Audit Committee and all non-audit services and fees were approved in accordance with Group policy. The Audit Committee approved the remuneration for the external auditor. Having considered all of the above, the Committee concluded that the Group's external auditor remained independent and that the audit process was effective. As a result, the Committee recommended to the Board that Deloitte continue in office.
Whistleblowing and Fraud Arrangements	The Group employs a comprehensive and confidential reporting procedure to assist management and employees to work together to address fraud, abuse, and other misconduct in the workplace. The Committee reviewed the operation of this during the year and were satisfied with the operation. During the year, the HIA provides the Committee with summaries of suspected or actual fraudulent matters outlining the detail of the incident, key control failures, any financial loss and actions for improvement.

Committee evaluation

The internal review of Board effectiveness described on page 59 included a review by the Committee of its own effectiveness. The Committee is satisfied that formal and transparent arrangements for considering corporate reporting, risk management, internal control principles and for maintaining an appropriate relationship with the Company's auditor exist.

NOMINATION COMMITTEE REPORT

Dear Shareholder,

Having succeeded Denis Buckley as Chairman of the Nomination Committee following his retirement, I am pleased to present this report outlining the work performed by the Committee during the year. During 2014, we continued to lead the Board refreshment process, ensuring the composition of the Board has the correct balance of skills, knowledge, experience, diversity, and independence.

As planned, we increased female representation on the Board to two members in line with diversity targets we set ourselves in 2013. Sean Bugler retired following the 2014 AGM and was succeeded by Patrick Casey while Karin Dorrepaal joined the Board in January 2015.

The selection and appointment process to succeed Mr. Denis Buckley as Chairman of the Board was led by the Senior Independent Director with support from the Nomination Committee and the Group's external advisors. I would like to take this opportunity to thank Denis for his contribution to the Committee during his tenure and wish him every success in his future endeavours.

Michael Dowling
Chairman of the Nomination Committee

Committee membership

During the year, the Nomination Committee comprised three independent Non-Executive Directors, Mr. Michael Dowling, Mr. James C. Kenny and was chaired by Mr. Denis Buckley. On 31 December 2014, Mr. Denis Buckley retired from the Committee and was replaced by Dr. Hugh Brady. Mr. Michael Dowling was appointed Chairman of the Committee effective 1 January 2015.

Role, responsibilities and terms of reference

The Nomination Committee reviews the size, structure and composition of the Board considering knowledge, skills, experience and diversity.

The Chairman of the Board or an independent Non-Executive Director of the Company is the Chairman of the Committee. The Chairman of the Board does not chair the Committee when it is dealing with the matter of succession to the chairmanship. The Company Secretary acts as Secretary of the Nomination Committee.

The Board ensures that the membership of the Nomination Committee is refreshed in accordance with the Group's Corporate Governance Policy.

Only Committee members are entitled to attend Committee meetings and the quorum for meetings is two. The Nomination Committee may extend an invitation to other persons to attend meetings to be present for particular agenda items as required.

The Committee's effectiveness is reviewed on an annual basis as part of the Board evaluation process. Further details on this process can be found on page 67.

The Committee is authorised by the Board to obtain independent professional advice and to secure the attendance of advisors with relevant experience and expertise if it considers this necessary. During 2014, the Group used the advice and services of the London office of Heidrick & Struggles which specialises in Executive and Non-Executive board member recruitment services. Heidrick & Struggles have no other connection to the Group.

The main responsibilities of the Committee are set out in written terms of reference which are available from the Group's website (www.kerrygroup.com) or upon request.

In accordance with the terms of reference of the Committee, the primary responsibilities of the Committee include:

- evaluating the balance of skills, experience, independence, knowledge and diversity of the Board to ensure optimum size and composition;
- reviewing the Board Diversity Policy and the setting of measurable objectives for reporting the policy;
- ensuring an appropriate nomination process is in place for Board appointments;
- reviewing a candidate's other commitments to ensure that on appointment, a candidate has sufficient time to undertake the role;

- ensuring the Company Secretary writes to each appointed Director proposing an induction plan;
- making recommendations to the Board on the appointment and re-appointment of both Executive and Non-Executive Directors;
- making recommendations to the Board concerning membership of Board Committees in consultation with the Chairmen of the Committees; and
- ensuring plans and processes are in place for succession planning for Directors and senior management positions.

Nomination process

There is a formal, rigorous and transparent procedure determining the nomination for appointment of new Directors to the Board. Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity on the Board. The Committee then makes recommendations to the Board concerning appointments of Executive or Non-Executive Directors, having considered the blend of skills, experience, independence and diversity deemed appropriate and reflecting the global structure of the Company.

The Nomination Committee also makes recommendations to the Board concerning the re-appointment of any Non-Executive Director at the conclusion of their specified term and the re-election of all Directors the subject of annual rotation. The terms and conditions of appointment of Non-Executive Directors are set out in formal letters of appointment, which are available for inspection at the Company's registered office during normal office hours and at the Annual General Meeting of the Company.

The key stages in the nomination process are outlined below.

Board refreshment policy

Appointments to the Board are for a three year period, subject to shareholder approval and annual re-election, after consideration of annual performance evaluation and statutory provisions relating to the removal of a Director. The Board may appoint such Directors for a further term not exceeding three years and may consider an additional term if deemed appropriate. On the Board's behalf, the Chairman conducted a rigorous review of all Non-Executive Directors as part of the Board evaluation process, taking into account the need for progressive refreshment of the Board.

The Nomination Committee, at least annually, reviews and assesses the structure, size, composition and overall balance of the Board and makes recommendations to the Board with regard to any changes required.

Diversity policy

Diversity is fully embraced at Kerry Group and we are committed to having a work environment that is respectful of everyone. In order to achieve a positive and productive workplace, we must work together and realise each individual has something unique to contribute to the overall success of Kerry.

The Group has implemented a Diversity and Inclusion policy which forms part of the Group Code of Conduct ensuring that diversity and inclusion are embedded in Kerry Group's core values. Within this, the Group seeks to recruit, hire and retain the best talent from a diverse mix of backgrounds, with the skills and experiences to drive new ideas, products and services providing a sustained competitive advantage.

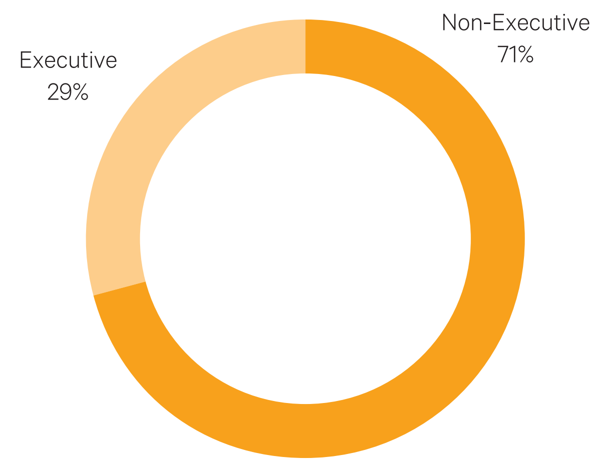
Stage	Description
1. Assessment	– Nomination Committee conducts a Board Evaluation – Considers the skill set, balance, diversity (including gender) of the Board
2. Requirement	– If a requirement is identified, Committee prepares a detailed job description outlining the particular skills and experience required
3. Search	– Conducts search through third party search agency, Directors or other stakeholders – Search based on job description identified above
4. Screening	– Screening carried out by 3rd Party or other party as selected by the Committee
5. Interview	– Interview and selection process led by the Committee – Results are reviewed by the Committee who select candidates and recommend them to the Board for approval
6. Approval	– Board of Directors consider the candidate(s) from the Committee and approve the candidate subject to shareholder election at the AGM

The Board believes in the benefits of having a diverse Board and the benefits that it can bring to its effective operation. Differences in background, skills, experiences, nationality and other attributes including gender, are considered in determining the optimum composition of the Board and with the aim to balance it appropriately. All Board appointments are made on merit, with due regard to diversity.

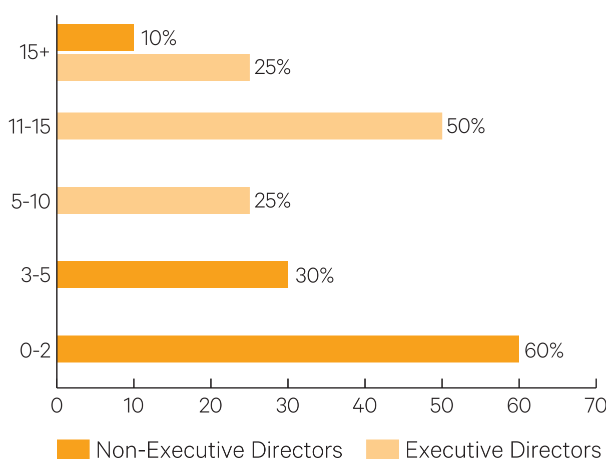
In reviewing Board composition and in agreeing on a job specification for new Non-Executive Director appointments, the Committee considers the benefits of all aspects of diversity including, but not limited to, those described above, in order to complement the range and balance of skills, knowledge and experience on the Board. As part of the identification process Heidrick & Struggles are required to present a list of potential candidates, who meet the stated specification and requirements, comprising candidates of diverse backgrounds for consideration by the Committee.

A summary of the Group's current position relating to Board and senior management diversity is provided below:

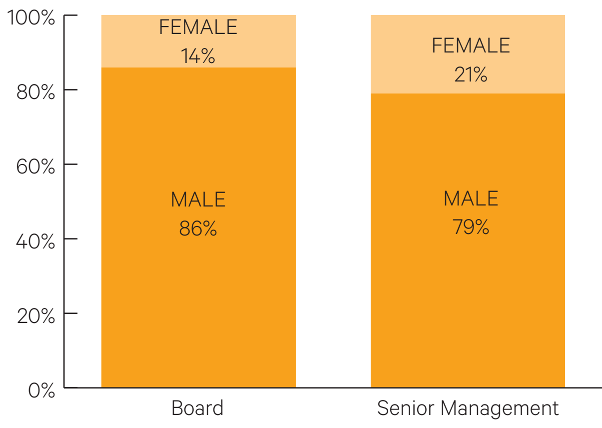
Executive/Non-Executive Directors



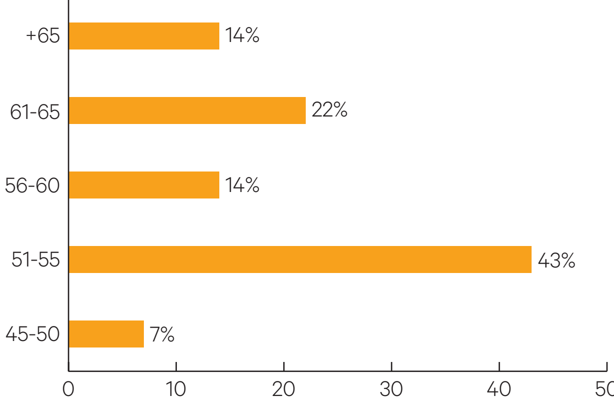
Board Tenure (Years)



Diversity



Board Age Profile



Committee meetings and activities 2014

The Committee met five times during the year and attendance at these meetings is detailed below:

Director	Attended	Eligible
Denis Buckley	5	5
Michael Dowling	5	5
James C. Kenny	5	5

The principal activities of the Committee throughout the year are detailed below.

Subject	Committee Activity
Internal and External Evaluation	As outlined in detail on page 59 an internal review of the Board and its Committees took place in 2014. The Committee considered the outcome of this review and identified the areas relevant to the Nomination Committee. Each recommendation was assessed and an action plan was developed to address areas for potential improvement. These recommendations will form part of the agenda of the Committee for the coming year. An external review of the Committee was completed during 2013 and a number of recommendations and areas for potential improvement were identified as part of this review. The Committee continues to review and implement actions to address these recommendations.
Committee Terms of Reference	The Committee reviewed its Terms of Reference during the year to ensure the contents remained relevant and appropriate, and best reflect the role and responsibilities of the Committee.
Succession Planning	During the year the Committee reviewed succession planning and this will remain a key focus area for the Committee in the future and will be reviewed on a regular basis. The review undertaken addressed a number of succession occasions including the appointment of a new Chairman, refreshment of the Board and its Committees together with senior management appointments.
Re-appointment of Directors	The Committee recommended to the Board that all Directors, subject to and seeking re-election, be put forward for re-appointment at the Group's 2015 AGM. In accordance with the Articles of Association, all newly appointed Directors are subject to election by shareholders at the AGM following their appointment. All other Board members are required to subject themselves for re-election by shareholders on an annual basis. The Board explains to shareholders, in the papers accompanying the resolutions to elect and re-elect the Non-Executive Directors, why they believe the individual should be re-elected. When proposing re-election, the Chairman confirms to shareholders that following formal performance evaluation, the individual's performance continues to be effective and demonstrates commitment to the role.
Appointment of Chairman and Non-Executive Directors	Mr. Patrick Casey was appointed to the Board on 2 May 2014 and Dr. Karin Dorrepaal was appointed to the Board on 1 January 2015. All appointments to the Board were conducted in line with the nomination process contained on page 65. Heidrick & Struggles was engaged by the Committee for each of these appointments as part of their role as advisers to the Committee. The nomination process to succeed Mr. Denis Buckley as Chairman was led by the Senior Independent Director. A job specification was prepared in advance of this appointment which outlined the requirements including time commitments. The selection and appointment of Mr. Michael Dowling was made with support from Heidrick & Struggles as well as consultation with major shareholders.
Board Committee Refreshment Policy	As of 1 January 2015 the Board is made up of 14 Directors, comprising four Executive Directors and ten Non-Executive Directors. Due to the changes effected during the year, the average tenure of the Board currently stands at six years with over 50% of the Board having been appointed in the past three years. The Committee evaluated the tenure of the Directors during 2014 and felt that the current composition and tenure profile of the Board is appropriate. The tenure of Board members serving on each Committee was also considered. With the exception Mr. Michael Dowling, no committee member has been a member of their respective committee for more than three years. The Committee monitors the Board Committees on an on-going basis to ensure each committee is appropriately refreshed.

REMUNERATION COMMITTEE REPORT

Dear Shareholder,

On behalf of the Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2014. The Group's remuneration policy is outlined on page 70 and the Committee is confident that the Group's policy achieves its strategic objectives, is properly governed and operates to the highest standards. Therefore we have not proposed any fundamental changes to the policy during 2015.

The Committee is dedicated to structuring a remuneration policy which is stretching to incentivise performance, with remuneration metrics directly aligned to the Group's key performance indicators to deliver value to shareholders.

Linking remuneration with strategy

The Group's focus is on delivering growth in business profitability and optimising return on investment. Appropriate metrics are in place to achieve these goals. In addition minimum share ownership requirements for Executive Directors and the inclusion during 2013 of a two year deferral period on elements of variable remuneration, aligns the Executive Directors' interests with that of shareholders.

During 2014 the Group continued the implementation of the '1 Kerry' organisational change programme together with other global growth/ investment strategies, to achieve long term strategic and risk mitigation objectives.

2014 financial year

Whilst the external environment continues to be challenging, the Group again delivered a good financial performance for the year. Growth in adjusted Earnings Per Share (EPS) for 2014 was 8.1%, with a Total Shareholder Return (TSR) of 13.8% and Return on Average Capital Employed (ROACE) of 14.4%.

Following a detailed review performed in 2012 and changes made in 2013 to both the Short Term Incentive Plan (STIP) and the Long Term Incentive Plan (LTIP), the Committee continued to monitor the remuneration arrangements for the Group's Executive Directors and senior management. The key focus was to ensure that the performance metrics used for the Group's incentive plans remain appropriate and that they reflect the Group's strategic objectives. The overall effectiveness of the STIP and LTIP were reviewed to ensure each plan was structured appropriately to incentivise Executive Directors and senior management. It was agreed that the metrics, targets and weightings used, are aligned with company strategy/risk and that malus/clawback provisions which apply to both plans, are appropriate.

It was also agreed that inflationary increases to basic pay were the only changes necessary to Executive Directors' and senior managers' pay for 2015. General pay conditions across the Group were also reviewed as part of this exercise.

In line with a three year review cycle, the Chairman and Non-Executive Directors' fees were reviewed and benchmarked during 2014. As a result of the review increases are being applied effective from January 2015. The Chairman's annual fee is being increased by €21,000 which represents the first increase since 2008. Non-Executive Directors' basic fees will increase by €5,000 per Director mainly to account for inflation over the last three years. It was agreed to maintain the separate fees applying for membership/ chair of Committees and other fees at current levels, as these are deemed to be correctly benchmarked.

The Committee monitors 'best-practice' developments for remuneration policy, reporting and new legislation. It also receives independent advice from leading external remuneration consultants as appropriate, to ensure good governance and this year's report has been completed with all these requirements in mind. As in previous years the remuneration report is being put to shareholder vote on a voluntary basis and I would encourage shareholders to vote in favour of this resolution.

The Committee will continue to review the Group's remuneration policy to ensure that it continues to be aligned to shareholders' interests, is correctly reported in line with relevant legislation and provides the right framework to attract, retain and motivate the executives to meet the Group's objectives.

Yours sincerely

Joan Garahy
Chairman, Remuneration Committee

REMUNERATION COMMITTEE

Remuneration committee membership

During the year, the Remuneration Committee comprised three independent Non-Executive Directors; Mr. James C. Kenny, Mr. Denis Buckley and was chaired by Ms. Joan Garahy. Details of the skills and experience of the Directors are contained in the Directors' biographies on page 51. Mr. Denis Buckley stepped down from the Committee on 31 December 2014 and was replaced by Dr. Karin Dorrepaal from 1 January 2015.

Role of the remuneration committee

The Remuneration Committee is responsible for determining the remuneration policy for the Chief Executive Officer, the other Executive Directors and senior management on an annual basis. The Chief Executive Officer is invited to attend Remuneration Committee meetings, but does not attend Committee meetings when his own remuneration is discussed. The Committee also has access to internal and external professional advice as required. Decisions are made within agreed reference terms, with meetings held as required. In considering the agenda the Committee gives due regard to the interests of shareholders and the performance of the Group.

The Remuneration Committee also completes an assessment of its own performance on an annual basis and reports any recommendations to the Board.

The main responsibilities of the Committee are set out in written terms of reference and are available from the Group's website (www.kerrygroup.com) and upon request.

Key responsibilities:

In accordance with the terms of reference of the Committee, the primary responsibilities of the Committee include:

- to review the remuneration of the Chief Executive Officer, Executive Directors and senior management;
- to review the remuneration of the Chairman and Non-Executive Directors;
- to review and approve incentive plan structures and targets;
- to agree the design of all share incentive plans for approval by the shareholders;
- to place before shareholders at each AGM, a Directors' Remuneration Report outlining the Company's policy and disclosures on remuneration;
- to arrange where appropriate, external benchmarking of overall remuneration levels and the effectiveness of share based incentives and long term incentive schemes; and
- to review annually its own performance and terms of reference to ensure it is operating effectively.

Committee meetings and activities 2014

The Committee met on four occasions during the year. Attendance at these meetings is detailed below:

Director	Attended	Eligible
Denis Buckley	4	4
Joan Garahy	4	4
James C. Kenny	4	4

The key activities undertaken by the Committee in discharging its duties during 2014 are set out below:

Subject	Committee Activity
Remuneration Report	The Committee completed a review of best practice remuneration reporting during the year. This review involved an assessment of the content of the report to ensure compliance with relevant legislation and reporting requirements while also ensuring the delivery of a report which is transparent and understandable for all shareholders. As part of this review the Committee considered recent amendments to reporting requirements in the United Kingdom and commentary on the impending EU Shareholders' Rights Directive. Although these amended requirements are not directly applicable to the Group, the Committee felt that enhanced disclosure in certain areas would aid in providing additional clarity for shareholders to assess the remuneration paid to the Group's Executive Directors.
Basic Salary	A detailed benchmark review of Executive Directors' salaries is scheduled on a three year cycle and this last occurred in 2012. In the intervening years the Committee continues to monitor the level of basic salaries of both Executive Directors and senior management to ensure basic salary is reflective of roles, internal responsibilities and also to ensure alignment with any amendments to basic salaries for the greater employee population within the Group. The Committee also monitors market practice in executive pay. Following this review during 2014, the Committee has made the decision to maintain basic salary levels for Executive Directors and senior management apart from an adjustment to reflect annual inflation.

Subject	Committee Activity
Chairman & Non Executive Directors' Fees	A detailed benchmark review of the Chairman's and Non-Executive Directors' fees occurs on a three year cycle and this last occurred in 2011. The Committee therefore undertook a review of the fee levels of both the Chairman and Non-Executive Directors during 2014 with the assistance of Towers Watson, to ensure they were correctly benchmarked and reflective of their roles and responsibilities. Following this review and advice from Towers Watson, the Committee has made the decision to increase the basic fee levels effective from 1 January 2015. The Chairman's annual fee is increasing by €21,000 which represents the first increase since 2008. Non-Executive Directors' basic fees are increasing by €5,000 per Director which mainly accounts for inflation over the last three years since fees were last changed. It was agreed to maintain the separate fees applying for membership/Chair of Committees and other fees at current levels, as these are deemed to be correctly benchmarked.
Short Term Incentive Plan (STIP)	The Committee performed a review of the STIP during the year to ensure the plan remains effective and that alignment with shareholder interests is maintained. The Committee also reviewed the outcome of the STIP in the year to ensure the targets set were stretching in nature. The average pay out achieved during 2014 was 46% of maximum opportunity which equates to 70% of target opportunity. The Committee felt that the performance targets remain stretching and that the metrics used promote alignment with shareholders' interests. A review of the malus and clawback provisions of the STIP was also undertaken and these provisions (outlined on page 73) were deemed to be appropriate and effective.
Long Term Incentive Plan (LTIP)	The Committee monitored the overall effectiveness of the LTIP during 2014 to ensure it is structured appropriately to incentivise Executive Directors and senior management across the Group. LTIP performance metrics and weightings were reviewed and deemed to be correctly aligned to Group strategy. LTIP thresholds, targets and maximum opportunities are also deemed to be correctly calibrated to maintain alignment between the interests of Directors and shareholders. As part of this review the performance metrics used by other companies in our peer group were taken into consideration and the Committee also reviewed the metrics used to ensure they were consistent with overall Group strategy. The Committee reviewed the malus and clawback provisions applying to the 2013 LTIP and deemed these provisions (outlined on page 73) to be appropriate and effective.
Shareholder Consultation	The Committee reviewed the results of the vote by shareholders to receive and consider the Remuneration Report at its first meeting following the 2014 AGM. This feedback together with any additional feedback received from shareholder proxy groups was considered as part of the Group's annual remuneration review.
Committee Performance Review	During 2014 the Committee completed a review of its own performance. Specifically the Committee evaluated the operation of the remuneration structure changes effected in 2014. An assessment of the level of interaction with shareholders in the year under review was also completed to ensure the Committee was effective in discharging its responsibilities.

Remuneration committee advisors

The Remuneration Committee is authorised by the Board to appoint external advisors. Towers Watson has been appointed as the advisor to the Remuneration Committee. Towers Watson has no other material connection to the Group and is a member of the Remuneration Consultant's Group. The fees paid to Towers Watson for advising the Committee in 2014 were €66,000 (2013: €79,000).

REMUNERATION POLICY

The Group's Executive Director remuneration policy is to ensure that executive remuneration properly reflects their duties and responsibilities, and is sufficient to attract, retain and motivate people of the highest quality internationally. Remuneration includes performance related elements designed to align Directors' interests with those of shareholders and to encourage performance at the highest levels in line with the Group's strategy. In setting remuneration levels, the Committee has regard to comparable companies in terms of both the size of the Group and the geographical spread and complexity of its business. It also considers pay and employment conditions elsewhere in the Group.

The Committee also considers the level of pay in terms of the balance between the fixed and variable elements of remuneration. Fixed elements of remuneration are defined as basic salary, pension and other benefits with the variable elements being performance related incentives with both short and long term components.

A high proportion of Executive Directors' potential remuneration is based on short term and long term performance related incentive programmes. By incorporating these elements, the Remuneration Committee believes that the interest and risk appetite of the Executive Directors is properly aligned with the interests of the shareholders and other stakeholders.

Necessary expenses incurred undertaking company business are reimbursed and/or met directly so that Executive Directors are no worse off on a net of tax basis for fulfilling company duties.

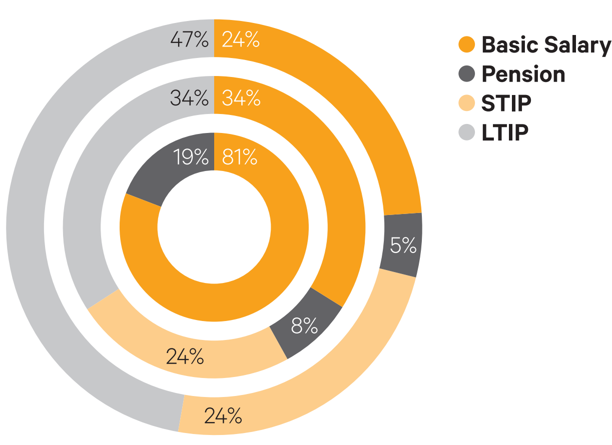
Illustration of remuneration policy

The following diagram shows the minimum, target and maximum composition balance between the fixed and variable remuneration components for each Executive Director. The inner most circle represents the minimum potential scenario for remuneration with the middle circle representing target and the outer circle representing maximum potential.

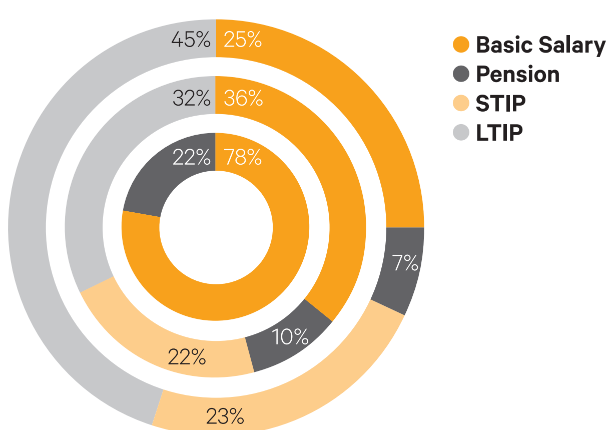
Service contracts

The Group does not have any service contracts with its Directors which extend beyond one year.

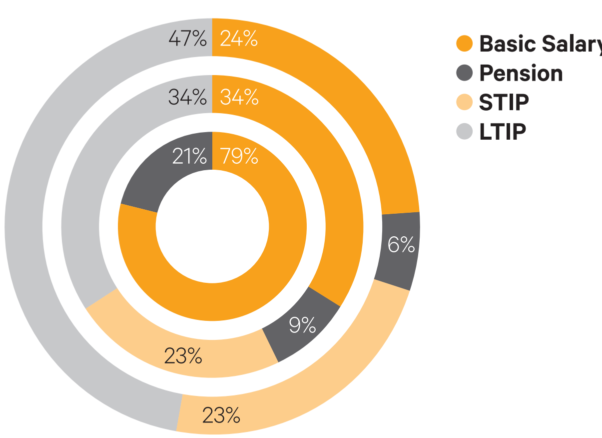
Stan McCarthy



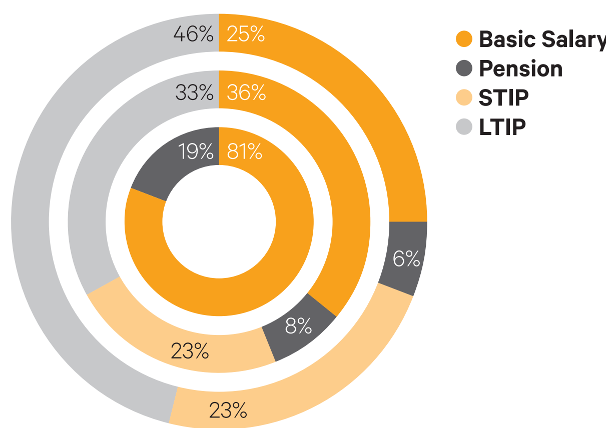
Brian Mehigan



Gerry Behan



Flor Healy



The following table details the remuneration policy for the Group's Executive Directors for the upcoming year effective from 1 January:

Purpose and Link to Strategy	Operation	Opportunity	Performance Metrics	Changes and Comments
Basic Salary				
Reflects the value of the individual, their skills and experience Competitive salaries are set to attract, retain and motivate executives to deliver strong performance for the Group	– Paid monthly in Ireland and bi-monthly in the US – Salary is referenced to job responsibility and internal/ external market data	– Set at a level to attract, retain and motivate Directors – Reviewed annually – Full benchmark review undertaken every three years	– N/A	– Only inflationary adjustments to be made to basic pay during 2015
Short Term Performance Related Incentives				
To incentivise the achievement of key performance metrics on an annual basis A 25% deferral in shares/ options provides a retention element and aligns executives' interests with shareholders' interests	– Achievement of predetermined earnings growth and other performance targets set by the Remuneration Committee – 75% of the award payable in cash – 25% awarded by way of ordinary shares/options to be issued two years after vesting following a deferral period – Malus & clawback provisions are in place for awards under the STIP (see below)	– Maximum opportunity 90% - 100% of basic salary – 70% of opportunity for on-target performance	– Adjusted Earnings Per Share – Business Operating Profit – Business Operating Cash Flow	– Criteria reviewed and determined to be in line with Group strategy
Long Term Performance Related Incentives				
Retention of key management and incentivisation of sustained performance against key metrics over a longer period of time Share based to provide alignment with shareholder interests A 50% deferral in shares/ options provides a retention element and aligns executives' interests with shareholders' interests	– The awards vest depending on a number of separate performance metrics being met over a three year performance period – Conditional awards over shares or share options in the Group – 50% of the award delivered at vesting date – 50% of the award issued following a two year deferral period – Malus & clawback provisions are in place for awards under the 2013 LTIP (see below)	– Maximum opportunity 180% - 200% of basic salary – 50% of opportunity for on-target performance	– Adjusted Earnings Per Share – Total Shareholder Return – Return on Average Capital Employed	– Associated British Foods to be replaced with Christian Hansen for TSR peer set for 2015 – Criteria reviewed and determined to be in line with Group strategy
Pension				
To provide competitive retirement benefits to attract and retain executives	– Executive Directors in the US participate in the Group's defined benefit and defined contribution pension schemes – Irish resident Directors receive a contribution to an after tax savings scheme	– N/A	– N/A	– Criteria determined to be in line with Group strategy

Purpose and Link to Strategy	Operation	Opportunity	Performance Metrics	Changes and Comments
Benefits				
To provide a competitive benefit package aligned with the role and responsibilities of Directors	– These benefits primarily relate to the use of a company car or a car allowance – Business travel costs are reimbursed and/or met directly so that Executive Directors are no worse off on a net of tax basis for fulfilling company duties	– N/A	– N/A	– Criteria determined to be in line with Group strategy
Shareholding Requirement				
Maintain alignment of the interests of the shareholders and the Executive Directors and commitment over the long term	– Executive Directors are expected to build and to hold shares in the Company to a level not less than 180%-200% of their basic salary over a five year time period	– N/A	– N/A	– Criteria determined to be in line with Group strategy – All Executive Directors have exceeded shareholding requirements

Clawback / Malus

For STIP and LTIP awards from 2013 onwards, the Committee has the discretion to reduce or impose further conditions on awards prior to vesting (malus) or clawback incentives paid where the Audit Committee determines that:

- a material misstatement of the Company's audited financial results or a serious wrongdoing has occurred;
  and
- as a result of that misstatement or serious wrongdoing, there will need to be a restatement of the accounts and that the incentive awarded was in excess of the amount that would have been awarded had there not been such a misstatement.

Any recalculation shall be effected in such manner and subject to such procedures as the Company determines to be measured and appropriate, including repayment of any excess incentive or set off against any amounts due or potentially due to the participant under any vested or unvested incentive awards.

Other elements of remuneration are not subject to clawback or malus provisions.

1. BASIC SALARY AND BENEFITS

The Remuneration Committee sets the basic salary and benefits of each Executive Director. The basic salary and benefits for Executive Directors are determined by the Committee after taking into account a number of elements including the Directors' performance, experience and level of responsibility. The Committee also considers the pay conditions across the Group when determining any basic salary adjustments.

Benefits relate primarily to the use of a company car/car allowance. Any travel arrangements or travel costs required for business purposes will also be met by the Group, on a net of tax basis.

2. SHORT TERM PERFORMANCE RELATED INCENTIVE AWARD

Executive Directors participate in a performance related annual incentive plan (STIP), which is based on achieving predetermined earnings growth and other targets set by the Remuneration Committee. The STIP award is designed to incentivise the achievement of short term goals beneficial to the Group and are aligned with the delivery of the Group's strategy. This promotes alignment with the interests of the Group's shareholders. The structure of the scheme is reviewed regularly to ensure that it develops in line with the Group's strategic goals.

STIP awards were reviewed during 2012 by the Remuneration Committee. Following this review the Committee made a number of changes to the awards which were implemented from 2013 onward. This includes the delivery of a portion of the annual incentive through shares/share options for the equivalent of 25% of the overall incentive, with the remaining 75% being delivered in cash. A two year deferral period has also been put in place for share/share option awards made under the scheme.

The targets set for 2014 were a combination of a number of key performance indicators, notably;

- Group adjusted Earnings Per Share (EPS);
- Business Operating Profit; and
- Business Operating Cash Flow.

These are considered to be key metrics as they align with Group objectives while also ensuring the long term operational and financial stability of the Group. Adjusted EPS growth was chosen as a key performance metric as it encompasses all the components of growth that are important to all the Group's stakeholders. Business Operating Profit and Business Operating Cash Flow reflect the operational performance of the business incorporating key metrics of sales growth, margin improvement and cash flow delivery.

3. LONG TERM PERFORMANCE RELATED INCENTIVES

The Group operates two Long Term Incentive Plans (LTIP). The terms and conditions of the first plan were approved by shareholders in 2006 with the second plan being approved in 2013. The Remuneration Committee approves the terms, conditions and allocation of conditional awards under the Group's LTIP to Executive Directors, the Company Secretary and senior management. Under this plan, senior management (including Executive Directors) are invited to participate in conditional awards over shares or share options in the Company.

2006 LTIP

Conditional awards have been made in 2011, 2012 and 2013 and these will potentially vest or partially vest three years after each award date if the predetermined performance targets are achieved. No further conditional awards have been issued under the 2006 LTIP since 2013.

An award may lapse if a participant ceases to be employed within the Group before the vesting date.

The market price of the shares on the date of each award outlined above is disclosed in note 28 to the financial statements.

The proportion of each conditional award which vests will depend on the adjusted EPS and TSR performance of the Group during the relevant three year performance period.

EPS performance test

Up to 50% of the award vests according to the Group's adjusted EPS growth over the performance period compared with a target adjusted by the movement in the Irish Consumer Price Index (CPI) over the same period.

This measurement will be determined by reference to the growth in Kerry Group's adjusted EPS in each of the three financial years in the performance period in comparison with the movement in the CPI in accordance with the following table:

Kerry's adjusted EPS growth over a 3 year performance period	Percentage of the Award which Vests
Below CPI +15 percentage points (5% p.a.)	0%
CPI +15 percentage points (5% p.a.)	50%
Between CPI +15 and +22.5 percentage points (7.5% p.a.)	Straight line between 50% and 100%
Greater than or equal to CPI +22.5 percentage points (7.5% p.a.)	100%

The growth in Kerry's adjusted EPS will be calculated by reference to the adjusted EPS of the financial year immediately preceding the start of the performance period and the adjusted EPS of the last financial year of the performance period. The increase in the CPI shall be calculated by reference to the last figure published in the financial year immediately preceding the start of the performance period and the last figure published in the last financial year of the performance period.

Should the Committee consider it appropriate, following any change in the Group's accounting policies, accounting period or method of calculating adjusted EPS, it may make such adjustments as are necessary to put the calculations of adjusted EPS for the relevant accounting periods on a broadly comparable basis, after consulting the Irish Association of Investment Managers.

TSR performance test

The remaining 50% of the award vests according to the Group's TSR performance over the period measured against the TSR performance of a peer group of listed companies over the same three year performance period. The peer group consists of Kerry and the following companies:

Associated British Foods	Glanbia	McCormick & Co.
Danone	Greencore	Premier Foods
General Mills	IFF	Sensient Technologies
Givaudan	Kellogg	Tate & Lyle
Unilever		

As a result of mergers, acquisitions, divestitures and delisting, the following companies have been removed from the LTIP peer group: IAWS, Arla Foods, Cadbury, Uniq, Northern Foods, Danisco, Robert Wiseman, CSM and HJ Heinz.

When assessing whether the performance hurdle has been met, this measurement will be determined by reference to the ranking of Kerry's TSR during each of the three financial years identified as the performance period, in comparison with the TSR performance of the companies in the peer group. The awards vest in line with the following table:

Position of Kerry in the Peer Group	Percentage of the Award which Vests
Below median	0%
Median	30%
Between median and 75th percentile	Straight line between 30% and 100%
Greater than 75th percentile	100%

The Committee may make adjustments to the peer group where necessary to take account of mergers, acquisitions, demergers or a company ceasing to trade provided that, as a result, this TSR performance condition will be neither materially easier nor more difficult to achieve. TSR for each company in the peer group shall be calculated on such basis as the Committee, acting reasonably, may specify from time to time, provided that as far as practicable the same method of calculation shall be used for every company in the peer group.

2013 LTIP

The 2013 LTIP was approved by shareholders at the 2013 AGM. The first conditional awards under this scheme were made to Executive Directors in June 2013 and these will potentially vest or partially vest three years after award date if the predetermined performance targets are achieved. The maximum award that can be made to an individual under the LTIP over a 12 month period is equivalent to 180%-200% of basic salary for that period.

An award may lapse if a participant ceases to be employed within the Group before the vesting date.

50% of shares/share options which potentially vest under the scheme are issued immediately upon vesting. The remaining 50% of the award is issued to participants following a two year deferral period.

The market price of the shares on the date of each award outlined above is disclosed in note 28 to the financial statements.

The proportion of each conditional award which vests will depend on the adjusted EPS, TSR and ROACE performance of the Group during the relevant three year performance period.

EPS performance test

Up to 50% of the award vests according to the Group's adjusted EPS growth over the performance period. This measurement will be determined by reference to the growth in Kerry Group's adjusted EPS in each of the three financial years in the performance period in accordance with the vesting schedule outlined in the following table:

	Kerry's EPS Growth per Annum	Percentage of the Award which Vests
Threshold	8%	25%
Target	10%	50%
Maximum	12%	100%

Below 8% none of the award will vest. Between 8% and 10%, 25%-50% vesting will occur on a straight line basis. Between 10% and 12%, 50%-100% vesting will occur on a straight line basis.

The growth in Kerry's adjusted EPS will be calculated by reference to the adjusted EPS of the financial year immediately preceding the start of the performance period and the adjusted EPS of the last financial year of the performance period.

Should the Committee consider it appropriate, following any change in the Group's accounting policies, accounting period or method of calculating adjusted EPS, it may make such adjustments as are necessary to put the calculations of adjusted EPS for the relevant accounting periods on a broadly comparable basis, after consulting the Irish Association of Investment Managers.

TSR performance test

30% of the award vests according to the Group's TSR performance over the period measured against the TSR performance of a peer group of listed companies over the same three year performance period. The peer group consists of Kerry and the following companies:

Aryzta	Givaudan	Kellogg	Sensient Technologies
Associated British Foods*	Glanbia	McCormick & Co.	Symrise
Barry Callebaut	Greencore	Nestle	Tate & Lyle
Corbion	Danone	Novozymes	Unilever
General Mills	IFF	Premier Foods	Christian Hansen*

**It has been agreed to replace Associated British Foods with Christian Hansen in the peer group from 2015 onwards.*

When assessing whether the performance hurdle has been met, this measurement will be determined by reference to the ranking of Kerry's TSR during each of the three financial years identified as the performance period, in comparison with the TSR performance of the companies in the peer group. The awards vest in line with the following table:

Position of Kerry in the Peer Group	Percentage of the Award which Vests
Below median	0%
Median	30%
Between median and 75th percentile	Straight line between 30% and 100%
Greater than 75th percentile	100%

The Committee may make adjustments to the peer group where necessary to take account of mergers, acquisitions, demergers or a company ceasing to trade provided that, as a result, this TSR performance condition will be neither materially easier nor more difficult to achieve. TSR for each company in the peer group shall be calculated on such basis as the Committee, acting reasonably, may specify from time to time, provided that as far as practicable the same method of calculation shall be used for every company in the peer group.

ROACE performance test

20% of the award vests according to the Group's ROACE over the performance period. ROACE represents a good perspective on the Group's internal rate of return and financial added value for shareholders. ROACE supports the strategic focus on growth and margins through ensuring cash is reinvested to generate appropriate returns.

This measurement will be determined by reference to the ROACE in each of the three financial years included in the performance period:

	Return on Average Capital Employed	Percentage of the Award which Vests
Threshold	10%	25%
Target	12%	50%
Maximum	14%	100%

Below 10% none of the award will vest. Between 10% and 12%, 25%-50% vesting will occur on a straight line basis. Between 12% and 14%, 50%-100% vesting will occur on a straight line basis.

4. PENSIONS

The Executive Directors participate in the Group's defined benefit and defined contribution pension schemes in the country of their residence. A review of pension provisions for the Executive Directors impacted by the lifetime earnings cap in Ireland began during 2011 and was concluded during 2012. The Irish resident Directors have thus been offered a contribution (on a cost neutral basis to the Company) to an after tax savings scheme as an option. Both Directors affected have taken up this option. The US resident Directors participate in a US defined benefit pension scheme which was constructed to deliver the same equivalent pension benefit as delivered under the Irish defined benefit scheme, which calculates pension benefit based on basic pay.

5. SHAREHOLDING REQUIREMENT

Share ownership is a key component of the Group's Remuneration Policy as it helps maintain alignment between the interests of the shareholders and the interests of the Executive Directors. To help maintain commitment over the long term, Executive Directors are expected to build and to hold shares in the Company to a level not less than 180%-200% of their basic salary, over a five year period. All Executive Directors have exceeded the minimum shareholding requirement.

Dilution

The company offers Executive Directors and employees the opportunity to participate in share based schemes as part of the Group's remuneration policy. In line with best practice guidelines, the company ensures that the level of share awards granted under these schemes over a rolling ten year period does not exceed 10% of the Company's share capital. The current dilution level as a result of the schemes is 2%.

2014 DIRECTORS' REMUNERATION

Disclosures regarding Directors' remuneration have been drawn up on an individual Director basis in accordance with the requirements of the Irish Corporate Governance Annex, the UK Corporate Governance Code, the Irish Stock Exchange and the UK Listing Authority:

Basic salary increases

The Remuneration Committee decided to increase basic salaries in 2014 by a nominal 2% on average (in local currency) in line with inflation. The Group's Chief Executive Officer received an increase of 2% in basic salary in 2014 with the average increase for all Group employees in 2014 being approximately 3.5%.

Annual incentive outcomes (STIP)

For 2014, the Group's adjusted EPS target was set at 10% annual growth in excess of the 2013 adjusted EPS with the Group realising 8.1% growth for the year. As Business Operating Profit and Business Operating Cash Flows are internal metrics and commercially sensitive, the results of these metrics are not disclosed. For 2014 Kerry achieved performance below the payout target set by the Remuneration Committee leading to STIP payouts to Executive Directors of on average 46% of the maximum opportunity which equates to 70% of target opportunity.

LTIP outcomes

The performance graph overleaf shows Kerry's TSR compared to the peer companies over the three year performance period from 1 January 2012 to 31 December 2014 for the LTIP awards which were issued in March 2012. These awards have a vesting date on or before 30 April 2015.

Executive Directors' remuneration

	Basic Salaries		Benefits		Pensions		Performance Related[3]		LTIP[4]		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Stan McCarthy[1]	**981**	969	**72**	64	**228**	200	**559**	683	**1,443**	1,676	**3,283**	3,592
Brian Mehigan[2]	**512**	502	**29**	28	**145**	141	**263**	319	**673**	811	**1,622**	1,801
Flor Healy[2]	**546**	536	**14**	13	**129**	124	**129**	364	**718**	878	**1,536**	1,915
Gerry Behan[1]	**609**	602	**38**	35	**161**	146	**281**	512	**892**	833	**1,981**	2,128
	2,648	2,609	**153**	140	**663**	611	**1,232**	1,878	**3,726**	4,198	**8,422**	9,436

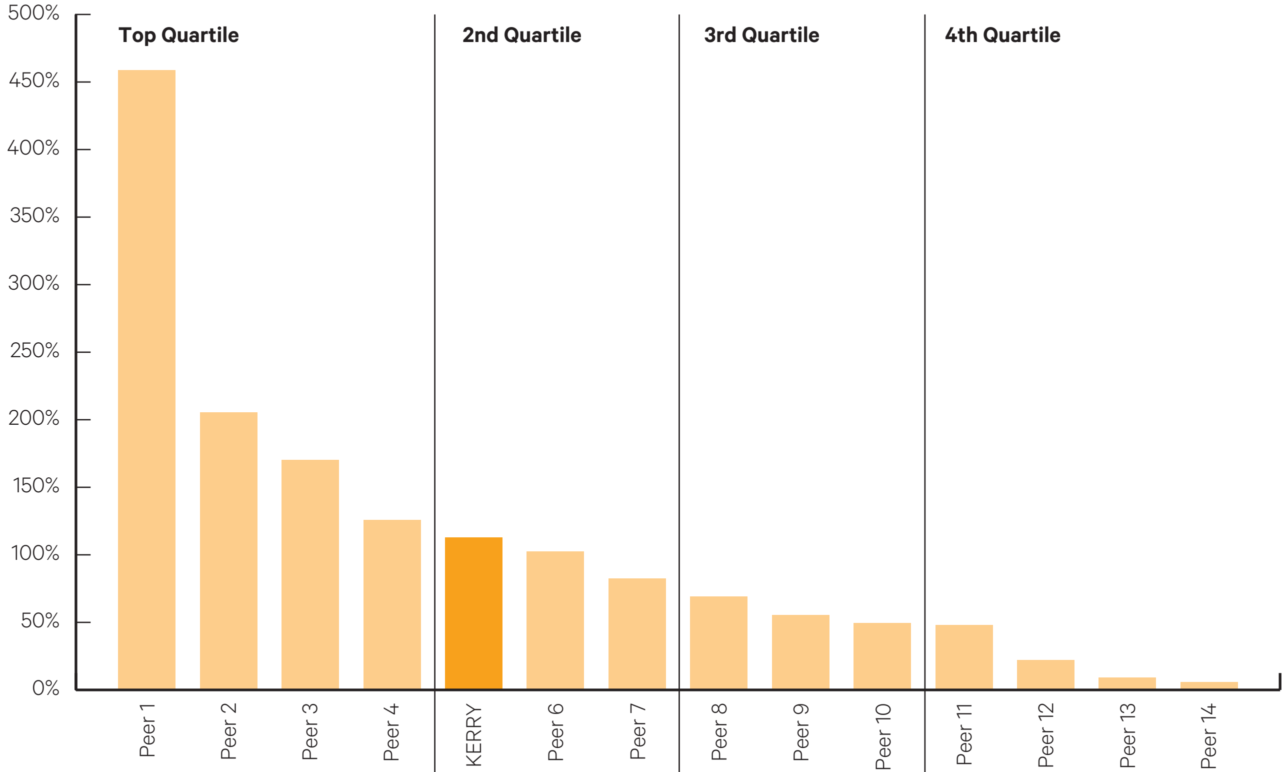
Note 1: *Reported numbers are impacted by the US dollar to euro exchange rate. Basic salaries for Stan McCarthy and Gerry Behan for 2014 were **$1,304k** (2013: $1,279k) and **$810k** (2013: $794k) respectively. Total remuneration for Stan McCarthy and Gerry Behan for 2014 amounted to **$4,366k** (2013: $4,742k) and **$2,635k** (2013: $2,809k) respectively.*

Note 2: *The pension figures outlined above for both Stan McCarthy and Gerry Behan include both defined benefit and defined contribution retirement benefits, while for Stan McCarthy retiree medical benefits are also included in this figure. The Irish Finance Act 2011 established a cap on pension provision by introducing a penal tax charge on any benefits exceeding €2.3m in value. In response to this the Remuneration Committee decided to offer Executive Directors who are members of the Irish pension scheme the option to have contributions made to a savings plan in lieu of further pension accrual, on an overall cost neutral basis to the Company. Both Brian Mehigan and Flor Healy have opted for the alternative savings plan and the figures included above reflect this including life cover.*

Note 3: *This STIP amount represents 75% delivered in cash with 25% delivered by way of shares/options which are deferred for two years.*

Note 4: *The share price used to calculate the value of the LTIP is the average share price for the three months up to the end of the year being reported.*

3 Year TSR: Kerry and Comparator 1 Jan 2012 – 31 Dec 2014



See chart on page 82, which illustrates the Group's TSR performance from 2008 to 2014.

The outcome of the measurement of the adjusted EPS condition in relation to the 2012 awards was that the CPI plus 22.5% condition was exceeded.

Overall outcome of the LTIP vesting in 2014

Long Term Incentive Plan	TSR Performance (50% of Award)	Actual Vesting of TSR Award	EPS Performance (50% of Award)	Actual Vesting of EPS Award	Total % Vested
2012	69th percentile	84%	29.6% growth	100%	91.9%

Non-Executive Directors' remuneration policy

Non-Executive Directors' fees, which are determined by the Board as a whole, fairly reflect the responsibilities and time spent by the Directors on the Group's affairs. In determining the fees, which are set within the limits approved by shareholders, consideration is given to both the complexity of the Group and the level of fees paid to Non-Executive Directors in comparable companies. On a three year cycle, the Chairperson of the Remuneration Committee will review Non-Executive Directors' fees, consult with the Committee and present any recommendations to the full Board for approval. This review was undertaken in 2014. Non-Executive Directors do not participate in the Group's incentive plans, pension arrangements or other elements of remuneration provided to the Executive Directors. No payments are made to Non-Executive Directors for expenses, other than those incurred wholly and directly in the course of their appointments.

Non-Executive Directors' remuneration

Fees for the Non-Executive Directors and Chairman were reviewed and benchmarked in 2014 in line with the three year review cycle. It was agreed that basic fee levels for the Chairman and Non-Executive Directors should be increased effective from 1 January 2015. The Chairman's fee was increased by €21,000 which represents the first increase since 2008. Non-Executive Directors' basic fee was increased by €5,000 per Director, mainly to take account of inflation over the three years since it was last changed. Additional fees for membership/chair of a Committee and other fees were concluded to be competitively positioned and will remain unchanged in 2015.

Remuneration paid in 2014

Remuneration paid to Non-Executive Directors in 2014 is set out below:

	Fees 2014 €	Fees 2013 €
Michael Ahern	**38,000**	-
Kieran Breen	**-**	38,000
Hugh Brady	**48,583**	-
Denis Buckley	**209,000**	209,000
Sean Bugler	**15,833**	38,000
Denis Carroll	**-**	38,000
Paddy Casey	**25,333**	-
James Devane	**38,000**	-
Karin Dorrepaal	**-**	-
Michael Dowling	**95,000**	97,500
Patrick G. Flahive	**-**	38,000
Joan Garahy	**88,000**	88,000
James C. Kenny	**92,000**	92,000
John Joseph O'Connor	**38,000**	-
Gerard O'Hanlon	**-**	38,000
Michael Teahan	**-**	38,000
Philip Toomey	**93,000**	90,500
Denis Wallis	**-**	38,000
	780,749	843,000

Non-Executive Directors' remuneration consists of fees only. No payments are made to Non-Executive Directors for expenses, other than those incurred wholly and directly in the course of their appointments. The total remuneration for all Directors in 2014 amounted to **€5,477k** (2013: €6,081k).

The following table shows the Executive Directors' and Company Secretary's interests under the LTIP. Conditional awards at 1 January 2014 relate to awards made in 2011, 2012 and 2013 which have a three year performance period. The 2011 awards vested in 2014. The 2012 awards will potentially vest in 2015 and 2013 awards will potentially vest in 2016. The market price of the shares on the date of each award is disclosed in note 28 to the financial statements.

Directors' and Company Secretary's interests in Long Term Incentive Plan

	LTIP Scheme	Conditional Awards at 1 January 2014	Share Awards Vested During the Year	Share Option Awards Vested During the Year	Conditional Awards Made During the Year	Conditional Awards at 31 December 2014	Share Price at Date of Conditional Award Made During Year
Directors							
Stan McCarthy	- 2006 LTIP	84,689	**35,772**	**-**	**-**	**48,917**	
	- 2013 LTIP	22,725	**-**	**-**	**35,147**	**57,872**	**€53.80**
Brian Mehigan	- 2006 LTIP	40,288	**-**	**17,321**	**-**	**22,967**	
	- 2013 LTIP	10,442	**-**	**-**	**17,136**	**27,578**	**€53.80**
Flor Healy	- 2006 LTIP	43,244	**-**	**18,750**	**-**	**24,494**	
	- 2013 LTIP	11,136	**-**	**-**	**18,275**	**29,411**	**€53.80**
Gerry Behan	- 2006 LTIP	48,097	**17,792**	**-**	**-**	**30,305**	
	- 2013 LTIP	14,119	**-**	**-**	**21,837**	**35,956**	**€53.80**
Company Secretary							
Brian Durran	- 2006 LTIP	12,899	**-**	**5,546**	**-**	**7,353**	
	- 2013 LTIP	1,735	**-**	**-**	**4,220**	**5,955**	**€53.80**

Conditional awards made in 2014 have a three year performance period and will potentially or partially vest on or before 30 April 2017. 50% of shares/share options which potentially vest under the 2013 LTIP, are issued immediately upon vesting. The remaining 50% of the award are issued to participants following a two year deferral period.

The following table shows the share options which are held by the Executive Directors and Company Secretary under the LTIP.

	Share Options Outstanding at 1 January 2014	Share Options Exercised During the Year	Share Options Vested During the Year	Share Options Outstanding at 31 December 2014	Exercise Price per Share
Directors					
Brian Mehigan	51,992	**17,321**	**17,321**	**51,992**	**€0.125**
Flor Healy	56,130	**-**	**18,750**	**74,880**	**€0.125**
Company Secretary					
Brian Durran	14,277	**-**	**5,546**	**19,823**	**€0.125**

Once vested, share options under the 2006 LTIP and 2013 LTIP can be exercised for up to seven years before they lapse.

Directors' pensions

The pension benefits of each of the Executive Directors during the year are outlined in the following table. The pension benefits included below relate to defined benefit pension plans only.

	Accrued Benefits on Leaving Service at End of Year		
	Increase During Year (Excluding Inflation) €'000	Accumulated Total at End of Year €'000	Transfer Value of Increase in Accumulated Accrued Benefits €'000
Stan McCarthy	**19**	**744**	**211**
Brian Mehigan[1]	**4**	**224**	**78**
Flor Healy[1]	**4**	**249**	**82**
Gerry Behan	**14**	**322**	**54**
2014	**41**	**1,539**	**425**
2013	36	1,460	220

Note 1: *For Brian Mehigan and Flor Healy, pension accrual has ceased from 2011, driven by the impact of the lifetime cap. Instead, contributions are paid to a savings plan from this date. This is shown within pensions in the Executive Directors' remuneration table.*

Payments to former Directors

There were no payments made to former Directors in 2014 (2013: €nil).

Directors' and Company Secretary's interests

There has not been any contract or arrangement with the Company or any subsidiary during the year in which a Director of the Company was materially interested and which was significant in relation to the Group's business.

The interests of the Directors and Company Secretary of the Company and their spouses and minor children in the share capital of the Company, all of which were beneficial unless otherwise indicated, as shown overleaf:

	31 December 2014 Ordinary Shares Number	31 December 2014 Share Options Number	31 December 2014 Total Number	1 January 2014 Ordinary Shares Number	1 January 2014 Share Options Number	1 January 2014 Total Number
Directors						
Michael Ahern	**3,241**	**-**	**3,241**	3,241	-	3,241
Gerry Behan	**47,335**	**-**	**47,335**	41,043	-	41,043
- Deferred	**2,277**	**-**	**2,277**	-	-	-
Hugh Brady	**-**	**-**	**-**	-	-	-
Paddy Casey	**20,052**	**-**	**20,052**	20,052	-	20,052
James Devane	**4,994**	**-**	**4,994**	4,994	-	4,994
Karin Dorrepaal	**-**	**-**	**-**	-	-	-
Michael Dowling	**4,200**	**-**	**4,200**	4,200	-	4,200
Joan Garahy	**1,050**	**-**	**1,050**	1,050	-	1,050
Flor Healy	**58,210**	**74,880**	**133,090**	58,210	56,130	114,340
- Deferred	**-**	**1,691**	**1,691**	-	-	-
James C. Kenny	**-**	**-**	**-**	-	-	-
Stan McCarthy	**137,087**	**-**	**137,087**	115,015	-	115,015
- Deferred	**3,037**	**-**	**3,037**	-	-	-
Brian Mehigan	**40,334**	**51,992**	**92,326**	40,334	51,992	92,326
- Deferred	**-**	**1,480**	**1,480**	-	-	-
John Joseph O'Connor	**21,932**	**-**	**21,932**	21,932	-	21,932
Philip Toomey	**1,000**	**-**	**1,000**	-	-	-
Company Secretary						
Brian Durran	**13,000**	**19,823**	**32,823**	13,000	14,277	27,277
- Deferred	**-**	**474**	**474**	-	-	-

The deferred shares and options above relate to the 25% of the Executives' 2013 STIP awards which are deferred and will be delivered in shares / options in March 2016.

Shareholding guidelines

The table below sets out the Executive Directors' shareholding at 31 December shown as a multiple of basic salary.

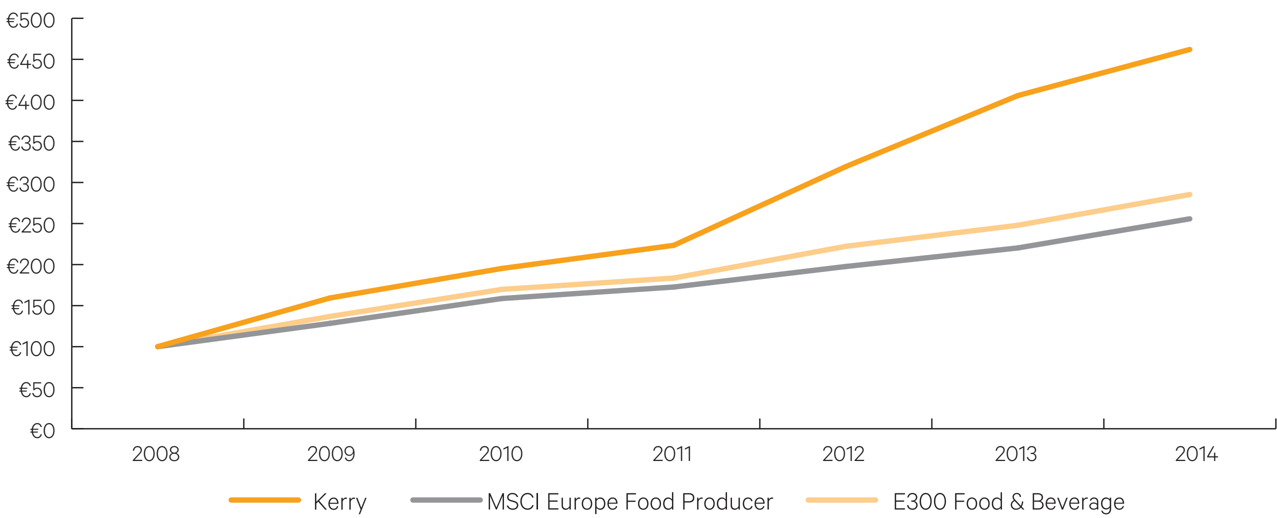
	As a Multiple of Basic Salary
Stan McCarthy	**8x**
Brian Mehigan	**10x**
Flor Healy	**14x**
Gerry Behan	**4x**

Note: *The share price used to calculate the above is the share price as at 31 December 2014.*

TSR performance and Chief Executive Officer remuneration

The graph overleaf illustrates the TSR performance of the Group over the past six years showing the increase in value of €100 invested the Group's shares from 31 December 2008 to 31 December 2014. Also outlined in the table overleaf, the remuneration of the Chief Executive Officer is calculated in line with the methodology captured under recent legislation which was enacted for UK incorporated companies.

6 Yr Total Shareholder Return (Value of €100 invested on 31/12/2008)

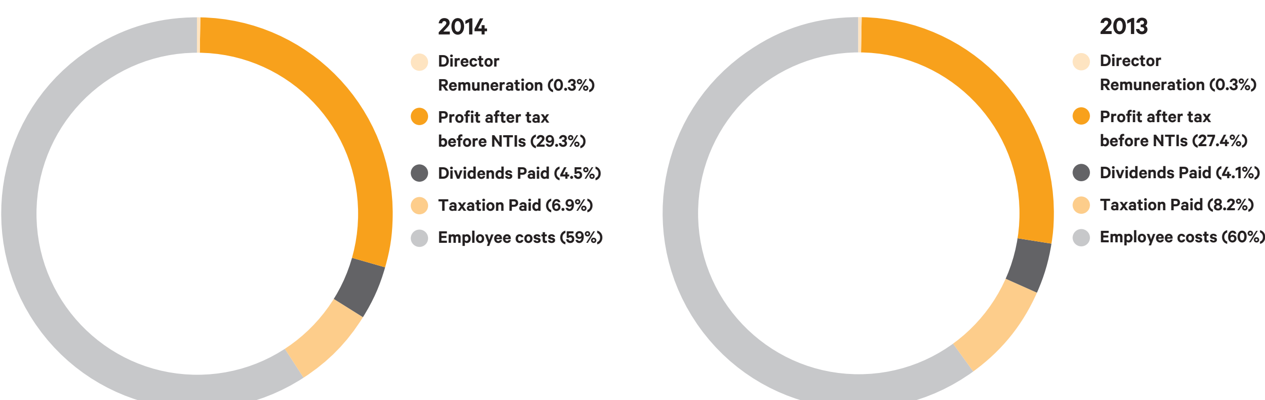


Chief Executive Officer	2009	2010	2011	2012	2013	2014
Total remuneration	1,751	2,116	3,283	3,538	3,592	**3,283**
Annual incentive achieved as a % of maximum	57%	90%	73%	74%	70%	**57%**
LTIP achieved as a % of maximum	N/A[1]	N/A[1]	100%	100%	100%	**91.9%**

Note 1: *There was no LTIP with a performance period ending in 2009 or 2010.*

Relative importance of spend on pay

The total amount spent on Executive Director remuneration and overall employee pay is outlined below in relation to retained profit, dividends paid and taxation paid.



Statement on shareholder voting

Below is an overview of the voting which took place at the most recent AGM with respect to the Directors' Remuneration.

	Votes For	Votes Against	Votes Withheld/ Abstained
Approve the Directors' Remuneration Report	90,324,626	1,550,528	1,935,452
	96.3%	*1.6%*	*2.1%*

Opinion on financial statements

In our opinion:

- the Group financial statements give a true and fair view, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, of the state of the Group's affairs as at 31 December 2014 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs, as adopted by the European Union as applied in accordance with the provisions of the Companies Acts, 1963 to 2013, of the state of the parent company's affairs as at 31 December 2014; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2013 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Financial Statements: the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows; the Parent Company Financial Statements: the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Statement of Cash Flows; and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is Irish law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Acts, 1963 to 2013.

Our assessment of risks of material misstatement

The risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk of material misstatement	Our audit response to the risk
Carrying value of goodwill and indefinite lived intangible assets The Group's goodwill and intangible assets of €2.6bn represent approximately 44% of the Group's total assets at year end. Management's assessment of the risk of impairment of the carrying value of goodwill and intangible assets requires judgement in relation to the identification of Cash Generating Units (CGUs) and the underlying assumptions in the Group's impairment model. *Refer also to page 62 (Audit Committee Report), page 95 (intangible assets accounting policy) and note 12 to the financial statements.*	We assessed, using valuation specialists who are part of our audit team, the Group's impairment review methodology including the identification of CGUs. We challenged the underlying assumptions within the Group's impairment model including discount rates, growth rates (including those used in the terminal value calculations) and cashflow projections. We evaluated management's sensitivity analysis and performed our own sensitivity analysis on the key assumptions including growth rates applied to cash flow forecasts and discount rates used. We assessed whether the disclosures in relation to goodwill and intangibles were appropriate and met the requirements of accounting standards.
Taxation provisions The global nature of the Group's business means it is subject to taxation in numerous jurisdictions and cross-border transactions can be challenged by taxation authorities resulting in tax exposures. As a result, a significant level of management judgement and estimation is needed to determine the provision required for these exposures. *Refer also to page 62 (Audit Committee Report) and page 101 (critical accounting estimates and judgements).*	We obtained an understanding of the Group's tax strategy and management's process and critical accounting judgements made in the estimation of the Group's tax liabilities for exposures arising in jurisdictions where the Group has significant operations. Assisted by our tax specialists, who are part of our audit team, we challenged and evaluated management's assumptions and estimates in respect of open tax audits and other tax exposures, based on their interpretation of the relevant tax laws and likely outcomes in jurisdictions where the Group has significant trading operations and, where available, information on past tax settlements.

Risk of material misstatement	Our audit response to the risk
Retirement Benefits Obligation The Group operates a number of defined benefit schemes mainly in Ireland, the UK and North America. The deficit on these schemes is sensitive to changes in actuarial assumptions. A small change in an assumption could result in a significant change in the overall liability recorded. *Refer also to page 62 (Audit Committee Report), page 97 (retirement benefits obligation accounting policy) and note 26 to the financial statements.*	Our audit procedures included using Deloitte pension actuaries to assist us in evaluating the appropriateness of key assumptions including discount rates, inflation rates, pension and salary increases and mortality assumptions, used in determining the net retirement benefits obligation. Where possible, we compared these key assumptions to market benchmarks. Our greatest focus was on pension schemes in Ireland, the UK and North America which represent 92% of the overall retirement benefits obligation. We tested a sample of plan asset valuations and independently confirmed year end valuations. We assessed whether the disclosures in the financial statements were in accordance with accounting standards.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 62 to 63.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures.

Our assessment of materiality

We determined materiality for the Group to be €36m (2013: €39m), which is approximately 6% (2013: 7%) of adjusted earnings before taxation, and below 2% (2013: below 2%) of Consolidated Shareholders' equity. We use adjusted earnings before taxation to exclude the effect of volatility (for example, separately disclosed adjusting items) from our determination. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €1.8m (2013: €2m) as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in twenty five components, seventeen of these components were subject to full audit procedures, whilst the remaining eight components were subject to specified audit procedures. These twenty five components comprise the principal business units of the Group and account for over 90% of the Group's revenue and total assets. These components were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work on all components, both significant and non-significant, was executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from €6m to €22m. The remaining non-significant components were subject to review procedures to confirm there were no significant risks of material misstatement in the Group financial statements.

The Group audit team performed site visits and attended planning meetings at a number of significant component locations including Ireland, the UK, the US and Asia Pacific during the year and participated in audit meetings with other significant components and a number of non-significant components. The Group audit team directed the component audits by issuing detailed group referral instructions, reviewing audit plans and risk assessment procedures of significant components and reviewing documentation of the findings of component auditors.

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within the Corporate Governance Report on page 60 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Matters on which we are required to report by the Companies Acts, 1963 to 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit;
- In our opinion proper books of account have been kept by the parent company;
- The parent company balance sheet is in agreement with the books of account;
- In our opinion the information given in the Directors' Report is consistent with the financial statements and the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements is consistent with the Group financial statements; and
- The net assets of the parent company, as stated in the parent company balance sheet are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2014 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 parent company.

Matters on which we are required to report by exception

Directors' remuneration and transactions
Under the Listing Rules we are required to review the six specified elements of disclosures in the report to shareholders by the Board on directors' remuneration. Under the Companies Acts, 1963 to 2013 we are required to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made. We have nothing to report arising from our review of these matters.

Corporate Governance Statement
Under the Listing Rules of the Irish Stock Exchange we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex specified for our review. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report and accounts, taken as a whole is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Marguerite Larkin
For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin

23 February 2015

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	**Before Non-Trading Items 2014 €'m**	**Non-Trading Items 2014 €'m**	**Total 2014 €'m**	Before Non-Trading Items 2013 €'m	Non-Trading Items 2013 €'m	Total 2013 €'m
Continuing operations							
Revenue	2	**5,756.6**	**-**	**5,756.6**	5,836.7	-	5,836.7
Trading profit	2/3	**636.4**	**-**	**636.4**	611.4	-	611.4
Intangible asset amortisation	12	**(28.0)**	**-**	**(28.0)**	(28.1)	-	(28.1)
Acquisition integration and restructuring costs	5	**-**	**-**	**-**	-	(225.0)	(225.0)
Impairment of assets held for sale	5	**-**	**-**	**-**	-	(113.1)	(113.1)
Profit/(loss) on disposal of businesses and assets	5	**-**	**0.1**	**0.1**	-	(55.7)	(55.7)
Operating profit	3	**608.4**	**0.1**	**608.5**	583.3	(393.8)	189.5
Finance income	6	**1.1**	**-**	**1.1**	1.2	-	1.2
Finance costs	6	**(54.0)**	**-**	**(54.0)**	(68.8)	-	(68.8)
Profit before taxation		**555.5**	**0.1**	**555.6**	515.7	(393.8)	121.9
Income taxes	7	**(79.6)**	**3.9**	**(75.7)**	(79.1)	41.6	(37.5)
Profit after taxation and attributable to owners of the parent		**475.9**	**4.0**	**479.9**	436.6	(352.2)	84.4
Earnings per A ordinary share				**Cent**			Cent
- basic	9			**273.0**			48.0
- diluted	9			**272.7**			48.0

The financial statements were approved by the Board of Directors on 23 February 2015 and signed on its behalf by:

Michael Dowling, Chairman

Stan McCarthy, Chief Executive Officer

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 €'m	2013 €'m
Profit after taxation and attributable to owners of the parent		**479.9**	84.4
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Fair value movements on cash flow hedges		**(8.3)**	(0.3)
Cash flow hedges - reclassified to profit or loss from equity	24	**3.0**	(6.5)
Deferred tax effect of fair value movements on cash flow hedges	17	**4.2**	(1.3)
Exchange difference on translation and disposal of foreign operations	5/30	**68.3**	(82.4)
Deferred tax effect of exchange difference on translation of foreign operations	17	**0.7**	0.7
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement on retirement benefits obligation	26	**(246.1)**	30.9
Deferred tax effect of re-measurement on retirement benefits obligation	17	**30.5**	(12.3)
Net expense recognised directly in other comprehensive income		**(147.7)**	(71.2)
Total comprehensive income		**332.2**	13.2

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2014

	Notes	**31 December 2014 €'m**	31 December 2013 €'m
Non-current assets			
Property, plant and equipment	11	**1,283.4**	1,090.5
Intangible assets	12	**2,629.0**	2,392.7
Financial asset investments	13	**27.9**	21.4
Investment in associate	14	**40.2**	-
Non-current financial instruments	23	**104.7**	39.4
Deferred tax assets	17	**55.8**	16.5
		4,141.0	3,560.5
Current assets			
Inventories	16	**702.0**	656.0
Trade and other receivables	19	**801.1**	696.1
Cash at bank and in hand	23	**283.7**	245.8
Other current financial instruments	23	**9.4**	10.2
Assets classified as held for sale	18	**30.6**	41.0
		1,826.8	1,649.1
Total assets		**5,967.8**	5,209.6
Current liabilities			
Trade and other payables	20	**1,194.1**	1,168.3
Borrowings and overdrafts	23	**303.1**	43.5
Other current financial instruments	23	**21.8**	9.3
Tax liabilities		**62.4**	40.3
Provisions	25	**49.8**	102.9
Deferred income	21	**2.5**	2.3
		1,633.7	1,366.6
Non-current liabilities			
Borrowings	23	**1,270.6**	1,282.1
Other non-current financial instruments	23	**8.4**	41.6
Retirement benefits obligation	26	**472.8**	252.1
Other non-current liabilities	22	**76.8**	53.0
Deferred tax liabilities	17	**191.1**	168.4
Provisions	25	**55.7**	59.8
Deferred income	21	**23.1**	18.5
		2,098.5	1,875.5
Total liabilities		**3,732.2**	3,242.1
Net assets		**2,235.6**	1,967.5
Issued capital and reserves attributable to owners of the parent			
Share capital	27	**22.0**	22.0
Share premium		**398.7**	398.7
Other reserves		**(100.6)**	(172.5)
Retained earnings		**1,915.5**	1,719.3
Shareholders' equity		**2,235.6**	1,967.5

The financial statements were approved by the Board of Directors on 23 February 2015 and signed on its behalf by:
Michael Dowling, Chairman Stan McCarthy, Chief Executive Officer

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2014

	Notes	**2014** €'m	2013 €'m
Non-current assets			
Property, plant and equipment	11	**0.9**	1.1
Investment in subsidiaries	15	**637.7**	638.7
		638.6	639.8
Current assets			
Trade and other receivables	19	**1.6**	-
		1.6	-
Total assets		**640.2**	639.8
Current liabilities			
Trade and other payables	20	**45.3**	11.3
Borrowings and overdrafts	23	**0.7**	0.3
		46.0	11.6
Non-current liabilities			
Other non-current liabilities	22	**57.5**	97.3
Deferred income	21	**0.1**	0.1
		57.6	97.4
Total liabilities		**103.6**	109.0
Net assets		**536.6**	530.8
Issued capital and reserves			
Share capital	27	**22.0**	22.0
Share premium		**398.7**	398.7
Other reserves		**23.5**	14.6
Retained earnings		**92.4**	95.5
Shareholders' equity		**536.6**	530.8

The financial statements were approved by the Board of Directors on 23 February 2015 and signed on its behalf by:

Michael Dowling, Chairman   Stan McCarthy, Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
Group:						
At 1 January 2013		21.9	398.7	(88.1)	1,681.9	2,014.4
Total comprehensive (expense)/income		-	-	(89.2)	102.4	13.2
Dividends paid	10	-	-	-	(65.0)	(65.0)
Share-based payment expense	28	-	-	4.8	-	4.8
Shares issued during year	27	0.1	-	-	-	0.1
At 31 December 2013		22.0	398.7	(172.5)	1,719.3	1,967.5
Total comprehensive income		**-**	**-**	**63.0**	**269.2**	**332.2**
Dividends paid	10	**-**	**-**	**-**	**(73.0)**	**(73.0)**
Share-based payment expense	28	**-**	**-**	**8.9**	**-**	**8.9**
At 31 December 2014		**22.0**	**398.7**	**(100.6)**	**1,915.5**	**2,235.6**

Other Reserves comprise the following:

	Notes	Capital Redemption Reserve €'m	Capital Conversion Reserve Fund €'m	Share-Based Payment Reserve €'m	Translation Reserve €'m	Hedging Reserve €'m	Total €'m
At 1 January 2013		1.7	0.3	7.8	(89.5)	(8.4)	(88.1)
Total comprehensive expense		-	-	-	(82.4)	(6.8)	(89.2)
Share-based payment expense	28	-	-	4.8	-	-	4.8
At 31 December 2013		1.7	0.3	12.6	(171.9)	(15.2)	(172.5)
Total comprehensive income/(expense)		**-**	**-**	**-**	**68.3**	**(5.3)**	**63.0**
Share-based payment expense	28	**-**	**-**	**8.9**	**-**	**-**	**8.9**
At 31 December 2014		**1.7**	**0.3**	**21.5**	**(103.6)**	**(20.5)**	**(100.6)**

The nature and purpose of each reserve within shareholders' equity are described in note 36.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
Company:						
At 1 January 2013		21.9	398.7	9.8	97.7	528.1
Total comprehensive income	8	-	-	-	62.8	62.8
Dividends paid	10	-	-	-	(65.0)	(65.0)
Share-based payment expense	28	-	-	4.8	-	4.8
Shares issued during year	27	0.1	-	-	-	0.1
At 31 December 2013		22.0	398.7	14.6	95.5	530.8
Total comprehensive income	8	**-**	**-**	**-**	**69.9**	**69.9**
Dividends paid	10	**-**	**-**	**-**	**(73.0)**	**(73.0)**
Share-based payment expense	28	**-**	**-**	**8.9**	**-**	**8.9**
At 31 December 2014		**22.0**	**398.7**	**23.5**	**92.4**	**536.6**

Other Reserves comprise the following:

	Notes	Capital Redemption Reserve €'m	Capital Conversion Reserve Fund €'m	Share-Based Payment Reserve €'m	Total €'m
At 1 January 2013		1.7	0.3	7.8	9.8
Share-based payment expense	28	-	-	4.8	4.8
At 31 December 2013		1.7	0.3	12.6	14.6
Share-based payment expense	28	**-**	**-**	**8.9**	**8.9**
At 31 December 2014		**1.7**	**0.3**	**21.5**	**23.5**

The nature and purpose of each reserve within shareholders' equity are described in note 36.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	**2014 €'m**	2013 €'m
Operating activities			
Trading profit	29	**636.4**	611.4
Adjustments for:			
Depreciation (net)	11/21	**103.5**	108.9
Change in working capital	29	**(79.3)**	(34.0)
Pension contributions paid less pension expense		**(48.0)**	(35.6)
Payments on acquisition integration and restructuring costs		**(74.5)**	(104.8)
Exchange translation adjustment	30	**3.3**	(0.2)
Cash generated from operations		**541.4**	545.7
Income taxes paid		**(30.6)**	(36.2)
Finance income received		**1.1**	1.2
Finance costs paid		**(42.9)**	(51.5)
Net cash from operating activities		**469.0**	459.2
Investing activities			
Purchase of assets	29	**(274.1)**	(190.2)
Proceeds from the sale of assets		**15.9**	12.8
Capital grants received		**0.8**	0.7
Purchase of businesses (net of cash acquired)	31	**(133.5)**	(111.5)
Disposal of businesses (net of related tax)		**(13.4)**	9.8
Payments relating to previous acquisitions		**(9.6)**	(5.1)
Net cash used in investing activities		**(413.9)**	(283.5)
Financing activities			
Dividends paid	10	**(73.0)**	(65.0)
Issue of share capital	27	**-**	0.1
Net movement on borrowings	29	**42.4**	(71.9)
Net cash movement due to financing activities		**(30.6)**	(136.8)
Net increase in cash and cash equivalents		**24.5**	38.9
Cash and cash equivalents at beginning of year		245.8	215.4
Exchange translation adjustment on cash and cash equivalents	30	**7.8**	(8.5)
Cash and cash equivalents at end of year	29	**278.1**	245.8

Reconciliation of Net Cash Flow to Movement in Net Debt			
Net increase in cash and cash equivalents		**24.5**	38.9
Cash (inflow)/outflow from debt financing		**(42.4)**	71.9
Changes in net debt resulting from cash flows		**(17.9)**	110.8
Fair value movement on interest rate swaps (net of adjustment to borrowings)		**(5.5)**	(3.9)
Exchange translation adjustment on net debt	30	**(88.8)**	20.8
Movement in net debt in the year		**(112.2)**	127.7
Net debt at beginning of year		(1,083.1)	(1,210.8)
Net debt at end of year	23	**(1,195.3)**	(1,083.1)

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	**2014** **€'m**	2013 €'m
Operating activities			
Trading profit	29	**68.4**	61.8
Adjustments for:			
Depreciation	11/21	**0.2**	0.1
Change in working capital	29	**4.0**	2.6
Net cash from operating activities		**72.6**	64.5
Financing activities			
Dividends paid	10	**(73.0)**	(65.0)
Issue of share capital	27	**-**	0.1
Net cash movement due to financing activities		**(73.0)**	(64.9)
Net decrease in cash and cash equivalents		**(0.4)**	(0.4)
Cash and cash equivalents at beginning of year		(0.3)	0.1
Cash and cash equivalents at end of year	29	**(0.7)**	(0.3)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. Statement of accounting policies

General information

Kerry Group plc is a public limited company incorporated in the Republic of Ireland. The registered office address is Prince's Street, Tralee, Co. Kerry. The principal activities of the Company and its subsidiaries are described in the Business Review.

Basis of preparation

The consolidated financial statements of Kerry Group plc have been prepared in accordance with International Financial Reporting Standards ('IFRS'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and those parts of the Companies Acts, 1963 to 2013 applicable to companies reporting under IFRS. Both the Parent Company and Group financial statements have also been prepared in accordance with IFRSs adopted by the European Union ('EU') which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'). The Group financial statements comply with Article 4 of the EU IAS Regulation. IFRS adopted by the EU differs in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

The Parent Company financial statements are prepared using accounting policies consistent with the accounting policies applied to the consolidated financial statements by the Group.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative financial instruments), share-based payments, retirement benefits obligation and financial asset investments which are held at fair value. Assets classified as held for sale are stated at the lower of carrying value and fair value less costs to sell. The investment in associate is accounted for using the equity method.

The consolidated financial statements have been prepared on a going concern basis and further details can be found on page 60 of the Corporate Governance Report.

The consolidated financial statements contained herein are presented in euro, which is the functional currency of the Parent Company, Kerry Group plc. The functional currencies of the Group's main subsidiaries are euro, US dollar and sterling.

Certain income statement headings and other financial measures included in the consolidated financial statements are not defined by IFRS. The Group make this distinction to give a better understanding of the financial performance of the business. Please refer to page 155 for definitions.

In the 2014 consolidated financial statements, the Group has re-presented corresponding 2013 balances to align with current year presentation. Disposals and business disposals have been re-presented as separate line items in property, plant and equipment (note 11) and intangible assets (note 12). Retirement benefits obligations (note 26) has re-presented the principal financial and demographic assumptions used for each major plan in Eurozone, UK and Rest of World regions. Additionally, deferred tax assets and liabilities (note 17) has re-presented the unrecognised deductible temporary differences to align with current year presentation. These changes in presentation do not impact on the classification of any line items on the Group's or Company's Balance Sheet.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries), all of which prepare financial statements up to 31 December. Accounting policies of subsidiaries are consistent with the policies adopted by the Group. Control is achieved where the Company has the power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the date the company gains control until the date the company ceases to control the subsidiary. All inter-group transactions and balances are eliminated on consolidation.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. On acquisition of the investment in associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying value of the investment.

The Group's share of its associate's post-acquisition profits or losses is recognised in 'Share of associate loss (after tax)' within Trading Profit in the Consolidated Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment, less any impairment in value. Where indicators of impairment arise, the carrying amount of the associate is tested for impairment by comparing its recoverable amount with its carrying amount.

Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are similarly eliminated to the extent that they do not provide evidence of impairment. The accounting policies of associates are modified where necessary to ensure consistency of accounting treatment at Group level.

1. Statement of accounting policies (continued)

Revenue

Revenue represents the fair value of the consideration received or receivable, for ingredients and flavours applications and consumer foods branded and non-branded products, from third party customers. Revenue is recorded at invoice value, net of discounts, allowances, volume and promotional rebates and excludes VAT. Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually upon shipment, or in line with terms agreed with individual customers and when the amount of revenue and costs incurred can be measured reliably. Revenue is recorded when the collection of the amount due is reasonably assured. An estimate is made on the basis of historical sales returns and is recorded to allocate these returns to the same period as the original revenue is recorded. Rebate and discount accruals are established based on best estimates of the amounts necessary to meet claims by the Group's customers. Any unutilised accrual is released after assessment that the likelihood of such a claim being made is remote.

Segmental analysis

The Group's operating segments are identified on the basis of the Group's management structure, the components of which engage in revenue and expense generating activities. The operating segments present their results and financial information to be regularly reviewed by the Group's Chief Operating Decision Maker, which the Group has defined as the Executive Directors. Trading Profit is the key measure utilised in assessing the performance of operating segments within the Group.

The Group has two operating segments: Ingredients & Flavours and Consumer Foods. The Ingredients & Flavours operating segment manufactures and distributes application specific ingredients and flavours spanning a number of technology platforms while the Consumer Foods segment manufactures and supplies added value brands and customer branded foods primarily to the Irish and UK markets. Corporate activities, such as the cost of corporate stewardship and the cost of the kerryconnect programme, are reported along with the elimination of inter-group activities under the heading 'Group Eliminations and Unallocated'. Inter-segment pricing is determined on an arm's length basis. There are no material dependencies or concentrations on individual customers which would warrant disclosure under IFRS 8 'Operating Segments'.

Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price and other directly attributable costs. Freehold land is stated at cost and is not depreciated. Depreciation on the remaining property, plant and equipment is calculated by charging equal annual instalments to the Consolidated Income Statement at the following annual rates:

—	Buildings	2% - 5%
—	Plant, machinery and equipment	7% - 25%
—	Motor vehicles	20%

The charge in respect of periodic depreciation is calculated after establishing an estimate of the asset's useful life and the expected residual value at the end of its life. Increasing/(decreasing) an asset's expected life or its residual value would result in a (decreased)/ increased depreciation charge to the Consolidated Income Statement as well as an increase/(decrease) in the carrying value of the asset.

The useful lives of Group assets are determined by management at the time the assets are acquired and reviewed annually for appropriateness. These lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Historically, changes in useful lives or residual values have not resulted in material changes to the Group's depreciation charge.

Assets in the course of construction for production or administrative purposes are carried at cost less any recognised impairment loss. Cost includes professional fees and other directly attributable costs. Depreciation of these assets commences when the assets are ready for their intended use, on the same basis as other property assets.

Assets classified as held for sale

Assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met if at the year end the sale is highly probable, the asset is available for immediate sale in its present condition, management is committed to the sale and the sale is expected to be completed within one year from the date of classification.

Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Intangible assets

(i) Goodwill

Goodwill arises on business combinations and represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary entity at the date control is achieved. The fair value of the assets and liabilities are based on valuations using assumptions deemed by management to be appropriate. Professional valuers are engaged when it is deemed appropriate to do so.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous Irish/UK GAAP amounts subject to impairment testing. Goodwill written off to reserves under Irish/ UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

At the date control is achieved, goodwill is allocated, for the purpose of impairment testing, to one or more cash generating units (CGUs). Goodwill is not amortised but is reviewed for indications of impairment at least annually and is carried at cost less accumulated impairment losses, where identified. Impairment is recognised immediately in the Consolidated Income Statement and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill (not previously written off to reserves) is included in the determination of the profit or loss on disposal.

1. Statement of accounting policies (continued)

Intangible assets (continued)

(ii) Brand related intangibles

Brand related intangibles acquired as part of a business combination are valued at their fair value at the date control is achieved. Intangible assets determined to have an indefinite useful life are not amortised and are tested for impairment at least annually. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. In arriving at the conclusion that these brand related intangibles have an indefinite life, management considers that the Group is a technology business and expects to acquire, hold and support technology for an indefinite period. The Group supports this through spending on research and development. The classification of intangible assets as indefinite is reviewed annually.

Finite life brand related intangible assets are amortised over the period of their expected useful lives, which range from 2 to 20 years, by charging equal annual instalments to the Consolidated Income Statement. The useful life used to amortise finite intangible assets relates to the future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. Historically, changes in useful lives has not resulted in material changes to the Group's amortisation charge.

(iii) Computer software

Computer software separately acquired, including computer software which is not an integral part of an item of computer hardware, is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises purchase price and other directly attributable costs.

Computer software is recognised as an asset only if it meets the following criteria:

— an asset can be separately identified;
— it is probable that the asset created will generate future economic benefits;
— the development cost of the asset can be measured reliably;
— it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
— the cost of the asset can be measured reliably.

Costs relating to the development of computer software for internal use are capitalised once the recognition criteria outlined above are met.

Computer software is amortised over its expected useful life, which ranges from 3 to 7 years, by charging equal annual instalments to the Consolidated Income Statement. Amortisation commences when the assets are ready for use.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation. They are tested annually in the last quarter of the year or when indications exist that the asset may be impaired. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU) which is by region within operating segment. An impairment loss is recognised immediately in the Consolidated Income Statement for the amount by which the asset's carrying value exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Value in use is determined as the discounted future cash flows of the CGU. The key assumptions for the value in use calculations are discount rates, cash flows and growth rates during the year.

When an impairment loss (other than on goodwill) subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, not exceeding its carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment is reviewed by assessing the asset's value-in-use when compared to its carrying value.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes all expenditure incurred in the normal course of business in bringing the products to their present location and condition. Net realisable value is the estimated selling price of inventory on hand less all further costs to completion and all costs expected to be incurred in marketing, distribution and selling. Write-downs of inventories are primarily recognised under raw materials and consumables in the Consolidated Income Statement.

Income taxes

Income taxes include both current and deferred taxes. Income taxes are charged or credited to the Consolidated Income Statement except when they relate to items charged or credited directly in other comprehensive income or shareholders' equity. In this instance the income taxes are also charged or credited to other comprehensive income or shareholders' equity.

The current tax charge is calculated as the amount payable based on taxable profit and the tax rates applying to those profits in the year together with adjustments relating to prior years. Deferred taxes are calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

The Group can be subject to tax audits in any of the jurisdictions in which it operates. Amounts accrued in respect of tax audits are determined based on management's interpretation of the relevant tax laws and likelihood of a successful conclusion. When the final tax outcome for these items is different from amounts initially recorded, such differences will impact the income tax and deferred tax in the period in which such a determination is made, as well as the Group's cash position.

Deferred taxes are calculated based on the temporary differences that arise between the tax base of the asset or liability and its carrying value in the Consolidated Balance Sheet. Deferred taxes are recognised on all temporary differences in existence at the balance sheet date except for:

— temporary differences which arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss, or on the initial recognition of goodwill for which a tax deduction is not available; and

1. Statement of accounting policies (continued)

Income taxes (continued)

— temporary differences which arise on investments in subsidiaries where the timing of the reversal is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The recognition of a deferred tax asset is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Deferred tax assets are reviewed at each reporting date.

Current and deferred income tax assets and liabilities are offset where taxes are levied by the same taxation authority, there is a legal right of offset between the assets and liabilities and the Group intends to settle on a net basis.

Retirement benefits obligation

Payments to defined contribution plans are recognised in the Consolidated Income Statement as they fall due and any contributions outstanding at the year end are included as an accrual in the Consolidated Balance Sheet. Where sufficient information is not available to account for defined benefit multi employer plans as defined benefit plans, they are treated as defined contribution plans and are accounted for accordingly.

Actuarial valuations for accounting purposes are carried out at each balance sheet date in relation to defined benefit plans, using the projected unit credit method, to determine the schemes' liabilities and the related cost of providing benefits.

Current service cost and net interest cost are recognised in the Consolidated Income Statement as they arise. Past service cost, which can be positive or negative, is recognised immediately in the Consolidated Income Statement. Gains or losses on the curtailment or settlement of a plan are recognised in the Consolidated Income Statement when the curtailment or settlement occurs. Re-measurement on retirement benefits obligation, comprising actuarial gains and losses and the return on plan assets (excluding amounts included in net interest cost) are recognised in full in the period in which they occur in the Consolidated Statement of Recognised Income and Expense.

The defined benefit liability recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation less the fair value of any plan assets. Defined benefit assets are also recognised in the Consolidated Balance Sheet but are limited to the present value of available refunds from, and reductions in future contributions to, the plan.

Provisions

Provisions can be distinguished from other types of liability by considering the events that give rise to the obligation and the degree of uncertainty as to the amount or timing of the liability. These are recognised in the Consolidated Balance Sheet when:

— the Group has a present obligation (legal or constructive) as a result of a past event;
— it is probable that the Group will be required to settle the obligation; and
— a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the amount required to settle the present obligation at the balance sheet date, after taking account of the risks and uncertainties surrounding the obligation.

Research and development expenditure

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

Development expenditure is assessed and capitalised as an internally generated intangible asset only if it meets all of the following criteria:

— it is technically feasible to complete the asset for use or sale;
— it is intended to complete the asset for use or sale;
— the Group has the ability to use or sell the intangible asset;
— it is probable that the asset created will generate future economic benefits;
— adequate resources are available to complete the asset for sale or use; and
— the development cost of the asset can be measured reliably.

Capitalised development costs are amortised over their expected economic lives. Where no internally generated intangible asset can be recognised, product development expenditure is recognised as an expense in the financial year it is incurred. The Group has not capitalised product development expenditure to date.

Grants

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

Dividends

Dividends are accounted for when they are approved, through the retained earnings reserve. Dividends proposed do not meet the definition of a liability until such time as they have been approved.

Operating leases

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

Share-based payments

The Group has granted share-based payments to employees under a long term incentive plan and to Executive Directors under a short term incentive plan.

The equity-settled share-based awards granted under these plans are measured at the fair value of the equity instrument at the date of grant. The cost of the award is charged to the Consolidated Income Statement over the vesting period of the awards based on the probable number of awards that will eventually vest, with a corresponding credit to shareholders' equity.

For the purposes of the long term incentive plan, the fair value of the award is measured using the Monte Carlo Pricing Model. For the short term incentive plan, the fair value of the expense equates directly to the cash value of the portion of the short term incentive plan that will be settled by way of shares/options.

1. Statement of accounting policies (continued)

Share-based payments (continued)

At the balance sheet date, the estimate of the level of vesting is reviewed and any adjustment necessary is recognised in the Consolidated Income Statement and in other comprehensive income.

Foreign currency

Foreign currency transactions are translated into functional currency at the rate of exchange ruling at the date of the transaction. Exchange differences arising from either the retranslation of the resulting monetary assets or liabilities at the exchange rate at the balance sheet date or from the settlement of the balance at a different rate are recognised in the Consolidated Income Statement when they occur.

On consolidation, the income statements of foreign currency subsidiaries are translated into euro at the average exchange rate. If this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, a weighted average rate is used. The balance sheets of such subsidiaries are translated at the rate of exchange at the balance sheet date. Resulting exchange differences arising on the translation of foreign currency subsidiaries are taken directly to a separate component of shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are treated as assets and liabilities of the foreign subsidiaries and are translated at the closing rate.

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

Borrowing costs

Borrowing costs incurred for qualifying assets, which take a substantial period of time to construct, are added to the cost of the asset during the period of time required to complete and prepare the asset for its intended use. Other borrowing costs are expensed to the Consolidated Income Statement in the period in which they are incurred.

Business combinations

The acquisition method of accounting is used for the acquisition of subsidiaries. The cost of the acquisition is measured at the aggregate fair value of the consideration given. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the date the Group assumes control of the acquiree. Acquisition related costs are recognised in the Consolidated Income Statement as incurred. If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held investment in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Certain assets and liabilities are not recognised at their fair value at the date control was achieved as they are accounted for using other applicable IFRSs. These include deferred tax assets/liabilities and also any assets related to employee benefit arrangements.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the valuation of the fair value of assets and liabilities acquired is still in progress. Those provisional amounts are adjusted during the measurement period of one year from the date control is achieved when additional information is obtained about facts and circumstances which would have affected the amounts recognised as of that date.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement measured at fair value at the date control is achieved. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs.

Any fair value adjustments in relation to acquisitions completed prior to 1 January 2010 have been accounted for under IFRS 3 'Business Combinations (2004)'.

Investments in subsidiaries

Investments in subsidiaries held by the Parent Company are carried at cost less accumulated impairment losses.

Financial instruments

Financial assets and financial liabilities are recognised on the Consolidated Balance Sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value plus transaction costs, except for those classified as fair value through profit or loss, which are initially measured at fair value.

All financial assets are recognised and derecognised on a trade date basis, where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe of the market concerned.

Financial assets and liabilities are classified into specified categories in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. These categories are as follows:

- available-for-sale financial assets;
- loans and receivables;
- cash and cash equivalents;
- financial assets at fair value through profit or loss (FVTPL);
- held to maturity investments;
- financial liabilities measured at amortised cost;
- financial liabilities at fair value through profit or loss (FVTPL); and
- borrowings.

The classification is determined at the time of initial recognition of the financial asset or liability and is based upon its nature and purpose.

1. Statement of accounting policies (continued)

Financial instruments (continued)

(i) Available-for-sale financial assets
Group financial asset investments are classified as available-for-sale as they are non-derivative assets and are not designated at FVTPL on initial recognition. Available-for-sale investments are stated at their fair value at the balance sheet date. Movements in fair value are recorded in other comprehensive income until the asset is disposed of unless there is deemed to be an impairment on the original cost, in which case the loss is taken directly to the Consolidated Income Statement. Upon disposal, the fair value movement in other comprehensive income is transferred to the Consolidated Income Statement.

Quoted market prices are used to determine the fair value of listed shares where there is an active market. Where there is not an active market, a 'sum-of-the-parts' valuation model is used to determine the fair value of shares. A market is deemed not to be active when a low level of trading exists and willing buyers and sellers are not readily available. The 'sum-of-the-parts' valuation separates the available-for-sale investments into the operating segments and uses industry analysis and the market valuations of peer companies in the relevant segments to arrive at a combined valuation for the investments.

(ii) Loans and receivables
Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'.

Trade and other receivables are stated at amortised cost, which approximates fair value given the short term nature of these assets. An allowance for doubtful trade receivables is created based on incurred loss experience or where there is objective evidence that amounts are irrecoverable. Movements in this allowance are recorded in 'other external charges' which is included within Trading Profit in the Consolidated Income Statement.

(iii) Cash and cash equivalents
Cash and cash equivalents consists of cash at bank and in hand, bank overdrafts held by the Group and short term bank deposits with a maturity of three months or less from the date of placement. Cash at bank and in hand and short term bank deposits are shown under current assets on the Consolidated Balance Sheet. Bank overdrafts are shown within 'Borrowings and overdrafts' in current liabilities on the Consolidated Balance Sheet but are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows. The carrying amount of these assets and liabilities approximates to their fair value.

(iv) Financial assets at fair value through profit or loss (FVTPL)
Financial assets are classified as FVTPL when the financial assets are either held for trading or they are designated upon initial recognition as FVTPL.

Certain derivatives that are not designated and effective as a hedging instrument are classified as held for trading. The Group does not have any other financial assets classified as held for trading.

(v) Held to maturity investments
The Group currently does not have any held to maturity investments.

(vi) Financial liabilities measured at amortised cost
Other non-derivative financial liabilities consist primarily of trade and other payables and borrowings. Trade and other payables are stated at amortised cost, which approximates to their fair value given the short term nature of these liabilities. Trade and other payables are non interest bearing.

(vii) Financial liabilities at fair value through profit or loss (FVTPL)
Financial liabilities at FVTPL arise when the financial liabilities are either held for trading or they are designated upon initial recognition as FVTPL.

The Group classifies as held for trading certain derivatives that are not designated and effective as a hedging instrument. The Group does not have any other financial liabilities classified as held for trading.

(viii) Borrowings
Debt instruments are initially recorded at fair value, net of transaction costs. Subsequently they are reported at amortised cost, except for hedged debt. To the extent that debt instruments are hedged under qualifying fair value hedges, the carrying value of the debt instrument is adjusted for changes in the fair value of the hedged item, with changes arising recognised in the Consolidated Income Statement. The fair value of the hedged item is primarily determined using the discounted cash flow basis.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when objective evidence highlights that the estimated future cash flows from the investment have been affected.

For quoted and unquoted equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the asset below its cost is considered to be objective evidence of impairment.

For trade receivables, unusual or increasingly delayed payments, increase in average credit period taken or known financial difficulties of a customer, in addition to observable changes in national or local economic conditions in the country of the customer are considered indicators that the trade receivable balance may be impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Consolidated Income Statement. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to 'other external charges' in the Consolidated Income Statement.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the counterparty, indicated through unusual or increasingly delayed payments or increase in average credit period taken;
- evidence that the counterparty is entering bankruptcy or financial re-organisation; and
- observable changes in local or economic conditions.

Derecognition of financial liabilities
The Group derecognises financial liabilities only when the Group's obligations are discharged, cancelled or expire.

1. Statement of accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedge accounting

The Group's activities expose it to risks of changes in foreign currency exchange rates and interest rates in relation to international trading and long-term debt. The Group uses foreign exchange forward contracts, interest rate swaps and forward rate agreements to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

Hedge accounting is applied to the derivative instruments where they are effective in offsetting the changes in fair value or cash flows of the hedged item. The relevant criteria required in order to apply hedge accounting is as follows:

- the hedged item and the hedging instrument are specifically identified;
- the hedging relationship is formally documented to identify the hedged risk and how the effectiveness is assessed;
- the effectiveness of the hedge can be reliably measured;
- the hedge must be expected to be highly effective and this is tested regularly throughout its life; and
- a forecast transaction that is the subject of the hedge must be highly probable.

Fair value of financial instrument derivatives

The fair value of derivative instruments is calculated using discounted cash flow analysis based on the applicable yield curve adjusted for counterparty risk for the duration and currency of the instrument, which are observable:

- Foreign currency forward contracts are measured using quoted forward exchange rates to match the maturities of these contracts; and
- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves adjusted for counterparty credit risk.

Cash flow hedges

Where derivatives, including forward foreign currency contracts, forward commodity contracts and floating to fixed interest rate swaps or cross currency swaps are used, they are primarily treated as cash flow hedges. The gain or loss relating to the effective portion of the interest rate swaps and cross currency interest rate swaps is recognised in other comprehensive income and is reclassified to profit or loss in the period when the hedged item is recognised through profit or loss. Any such reclassification to profit or loss is recognised within finance costs in the Consolidated Income Statement and all effective amounts directly offset against movements in the underlying hedged item. Any ineffective portion of the hedge is recognised in the Consolidated Income Statement. The gain or loss relating to the effective portion of forward foreign currency contracts and forward commodity contracts is recognised in other comprehensive income and is reclassified to profit or loss in the period the hedged item is recognised through profit or loss. Any ineffective portion of the hedge is recognised in the Consolidated Income Statement. When the hedged firm commitment or forecasted transaction occurs and results in the recognition of an asset or liability, the amounts previously recognised in the hedge reserve, within other comprehensive income are reclassified through profit or loss in the periods when the hedged item is impacting the Consolidated Income Statement.

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

Cash flow hedge accounting is applied to foreign exchange forward contracts which are expected to be effective in offsetting the changes in fair value of expected future cash flows. In order to achieve and maintain cash flow hedge accounting, it is necessary for management to determine, at inception and on an ongoing basis, whether a forecast transaction is highly probable and whether the hedge is effective.

Fair value hedges

Where fixed to floating interest rate swaps are used they are treated as fair value hedges. Changes in the fair value of derivatives that are designated as fair value hedges are recognised directly in the Consolidated Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued prospectively when the hedging relationship ceases to exist or the Group revokes the designation. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised over the remaining maturity of the hedged item through the Consolidated Income Statement from that date.

Trading derivatives

Certain derivatives which comply with the Group's financial risk management policies are not accounted for using hedge accounting. This arises where the derivatives either; a) do not qualify for hedge accounting; b) provide an effective hedge against foreign currency borrowings without having to apply hedge accounting; or c) where management have decided not to apply hedge accounting. In these cases the instrument is reported independently at fair value with any changes recognised in the Consolidated Income Statement. In all other instances, cash flow or fair value hedge accounting is applied.

Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires management to make certain estimations, assumptions and judgements that affect the reported profits, assets and liabilities.

Estimates and underlying assumptions are reviewed on an on-going basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information or more experience. Such changes are recognised in the period in which the estimate is revised.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described overleaf and in the respective notes to the consolidated financial statements.

1. Statement of accounting policies (continued)

Critical accounting estimates and judgements (continued)

Impairment of goodwill and intangible assets
Determining whether goodwill and intangible assets are impaired or whether a reversal of an impairment of intangible assets (other than on goodwill) should be recorded requires comparison of the value in use for the relevant cash generating units (CGUs) to the net assets attributable to those CGUs. The value in use calculation is based on an estimate of future cash flows expected to arise from the CGUs and these are discounted to net present value using an appropriate discount rate. The tests are dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows, the expected long term growth rate of the applicable businesses and perpetuity rates. Such estimates and judgements are subject to change as a result of changing economic conditions. Details of the assumptions used and key sources of estimation involved are detailed in note 12 to these consolidated financial statements.

Income taxes and deferred tax assets and liabilities
The calculation of the income tax charge involves a degree of estimation and judgement as the Group operates in many jurisdictions and the tax treatment of certain items cannot be fully determined at the time of the original transaction. Furthermore, the Group can also be subject to tax audits in any of the jurisdictions in which it operates, which by their nature are often complex and can require several years to conclude. Amounts accrued in respect of tax and open tax audits are determined based on management's interpretation of the relevant tax laws, a probability-weighted expected value and likelihood of a successful conclusion.

The recognition of a deferred tax asset is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset exists.

'Income taxes' and 'Deferred tax assets and liabilities' are disclosed in notes 7 and 17 to these consolidated financial statements, respectively.

Non-trading items
Certain material items, by virtue of their nature and amount, are disclosed separately in order for the user to obtain a proper understanding of the financial information. These items relate to events or circumstances that are non-recurring in nature which are labelled collectively as 'non-trading items'.

Judgement is applied to determine which transactions are to be considered non-trading items. Circumstances that would give rise to this classification include gains or losses on the disposal or acquisition of businesses, disposals of assets (non-current assets and assets classified as held for sale), costs in preparation of disposal of assets, material acquisition integration and restructuring costs and similar items of a non-recurring nature, including the related tax effect on those items.

Non-trading items are disclosed in note 5 to these consolidated financial statements.

Retirement benefits obligation
The estimation of and accounting for retirement benefits obligation involves judgements made in conjunction with independent actuaries. These involve estimates about uncertain future events based on the environment in different countries, including life expectancy of scheme members, future salary and pension increases and inflation as well as discount rates. The assumptions used by the Group and a sensitivity analysis of a change in these assumptions are described in note 26.

Business combinations
When acquiring a business, the Group is required to bring acquired assets and liabilities on to the Consolidated Balance Sheet at their fair value, the determination of which requires a significant degree of estimation and judgement.

Acquisitions may also result in intangible benefits being brought into the Group, some of which qualify for recognition as intangible assets while other such benefits do not meet the recognition requirements of IFRS and therefore form part of goodwill. Judgement is required in the assessment and valuation of these intangible assets, including assumptions on the timing and amount of future cash flows generated by the assets and the selection of an appropriate discount rate.

Depending on the nature of the assets and liabilities acquired, determined provisional fair values may be associated with uncertainty and possibly adjusted subsequently as allowed by IFRS 3.

Business combinations are disclosed in note 31 to these consolidated financial statements.

Provisions
The amounts recognised as a provision are management's best estimate of the expenditure required to settle present obligations at the balance sheet date. The outcome depends on future events which are by their nature uncertain. In assessing the likely outcome, management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances. Provisions are disclosed in note 25 to these consolidated financial statements.

Other areas
Other areas where accounting estimates and judgements are required, though the impact on the consolidated financial statements is not considered as significant as those mentioned above, are property, plant and equipment (note 11), intangible assets (note 12), financial assets investments (note 13), investment in associate (note 14), assets classified as held for sale (note 18), rebates included in trade and other payables (note 20) and financial instruments (notes 23 and 24).

1. Statement of accounting policies (continued)

New standards and interpretations

Certain new and revised accounting standards and new International Financial Reporting Interpretations Committee ('IFRIC') interpretations have been issued and the Group's assessment of the impact of these new standards and interpretations is set out below.

	Standards and Interpretations effective for Kerry Group in 2014 but not material to the results and financial position of the Group:		***Effective Date***
—	IFRS 10	Consolidated Financial Statements	1 January 2014
—	IFRS 11	Joint Arrangements	1 January 2014
—	IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
—	IAS 27 (amendment)	Consolidated and Separate Financial Statements	1 January 2014
—	IAS 28 (amendment)	Investments in Associates and Joint Ventures	1 January 2014
—	IAS 32 (amendment)	Financial Instruments: Presentation	1 January 2014
—	IAS 36 (amendment)	Impairment of Assets	1 January 2014
—	IAS 39 (amendment)	Financial Instruments: Recognition and Measurement	1 January 2014
—	IFRIC 21	Levies	1 January 2014

	Standards and Interpretations which are not yet effective for Kerry Group and are not expected to have a material effect on the results or the financial position of the Group:		***Effective Date***
—	IFRS 1 (amendment)	First-time adoption of International Financial Reporting Standards	1 July 2014
—	IFRS 2 (amendment)	Share-based payment	1 July 2014
—	IFRS 3 (amendments)	Business Combinations	1 July 2014
—	IFRS 5 (amendment)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
—	IFRS 7 (amendment)	Financial Instruments: Disclosures	1 January 2016
—	IFRS 8 (amendment)	Operating Segments	1 July 2014
—	IFRS 10 (amendments)	Consolidated Financial Statements	1 January 2016
—	IFRS 11 (amendment)	Joint Arrangements	1 January 2016
—	IFRS 12 (amendment)	Disclosure of Interests in Other Entities	1 January 2016
—	IFRS 13 (amendments)	Fair Value Measurement	1 July 2014
—	IFRS 14	Regulatory Deferral Accounts	1 January 2016
—	IAS 1 (amendment)	Presentation of Financial Statements	1 January 2016
—	IAS 16 (amendment)	Property, Plant and Equipment	1 July 2014
—	IAS 16 (amendments)	Property, Plant and Equipment	1 January 2016
—	IAS 19 (amendment)	Employee Benefits	1 July 2014
—	IAS 19 (amendment)	Employee Benefits	1 January 2016
—	IAS 24 (amendment)	Related Party Disclosures	1 July 2014
—	IAS 27 (amendment)	Consolidated and Separate Financial Statements	1 January 2016
—	IAS 28 (amendments)	Investments in Associates	1 January 2016
—	IAS 34 (amendment)	Interim Financial Reporting	1 January 2016
—	IAS 38 (amendment)	Intangible Assets	1 July 2014
—	IAS 38 (amendment)	Intangible Assets	1 January 2016
—	IAS 40 (amendment)	Investment Property	1 July 2014
—	IAS 41 (amendment)	Agriculture	1 January 2016

1. Statement of accounting policies (continued)

New standards and interpretations (continued)

The following revised standards are not yet effective and the impact on Kerry Group are currently under review:			***Effective Date***
—	IFRS 9	Financial Instruments IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.	1 January 2018
—	IFRS 15	Revenue from Contracts with Customers IFRS 15 was issued to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.	1 January 2017

2. Analysis of results

The Group has two operating segments: Ingredients & Flavours and Consumer Foods. The Ingredients & Flavours operating segment manufactures and distributes application specific ingredients and flavours spanning a number of technology platforms, while the Consumer Foods segment manufactures and supplies added value brands and customer branded foods primarily to the Irish and UK markets.

	Ingredients & Flavours 2014 €'m	**Consumer Foods 2014 €'m**	**Group Eliminations and Unallocated 2014 €'m**	**Total 2014 €'m**	Ingredients & Flavours 2013 €'m	Consumer Foods 2013 €'m	Group Eliminations and Unallocated 2013 €'m	Total 2013 €'m
External revenue	**4,257.1**	**1,499.5**	**-**	**5,756.6**	4,248.6	1,588.1	-	5,836.7
Inter-segment revenue	**79.8**	**9.8**	**(89.6)**	**-**	78.7	13.3	(92.0)	-
Revenue	**4,336.9**	**1,509.3**	**(89.6)**	**5,756.6**	4,327.3	1,601.4	(92.0)	5,836.7
Trading profit	**592.5**	**125.4**	**(81.5)**	**636.4**	558.5	128.8	(75.9)	611.4
Intangible asset amortisation				**(28.0)**				(28.1)
Non-trading items				**0.1**				(393.8)
Operating profit				**608.5**				189.5
Finance income				**1.1**				1.2
Finance costs				**(54.0)**				(68.8)
Profit before taxation				**555.6**				121.9
Income taxes				**(75.7)**				(37.5)
Profit after taxation and attributable to owners of the parent				**479.9**				84.4
Segment assets and liabilities								
Segment assets	**3,814.8**	**925.1**	**1,227.9**	**5,967.8**	3,310.4	891.3	1,007.9	5,209.6
Segment liabilities	**(909.0)**	**(507.7)**	**(2,315.5)**	**(3,732.2)**	(907.5)	(434.3)	(1,900.3)	(3,242.1)
Net assets	**2,905.8**	**417.4**	**(1,087.6)**	**2,235.6**	2,402.9	457.0	(892.4)	1,967.5
Other segmental information								
Property, plant and equipment additions	**209.8**	**15.5**	**4.5**	**229.8**	141.8	12.2	1.5	155.5
Depreciation (net)	**83.7**	**16.4**	**3.4**	**103.5**	82.1	23.5	3.3	108.9
Intangible asset additions	**1.4**	**-**	**34.2**	**35.6**	0.2	0.5	23.9	24.6
Intangible asset amortisation	**9.5**	**5.7**	**12.8**	**28.0**	11.0	7.2	9.9	28.1
Non-trading items								
Acquisition integration and restructuring costs	**-**	**-**	**-**	**-**	199.4	25.6	-	225.0
Impairment of assets held for sale	**-**	**-**	**-**	**-**	10.8	102.3	-	113.1
(Profit)/loss on disposal of businesses and assets	**(0.6)**	**0.5**	**-**	**(0.1)**	10.9	44.8	-	55.7

2. Analysis of results (continued)

Information about geographical areas

	EMEA 2014 €'m	**Americas 2014 €'m**	**Asia Pacific 2014 €'m**	**Total 2014 €'m**	EMEA 2013 €'m	Americas 2013 €'m	Asia Pacific 2013 €'m	Total 2013 €'m
Revenue by location of external customers	**3,048.7**	**1,901.2**	**806.7**	**5,756.6**	3,189.5	1,882.1	765.1	5,836.7
Segment assets by location	**3,601.4**	**1,770.3**	**596.1**	**5,967.8**	3,275.8	1,450.4	483.4	5,209.6
Property, plant and equipment additions	**138.8**	**53.1**	**37.9**	**229.8**	86.5	46.6	22.4	155.5
Intangible asset additions	**34.3**	**1.3**	**-**	**35.6**	24.4	0.2	-	24.6

Kerry Group plc is domiciled in the Republic of Ireland and the revenues from external customers in the Republic of Ireland were **€505.4m** (2013: €576.5m). The non-current assets located in the Republic of Ireland are **€905.5m** (2013: €808.4m).

Revenues from external customers include **€1,686.2m** (2013: €1,694.2m) in the UK and **€1,491.4m** (2013: €1,462.1m) in the US. The non-current assets in the UK are **€715.1m** (2013: €669.9m) and in the US are **€991.8m** (2013: €827.8m).

The accounting policies of the reportable segments are the same as the Group's accounting policies as outlined in the Statement of Accounting Policies.

3. Operating profit

Operating profit for the year has been arrived at after charging/(crediting) the following operating costs:

	Notes	**Continuing Operations 2014 €'m**	Continuing Operations 2013 €'m
Revenue		**5,756.6**	5,836.7
Less operating costs:			
Raw materials and consumables		**3,211.1**	3,314.3
Other external charges		**473.7**	477.8
Staff costs		**1,032.2**	1,040.9
Depreciation	11	**105.8**	111.3
Capital grants amortisation	21	**(2.3)**	(2.4)
Other operating charges		**308.3**	317.7
Foreign exchange losses/(gains)		**7.5**	(4.1)
Change in inventories of finished goods		**(16.3)**	(30.2)
Share of associate loss (after tax)	14	**0.2**	-
Trading profit		**636.4**	611.4
Intangible asset amortisation	12	**28.0**	28.1
Acquisition integration and restructuring costs	5	**-**	225.0
Impairment of assets held for sale	5	**-**	113.1
(Profit)/loss on disposal of businesses and assets	5	**(0.1)**	55.7
Non-trading items		**(0.1)**	393.8
Operating profit		**608.5**	189.5
And is stated after charging:			
Research and development costs		**196.8**	186.4

3. Operating profit (continued)

Directors' emoluments

Directors' emoluments are set out in the Directors' remuneration section of the Report of the Directors on pages 77 to 82.

Auditors' remuneration

	Deloitte & Touche Ireland 2014 €'m	Deloitte & Touche Other 2014 €'m	Deloitte & Touche Worldwide 2014 €'m	Deloitte & Touche Ireland 2013 €'m	Deloitte & Touche Other 2013 €'m	Deloitte & Touche Worldwide 2013 €'m
Statutory disclosure:						
Group audit	**1.3**	**1.8**	**3.1**	1.2	1.9	3.1
Other assurance services	**0.1**	**0.5**	**0.6**	0.3	0.6	0.9
Total assurance services	**1.4**	**2.3**	**3.7**	1.5	2.5	4.0
Tax advisory services	**0.4**	**1.9**	**2.3**	0.9	1.9	2.8
Other non-audit services	**0.1**	**-**	**0.1**	0.1	-	0.1
Total non-audit services	**0.5**	**1.9**	**2.4**	1.0	1.9	2.9
Total auditors' remuneration	**1.9**	**4.2**	**6.1**	2.5	4.4	6.9
Assurance services			**61%**			58%
Non-audit services			**39%**			42%
Total			**100%**			100%

Group audit consists of fees payable for the consolidated and statutory audits of the Group and its subsidiaries. Included in Group audit are total fees of **€7,000** (2013: €7,000) which were paid to the Group's auditor in respect of the Parent Company.

4. Total staff numbers and costs

The average number of people employed by the Group was:

	Ingredients & Flavours 2014 Number	**Consumer Foods 2014 Number**	**Total 2014 Number**	Ingredients & Flavours 2013 Number	Consumer Foods 2013 Number	Total 2013 Number
EMEA	**5,127**	**8,781**	**13,908**	5,376	9,604	14,980
Americas	**6,363**	**-**	**6,363**	6,301	-	6,301
Asia Pacific	**3,496**	**-**	**3,496**	3,211	-	3,211
	14,986	**8,781**	**23,767**	14,888	9,604	24,492

The aggregate payroll costs of employees (including Executive Directors) were:

	Ingredients & Flavours 2014 €'m	**Consumer Foods 2014 €'m**	**Total 2014 €'m**	Ingredients & Flavours 2013 €'m	Consumer Foods 2013 €'m	Total 2013 €'m
EMEA	**284.3**	**322.7**	**607.0**	283.8	332.0	615.8
Americas	**322.7**	**-**	**322.7**	320.2	-	320.2
Asia Pacific	**110.0**	**-**	**110.0**	111.8	-	111.8
	717.0	**322.7**	**1,039.7**	715.8	332.0	1,047.8

Social welfare costs of **€82.2m** (2013: €93.5m) as well as the share-based payment expense of **€8.9m** (2013: €4.8m) are included in payroll costs. Pension costs included in the payroll costs are disclosed in note 26. Included in the above payroll costs disclosure is **€7.5m** (2013: €6.9m) which has been capitalised as part of computer software in intangible assets.

5. Non-trading items

	Notes	**2014 €'m**	2013 €'m
Acquisition integration and restructuring costs	(i)	**-**	(225.0)
Impairment of assets held for sale	(ii)	**-**	(113.1)
Profit/(loss) on disposal of businesses and assets	(iii)	**0.1**	(55.7)
		0.1	(393.8)
Tax	7	**3.9**	41.6
		4.0	(352.2)

(i) Acquisition integration and restructuring costs

There were no acquisition integration and restructuring costs recorded in non-trading items in 2014. The 2013 acquisition integration and restructuring costs of €225.0m included transaction expenses incurred in completing acquisitions as well as initial costs in integrating the acquisitions into the Group's operations, the structure and costs associated with the progression of the 1 Kerry business excellence programme and the establishment in Ireland of the Group's Global Technology and Innovation Centre for the EMEA region. The 2013 costs reflect the impact of closing or streamlining 24 sites within the Group. In 2013, a tax credit of €36.0m arose due to tax deductions available on the acquisition integration and restructuring costs.

(ii) Impairment of assets held for sale

There were no impairment of assets held for sale recorded in 2014. In 2013, following a fundamental review of the 'go-to-market' strategies and reflecting significant changes in consumer consumption trends in the Irish and UK consumer foods markets, a decision was made to classify a number of businesses as held for sale. These assets were primarily held by Consumer Foods in Ireland and UK. The assets of these businesses were impaired to their fair value less costs to sell resulting in a non-cash impairment of €113.1m to goodwill, brand-related intangibles, fixed assets and inventory. In 2013, a tax credit of €4.2m arose due to tax deductions available on the impairment of assets held for sale.

5. Non-trading items (continued)

(iii) Profit/(loss) on disposal of businesses and assets

	Notes	*Assets 2014 €'m	Businesses 2014 €'m	Total 2014 €'m
Assets				
Property, plant and equipment (net of grants)	11	**(10.2)**	**-**	**(10.2)**
Assets classified as held for sale	18	**(5.0)**	**(20.8)**	**(25.8)**
Net assets disposed		**(15.2)**	**(20.8)**	**(36.0)**
Consideration				
Cash received/(paid)		**15.9**	**(6.2)**	**9.7**
Share in associate received	14	**-**	**40.2**	**40.2**
Deferred consideration		**-**	**(6.6)**	**(6.6)**
Disposal related costs		**-**	**(6.8)**	**(6.8)**
Total consideration received		**15.9**	**20.6**	**36.5**
Cumulative exchange difference on translation recycled on disposal		**-**	**(0.4)**	**(0.4)**
Profit/(loss) on disposal of businesses and assets		**0.7**	**(0.6)**	**0.1**

Net cash inflow on disposal:

	Total 2014 €'m
Cash	**9.7**
Less: cash at bank and in hand balance disposed of	**-**
Less: disposal related costs	**(7.2)**
	2.5

*Assets represent non-current assets and assets classified as held for sale.

During the year, the Group disposed of one non-core business in the Consumer Foods division in the UK and a subsidiary in Argentina. All these businesses were classified as held for sale in 2013. Additionally, the Group disposed of property, plant and equipment and assets classified as held for sale primarily in the US, UK and Ireland.

In 2013, the loss of €55.7m related primarily to the disposal of non-core businesses including a liquid milk and a sandwich business in Ireland, a distribution business in France, and to the sale of property, plant and equipment in the US, UK and Ireland.

A net tax credit of **€3.9m** (2013: €1.4m) arose due to tax deductions on the disposal of businesses.

6. Finance income and costs

	Note	2014 €'m	2013 €'m
Finance income:			
Interest income on deposits		**1.1**	1.2
Finance costs:			
Interest payable		**(44.7)**	(55.9)
Interest rate derivative		**(1.2)**	(1.1)
Borrowing costs capitalised		**1.9**	0.4
		(44.0)	(56.6)
Net interest cost on retirement benefits obligation	26	**(10.0)**	(12.2)
Finance costs		**(54.0)**	(68.8)

The finance costs capitalised primarily relate to borrowing costs incurred on significant capital projects including the Global Technology and Innovation Centres and the development of computer software for the Kerryconnect programme. Interest is capitalised at the Group's average interest rate for the period of **3.6%** (2013: 4.0%).

The interest rate derivative cost represents adjustments for hedge ineffectiveness for credit risk adjustments to the fair values of derivative financial instruments of **€2.3m** (2013: €nil) partly offset by the fair value movement of certain derivatives that were no longer designated in a hedge relationship in 2013. The fair values of such derivatives were disclosed under assets or liabilities at fair value through profit or loss in note 23 in the prior year.

7. Income taxes

	Notes	2014 €'m	2013 €'m
Recognition in the Consolidated Income Statement			
Current tax expense		**73.7**	42.5
Adjustments in respect of prior years		**(3.9)**	2.4
		69.8	44.9
Deferred tax	17	**5.9**	(7.4)
Income tax expense		**75.7**	37.5
Included in the above are the following tax credits on non-trading items:			
Current tax		**(0.1)**	(14.4)
Deferred tax		**(3.8)**	(27.2)
	5	**(3.9)**	(41.6)

The applicable notional tax rate of **14.7%** (2013: 16.4%) used by the Group is calculated based on the weighted average of the standard tax rates applying to profits earned by the Group in the jurisdictions in which it operates. The variation in the applicable notional tax rate is caused by changes in profits by jurisdiction, as well as changes in local statutory tax rates.

7. Income taxes (continued)

The applicable notional tax rate for the year can be reconciled to the income tax expense as follows:

	2014 €'m	2013 €'m
Profit before taxation	**555.6**	121.9
Applicable notional tax	**81.4**	20.0
Adjustments to current tax and deferred tax in respect of prior years	**1.7**	0.8
Income taxed at rates other than standard tax rates	**(0.8)**	(3.3)
Withholding taxes and other local taxes	**5.1**	5.4
Income not subject to tax	**(9.4)**	(11.1)
(Utilisation)/non-recognition of unprovided deferred tax assets	**(5.2)**	1.0
Other adjusting items	**2.9**	24.7
Income tax expense	**75.7**	37.5

In 2014, **€5.2m** of deferred tax assets were utilised in the year, while in 2013 €1.0m of deferred tax assets were not recognised in the year.

In 2013, the other adjusting items predominantly related to non tax deductible expenses on non-trading items including the write down of assets which do not qualify for tax allowances.

An increase in the Group's applicable tax rate of 1% would reduce profit after tax by €5.6m (2013: €1.2m).

Factors that may affect the Group's future tax charge include the effects of restructuring, acquisitions and disposals, changes in tax legislation and rates and the use of brought forward losses.

8. Profit attributable to Kerry Group plc

In accordance with section 148 (8) of the Companies Act, 1963 and section 7 (1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual income statement to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's profit for the financial year as determined in accordance with IFRSs as adopted by the European Union is **€69.9m** (2013: €62.8m).

9. Earnings per A ordinary share

	Notes	**EPS cent**	**2014 €'m**	EPS cent	2013 €'m
Basic earnings per share					
Profit after taxation and attributable to owners of the parent		**273.0**	**479.9**	48.0	84.4
Brand related intangible asset amortisation	12	**8.2**	**14.4**	9.4	16.6
Non-trading items (net of related tax)	5	**(2.3)**	**(4.0)**	200.5	352.2
Adjusted earnings		**278.9**	**490.3**	257.9	453.2
Diluted earnings per share					
Profit after taxation and attributable to owners of the parent		**272.7**	**479.9**	48.0	84.4
Adjusted earnings		**278.6**	**490.3**	257.6	453.2

In addition to the basic and diluted earnings per share, an adjusted earnings per share is also provided as it is considered more reflective of the Group's underlying trading performance. Adjusted earnings is profit after taxation before brand related intangible asset amortisation and non-trading items (net of related tax). These items are excluded in order to assist in the understanding of underlying earnings.

Number of Shares	Note	**2014 m's**	2013 m's
Basic weighted average number of shares		**175.8**	175.7
Impact of share options outstanding		**0.2**	0.2
Diluted weighted average number of shares		**176.0**	175.9
Actual number of shares in issue as at 31 December	27	**175.8**	175.7

10. Dividends

	2014 €'m	2013 €'m
Group and Company:		
Amounts recognised as distributions to equity shareholders in the year		
Final 2013 dividend of **28.00 cent** per A ordinary share paid 9 May 2014 (Final 2012 dividend of 25.00 cent per A ordinary share paid 10 May 2013)	**49.2**	43.9
Interim 2014 dividend of **13.50 cent** per A ordinary share paid 14 November 2014 (Interim 2013 dividend of 12.00 cent per A ordinary share paid 15 November 2013)	**23.8**	21.1
	73.0	65.0

Since the year end the Board has proposed a final 2014 dividend of 31.50 cent per A ordinary share. The payment date for the final dividend will be 15 May 2015 to shareholders registered on the record date as at 10 April 2015. These consolidated financial statements do not reflect this dividend.

11. Property, plant and equipment

	Notes	Land and Buildings €'m	Plant, Machinery and Equipment €'m	Construction in Progress €'m	Motor Vehicles €'m	Total €'m
Group:						
Cost						
At 1 January 2013		875.3	1,538.1	56.8	25.1	2,495.3
Businesses acquired		2.2	8.9	0.5	-	11.6
Additions		16.0	56.6	81.5	1.4	155.5
Purchase adjustments		(0.1)	(0.4)	-	-	(0.5)
Transfer from construction in progress		7.1	34.9	(42.0)	-	-
Businesses disposed		(17.8)	(4.2)	-	(1.2)	(23.2)
Disposals		(22.8)	(26.9)	-	(4.0)	(53.7)
Transfer to held for sale	18	(54.2)	(110.1)	-	-	(164.3)
Exchange translation adjustment	30	(28.6)	(56.4)	(2.8)	(0.5)	(88.3)
At 31 December 2013		777.1	1,440.5	94.0	20.8	2,332.4
Businesses acquired	31	**6.2**	**9.7**	**0.7**	**0.3**	**16.9**
Additions		**40.0**	**50.8**	**138.3**	**0.7**	**229.8**
Purchase adjustments		**(0.4)**	**(0.7)**	**-**	**-**	**(1.1)**
Transfer from construction in progress		**14.8**	**44.6**	**(59.4)**	**-**	**-**
Disposals		**(25.3)**	**(39.1)**	**-**	**(3.1)**	**(67.5)**
Transfer to held for sale		**(15.3)**	**(0.8)**	**-**	**-**	**(16.1)**
Exchange translation adjustment	30	**48.2**	**86.0**	**7.2**	**0.1**	**141.5**
At 31 December 2014		**845.3**	**1,591.0**	**180.8**	**18.8**	**2,635.9**
Accumulated depreciation and impairment						
At 1 January 2013		301.8	965.6	-	22.3	1,289.7
Charge during year	3	24.7	85.8	-	0.8	111.3
Businesses disposed		(2.4)	(3.3)	-	(1.2)	(6.9)
Disposals		(13.4)	(20.9)	-	(3.7)	(38.0)
Impairments		43.6	29.0	-	-	72.6
Transfer to held for sale	18	(45.5)	(99.9)	-	-	(145.4)
Exchange translation adjustment	30	(8.5)	(32.6)	-	(0.3)	(41.4)
At 31 December 2013		300.3	923.7	-	17.9	1,241.9
Charge during year	3	**23.8**	**80.8**	**-**	**1.2**	**105.8**
Disposals		**(18.9)**	**(35.5)**	**-**	**(2.9)**	**(57.3)**
Transfer to held for sale		**(6.7)**	**(0.3)**	**-**	**-**	**(7.0)**
Exchange translation adjustment	30	**16.6**	**52.4**	**-**	**0.1**	**69.1**
At 31 December 2014		**315.1**	**1,021.1**	**-**	**16.3**	**1,352.5**
Carrying value						
At 31 December 2013		476.8	516.8	94.0	2.9	1,090.5
At 31 December 2014		**530.2**	**569.9**	**180.8**	**2.5**	**1,283.4**

There was no impairment of property, plant and equipment in 2014. During the prior year, an impairment charge of €72.6m was recognised in the Consolidated Income Statement on certain property, plant and equipment due to restructuring within the Group.

11. Property, plant and equipment (continued)

	Land and Buildings Total €'m
Company:	
Cost	
At 1 January 2013	4.8
Disposals	(0.1)
At 31 December 2013 and 2014	**4.7**
Accumulated depreciation	
At 1 January 2013	3.5
Charge during year	0.2
Disposals	(0.1)
At 31 December 2013	3.6
Charge during year	**0.2**
At 31 December 2014	**3.8**
Carrying value	
At 31 December 2013	1.1
At 31 December 2014	**0.9**

12. Intangible assets

	Notes	Goodwill €'m	Brand Related Intangibles €'m	Computer Software €'m	Total €'m
Group:					
Cost					
At 1 January 2013		1,751.5	779.6	103.2	2,634.3
Businesses acquired		69.2	40.8	-	110.0
Additions		-	-	24.6	24.6
Purchase adjustments		1.7	(4.9)	-	(3.2)
Businesses disposed		(33.7)	(2.9)	-	(36.6)
Disposals		-	-	(0.1)	(0.1)
Exchange translation adjustment	30	(64.8)	(13.5)	(0.5)	(78.8)
At 31 December 2013		1,723.9	799.1	127.2	2,650.2
Businesses acquired	31	**95.2**	**29.0**	**-**	**124.2**
Additions		**-**	**-**	**35.6**	**35.6**
Purchase adjustments		**7.5**	**(6.9)**	**-**	**0.6**
Businesses disposed		**(7.7)**	**(3.2)**	**-**	**(10.9)**
Exchange translation adjustment	30	**87.8**	**28.4**	**1.3**	**117.5**
At 31 December 2014		**1,906.7**	**846.4**	**164.1**	**2,917.2**
Accumulated amortisation and impairment					
At 1 January 2013		-	118.7	55.7	174.4
Charge during year	3	-	16.6	11.5	28.1
Impairments		44.6	16.4	-	61.0
Businesses disposed		-	(1.3)	-	(1.3)
Disposals		-	-	(0.1)	(0.1)
Exchange translation adjustment	30	-	(4.2)	(0.4)	(4.6)
At 31 December 2013		44.6	146.2	66.7	257.5
Charge during year	3	**-**	**14.4**	**13.6**	**28.0**
Businesses disposed		**(7.7)**	**(3.2)**	**-**	**(10.9)**
Exchange translation adjustment	30	**-**	**11.7**	**1.9**	**13.6**
At 31 December 2014		**36.9**	**169.1**	**82.2**	**288.2**
Carrying value					
At 31 December 2013		1,679.3	652.9	60.5	2,392.7
At 31 December 2014		**1,869.8**	**677.3**	**81.9**	**2,629.0**

Allocation of the purchase price in a business combination affects the results of the Group as finite life intangible assets are amortised, whereas indefinite life intangible assets, including goodwill, are not amortised. This could result in differing amortisation charges based on the allocation to finite life and indefinite life intangible assets.

Included in the cost of brand related intangibles are intangibles of **€485.0m** (2013: €448.5m) which have indefinite lives. There are no material internally generated brand related intangibles.

The Group has no separate individual intangible asset that is material, as all intangibles acquired are integrated and developed within the existing business.

12. Intangible assets (continued)

Impairment testing

Goodwill and indefinite life intangibles are subject to impairment testing on an annual basis, or more frequently if there are indicators of impairment. The recoverable amount of each of the 4 cash generating units (CGUs) is determined on value-in-use calculations. Intangible assets acquired in a business combination are allocated to CGUs that are expected to benefit from the business acquisition, rather than where the assets are owned.

Cash flow forecasts employed for the value-in-use calculations are for a five year period approved by management and a terminal value which is applied to the year five cash flows. The terminal value reflects the discounted value of the cash flows beyond year five which is based on the same long term growth rates applied to the cash flows.

The duration of the discounted cash flow model is a significant factor in determining the fair value of the CGUs, which has been arrived at after taking account of the Group's strong financial position, its established history of earnings growth and cash flow generation, its proven ability to pursue and integrate value-enhancing acquisitions, the nature of the Ingredients & Flavours and Consumer Foods industries and Kerry's continuous commitment to invest in research and development in its chosen technologies. This coupled with strong customer relationships and modern manufacturing facilities, protects and enhances Kerry's industry leading position as well as future profitability and cash flow generation.

No impairment was recognised in 2014 as a result of the impairment testing which identified significant headroom in the recoverable amount of the related CGUs as compared to their carrying value. In 2013, a specific impairment charge of €61.0m was recognised in the Consolidated Income Statement on goodwill and brand related intangibles due to the classification of certain non-core businesses as held for sale.

A summary of the allocation of the carrying value of goodwill and indefinite life intangible assets by beneficial region within segment, is as follows:

	Goodwill 2014 €'m	Goodwill 2013 €'m	**Indefinite Life Intangibles 2014 €'m**	Indefinite Life Intangibles 2013 €'m
Ingredients & Flavours				
EMEA	**453.4**	446.3	**112.4**	110.8
Americas	**877.0**	723.3	**270.6**	241.4
Asia Pacific	**147.3**	139.2	**64.6**	61.6
Consumer Foods				
EMEA	**392.1**	370.5	**37.4**	34.7
	1,869.8	1,679.3	**485.0**	448.5

Key assumptions

The key assumptions for calculating value-in-use calculations are those relating to the discount rate, growth rate and cash flows. The table below outlines the weighted average discount rates and weighted average growth rates by CGU:

	Discount Rates 2014	Discount Rates 2013	**Growth Rates 2014**	Growth Rates 2013
Ingredients & Flavours				
EMEA	**5.4%**	5.4%	**1.9%**	2.0%
Americas	**5.4%**	5.5%	**2.4%**	2.4%
Asia Pacific	**6.7%**	6.7%	**4.5%**	4.4%
Consumer Foods				
EMEA	**5.2%**	5.3%	**2.0%**	2.0%

12. Intangible assets (continued)

Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. A higher discount rate is applied to higher risk markets, while a lower rate is applied to more stable markets.

Growth rates are based on external market data and are broadly in line with long-term industry growth rates. Generally, lower growth rates are used in mature markets while higher growth rates are used in emerging markets.

The assumptions used by management in estimating cash flows for each specific CGU include future profitability, capital expenditure requirements, depreciation levels and working capital investment needs using growth rates as disclosed in the table above. The cash flows included in the value-in-use calculations are generally determined based on historical performance and management's expectation of future trends affecting the industry and other developments and initiatives in the business.

Sensitivity analysis

Sensitivity analysis has been performed across the 4 CGUs. If the discount rate was 1% higher than management's estimates, there would have been no requirement for the Group to recognise any impairment charge in 2014 or 2013. Further changes to the discount rate (for example, a 5% increase) would not have resulted in an impairment charge in 2014 or 2013 as there is headroom in the discounted cash flows. If the estimated growth rate was 1% lower than management's estimates, there would have been no requirement for the Group to recognise any impairment charge in 2014 or 2013. If the estimated cash flows were 5% lower than management's estimates, again there would have been no requirement for the Group to recognise any impairment charge in 2014 or 2013. Management believes that no reasonable change, in normal circumstances, in any of the above key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

13. Financial asset investments

	Notes	Available-for-sale Investments €'m	Other Investments €'m	Total €'m
Group:				
At 1 January 2013		4.1	14.7	18.8
Additions		-	3.2	3.2
Exchange translation adjustment	30	-	(0.6)	(0.6)
At 31 December 2013		4.1	17.3	21.4
Additions		**-**	**4.0**	**4.0**
Exchange translation adjustment	30	**-**	**2.5**	**2.5**
At 31 December 2014		**4.1**	**23.8**	**27.9**

Available-for-sale investments

The available-for-sale investments represent investments in equity securities. These investments have no fixed maturity or coupon rate. A 'sum-of-the-parts' valuation was performed in 2014 and 2013 which did not result in any change to the carrying value of these assets.

A 10% decrease in the valuation of these shares in 2014 would have resulted in a further loss in the Consolidated Income Statement of €0.4m (2013: €0.4m).

Other investments

The Group maintains Rabbi Trusts in respect of non-qualified deferred compensation plans in the US. The assets of the trusts consist of bonds and cash which are restricted for use. The bonds are fair valued at each year end using quoted market prices. The corresponding liability is recognised within 'other non-current liabilities' (note 22).

14. Investment in associate

	Notes	2014 €'m	2013 €'m
At 1 January		-	-
Acquisition	5	**40.2**	-
Share of loss after tax	3	**(0.2)**	-
Exchange translation adjustment		**0.2**	-
At 31 December		**40.2**	-

On 17 August 2014, the Group acquired an investment in a private company which is treated as an associate undertaking in accordance with IAS 28.

15. Investments in subsidiaries

	2014 €'m	2013 €'m
Company:		
Investments in subsidiaries at cost		
At 1 January	638.7	638.7
Redemption of investments in subsidiaries	**(1.0)**	-
At 31 December	**637.7**	638.7

16. Inventories

	2014 €'m	2013 €'m
Group:		
Raw materials and consumables	**291.0**	261.7
Finished goods and goods for resale	**392.0**	375.7
Expense inventories	**19.0**	18.6
	702.0	656.0

Write-downs of inventories recognised as an expense approximates to **1%** (2013: 1%) of raw materials and consumables in the Consolidated Income Statement.

17. Deferred tax assets and liabilities

The following is an analysis of the movement in the major categories of deferred tax liabilities/(assets) recognised by the Group:

	Notes	Property, Plant and Equipment €'m	Intangible Assets €'m	Tax Credits and NOLs €'m	Retirement Benefits Obligation €'m	Short Term Temporary Differences and Other Differences €'m	Total €'m
At 1 January 2013		100.4	185.2	(18.3)	(77.6)	(35.8)	153.9
Consolidated Income Statement movement	7	(9.3)	2.6	(9.3)	12.1	(3.5)	(7.4)
Recognised in other comprehensive income during year		-	-	-	12.3	0.6	12.9
Related to businesses acquired/disposed		0.5	(2.1)	(2.8)	-	(1.5)	(5.9)
Exchange translation adjustment	30	(4.3)	(5.2)	1.6	1.5	4.8	(1.6)
At 31 December 2013		87.3	180.5	(28.8)	(51.7)	(35.4)	151.9
Consolidated Income Statement movement	7	**0.6**	**(7.9)**	**8.2**	**6.4**	**(1.4)**	**5.9**
Recognised in other comprehensive income during year		**-**	**-**	**-**	**(30.5)**	**(4.9)**	**(35.4)**
Related to businesses acquired/disposed		**1.3**	**5.5**	**(0.1)**	**-**	**-**	**6.7**
Exchange translation adjustment	30	**9.5**	**8.4**	**(1.9)**	**(2.9)**	**(6.9)**	**6.2**
At 31 December 2014		**98.7**	**186.5**	**(22.6)**	**(78.7)**	**(48.6)**	**135.3**

The short term temporary differences and other temporary differences recognised in other comprehensive income comprise fair value movements on cash flow hedges of **(€4.2m)** (2013: €1.3m) and an exchange difference on translation of foreign operations of **(€0.7m)** (2013: (€0.7m)). In the above table, NOLs refers to Net Operating Losses.

The following is an analysis of the deferred tax balances (after offset) for balance sheet purposes:

	2014 €'m	2013 €'m
Deferred tax assets	**(55.8)**	(16.5)
Deferred tax liabilities	**191.1**	168.4
	135.3	151.9

The total deductible temporary differences which have not been recognised is **€73.5m** (2013: €159.0m) consisting mainly of tax losses forward. Unrecognised losses with a value of **€19.4m** (2013: €27.0m) expire within 5 years, **€3.0m** (2013: €4.4m) expire within 9 years, and the remainder of losses have a life of 20 years or may be carried forward indefinitely.

Deferred tax has not been recognised in respect of withholding taxes and other taxes that would be payable on the unremitted earnings of foreign subsidiaries, as the Group is in a position to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The deferred tax liabilities which have not been recognised in respect of these temporary differences are not material as the Group can rely on the availability of participation exemptions and tax credits in the context of the Group's investments in subsidiaries.

An increase of 1% in the tax rates at which deferred tax is calculated would increase the net deferred tax balance of the Group by €4.7m (2013: €6.5m).

18. Assets classified as held for sale

	2014 €'m	2013 €'m
Group:		
Property, plant and equipment (net of grants)	**12.8**	17.7
Inventory	**17.8**	23.1
Trade and other receivables (net)	**-**	0.2
	30.6	41.0

In 2014, the Group had certain property, plant and equipment in the Kerry Ingredients & Flavours division in Brazil and the US and certain non-core businesses in the Consumer Foods division across Ireland and the UK classified as held for sale.

In 2013, following a fundamental review of the 'go-to-market' strategies and reflecting significant changes in consumer consumption trends in the Irish and UK consumer foods markets, a decision was made to classify a number of businesses as held for sale. These businesses were primarily held by the Consumer Foods division across Ireland and the UK. As disclosed in note 5, one of those businesses in the Consumer Foods division and a subsidiary in Argentina were sold during 2014. At the end of the year, the assets related to the other businesses continue to be held for sale as the Group is still committed to a sale process.

Subsequent to the year end, as disclosed in note 35, one of those remaining non-core businesses was sold. The remaining disposals are expected to be completed in 2015.

In connection with the assets related to the remaining businesses held for sale, their fair value less costs to sell were based on a combination of offers received for some of the businesses and management estimates of the fair value of these non-core businesses. These fair values were determined as level 2 and level 3 on the fair value hierarchy. Updated fair value reviews were performed in 2014 which did not result in any change to the carrying value of these assets.

19. Trade and other receivables

	Group 2014 €'m	Group 2013 €'m	**Company 2014 €'m**	Company 2013 €'m
Group:				
Trade receivables	**728.7**	635.2	**-**	-
Less impairment allowance for doubtful trade receivables	**(25.2)**	(23.1)	**-**	-
Trade receivables due within 1 year	**703.5**	612.1	**-**	-
Other receivables and prepayments	**60.9**	47.4	**1.6**	-
VAT receivable	**33.3**	35.5	**-**	-
Receivables due after 1 year	**3.4**	1.1	**-**	-
	801.1	696.1	**1.6**	-

All receivable balances are due within 1 year except for **€3.4m** (2013: €1.1m) outlined above. All receivable balances are within terms with the exception of certain trade receivables which are past due and are detailed below.

The following table shows an analysis of trade receivables split between past due and within terms accounts, where past due is deemed to be when an account exceeds the agreed terms of trade:

	2014 €'m	2013 €'m
Within terms	**556.3**	521.6
Past due not more than 1 month	**100.9**	66.8
Past due more than 1 month but less than 2 months	**36.9**	16.7
Past due more than 2 months but less than 3 months	**7.8**	5.9
Past due more than 3 months	**1.6**	1.1
Trade receivables (net)	**703.5**	612.1

The following table summarises the movement in the allowance for doubtful trade receivables:

	2014 €'m	2013 €'m
At beginning of year	23.1	26.7
Charged to the Consolidated Income Statement	**10.9**	6.3
Utilised or reversed during the year	**(9.6)**	(7.7)
Exchange translation adjustment	**0.8**	(2.2)
At end of year	**25.2**	23.1

Trade and other receivables are stated at amortised cost, which approximates to fair value given the short term nature of these assets. Hence, the maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

Credit terms and the charging of interest are determined in individual countries. The Group has provided for all receivables where there is objective evidence, including historical loss experience, that amounts are irrecoverable. The Group does not typically require collateral in respect of trade receivables.

The quality of past due not impaired trade and other receivables is considered good, therefore no significant impairment charge has been recorded in the Consolidated Income Statement in 2014 or 2013.

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. These credit limits are reviewed regularly throughout the year.

There is no significant concentration of credit risk or transaction currency risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers.

20. Trade and other payables

	Group 2014 €'m	Group 2013 €'m	Company 2014 €'m	Company 2013 €'m
Trade payables	**1,020.6**	988.1	**-**	-
Other payables and accruals	**156.0**	154.4	**2.0**	0.7
Deferred payments on acquisition of businesses	**6.9**	15.1	**5.9**	5.9
PAYE	**5.7**	5.8	**-**	-
Social security costs	**4.9**	4.9	**-**	-
Amounts due to Group companies	**-**	-	**37.4**	4.7
	1,194.1	1,168.3	**45.3**	11.3

Trade and other payables are stated at amortised cost, which approximates to fair value given the short term nature of these liabilities. The above balances are all due within 1 year.

21. Deferred income

	Notes	Group 2014 €'m	Group 2013 €'m	Company 2014 €'m	Company 2013 €'m
Capital grants					
At beginning of year		20.8	23.4	0.1	0.2
Transfer to held for sale	18	**-**	(1.2)	**-**	-
Grants received		**6.6**	1.2	**-**	-
Amortised during year	3	**(2.3)**	(2.4)	**-**	(0.1)
Exchange translation adjustment	30	**0.5**	(0.2)	**-**	-
At end of year		**25.6**	20.8	**0.1**	0.1
Analysed as:					
Current liabilities		**2.5**	2.3	**-**	-
Non-current liabilities		**23.1**	18.5	**0.1**	0.1
		25.6	20.8	**0.1**	0.1

There are no material unfulfilled conditions or other contingencies attaching to any government grants received.

22 Other non-current liabilities

	Group 2014 €'m	Group 2013 €'m	Company 2014 €'m	Company 2013 €'m
Other payables and accruals	**76.8**	52.5	**-**	-
Deferred payments on acquisition of businesses	**-**	0.5	**-**	-
Amounts due to Group companies	**-**	-	**57.5**	97.3
	76.8	53.0	**57.5**	97.3

All of the above balances are due within 2 to 5 years except for **€1.5m** (2013: €2.2m) which is not due until after 5 years.

23. Analysis of financial instruments by category

The following table outlines the financial assets and liabilities held by the Group at the balance sheet date:

	Notes	Loans & Receivables & Other Financial Assets/(Liabilities) at Amortised Cost 2014 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2014 €'m	Derivatives Designated as Hedging Instruments 2014 €'m	Available-for-sale Investments 2014 €'m	Total 2014 €'m
Group:						
Financial asset investments	13	-	23.8	-	4.1	27.9
Forward foreign exchange contracts	24 (i.i)	-	7.5	1.9	-	9.4
Interest rate swaps	24 (ii.ii)	-	-	104.7	-	104.7
Trade and other receivables	19	801.1	-	-	-	801.1
Cash at bank and in hand	24 (iii.i)	283.7	-	-	-	283.7
Total financial assets		1,084.8	31.3	106.6	4.1	1,226.8
Current assets		1,084.8	7.5	1.9	-	1,094.2
Non-current assets		-	23.8	104.7	4.1	132.6
		1,084.8	31.3	106.6	4.1	1,226.8
Borrowings	24 (iii.i)	(1,543.3)	(30.4)	-	-	(1,573.7)
Forward foreign exchange contracts	24 (i.i)	-	(12.3)	(7.9)	-	(20.2)
Interest rate swaps	24 (ii.ii)	-	-	(10.0)	-	(10.0)
Trade and other payables	20	(1,194.1)	-	-	-	(1,194.1)
Total financial liabilities		(2,737.4)	(42.7)	(17.9)	-	(2,798.0)
Current liabilities		(1,497.2)	(12.3)	(9.5)	-	(1,519.0)
Non-current liabilities		(1,240.2)	(30.4)	(8.4)	-	(1,279.0)
		(2,737.4)	(42.7)	(17.9)	-	(2,798.0)
Total net financial (liabilities)/assets		(1,652.6)	(11.4)	88.7	4.1	(1,571.2)

Included in the above table are the following components of net debt:

Analysis of total net debt by category					
Bank overdrafts	(5.6)	-	-	-	(5.6)
Bank loans	(172.3)	-	-	-	(172.3)
Senior notes	(1,365.4)	(30.4)	-	-	(1,395.8)
Borrowings and overdrafts	(1,543.3)	(30.4)	-	-	(1,573.7)
Interest rate swaps	-	-	94.7	-	94.7
Cash at bank and in hand	283.7	-	-	-	283.7
Total net debt	(1,259.6)	(30.4)	94.7	-	(1,195.3)

In 2014 and 2013 all Group borrowings are guaranteed by Kerry Group plc and its material asset holding companies through a cross-guarantee structure. No assets of the Group have been pledged to secure the borrowings.

23. Analysis of financial instruments by category (continued)

As part of the Group's debt portfolio it holds US$750m of senior notes issued in 2013 and US$600m of senior notes issued in 2010. At the time of issuance, US$250m of the 2013 senior notes and US$500m of the 2010 senior notes were swapped, using cross currency swaps, to euro. Since issuance, there has been no impact on the Consolidated Income Statement arising from foreign exchange rate movements as the hedge accounting applied on the open cross currency swaps has resulted in the recognition of a total accumulated fair value gain to date of **€86.3m** (2013: €12.3m), directly offset by a total accumulated fair value charge to date of **€86.3m** (2013: €12.3m) resulting from the translation of the underlying hedged foreign currency borrowings at the balance sheet rates.

The adjustment to senior notes classified under liabilities at fair value through profit or loss of **€30.4m** (2013: €0.9m) represents the part adjustment to the carrying value of debt from applying fair value hedge accounting for interest rate risk. This amount is primarily offset by the fair value adjustment on the underlying cross currency interest rate swap.

	Notes	Loans & Receivables & Other Financial Assets/(Liabilities) at Amortised Cost 2013 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2013 €'m	Derivatives Designated as Hedging Instruments 2013 €'m	Available-for-sale Investments 2013 €'m	Total 2013 €'m
Group:						
Financial asset investments	13	-	17.3	-	4.1	21.4
Forward foreign exchange contracts	24 (i.i)	-	8.5	1.7	-	10.2
Interest rate swaps	24 (ii.ii)	-	-	39.4	-	39.4
Trade and other receivables	19	696.1	-	-	-	696.1
Cash at bank and in hand	24 (iii.i)	245.8	-	-	-	245.8
Total financial assets		941.9	25.8	41.1	4.1	1,012.9
Current assets		941.9	8.5	1.7	-	952.1
Non-current assets		-	17.3	39.4	4.1	60.8
		941.9	25.8	41.1	4.1	1,012.9
Borrowings	24 (iii.i)	(1,324.7)	(0.9)	-	-	(1,325.6)
Forward foreign exchange contracts	24 (i.i)	-	(5.7)	(2.5)	-	(8.2)
Interest rate swaps	24 (ii.ii)	-	(1.1)	(41.6)	-	(42.7)
Trade and other payables	20	(1,168.3)	-	-	-	(1,168.3)
Total financial liabilities		(2,493.0)	(7.7)	(44.1)	-	(2,544.8)
Current liabilities		(1,211.8)	(6.8)	(2.5)	-	(1,221.1)
Non-current liabilities		(1,281.2)	(0.9)	(41.6)	-	(1,323.7)
		(2,493.0)	(7.7)	(44.1)	-	(2,544.8)
Total net financial (liabilities)/assets		(1,551.1)	18.1	(3.0)	4.1	(1,531.9)

Included in the above table are the following components of net debt:

Analysis of total net debt by category						
Bank loans		(116.3)	-	-	-	(116.3)
Senior notes		(1,208.4)	(0.9)	-	-	(1,209.3)
Borrowings		(1,324.7)	(0.9)	-	-	(1,325.6)
Interest rate swaps		-	(1.1)	(2.2)	-	(3.3)
Cash at bank and in hand		245.8	-	-	-	245.8
Total net debt		(1,078.9)	(2.0)	(2.2)	-	(1,083.1)

23. Analysis of financial instruments by category (continued)

The following table outlines the financial assets and liabilities held by the Company at the balance sheet date:

	Notes	**2014 €'m**	2013 €'m
Company:			
Loans & receivables & other financial assets at amortised cost			
Trade and other receivables	19	**1.6**	-
Total financial assets		**1.6**	-
Current assets		**1.6**	-
Financial liabilities at amortised cost			
Borrowings and overdrafts		**(0.7)**	(0.3)
Trade and other payables	20	**(45.3)**	(11.3)
Total financial liabilities		**(46.0)**	(11.6)
Current liabilities		**(46.0)**	(11.6)
Total net financial liabilities		**(44.4)**	(11.6)

24. Financial instruments

Capital management

The financing structure of the Group is managed in order to optimise shareholder value while allowing the Group to take advantage of opportunities that might arise to grow the business. The Group targets acquisition and investment opportunities that are value enhancing and the Group's policy is to fund these transactions from cash flow or borrowings while maintaining its investment grade debt status.

The capital structure of the Group consists of debt related financial liabilities, cash and cash equivalents and equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. In April 2013, the Group successfully issued a 10 year US$750m debut public bond. The senior notes issuance is listed on the Irish Stock Exchange and is rated by Standard & Poor's and Moody's. The facility was used to retire existing debt including the US$230m Tranche B 2003 Senior Notes that matured on 30 April 2013 and also to decrease the level of utilisation on the syndicate revolving credit facility.

Capital is managed by setting net debt to earnings before finance income and costs, income taxes, depreciation (net), intangible asset amortisation, share of associate loss (after tax) and non-trading items (EBITDA) targets while allowing flexibility to accommodate significant acquisition opportunities. Any expected variation from these targets should be reversible within 12 to 18 months; otherwise consideration would be given to issuing additional equity in the Group.

Net debt is subject to seasonal fluctuations that can be up to 25% above year end debt levels.

The majority of Group borrowings are subject to financial covenants calculated in accordance with lenders' facility agreements. Principal among these are:

- the ratio of net debt to EBITDA of a maximum of 3.5 times; and
- EBITDA to net interest charge of a minimum of 4.75 times.

At 31 December these ratios were as follows:

	2014 Times	2013 Times
Net debt : EBITDA*	**1.6**	1.5
EBITDA : Net interest*	**17.2**	13.3

* Calculated in accordance with lenders' facility agreements which take account of adjustments as outlined on page 156.

24. Financial instruments (continued)

Capital management *(continued)*

Financial risk management objectives

The Group has a clearly defined Financial Risk Management Programme, which is approved by the Board of Directors and is subject to regular monitoring by the Finance Committee and Group Internal Audit. The Group operates a centralised treasury function, which manages the principal financial risks of the Group and Company.

The principal objectives of the Group's Financial Risk Management Programme are:
- to manage the Group's exposure to foreign exchange rate risk;
- to manage the Group's exposure to interest rate risk;
- to ensure that the Group has sufficient credit facilities available; and
- to ensure that counterparty credit risk is monitored and managed.

Residual exposures not managed commercially are hedged using approved financial instruments. The use of financial derivatives is governed by the Group's policies and procedures. The Group does not engage in speculative trading.

The principal objectives of the Group's Financial Risk Management Programme are further discussed across the following categories:
(i) Foreign exchange rate risk management - key foreign exchange exposure of the Group and the disclosures on forward foreign exchange contracts.
(ii) Interest rate risk management - key interest rate exposures of the Group and the disclosures on interest rate derivatives.
(iii) Liquidity risk management - key banking facilities available to the Group and the maturity profile of the Group's debt.
(iv) Credit risk management - details in relation to the management of credit risk within the Group.
(v) Price risk management - details in relation to the management of price risk within the Group.
(vi) Fair value of financial instruments - disclosures in relation to the fair value of financial instruments.
(vii) Offsetting financial instruments - disclosures in relation to the potential offsetting values in financial instruments.

(i) Foreign exchange rate risk management

The Group is exposed to transactional foreign currency risk on trading activities conducted by subsidiaries in currencies other than their functional currency. Group policy is to manage foreign currency exposures commercially and through netting of exposures wherever possible. Any residual exposures arising on foreign exchange transactions are hedged in accordance with Group policy using approved financial instruments, which consist primarily of spot and forward exchange contracts and currency swaps.

As at 31 December, the Group had an exposure to US dollar asset of **€67.6m** (2013: €32.0m) and a sterling liability of **€16.3m** (2013: €16.1m). Based on these net positions, as at 31 December 2014, a weakening of 5% of the US dollar and sterling against all other key operational currencies, and holding all other items constant, would have decreased the profit after tax of the Group for the year by €2.4m (2013: €0.8m).

The Group's gain or loss on the retranslation of the net assets of foreign currency subsidiaries is taken directly to the translation reserve. As at 31 December 2014 a 5% strengthening of the euro against the US dollar and sterling, holding all other items constant, would have resulted in an additional translation reserve loss of €9.2m (2013: €6.9m) and €12.4m (2013: €10.1m) respectively.

(i.i) Forward foreign exchange contracts

The Group's activities expose it to risks of changes in foreign currency exchange rates in relation to international trading, primarily sales in US dollar and sterling out of the Eurozone. The Group uses forward foreign exchange contracts to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

The following table details the portfolio of forward foreign exchange contracts at the balance sheet date:

	Notes	**2014 €'m Asset**	**2014 €'m Liability**	**2014 €'m Total**	2013 €'m Asset	2013 €'m Liability	2013 €'m Total
Designated in a hedging relationship:							
Forward foreign exchange contracts - cash flow hedges	(a)	**1.9**	**(7.9)**	**(6.0)**	1.7	(2.5)	(0.8)
At Fair Value through Profit or Loss:							
Forward foreign exchange contracts - trading derivatives	(b)	**7.5**	**(12.3)**	**(4.8)**	8.5	(5.7)	2.8
Forward foreign exchange contracts		**9.4**	**(20.2)**	**(10.8)**	10.2	(8.2)	2.0

24. Financial instruments (continued)

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months and as a current asset or liability if the maturity of the hedged item is less than twelve months. All amounts above have a maturity of less than twelve months.

The Group does not hold any forward foreign exchange contracts classified as fair value hedges.

(a) Forward foreign exchange contracts - cash flow hedges

The following table details the foreign exchange contracts classified as cash flow hedges at 31 December:

	Fair Value Liability		Notional Principal	
	2014 €'m	2013 €'m	**2014 €'m**	2013 €'m
Forward foreign exchange contracts - cash flow hedges	**(6.0)**	(0.8)	**358.7**	189.5

At 31 December 2014, a liability of **€0.8m** (2013: €0.2m asset) of the fair value is included in the hedging reserve, which will primarily be released to the Consolidated Income Statement within **12 months** (2013: 10 months) of the balance sheet date. All forward contracts relate to sales revenue and purchases made in their respective currencies.

During 2014, a loss of **€2.1m** (2013: €8.3m gain) has been taken to foreign exchange gains/(losses) in the Consolidated Income Statement in respect of forward foreign exchange contracts that matured during the year. There were no transactions during 2014 or 2013 which were designated as hedges that did not occur, nor are there hedges on forecast transactions that are no longer expected to occur.

The gains and losses in other comprehensive income on forward foreign exchange contracts as at 31 December 2013 were released to the Consolidated Income Statement in 2014 as follows:
- within 3 months: **€0.1m** (2013: €0.4m);
- within 3 to 6 months: **€nil** (2013: €1.7m);
- within 6 to 9 months: **€0.1m** (2013: €2.0m); and
- within 9 to 12 months: **€nil** (2013: €nil).

At 31 December 2014 and 2013 no ineffectiveness was recognised in the Consolidated Income Statement from foreign currency cash flow hedges.

(b) Forward foreign exchange contracts - trading

The Group holds forward foreign exchange contracts that provide a hedge against foreign currency receivables from 'within Group' lending. These derivatives are classified as trading derivatives and held at fair value through profit or loss. In addition, the Group held a portfolio of forward foreign currency contracts that provide an economic hedge against expected future sales revenue in the respective currencies of the underlying contracts which were not classified for hedge accounting.

The following table details the forward foreign exchange contracts classified as trading derivatives at 31 December:

	Fair Value (Liability)/Asset		Notional Principal	
	2014 €'m	2013 €'m	**2014 €'m**	2013 €'m
Forward foreign exchange contracts - trading	**(4.8)**	2.8	**950.5**	726.6

The fair value loss of **€4.8m** (2013: €2.8m gain) includes a gain of **€1.1m** (2013: €3.7m) which is directly offset by a loss of **€1.1m** (2013: €3.7m) on the retranslation to balance sheet rates on foreign currency receivables from 'within Group' lending and cash pooling. The balance of **€5.9m** (2013: €0.9m) relates to other economic hedges as outlined above.

24. Financial instruments (continued)

(ii) Interest rate risk management

The Group is exposed to interest rate risk as the Group holds borrowings on both a fixed and floating basis. This exposure to interest rate risk is managed by optimising the mix of fixed and floating rate borrowings and by using interest rate swaps, cross currency swaps and forward rate agreements to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

(ii.i) Interest rate profile of financial liabilities excluding related derivatives fair value

The Group's exposure to interest rates on financial assets and liabilities are detailed in the table below including the impact of cross currency swaps (CCS) on the currency profile of net debt:

	Total Pre CCS €'m	**Impact of CCS €'m**	**Total after CCS €'m**	**Floating Rate Debt €'m**	**Fixed Rate Debt €'m**
Euro	**32.7**	**617.8**	**650.5**	**309.8**	**340.7**
Sterling	**(65.1)**	**-**	**(65.1)**	**(65.1)**	**-**
US Dollar	**1,365.7**	**(617.8)**	**747.9**	**212.5**	**535.4**
Others	**(73.7)**	**-**	**(73.7)**	**(73.7)**	**-**
At 31 December 2014	**1,259.6**	**-**	**1,259.6**	**383.5**	**876.1**

	Total Pre CCS €'m	Impact of CCS €'m	Total after CCS €'m	Floating Rate Debt €'m	Fixed Rate Debt €'m
Euro	(59.0)	543.8	484.8	177.8	307.0
Sterling	(58.6)	-	(58.6)	(58.6)	-
US Dollar	1,222.4	(543.8)	678.6	207.3	471.3
Others	(25.9)	-	(25.9)	(25.9)	-
At 31 December 2013	1,078.9	-	1,078.9	300.6	778.3

The currency profile of debt highlights the impact of the US$750m of cross currency swaps entered into at the time of issuance of senior notes. For the 2013 senior notes, US$250m were swapped from US dollar fixed to euro fixed and are accounted for as cash flow hedges. For the 2010 senior notes, US$408m were swapped from US dollar fixed to euro floating and are accounted for as fair value hedges. In addition US$92m were swapped from US dollar fixed to euro fixed and are accounted for as cash flow hedges. The retranslation of the foreign currency debt of US$750m to the balance sheet rate resulted in a foreign currency loss of **€86.3m** (2013: €12.3m) which is directly offset by a gain of **€86.3m** (2013: €12.3m) on the application of hedge accounting on the cross currency swaps as detailed below.

The weighted average interest rate for fixed borrowings as at 31 December 2014 is **3.01%** (2013: 3.01%) and the weighted average period for which the rate is fixed is **4.4 years** (2013: 5.4 years).

The floating rate financial liabilities are at rates which fluctuate mainly based upon LIBOR or EURIBOR and comprise of bank borrowings and other financial liabilities bearing interest rates fixed in advance for periods ranging from 1 to 6 months. At the year end **30%** (2013: 28%) of net debt and **43%** (2013: 41%) of gross debt was held at floating rates. If the interest rates applicable to floating rate debt were to rise by 1% over the year to December 2014 holding all other items constant, the profit of the Group before taxation and non-trading items in the Consolidated Income Statement could decrease by 0.6% (2013: 0.6%).

(ii.ii) Interest rate swap contracts

The Group's activities expose it to risks of changes in interest rates in relation to long-term debt. The Group uses interest rate swaps, cross currency swaps and forward rate agreements to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair values.

The Group adopts an "exit price" approach to valuing interest rate derivatives to allow for credit risk. The adjustment for hedge ineffectiveness to cash flow hedges is offset by the adjustment in relation to the fair value hedges. All hedges are highly effective on a prospective and retrospective basis.

24. Financial instruments (continued)

(ii) Interest rate risk management (continued)

(ii.ii) Interest rate swap contracts (continued)

The following table details the portfolio of interest rate derivative contracts at the balance sheet date:

	Notes	**2014 €'m Asset**	**2014 €'m Liability**	**2014 €'m Total**	2013 €'m Asset	2013 €'m Liability	2013 €'m Total
Designated in a hedging relationship:							
Interest rate swap contracts - cash flow hedges	(a)	**13.7**	**(7.1)**	**6.6**	4.6	(26.9)	(22.3)
Interest rate swap contracts - fair value hedges	(b)	**91.0**	**(2.9)**	**88.1**	34.8	(14.7)	20.1
		104.7	**(10.0)**	**94.7**	39.4	(41.6)	(2.2)
At Fair Value through Profit or Loss:							
Interest rate swap contracts - trading derivatives	(c)	**-**	**-**	**-**	-	(1.1)	(1.1)
Interest rate swap contracts		**104.7**	**(10.0)**	**94.7**	39.4	(42.7)	(3.3)

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months and as a current asset or liability if the maturity of the hedged item is less than twelve months. The classification of the maturity profile of the interest rate derivative contracts are set out in the tables (a) - (c) below.

(a) Interest rate swap contracts - cash flow hedges

Under interest rate swap contracts, including cross currency interest rate swaps, the Group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on the agreed notional principal amounts.

The following table details the notional principal amounts and remaining terms of the cash flow hedges, where the Group receives floating or fixed interest rate and pays fixed interest rate on swaps as at 31 December:

	Average Contracted Fixed Interest Rate		**Fair Value Asset/(Liability)**		**Notional Principal**	
	2014 %	2013 %	**2014 €'m**	2013 €'m	**2014 €'m**	2013 €'m
Interest rate swap contracts						
less than 1 year	**1.86**	-	**(1.6)**	-	**306.1**	-
1 - 2 years	**-**	1.86	**-**	(5.2)	**-**	276.5
2 - 5 years	**4.38**	4.38	**13.7**	4.6	**75.8**	66.7
> 5 years	**2.58**	2.58	**(5.5)**	(21.7)	**205.9**	181.3
Interest rate swap contracts - cash flow hedges			**6.6**	(22.3)	**587.8**	524.5

Of the fair value asset of **€6.6m** at 31 December 2014 (2013: €22.3m liability), a gain of **€24.5m** (2013: €9.2m loss) is attributed to foreign exchange rate fluctuations. The current year foreign exchange gain of **€33.7m** (2013: €17.0m loss) has been recognised in the Consolidated Income Statement and directly offsets the gain incurred on the retranslation of the underlying hedged foreign currency borrowings.

At 31 December 2014 a liability of **€19.7m** (2013: €15.4m) has been recognised in the hedging reserve and will be released to the Consolidated Income Statement over the life of the interest rate swaps. During 2014, a charge of **€0.9m** (2013: €1.8m) has been taken to finance costs in the Consolidated Income Statement in respect of amounts held in the hedging reserve at 31 December 2013. The balance of **€1.8m** (2013: €2.3m) relates to the recognition of hedge ineffectiveness for credit risk and is recognised in the Consolidated Income Statement.

The interest rate swaps settle on either a 3 or 6 monthly basis, the difference between the floating rate or fixed rate due to be received and the fixed rate to be paid are settled on a net basis.

(b) Interest rate swap contracts - fair value hedges

Under interest rate swap contracts including cross currency interest rate swaps, the Group agrees to exchange the difference between the floating and fixed interest amounts calculated on the agreed notional principal amounts.

24. Financial instruments (continued)

(ii) Interest rate risk management (continued)

(ii.ii) Interest rate swap contracts (continued)

(b) Interest rate swap contracts - fair value hedges (continued)

The following table details the notional principal amounts and remaining terms of the fair value hedges, where the Group receives fixed interest rate and pays floating interest rate on swaps as at 31 December:

	Average Contracted Fixed Interest Rate		Fair Value Asset		Notional Principal	
	2014 %	2013 %	**2014** €'m	2013 €'m	**2014** €'m	2013 €'m
Interest rate swap contracts						
> 5 years	**4.26**	4.26	**88.1**	20.1	**542.0**	477.2
Interest rate swap contracts - fair value hedges			**88.1**	20.1	**542.0**	477.2

The interest rate swaps settle on a 6 monthly basis. The floating interest rate paid by the Group is based on 6 month EURIBOR or LIBOR. All hedges are highly effective on a prospective and retrospective basis.

Of the fair value asset of **€88.1m** (2013: €20.1m) at 31 December 2014, a gain of **€61.8m** (2013: €21.5m) is attributed to foreign exchange rate fluctuations. The current year foreign exchange gain of **€40.3m** (2013: €13.5m loss) has been recognised in the Consolidated Income Statement to directly offset the gain incurred on the retranslation of the underlying hedged foreign currency borrowings. In addition, an amount of **€30.4m** (2013: €0.9m) relates to interest rate risk and the current year movement has been recognised in the Consolidated Income Statement. This is directly offset against the fair value adjustment to the underlying hedged foreign currency borrowings for interest rate risk. The balance of **€4.1m** (2013: €2.3m) relates to the recognition of hedge ineffectiveness for credit risk and is recognised in the Consolidated Income Statement.

(c) Interest rate swap contracts - trading derivatives

The following table details the interest rate derivatives classified as trading derivatives at 31 December:

	Average Contracted Fixed Interest Rate		Fair Value Liability		Notional Principal	
	2014 %	2013 %	**2014** €'m	2013 €'m	**2014** €'m	2013 €'m
Interest rate derivatives						
less than 1 year	**-**	2.08	**-**	(1.1)	**-**	100.0
Interest rate swap contracts - trading derivatives			**-**	(1.1)	**-**	100.0

During 2013, the Group decreased the level of utilisation on the syndicate revolving credit facility arising from the proceeds from the issuance of the 2013 senior notes, of which €100.0m were classified in a hedging relationship. As the underlying hedged item no longer existed the related interest rate derivatives, which matured during 2014, were classified as trading derivatives and held at fair value through profit or loss and disclosed as hedge ineffectiveness in finance income and costs (note 6). This resulted in a gain of **€1.1m** (2013: €1.1m loss).

All other interest rate derivatives are accounted for using hedge accounting.

(iii) Liquidity risk management

Liquidity risk considers the risk that the Group could encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. There is no significant concentration of liquidity risk.

Group funding and liquidity is managed by ensuring that sufficient facilities are available from diverse funding sources with an appropriate spread of debt maturities to match the underlying assets. The Group uses cash flow forecasts to constantly monitor the funding requirements of the Group.

Group businesses are funded from cash generated from operations, borrowings from banks and senior notes from capital markets. It is Group policy to ensure that:

- sufficient facilities are available to cover its gross forecast debt by at least 1.25 times; and
- 75% of total facilities available are committed.

Both targets were met at 31 December 2014 and 2013.

24. Financial instruments (continued)

(iii) Liquidity risk management (continued)
Funding is sourced from banks via syndicated and bilateral arrangements and from institutional investors.

All Group credit facilities are arranged and managed by Group Treasury and approved by the Board of Directors. Where possible, facilities have common security, financial covenants and terms and conditions.

At 31 December 2014, the Group had undrawn committed bank facilities of **€867.0m** (2013: €927.0m), and a portfolio of undrawn standby facilities amounting to **€351.0m** (2013: €315.0m). The undrawn committed facilities comprise primarily of a revolving credit facility maturing between **1 - 2 years** (2013: between 2 - 3 years).

(iii.i) Contractual maturity profile of non-derivative financial instruments
The following table details the Group's remaining contractual maturity of its non-derivative financial instruments excluding trade and other receivables (note 19), trade and other payables (note 20) and financial asset investments (note 13). This information has been drawn up based on the undiscounted cash flows of financial liabilities to the earliest date on which the Group can be required to repay. The analysis includes both interest commitments and principal cash flows. To the extent that interest rates are floating, the rate used is derived from interest rate yield curves at the end of the reporting date and as such, are subject to change based on market movements.

	On demand & Up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Bank overdrafts	5.6	-	-	-	5.6
Bank loans	39.9	132.4	0.1	-	172.4
Senior notes	257.6	-	158.1	949.6	1,365.3
Borrowings and overdrafts	303.1	132.4	158.2	949.6	1,543.3
Deferred payments on acquisition of businesses	6.9	-	-	-	6.9
	310.0	132.4	158.2	949.6	1,550.2
Interest commitments	49.0	43.8	109.2	91.4	293.4
At 31 December 2014	359.0	176.2	267.4	1,041.0	1,843.6
Reconciliation to net debt position:					
Borrowings	303.1	132.4	158.2	949.6	1,543.3
Senior notes - fair value adjustment	-	-	-	30.4	30.4
Borrowings - reported	303.1	132.4	158.2	980.0	1,573.7
Interest rate swaps	1.6	-	(13.7)	(82.6)	(94.7)
Cash at bank and in hand	(283.7)	-	-	-	(283.7)
Total net debt as at 31 December 2014	21.0	132.4	144.5	897.4	1,195.3

24. Financial instruments (continued)

(iii) Liquidity risk management (continued)

(iii.i) Contractual maturity profile of non-derivative financial instruments (continued)

	On demand & Up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Bank loans	43.5	-	72.8	-	116.3
Senior notes	-	233.9	139.2	835.3	1,208.4
Borrowings	43.5	233.9	212.0	835.3	1,324.7
Deferred payments on acquisition of businesses	15.1	0.5	-	-	15.6
	58.6	234.4	212.0	835.3	1,340.3
Interest commitments	50.9	40.9	102.6	112.4	306.8
At 31 December 2013	109.5	275.3	314.6	947.7	1,647.1
Reconciliation to net debt position:					
Borrowings	43.5	233.9	212.0	835.3	1,324.7
Senior notes - fair value adjustment	-	-	-	0.9	0.9
Borrowings - reported	43.5	233.9	212.0	836.2	1,325.6
Interest rate swaps	1.1	5.2	(4.6)	1.6	3.3
Cash at bank and in hand	(245.8)	-	-	-	(245.8)
Total net debt as at 31 December 2013	(201.2)	239.1	207.4	837.8	1,083.1

The maturity profile of other non dervivative financial instruments are set out in their respective notes.

(iii.ii) Contractual maturity profile of derivative financial instruments

The following table details the Group's remaining contractual maturity of its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis. To the extent that the amounts payable or receivable are not fixed, the rate used is derived from interest rate yield curves at the end of the reporting date and as such are subject to change based on market movements.

	On demand & Up to 1 year €'m	**Up to 2 years €'m**	**2 - 5 years €'m**	**> 5 years €'m**	**Total €'m**
Interest rate swaps inflow	**33.3**	**33.0**	**103.1**	**142.3**	**311.7**
Interest rate swaps outflow	**(17.3)**	**(16.1)**	**(45.3)**	**(46.6)**	**(125.3)**
Net interest rate swaps inflow	**16.0**	**16.9**	**57.8**	**95.7**	**186.4**
Forward foreign exchange contracts outflow	**(10.8)**	**-**	**-**	**-**	**(10.8)**
At 31 December 2014	**5.2**	**16.9**	**57.8**	**95.7**	**175.6**

	On demand & Up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Interest rate swaps inflow	30.2	29.5	86.3	109.2	255.2
Interest rate swaps outflow	(22.8)	(17.9)	(50.7)	(86.8)	(178.2)
Net interest rate swaps inflow	7.4	11.6	35.6	22.4	77.0
Forward foreign exchange contracts inflow	2.0	-	-	-	2.0
At 31 December 2013	9.4	11.6	35.6	22.4	79.0

24. Financial instruments (continued)

(iii) Liquidity risk management (continued)

(iii.ii) Contractual maturity profile of derivative financial instruments (continued)

Included in the interest rate swaps inflows and outflows is the foreign currency differential on final maturity of the cross currency interest rate swaps as follows:

Swap inflows

- 2 - 5 years - swap inflows of **€13.9m** (2013: €4.9m)
- Greater than 5 years - swap inflows of **€72.4m** (2013: €21.5m)

Swap outflows

- Greater than 5 years - swap outflows of **€nil** (2013: €14.1m)

(iii.iii) Summary of borrowing arrangements

(a) Bank loans

Bank loans comprise committed term loan facilities, committed revolving credit facilities, bilateral term loans and other uncommitted facilities:

- Demand facilities;
- Syndicate revolving credit facilities of €1bn maturing between 1 - 2 years; and
- Bilateral term loans with maturities ranging up to 1 year.

(b) 2013 Senior notes

The Group issued a 10 year US debut public bond of US$750m with a maturity date on 9 April 2023.

(c) 2010 Senior notes

The Group placed US$600m of senior notes with US institutional investors in four tranches with maturity as follows:

- Tranche A of US$192m - maturing on 20 January 2017
- Tranche B of US$208m - maturing on 20 January 2020
- Tranche C of US$125m - maturing on 20 January 2022
- Tranche D of US$75m - maturing on 20 January 2025

(d) 2003 Senior notes

The Group placed US$650m senior notes with US institutional investors in 2003, Tranche A of US$114m matured on 30 April 2010 and Tranche B of US$230m matured on 30 April 2013. Tranche C of US$306m matures on 30 April 2015.

Both the committed syndicate facilities and the 2010 and 2003 senior notes have financial covenants attached to them. The Group was in full compliance with these covenants as at 31 December 2014 and 2013.

(iv) Credit risk management

Cash deposits and other financial assets give rise to credit risk on the amounts due from counterparties.

The Group controls and monitors the distribution of this exposure by ensuring that all financial instruments are held with reputable and financially secure institutions and that exposure to credit risk is distributed across a number of institutions. At 31 December 2014 and 2013 all cash, short-term deposits and other liquid investments had a maturity of less than 3 months.

Credit risk exposure to financial institutions is actively managed across the portfolio of institutions by setting appropriate credit exposure limits. These levels are applied in controlling the level of material surplus funds that are placed with counterparties and for controlling the institutions with which the Group enters into derivative contracts. The metric for setting credit exposure limits is based on credit default swaps for those financial institutions.

The Group's exposure to its counterparties is continuously monitored and the aggregate value of transactions entered into is spread amongst approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable at operating unit level at least on a monthly basis.

The Group's maximum exposure to credit risk consists of gross trade receivables (note 19), cash deposits (note 23) and other financial assets (note 23), which are primarily interest rate swaps and foreign exchange contracts.

In relation to credit risk on derivative financial instruments, where appropriate, the Group credit risk is actively managed across the portfolio of institutions through monitoring the credit default swaps (CDS) and setting appropriate credit exposure limits based on CDS levels. These levels are applied in controlling the level of material surplus funds that are placed with counterparties and for controlling institutions with which the Group enters into derivative contracts.

24. Financial instruments (continued)

(v) Price risk management

The Group's exposure to equity securities price risk due to financial asset investments held is considered to be low as the level of securities held versus the Group's net assets is not material.

The Group purchases a variety of commodities which can experience price volatility. It is Group policy to manage commodity price risk commercially via back to back arrangements with customers, through forward purchasing and limited use of derivatives.

(vi) Fair value of financial instruments

(a) Fair value of financial instruments carried at fair value

Financial instruments recognised at fair value are analysed between those based on:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- those involving inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

		Fair Value Hierarchy	2014 €'m	2013 €'m
Financial assets				
Interest rate swaps		Level 2	**104.7**	39.4
Forward foreign exchange contracts		Level 2	**9.4**	10.2
Financial asset investments:	Fair value through profit or loss	Level 1	**23.8**	17.3
	Available-for-sale	Level 3	**4.1**	4.1
Financial liabilities				
Forward foreign exchange contracts		Level 2	**(20.2)**	(8.2)
Interest rate swaps		Level 2	**(10.0)**	(42.7)

The reconciliation of Level 3 assets is provided in note 13. There have been no transfers between levels during the current or prior year.

(b) Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, it is considered that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	Fair Value Hierarchy	Carrying Amount 2014 €'m	Fair Value 2014 €'m	Carrying Amount 2013 €'m	Fair Value 2013 €'m
Financial liabilities					
Senior notes - Public	Level 2	**(613.5)**	**(594.4)**	(539.4)	(502.2)
Senior notes - Private	Level 2	**(751.9)**	**(791.7)**	(669.0)	(697.6)
		(1,365.4)	**(1,386.1)**	(1,208.4)	(1,199.8)

(c) Valuation principles

The fair value of financial assets and liabilities are determined as follows:

- assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- other financial assets and liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- derivative financial instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments. Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates adjusted for counterparty credit risk, which is calculated based on credit default swaps of the respective counterparties. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates adjusted for counterparty credit risk which is calculated based on credit default swaps of the respective counterparties.

24. Financial instruments (continued)

(vii) Offsetting financial instruments

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. The ISDA agreements do not meet the criteria for offsetting in the Consolidated Balance Sheet. This is because the Group does not have any current legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. No collateral is paid or received.

The table also sets out where the Group has offset bank overdrafts against cash at bank and in hand based on a legal right of offset as set out in the banking agreements.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Gross amounts of financial assets in the Consolidated Balance Sheet €'m	Gross amounts of financial liabilities in the Consolidated Balance Sheet €'m	Amounts of financial instruments presented in the Consolidated Balance Sheet €'m	Related financial instruments that are not offset €'m	Net amount €'m
31 December 2014					
Financial assets					
Cash at bank and in hand	**342.5**	**(58.8)**	**283.7**	**-**	**283.7**
Forward foreign exchange contracts	**9.4**	**-**	**9.4**	**(5.3)**	**4.1**
Interest rate swaps	**104.7**	**-**	**104.7**	**(2.6)**	**102.1**
	456.6	**(58.8)**	**397.8**	**(7.9)**	**389.9**
Financial liabilities					
Bank overdrafts	**58.8**	**(64.4)**	**(5.6)**	**-**	**(5.6)**
Forward foreign exchange contracts	**-**	**(20.2)**	**(20.2)**	**5.3**	**(14.9)**
Interest rate swaps	**-**	**(10.0)**	**(10.0)**	**2.6**	**(7.4)**
	58.8	**(94.6)**	**(35.8)**	**7.9**	**(27.9)**
31 December 2013					
Financial assets					
Cash at bank and in hand	342.9	(97.1)	245.8	-	245.8
Forward foreign exchange contracts	10.2	-	10.2	(3.6)	6.6
Interest rate swaps	39.4	-	39.4	(18.9)	20.5
	392.5	(97.1)	295.4	(22.5)	272.9
Financial liabilities					
Bank overdrafts	97.1	(97.1)	-	-	-
Forward foreign exchange contracts	-	(8.2)	(8.2)	3.6	(4.6)
Interest rate swaps	-	(42.7)	(42.7)	18.9	(23.8)
	97.1	(148.0)	(50.9)	22.5	(28.4)

25. Provisions

	Notes	Insurance €'m	Non-Trading Items €'m	Total €'m
Group:				
At 1 January 2013		62.8	17.2	80.0
Provided during year		6.6	93.9	100.5
Utilised during year		-	(17.2)	(17.2)
Exchange translation adjustment	30	(0.6)	-	(0.6)
At 31 December 2013		68.8	93.9	162.7
Provided during year		**3.6**	**-**	**3.6**
Utilised during year		**(2.3)**	**(54.8)**	**(57.1)**
Transferred to payables and accruals		**-**	**(10.4)**	**(10.4)**
Exchange translation adjustment	30	**3.2**	**3.5**	**6.7**
At 31 December 2014		**73.3**	**32.2**	**105.5**

	2014 €'m	2013 €'m
Analysed as:		
Current liabilities	**49.8**	102.9
Non-current liabilities	**55.7**	59.8
	105.5	162.7

Insurance

The Group operates a level of self-insurance and under these arrangements the Group retains certain insurance exposure up to pre-determined self-insurance thresholds. These thresholds are reviewed on a regular basis to ensure they remain appropriate. The insurance provision represents amounts provided based on industry information, actuarial valuation and historical data in respect of claims that are classified as incurred but not reported and also the outstanding loss reserve. Both are covered by the Group's self-insurance schemes. The methodology of estimating the provision is periodically reviewed to ensure that the assumptions made continue to be appropriate. The utilisation of the provision is dependent on the timing of settlement of the outstanding claims. Historically, the average time for settlement of outstanding claims ranges from 3 - 6 years from claim date.

Non-trading items

Non-trading items relate primarily to restructuring provisions incurred in 2013, the majority of which related to redundancy and contract compensation owing to people who are in the process of transitioning out of the business. These costs are expected to be paid over of a period of 1 - 2 years.

26. Retirement benefits obligation

The Group operates post-retirement benefit plans in a number of its businesses throughout the world. These plans are structured to accord with local conditions and practices in each country they operate in and can include both defined contribution and defined benefit plans. The assets of the schemes are held, where relevant, in separate trustee administered funds.

The Group operates defined benefit post-retirement schemes in a number of countries in which it operates, primarily in Ireland and the Netherlands (Eurozone), the UK and the US (included in Rest of World). The defined benefit plans operated by the Group mostly include final salary pension plans but also include career average salary pension plans and post-retirement medical plans. The post-retirement medical plans are in respect of a number of the Group's US employees. Defined benefit schemes in Ireland, the UK, and the US are administered by Boards of Trustees. The Boards of Trustees comprise of representatives of the employees, the employer and independent trustees. These Boards are responsible for the management and governance of the plans including compliance with all relevant laws and regulations.

The values used in the Group's financial statements are based on the most recent actuarial valuations and have been updated by the individual schemes' independent and professionally qualified actuaries to incorporate the requirements of IAS 19 'Employee Benefits' in order to assess the liabilities of the various schemes as at 31 December 2014 using the projected unit credit method. All assets in the schemes have been measured at their fair value at the balance sheet date.

26. Retirement benefits obligation (continued)

Full actuarial valuations for funding purposes are carried out for the Group's pension plans in line with local requirements. The actuarial reports are not available for public inspection.

The plans expose the Group to actuarial risks such as interest rate risk, investment risk, inflation risk and mortality risk.

Interest rate risk

The calculation of the present value of the defined benefit obligation is sensitive to the discount rate. The discount rate is derived from the interest yield on high quality corporate bonds at the balance sheet date. Market conditions in recent years have resulted in decreasing discount rates which has significantly increased the present value of the defined benefit obligation. Such changes lead to volatility in the Group's Consolidated Balance Sheet, Consolidated Income Statement and Consolidated Statement of Recognised Income and Expense. It also results in increased funding requirements for the plans.

Investment risk

The net deficit recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation less the fair value of the plan assets. When assets return a rate less than the discount rate this results in an increase in the net deficit. Currently the plans have a diversified portfolio of investments in equities, bonds and other types of investments. External investment consultants periodically conduct an investment review and advise on the most appropriate asset allocation taking account of asset valuations, funding requirements, liability duration and the achievement of an appropriate return on assets.

Inflation risk

A significant proportion of the defined benefit obligation is linked to inflation. An increase in inflation rates will increase the defined benefit obligation. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

Mortality risk

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.

(i) Recognition in the Consolidated Income Statement and Consolidated Statement of Recognised Income and Expense

The following amounts have been recognised in the Consolidated Income Statement and the Consolidated Statement of Recognised Income and Expense in relation to defined contribution and defined benefit post-retirement plans:

	2014 €'m	2013 €'m
Service cost:		
- Current service cost relating to defined contribution schemes	**23.7**	21.9
- Current service cost relating to defined benefit schemes	**21.1**	22.2
- Past service gain	**(4.4)**	(3.9)
Net interest cost	**10.0**	12.2
Recognised in the Consolidated Income Statement	**50.4**	52.4
Re-measurements of the net defined benefit liability:		
– Positive return on plan assets (excluding amounts included in net interest cost)	**(64.9)**	(65.5)
– Experience gains on schemes' liabilities	**(1.6)**	(3.8)
– Actuarial losses/(gains) arising from changes in demographic assumptions	**9.5**	(6.2)
– Actuarial losses arising from changes in financial assumptions	**303.1**	44.6
Recognised in the Consolidated Statement of Recognised Income and Expense	**246.1**	(30.9)
Total	**296.5**	21.5

The total service cost is included in total staff numbers and costs (note 4) and the net interest cost is included in finance income and costs (note 6).

Pension levy

During 2011, the Finance (No. 2) Act introduced an annual levy of 0.6% on the market value of assets held in pension schemes in Ireland from 2011 to 2014. The levy is payable on the value of assets at the previous year end date. The levy for 2014 in respect of defined benefit members was **€2.0m** and was paid out of the pension funds in September 2014 (2013: €1.5m). The pension levy has been paid by the members of the defined contribution and additional voluntary contribution schemes and has been passed to the members of the defined benefit schemes through benefit reductions as resolved by the Trustees.

26. Retirement benefits obligation (continued)

(ii) Recognition in the Consolidated Balance Sheet

The Group's net defined benefit post-retirement schemes' deficit at 31 December, which has been recognised in the Consolidated Balance Sheet, was as follows:

	31 December 2014 €'m	31 December 2013 €'m
Present value of defined benefit obligation	**(1,667.4)**	(1,256.9)
Fair value of plan assets	**1,194.6**	1,004.8
Net recognised deficit in plans before deferred tax	**(472.8)**	(252.1)
Net related deferred tax asset	**79.5**	44.8
Net recognised deficit in plans after deferred tax	**(393.3)**	(207.3)

(iii) Financial and demographic assumptions

The principal financial assumptions used by the Group's actuaries in order to calculate the defined benefit obligation at 31 December, some of which have been shown in range format to reflect the differing assumptions in each scheme, were as follows:

	2014			2013		
	Eurozone %	**UK %**	**Rest of World %**	Eurozone %	UK %	Rest of World %
Inflation assumption	**1.30**	**3.00**	**2.50**	1.70 - 2.00	3.30	2.50
Rate of increase in salaries	**1.60 - 3.00**	**3.00**	**5.00**	2.20 - 3.00	3.80	5.00
Rate of increase for pensions in payment and deferred pensions	**1.00 - 1.30**	**2.00 - 3.00**	**-**	1.70 - 2.00	2.50 - 3.30	-
Rate used to discount schemes' liabilities	**2.20 - 2.30**	**3.70**	**3.65 - 4.00**	4.00	4.60	4.40 - 5.00

The most significant demographic assumption is mortality. The mortality assumptions used are based on advice from the pension schemes' actuaries and reflect each scheme's population. The life expectancy of a member retiring at 31 December at age 65, now and in 20 years' time, some of which have been shown in range format to reflect the differing assumptions in each scheme, is as follows:

	2014			2013		
	Eurozone Years	**UK Years**	**Rest of World Years**	Eurozone Years	UK Years	Rest of World Years
Male - retiring now	**20 - 23**	**21**	**22 - 23**	22 - 23	21	19 - 21
Female - retiring now	**23 - 24**	**24**	**24 - 25**	24 - 25	24	21 - 23
Male - retiring in 20 years' time	**22 - 25**	**23**	**23 - 25**	24 - 25	23	19 - 21
Female - retiring in 20 years' time	**25 - 26**	**26**	**25 - 26**	26	26	21 - 23

26. Retirement benefits obligation (continued)

(iii) Financial and demographic assumptions (continued)

There are inherent uncertainties surrounding the financial and demographic assumptions adopted by the Group. The assumptions may differ from the actual data as a result of changes in economic and market conditions as well as the actual experience within each scheme. The present value of post-retirement benefit schemes' liabilities is heavily dependent on the discount rate. As the discount rate is based on a market driven measure, which is the interest yield on high quality corporate bonds at the balance sheet date, the present value of post-retirement benefit schemes' liabilities can fluctuate significantly from valuation to valuation. The expected rate of inflation impacts the schemes' liabilities in that inflation is the basis for the calculation of the assumed future salary and revaluation increases in each scheme where applicable. In relation to demographic assumptions, differing expectations regarding current and future changes in mortality rates can have a significant impact on schemes' liabilities.

The table below gives an approximate indication of the impact of a change in the principal financial actuarial assumptions (discount rate, inflation rate, salary increases and pensions in payment and deferred pensions increases) and the principal demographic actuarial assumption (mortality). The present value of the defined benefit obligation has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognised in the Consolidated Balance Sheet. The impact on the defined benefit obligation at 31 December 2014 is on the basis that only that assumption is changed with all other assumptions remaining unchanged. There have been no changes from the previous year in the methods and assumptions used in preparing the sensitivity analyses.

Assumption	Change in assumption	Impact on schemes' liabilities
Discount rate	Increase/decrease of 0.50%	Decrease/increase of 10.60%
Inflation rate	Increase/decrease of 0.50%	Increase/decrease of 8.20%
Salary increases	Increase/decrease of 0.50%	Increase/decrease of 3.00%
Pensions in payment and deferred pensions increases	Increase/decrease of 0.50%	Increase/decrease of 5.00%
Mortality	Increase/decrease in life expectancy of 1 year	Increase/decrease of 2.80%

(iv) Reconciliations for defined benefit plans

The movements in the defined benefit schemes' obligation during the year were:

	Note	**2014 €'m**	2013 €'m
Present value of the defined benefit obligation at beginning of year		(1,256.9)	(1,194.8)
Current service cost		**(21.1)**	(22.2)
Past service gain		**4.4**	3.9
Interest expense		**(55.3)**	(50.9)
Contributions by employees		**(9.0)**	(9.2)
Benefits paid		**41.4**	33.4
Re-measurements:			
- experience gains on schemes' liabilities		**1.6**	3.8
- actuarial (losses)/gains arising from changes in demographic assumptions		**(9.5)**	6.2
- actuarial losses arising from changes in financial assumptions		**(303.1)**	(44.6)
Other movements		**0.3**	-
Exchange translation adjustment	30	**(60.2)**	17.5
Present value of the defined benefit obligation at end of year		**(1,667.4)**	(1,256.9)
Present value of the defined benefit obligation at end of year that relates to:			
Wholly unfunded plans		**(26.3)**	(20.7)
Wholly or partly funded plans		**(1,641.1)**	(1,236.2)
		(1,667.4)	(1,256.9)

26. Retirement benefits obligation (continued)

(iv) Reconciliations for defined benefit plans (continued)

The weighted average duration of the defined benefit obligation at 31 December 2014 is approximately **23 years** (2013: approximately 21 years).

The movements in the schemes' assets during the year were:

	Note	**2014 €'m**	2013 €'m
Fair value of plan assets at beginning of year		1,004.8	883.2
Interest income		**45.3**	38.7
Contributions by employer		**64.7**	53.9
Contributions by employees		**9.0**	9.2
Benefits paid		**(41.4)**	(33.4)
Re-measurements:			
– positive return on plan assets (excluding amounts included in net interest cost)		**64.9**	65.5
Exchange translation adjustment	30	**47.3**	(12.3)
Fair value of plan assets at end of year		**1,194.6**	1,004.8

The actual return on plan assets during the year was **€110.2m** (2013: €104.2m).

The fair values of each of the categories of the pension schemes' assets at 31 December were as follows:

	2014 €'m	2013 €'m
Equities	**751.3**	647.1
Government Fixed Income	**273.8**	217.2
Other Fixed Income	**110.3**	96.0
Fund of Hedge Funds	**54.9**	37.9
Other	**4.3**	6.6
Total fair value of pension schemes' assets	**1,194.6**	1,004.8

The majority of equity securities and bonds have quoted prices in active markets. In addition, a very high proportion of the underlying assets in the funds of hedge funds are in the form of quoted securities. The schemes' assets are invested with professional investment managers or in insurance contracts. Investments in the Group's own financial instruments, if any, are solely at the discretion of the investment managers concerned. The actual amount of the Group's own financial instruments held by the pension schemes during 2014 and 2013 were not material. No property held by the pension schemes was occupied by the Group nor were any other pensions schemes' assets used by the Group during 2014 or 2013.

There are a number of defined benefit pension plans being operated by the Group in a number of countries, and within some of these countries multiple plans are operated. Each plan is required to be operated in line with local legislation, conditions, practices and the regulatory framework in place for the specific country. As a result, there are a number of different funding arrangements in place that accord with the specific local legislative, regulatory and actuarial requirements.

Future accrual for the most significant plans is funded partly by the employees, where they are required to contribute a fixed percentage of pensionable salary; and partly by the Group's subsidiaries, being a percentage of pensionable salary as advised by the actuaries and agreed between the Group and the relevant Trustees. Deficit funding is carried out by cash contributions from the Group's subsidiaries. Similar to the funding of future accrual, these funding arrangements have been advised by the Group's actuaries and agreed between the Group and the relevant Trustees. It is the aim of the Group to eliminate the most significant deficits, being those in Ireland and the UK, on average over ten years. Actuarial valuations, which are not available for public inspection, are carried out every three years in Ireland and the UK; and every year in the US.

During the year ending 31 December 2015, the Group expects to make contributions of approximately €66.3m in relation to its defined benefit plans.

27. Share capital

	2014 €'m	2013 €'m
Group and Company:		
Authorised		
280,000,000 A ordinary shares of 12.50 cent each	**35.0**	35.0
Allotted, called-up and fully paid (A ordinary shares of 12.50 cent each)		
At beginning of year	22.0	21.9
Shares issued during year	-	0.1
At end of year	**22.0**	22.0

The Company has one class of ordinary share which carries no right to fixed income.

Shares issued

During 2014 a total of **83,524** (2013: 96,415) A ordinary shares, each with a nominal value of 12.50 cent, were issued at nominal value per share under the Long Term Incentive Plan.

The total number of shares in issue at 31 December 2014 was **175,806,602** (2013: 175,723,078).

Share buy back programme

At the 2014 Annual General Meeting shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital which was not exercised in the year. In 2014 and 2013 no shares were purchased under this programme.

28. Share-based payments

The Group operates two equity-settled share-based payment plans. The first plan is the Group's Long Term Incentive Plan and the second is the element of the Group's Short Term Incentive Plan that is settled in shares/options after a 2 year deferral period. Details on each of these plans is outlined below.

The Group and the Company recognised an expense of **€8.9m** (2013: €4.8m) related to equity-settled share-based payment transactions in the Consolidated Income Statement during the year. The expectation of meeting performance criteria was taken into account when calculating this expense.

(i) Long Term Incentive Plan

2006 Long Term Incentive Plan scheme

The Group operates an equity-settled Long Term Incentive Plan (LTIP), under which an invitation to participate was made to Executive Directors and senior executives. These invitations were made on six occasions between 2006 and 2013. No further conditional awards will be made under this scheme after 2013. The proportion of each invitation which vests will depend on the Total Shareholder Return (TSR) and Adjusted Earnings Per Share (EPS) performance of the Group during a three year period ("the performance period"). A proportion of invitations made in 2011 vested during 2014.

Up to 50% of the shares/options subject to an invitation will vest according to the Group's TSR performance during the performance period measured against the TSR performance of a peer group of listed companies. The remaining 50% of the shares/options subject to an invitation will vest according to the Group's adjusted EPS growth performance compared with the inflation adjusted targets during the performance period. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.

2013 Long Term Incentive Plan scheme

In 2013 the Group introduced a new Long Term Incentive Plan that replaced the old scheme entirely from 2014 onwards. An invitation to participate was made to Executive Directors and senior executives. The proportion of each invitation which vests, will depend on the Adjusted Earnings Per Share (EPS) performance, Total Shareholder Return (TSR) and Return on Average Capital Employed (ROACE) of the Group during a three year period ("the performance period"). The invitations made in 2013 and 2014 will potentially vest in 2016 and in 2017 respectively. 50% of the award will be issued at the date of vesting, with 50% being issued after a 2 year deferral period.

Up to 50% of the shares/options subject to an invitation will vest according to the Group's adjusted EPS growth compared with target during the performance period. Up to 30% of the shares/options subject to an invitation will vest according to the Group's TSR performance during the performance period measured against the TSR performance of a peer group of listed companies. The remaining 20% of the shares/options will vest according to the Group's ROACE versus predetermined targets. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.

A summary of the status of the LTIP as at 31 December and the changes during the year are presented below:

	Note	**Number of Conditional Awards 2014**	Number of Conditional Awards 2013
Outstanding at beginning of year		478,802	365,890
Forfeited		**(13,125)**	-
Shares vested	27	**(53,564)**	(58,604)
Share options vested		**(56,917)**	(77,963)
New conditional awards		**397,570**	249,479
Outstanding at end of year		**752,766**	478,802

	Note	**Number of Share Options 2014**	Number of Share Options 2013
Share options arising under the LTIP			
Outstanding at beginning of year		212,391	172,239
Vested		**56,917**	77,963
Exercised	27	**(29,960)**	(37,811)
Outstanding and exercisable at end of year		**239,348**	212,391

Share options under the LTIP scheme have an exercise price of 12.5 cent. The remaining weighted average life for share options outstanding is **4.48 years** (2013: 4.75 years). The weighted average share price at the date of exercise was **€54.71** (2013: €44.52).

28. Share-based payments (continued)

(i) Long Term Incentive Plan (continued)

At the invitation grant date, the fair value per conditional award and the assumptions used in the calculations are as follows:

	2013 LTIP Scheme		2006 LTIP Scheme		
	2014 Conditional Award at Grant Date	**2013 Conditional Award at Grant Date**	**2013 Conditional Award at Grant Date**	**2012 Conditional Award at Grant Date**	**2011 Conditional Award at Grant Date**
Conditional Award Invitation date	March 2014	June/September 2013	March 2013	April 2012	March 2011
Year of potential vesting	2017	2016	2016	2015	2014
Share price at grant date	€53.80	€43.28/€44.90	€46.49	€33.45	€26.50
Exercise price per share/options	€0.125	€0.125	€0.125	€0.125	€0.125
Expected volatility	20.8%	21.3%/21.4%	22.6%	25.5%	32.6%
Expected life	3 years	3 years	3 years	3 years	3 years
Risk free rate	0.4%	0.4%/0.5%	0.2%	0.6%	1.9%
Expected dividend yield	0.9%	1.0%	1.0%	1.1%	1.2%
Expected forfeiture rate	5.0%	5.0%	5.0%	5.0%	5.0%
Weighted average fair value at grant date	€44.74	€34.40/€35.25	€33.75	€26.99	€21.28
Valuation model	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. Market based vesting conditions, such as the TSR condition, have been taken into account in establishing the fair value of equity instruments granted. Non-market based performance conditions, such as the EPS and ROACE conditions, were not taken into account in establishing the fair value of equity instruments granted, however the number of equity instruments included in the measurement of the transaction is adjusted so that the amount recognised is based on the number of equity instruments that eventually vest.

(ii) Short Term Incentive Plan

In 2013 the Group's Short Term Incentive Plan for Executive Directors was amended to incorporate a share-based payment element with 25% of the total bonus to be settled in shares/share options. The shares/options awarded as part of this scheme will be issued 2 years after the vesting date once a deferral period has elapsed. There are no further performance conditions relating to the shares/share options during the deferral period.

A share-based payment expense is recognised in the Consolidated Income Statement for the scheme to reflect the value of the bonus to be paid by way of shares/options. The first shares/options issued under the Short Term Incentive Plan, which relate to the 2013 financial year, vested in 2014 and will be deferred until 2016. The second phase of the issuance of the shares/options under the Short Term Incentive Plan, which relate to the 2014 financial year, vested in 2015 and will be deferred until 2017.

29. Cash flow components

	Notes	**Group 2014 €'m**	Group 2013 €'m	**Company 2014 €'m**	Company 2013 €'m
Profit before taxation		**555.6**	121.9	**68.4**	61.8
Intangible asset amortisation	12	**28.0**	28.1	**-**	-
Acquisition integration and restructuring costs	5	**-**	225.0	**-**	-
Impairment of assets held for sale	5	**-**	113.1	**-**	-
(Profit)/loss on disposal of businesses	5	**(0.1)**	55.7	**-**	-
Finance income	6	**(1.1)**	(1.2)	**-**	-
Finance costs	6	**54.0**	68.8	**-**	-
Trading profit		**636.4**	611.4	**68.4**	61.8
Change in working capital					
Decrease/(increase) in inventories		**1.1**	(79.7)	**-**	-
Increase in trade and other receivables		**(52.4)**	(16.6)	**(1.6)**	-
(Decrease)/increase in trade and other payables		**(36.9)**	57.5	**(3.3)**	(2.2)
Share-based payment expense	28	**8.9**	4.8	**8.9**	4.8
		(79.3)	(34.0)	**4.0**	2.6
Purchase of assets					
Purchase of property, plant and equipment		**(229.5)**	(162.4)	**-**	-
Purchase of assets classified as held for sale		**(5.0)**	-	**-**	-
Purchase of intangible assets	12	**(35.6)**	(24.6)	**-**	-
Purchase of financial assets	13	**(4.0)**	(3.2)	**-**	-
		(274.1)	(190.2)	**-**	-
Net movement on borrowings					
Cash received		**55.8**	666.0	**-**	-
Cash paid		**(13.4)**	(737.9)	**-**	-
		42.4	(71.9)	**-**	-
Cash and cash equivalents					
Cash at bank and in hand	23	**283.7**	245.8	**-**	-
Bank overdrafts	23	**(5.6)**	-	**(0.7)**	(0.3)
		278.1	245.8	**(0.7)**	(0.3)

30. Effect of exchange translation adjustments

	Notes	**2014 €'m**	2013 €'m
Group:			
Increase/(decrease) in assets			
Property, plant and equipment	11	**72.4**	(46.9)
Intangible assets	12	**103.9**	(74.2)
Financial asset investments	13	**2.5**	(0.6)
Inventories		**44.8**	(28.2)
Trade and other receivables		**36.5**	(32.1)
Assets classified as held for sale		**1.3**	-
Cash at bank and in hand		**7.8**	(8.5)
(Increase)/decrease in liabilities			
Trade and other payables		**(77.4)**	69.3
Tax liabilities		**(2.2)**	1.0
Financial liabilities		**(96.6)**	29.3
Retirement benefits obligation	26	**(12.9)**	5.2
Other non-current liabilities		**(2.1)**	1.1
Deferred tax liabilities	17	**(6.2)**	1.6
Deferred income	21	**(0.5)**	0.2
Provisions	25	**(6.7)**	0.6
Retained earnings		**3.3**	(0.2)
		67.9	(82.4)

The above exchange translation adjustments arise primarily on the retranslation of the Group's opening net investment in its foreign currency subsidiaries.

31. Business Combinations

During 2014, the Group completed two bolt on acquisitions, both of which are 100% owned by the Group.

	Notes	Acquiree's Carrying Amount Before Combination 2014 €'m	Fair Value Adjustments 2014 €'m	Total 2014 €'m
Recognised amounts of identifiable assets acquired and liabilities assumed:				
Non-current assets				
Property, plant and equipment	11	**16.9**	**-**	**16.9**
Brand related intangibles	12	**-**	**29.0**	**29.0**
Computer software	12	**0.4**	**(0.4)**	**-**
Current assets				
Cash at bank and in hand		**2.5**	**-**	**2.5**
Inventories		**2.6**	**-**	**2.6**
Trade and other receivables		**7.1**	**(0.4)**	**6.7**
Current liabilities				
Trade and other payables		**(7.9)**	**(0.3)**	**(8.2)**
Non-current liabilities				
Other non-current liabilities		**(3.2)**	**(5.5)**	**(8.7)**
Total identifiable assets		**18.4**	**22.4**	**40.8**
Goodwill	12			**95.2**
Total consideration				**136.0**
Satisfied by:				
Cash				**136.0**
				136.0

Net cash outflow on acquisition:	**Total 2014 €'m**
Cash	**136.0**
Less: cash and cash equivalents acquired	**(2.5)**
	133.5

The acquisition method of accounting has been used to consolidate the businesses acquired in the Group's financial statements. Given that the valuation of the fair value of assets and liabilities recently acquired is still in progress, the above values are determined provisionally. For the acquisitions completed in 2013, there have been no material revisions of the provisional fair value adjustments since the initial values were established.

The goodwill is attributable to the expected profitability, revenue growth, future market development and assembled workforce of the acquired businesses and the synergies expected to arise within the Group after the acquisition. **€62.1m** of goodwill recognised is expected to be deductible for income tax purposes.

Transaction expenses related to these acquisitions of **€0.3m** were charged in the Group's Consolidated Income Statement during the year.

The fair value of the financial assets includes trade and other receivables with a fair value of **€6.7m** and a gross contractual value of **€7.1m**.

In November 2014, the Group acquired Junior Alimentos Indústria e Comércio S.A., a leading provider of culinary and sweet systems and complete solutions to the foodservice market in Brazil. Additionally, a small ingredients business in the US was acquired in December 2014.

Due to the fact that these acquisitions were completed near the end of 2014, the revenue and results included in the Group's reported figures are not material.

32. Contingent liabilities

	2014 €'m	2013 €'m
Company:		
(i) Guarantees in respect of borrowings of subsidiaries	**1,543.3**	1,324.7

(ii) For the purposes of Section 17 of the Companies (Amendment) Act, 1986, the Company has undertaken by Board resolution to indemnify the creditors of its subsidiaries incorporated in the Republic of Ireland, as set out in note 37, in respect of all losses and liabilities as referred to in Section 5(c) of the Companies (Amendment) Act, 1986 for the financial year ending on 31 December 2014 or any amended financial period incorporating the said financial year. The Company has given similar indemnities in relation to its subsidiaries in the Netherlands and Luxembourg (Article 70 of the Luxembourg law of 19 December 2002 as amended), as set out in note 37. In addition, the Company has also availed of the exemption from filing subsidiary financial statements in Luxembourg.

The Company does not expect any material loss to arise from these guarantees and considers their fair value to be negligible.

33. Other financial commitments

(i) Commitments for the acquisition of property, plant, equipment and computer software at 31 December for which no provision has been made in the accounts are as follows:

	2014 €'m	2013 €'m
Group:		
Commitments in respect of contracts placed	**64.7**	42.4
Expenditure authorised by the Directors but not contracted for at year end	**61.0**	107.5
	125.7	149.9

(ii) At the balance sheet date the Group had commitments under non-cancellable operating leases which fall due as follows:

	2014 €'m	2013 €'m
Within 1 year	**30.8**	28.8
Within 2 to 5 years	**59.5**	51.1
After 5 years	**20.5**	17.8
	110.8	97.7

The operating lease charges during 2014 amounted to **€35.7m** (2013: €27.5m).

The Group leases various buildings, plant and machinery and motor vehicles under non-cancellable lease arrangements. The Group has a number of leases but none of these leases are individually material. The leases have various terms, escalation clauses and renewal rights. The leases typically range from less than 1 year to 65 years.

34. Related party transactions

(i) Trading with Directors

In their ordinary course of business as farmers, certain Directors have traded on standard commercial terms with the Group's Agribusiness Division. Aggregate purchases from, and sales to, these Directors amounted to **€1.1m** (2013: €1.5m) and **€0.3m** (2013: €0.5m) respectively. The trading balance outstanding to the Group at the year end was **€0.02m** (2013: €0.04m).

All transactions with Directors were on standard commercial terms. The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the year for bad or doubtful debts in respect of amounts owed by Directors.

(ii) Trading between Parent Company and subsidiaries

Transactions in the year between the Parent Company and its subsidiaries included dividends received of **€77.0m** (2013: €70.0m) and cost recharges of **€4.8m** (2013: €3.6m). The Parent Company has also provided a guarantee in respect of borrowings of subsidiaries which is disclosed in note 32.

(iii) Trading with associate company

Details of transactions and balances outstanding with associate are as follows:

	Rendering of services 2014 €'m	**Purchase of goods 2014 €'m**	**Amounts owed to associate 2014 €'m**
Associate	**0.6**	**(5.2)**	**(1.3)**

These trading transactions are undertaken and settled at normal trading terms. During the year the Group advanced loans of **€9.9m**, on terms equivalent to an arm's length transaction, to the associate company which were fully settled before the year end. The interest income relating to the loan amounted to **€0.1m**. No guarantees are given or received by either party.

(iv) Trading with other related parties

Kerry Co-operative Creameries Limited is considered to be a related party of the Group as a result of its significant shareholding in the Parent Company and the number of Directors in common as detailed in the Report of the Directors. During 2014, dividends of **€10.0m** (2013: €10.4m) were paid to Kerry Co-operative Creameries Limited based on its shareholding.

(v) Transactions with key management personnel

The Board of Directors are deemed to be key management personnel of Kerry Group plc as they are responsible for planning, directing and controlling the activities of the Group.

In addition to their salaries and short term benefits, the Group also contributes to post retirement defined benefit, defined contribution and saving plans on behalf of the Executive Directors and these Directors also participate in the Group's Long Term Incentive Plan (LTIP) (note 26 and 28).

Remuneration cost of key management personnel is as follows:

	2014 €'m	2013 €'m
Short-term benefits (salaries, fees and other short-term benefits)	**4.8**	5.5
Post-retirement benefits	**0.7**	0.6
LTIP accounting charge	**3.2**	2.8
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Total	**8.7**	8.9

Details of the remuneration of the Group's individual Directors, together with the number of Kerry Group plc shares/options owned by them and their interest in the LTIP are set out in the Corporate Governance Report on pages 77 to 82.

Dividends totalling **€0.2m** (2013: €0.2m) were also received by key management personnel during the year, based on their personal interests in the shares of the company.

35. Events after the balance sheet date

Since the year end, the Group has:

- completed the acquisition of Rollover Limited in the Consumer Foods division in the UK;
- completed the disposal of the Consumer Foods division's Direct-To-Store business in the UK;
- completed the acquisition of the trade and certain assets of Dairygold Co-Operative's French food ingredients business;
- commenced negotiations, which are now at an advanced stage, in relation to the sale of the Pinnacle lifestyle bakery business in Australia; and
- proposed a final dividend of 31.50 cent per A ordinary share (note 10).

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2014.

36. Reserves

Capital redemption reserve

Capital redemption reserve represents the nominal cost of the cancelled shares in 2007.

Capital conversion reserve fund

The capital conversion reserve fund represents the amount transferred to reserves as a result of renominalising the share capital of the Parent Company due to the euro conversion in 2002.

Share-based payment reserve

The share-based payment reserve relates to invitations made to employees to participate in the Group's Long Term Incentive Plan and the element of the Group's Short Term Incentive Plan that is settled in shares/options. Further information in relation to this share-based payment is set out in note 28.

Translation reserve

Exchange differences relating to the translation of the balance sheets of the Group's foreign currency operations from their functional currencies to the Group's presentation currency (euro) are recognised directly in other comprehensive income and accumulated in the translation reserve.

Hedging reserve

The hedging reserve represents the effective portion of gains and losses on hedging instruments from the application of cash flow hedge accounting for which the underlying hedged transaction is not impacting profit or loss. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss.

Retained earnings

Retained earnings refers to the portion of net income which is retained by the Group rather than distributed to shareholders as dividends.

37. Principal subsidiaries

Country	Company Name	Nature of Business	Registered Office
Ireland	Breeo Brands Limited	Consumer Foods	1
	Breeo Enterprises Limited	Consumer Foods	1
	Breeo Foods Limited	Consumer Foods	1
	Carteret Investments	Investment	1
	Charleville Research Limited	Services	1
	Cuarto Limited	Ingredients & Flavours	1
	Dawn Dairies Limited	Consumer Foods	1
	Denny Foods Limited	Investment	1
	Duffy Meats Limited	Consumer Foods	1
	Dynaboo Limited	Consumer Foods	1
	Fambee Limited	Consumer Foods	1
	Glenealy Farms (Turkeys) Limited	Consumer Foods	1
	Golden Vale Clare Limited	Investment	1
	Golden Vale Dairies Limited	Agribusiness	1
	Golden Vale Food Products Limited	Ingredients & Flavours	1
	Golden Vale Holdings Limited	Investment	1
	Golden Vale Investments Limited	Investment	1
	Golden Vale Limerick Limited	Consumer Foods	1
	Golden Vale Limited	Investment	1
	Henry Denny & Sons (Ireland) Limited	Consumer Foods	1
	Kerry Agribusiness Holdings Limited	Investment	1
	Kerry Agribusiness Trading Limited	Agribusiness	1
	Kerry Creameries Limited	Agribusiness	1
	Kerry Food Ingredients (Cork) Limited	Ingredients & Flavours	1
	Kerry Group Business Services Limited	Services	1
	Kerry Group Financial Services	Services	1
	Kerry Group Finance International Limited	Services	1
	Kerry Group Services International Limited	Services	1
	Kerry Group Services Limited	Services	1
	Kerry Holdings (Ireland) Limited	Investment	1
	Kerry Ingredients & Flavours Limited	Ingredients & Flavours	1
	Kerry Ingredients (Ireland) Limited	Ingredients & Flavours	1
	Kerry Ingredients Holdings (Ireland) Limited	Investment	1
	Kerry Treasury Services Limited	Services	1
	Kerrykreem Limited	Consumer Foods	1
	Lifesource Foods Research Limited	Consumer Foods	1
	National Food Ingredients Limited	Ingredients & Flavours	1
	Newmarket Co-operative Creameries Limited	Ingredients & Flavours	1
	Newmarket Marketing Company Limited	Ingredients & Flavours	1
	Pixundo Limited	Consumer Foods	1
	Plassey Holdings Limited	Investment	1
	Platters Food Company Limited	Consumer Foods	1
	Princemark Holdings Limited	Services	1
	Quandu Limited	Consumer Foods	1
	Rye Developments Limited	Services	1
	Rye Investments Limited	Consumer Foods	1
	Rye Valley Foods Limited	Consumer Foods	1
	Snowcream (Midlands) Limited	Agribusiness	1
	Selamor Limited	Consumer Foods	1
	Tacna Investments Limited	Investment	1
	Trundu Limited	Consumer Foods	1
	William Blake Limited	Ingredients & Flavours	1
	Zenbury International Limited	Services	1

37. Principal subsidiaries (continued)

Country	Company Name	Nature of Business	Registered Office
UK	Henry Denny & Sons (NI) Limited	Consumer Foods	2
	Dairy Produce Packers Limited	Ingredients & Flavours	3
	Golden Cow Dairies Limited	Consumer Foods	3
	Golden Vale (NI) Limited	Investment	3
	Leckpatrick Dairies Limited	Consumer Foods	3
	Leckpatrick Holdings Limited	Investment	3
	Kerry Foods Limited	Consumer Foods	4
	Kerry Holdings (U.K.) Limited	Investment	4
	Kerry Savoury Foods Limited	Consumer Foods	4
	Noon Group Limited	Consumer Foods	4
	Noon Products Limited	Consumer Foods	4
	EBI Foods Limited	Ingredients & Flavours	5
	Gordon Jopling (Foods) Limited	Ingredients & Flavours	5
	Kerry Ingredients (U.K.) Limited	Ingredients & Flavours	5
	Kerry Ingredients Holdings (U.K.) Limited	Investment	5
	Titusfield Limited	Ingredients & Flavours	5
	Kerry Flavours UK Limited	Ingredients & Flavours	5
	Spicemanns Limited	Ingredients & Flavours	6
	Spring Thyme Oils Limited	Ingredients & Flavours	7
Belgium	Kerry Holdings Belgium	Ingredients & Flavours	8
Netherlands	Kerry (NL) B.V.	Ingredients & Flavours	9
	Kerry Group B.V.	Investment	9
	Kerry Netherlands Services B.V.	Investment	9
Czech Republic	Kerry Ingredients & Flavours s.r.o.	Ingredients & Flavours	10
France	Kerry Foods France S.A.S.	Ingredients & Flavours	11
	Kerry Ingredients France S.A.S.	Ingredients & Flavours	12
	Kerry Ingredients Holdings (France) S.A.S.	Investment	12
	Kerry Savoury Ingredients France S.A.S.	Ingredients & Flavours	13
	Kerry Flavours France S.A.S.	Ingredients & Flavours	13
Germany	Kerry Food GmbH	Ingredients & Flavours	14
	Kerry Ingredients GmbH	Ingredients & Flavours	14
	SuCrest GmbH	Ingredients & Flavours	15
	Vicos Nahrungsmittel GmbH	Ingredients & Flavours	15
Belarus	Vitella Vitebsk	Ingredients & Flavours	16
Denmark	Cremo Ingredients A/S	Ingredients & Flavours	17
Italy	Kerry Ingredients & Flavours Italia S.p.A.	Ingredients & Flavours	18
Poland	Kerry Polska Sp. z.o.o.	Ingredients & Flavours	19
Hungary	Kerry Hungaria KFT.	Ingredients & Flavours	20
Luxembourg	Kerry Luxembourg S.a.r.l.	Services	21
	Zenbury International Limited S.a.r.l.	Services	21
Romania	Kerry Romania s.r.l.	Ingredients & Flavours	22
Russia	Kerry LLC	Ingredients & Flavours	23
Egypt	Kerry Egypt LLC	Ingredients & Flavours	24
South Africa	Kerry Ingredients South Africa (Pty) Limited	Ingredients & Flavours	25
	Orley Foods (Proprietary) Limited	Ingredients & Flavours	26
Slovakia	Dera SK s.r.o.	Ingredients & Flavours	27
Ukraine	Dera Limited	Ingredients & Flavours	28

37. Principal subsidiaries (continued)

Country	Company Name	Nature of Business	Registered Office
US	Big Train Industries, Inc.	Ingredients & Flavours	29
	Flavurence Corporation	Ingredients & Flavours	30
	GB Seasonings, Inc.	Ingredients & Flavours	30
	Geneva Flavors, Inc.	Ingredients & Flavours	30
	Guernsey Bel, Inc.	Ingredients & Flavours	30
	Kerry Biofunctional Ingredients, Inc.	Ingredients & Flavours	30
	Kerry Flavour Systems US LLC	Ingredients & Flavours	30
	Kerry Holding Co.	Investment	30
	Kerry, Inc.	Ingredients & Flavours	30
	Mastertaste Holding Co.	Investment	30
	Nuvex Ingredients, Inc.	Ingredients & Flavours	30
	Hickory Specialties, Inc.	Ingredients & Flavours	31
	Oregon Chai, Inc.	Ingredients & Flavours	32
	Stearns & Lehman, Inc.	Ingredients & Flavours	33
	Presco Food Seasonings, Inc.	Ingredients & Flavours	34
	Kerry Finance (US) LLC	Services	35
	Kerry SG Acquisition Company	Investment	36
	Millennium Foods LLC	Ingredients & Flavours	37
	Vision Processing Technologies, Inc.	Ingredients & Flavours	38
Canada	Kerry (Canada) Inc.	Ingredients & Flavours	39
	Rector Foods Limited	Ingredients & Flavours	40
Mexico	Kerry Ingredients (de Mexico) S.A. de C.V.	Ingredients & Flavours	41
Brazil	Kerry do Brasil Ltda.	Ingredients & Flavours	42
	Kerry da Amazonia Ingredientes e Aromas Ltda.	Ingredients & Flavours	43
	Junior Alimentos Indústria e Comércio S.A.	Ingredients & Flavours	44
Costa Rica	Prima S.A. de C.V.	Ingredients & Flavours	45
Chile	Kerry Chile Ingredientes, Sabores Y Aromas Ltda.	Ingredients & Flavours	46
Colombia	Kerry Ingredients & Flavours Colombia S.A.S.	Ingredients & Flavours	47
Thailand	Kerry Ingredients (Thailand) Limited	Ingredients & Flavours	48
Philippines	Kerry Food Ingredients (Philippines), Inc.	Ingredients & Flavours	49
	Kerry Food Ingredients (Cebu), Inc.	Ingredients & Flavours	50
Singapore	Kerry Ingredients (S) Pte Limited	Ingredients & Flavours	51
Malaysia	Kerry Ingredients (M) Sdn. Bhd.	Ingredients & Flavours	52
	Esterol Sdn. Bhd.	Ingredients & Flavours	53
Japan	Kerry Japan Kabushiki Kaisha	Ingredients & Flavours	54
China	Kerry Food Ingredients (Hangzhou) Company Limited	Ingredients & Flavours	55
	Kerry Ingredients Trading (Shanghai) Company Limited	Ingredients & Flavours	56
	Kerry Food (Nantong) Company Limited	Ingredients & Flavours	57
Indonesia	PT Kerry Ingredients Indonesia	Ingredients & Flavours	58
India	Kerry Ingredients India Private Limited	Ingredients & Flavours	59
	Kerry Limited	Ingredients & Flavours	60
Australia	Food Spectrum Group Pty Limited	Ingredients & Flavours	61
	Kerry Ingredients Australia Pty Limited	Ingredients & Flavours	61
New Zealand	Kerry Ingredients (NZ) Limited	Ingredients & Flavours	62

Notes

(1) All principal subsidiaries are wholly owned.

(2) Country represents country of incorporation and operation. Ireland refers to the Republic of Ireland.

(3) With the exception of the US, Canadian and Mexican subsidiaries, where the holding is in the form of common stock, all holdings are in the form of ordinary shares.

37. Principal subsidiaries (continued)

Registered Office

1 Prince's Street, Tralee, Co. Kerry, Ireland.
2 6 Corcrain Road, Portadown, Craigavon, Co. Armagh NT32 3UF, Northern Ireland.
3 Milburn Road, Coleraine, Co. Londonderry BT52 1QZ, Northern Ireland.
4 Thorpe Lea Manor, Thorpe Lea Road, Egham, Surrey TW20 8HY, England.
5 Bradley Road, Royal Portbury Dock, Bristol BS20 7NZ, England.
6 9 Kelvin Avenue, Hillington, Glasgow G52 4LR, Scotland.
7 Springthyme House, Unit 6A, Meadway, Padiham, Lancashire BB12 7NG, England.
8 Woestjnstraat 37, 2880 Bornem, Belgium.
9 Maarssenbroeksedijk 2a, 3542 DN Utrecht, The Netherlands.
10 Marikova, 36 Brno, Czech Republic.
11 Les Monestiers, 84400 Gargas, France.
12 Quartier Salignan, 84400 Apt en Provence, France.
13 26 Rue Jacques Prevert, 59650 Villenueve d'Ascq, France.
14 Hauptstrasse 22-26, D-63924 Kleinheubach, Germany.
15 Neckarstraße 9, 65239 Hochheim/Main, Germany.
16 Ul. P Browki 44, 210605 Vitebsk, Republic of Belarus.
17 Toftegardsvej 3, DK-5620, Glamsbjerg, Denmark.
18 Via Cappitani Di Mozzo 12/16, 24030 Mozzo (BG), Italy.
19 25-558 Kielce, Ul. Zagnanska 97a, Kielce, Poland.
20 2045 Torokbalint, FSD Park 2, Hungary.
21 17 Rue Antoine Jans, L-1820 Luxembourg, Grand-Duchy of Luxembourg.
22 Sectorul 3, 42 Dudesti-Pantelimon Road, 033094 Bucharest, Romania.
23 Office 901-B, Building 1, 16/2 Tverskaya Street, Moscow, 125009, Russia.
24 31 Imam Ali Street, Ismailia Square, Heliopolis, Cairo, Egypt.
25 Block 3, 4-6 Lucas Drive, Hillcrest, Durban, Kwazulu-Natal, South Africa.
26 15a Chain Avenue, Montague Gardens, Cape Town, South Africa.
27 Sancova 50, 811 04 Bratislava, Slovakia.
28 4 Korolenkivska str., Kiev, Ukraine.
29 25392 Commercentre Drive, Lake Forest, California 92630, US.
30 1209 Orange Street, Wilmington, Delaware 19808, US.
31 800 South Gay Street, Suite 2021, Knoxville, Tennessee 37929, US.
32 388 State Street, Suite 20, Salem, Oregon 97301, US.
33 1300 E. Ninth Street, Cleveland, Ohio 44114, US.
34 351 W. Camden Street, Baltimore, Maryland 21201, US.
35 208 S. LaSalle Street, Suite 814, Chicago, Illinois 60604, US.
36 3330 Millington Road, Beloit, Wisconsin 53511, US.
37 251 E. Ohio Street, Suite 1100, Indianapolis, IN, 46204, US.
38 3400 Millington Road, Beloit, Wisconsin 53511, US.
39 Suite 3600, 55 King Street West, Toronto-Dominion Bank Tower, Toronto, M5K 1N6, Ontario, Canada.
40 66 Wellington Street, Toronto-Dominion Bank Tower, Toronto, Ontario, M5K 1N6, Canada.
41 Carr. Panamericana, Salamanca Km 11.2, 36660 Irapuato, Guanajuato, Mexico.
42 Rua Cristiano Alves da Silva, 15 Parque Jussara, Tres Coracoes MG, Brazil.
43 Av. Djalma Batista, no. 1661, Millennium Shopping Mall, Business Tower, Cidade De Manaus, Estado do Amazonas, Brazil.
44 Rua Vinte e Um de Abril, 221 - Rod. Raposo Tavares Km 30,9 - Jardim Barro Branco, Cotia - SP, Brazil.
45 200 metros al este del Banco Nacional en la Uruca Contiguo a la Bomba Shell, San José, Costa Rica.
46 Isidora Goyenechea 2800, Piso 43, Las Condes, Santiago, Chile.
47 CR 7 NO. 71 52 TO A P 5, Bogotá, Colombia.
48 No 618, Moo 4, Bangpoo Industrial Estate, Praksa Sub District, Muang District, Samutprakarn Province, Thailand.
49 GF/SFB#1, Mactan Economic Zone 1, Lapulapu City, Cebu, Philippines.
50 P. Suico St., Tabok, Mandaue City, Cebu, Philippines.

37. **Principal subsidiaries** (continued)

Registered Office *(continued)*

51 8 Biomedical Grove, #02-01/04 Neuros, Singapore 138665, Singapore.

52 Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor, Malaysia.

53 Lot 41, Lengkuk Keluli 1, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor, Malaysia.

54 Kamiyacho Sankei Building. 2F, 1-7-2, Azabudai 1-chome, Minato-ku, Tokyo 106-0041, Japan.

55 Renhne Industry Zone, Jiulong Village, Hangzhou, China.

56 Room 248, Ximmao Building, 2 Tai Zhong Road South, Waigaoqiao Free Trade Zone, Shanghai, China.

57 North side of Xiang, Jiang Road, RuDong County, Nantong, China.

58 JL Industri Utama Blok SS No. 6, Jababeka II Mekarmukti, Cikarang Utara, Bekasi 17520, Indonesia.

59 17th Floor, Nirmal Building, Nariman Point, Mumbai 400 021, India.

60 Theing Road, Phillaur, 144410, District Jalandhar, Punjab, India.

61 No 8 Holker Street, Newington, NSW 2127, Australia.

62 11-13 Bell Avenue, Otahuhu, Auckland, New Zealand.

SUPPLEMENTARY INFORMATION

(NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

FINANCIAL DEFINITIONS

1. Revenue

Continuing volume growth

This represents the sales volume growth year-on-year from ongoing business, excluding volumes from acquisitions net of disposals and rationalisation volumes. A full reconciliation to reported revenue growth is detailed in the revenue reconciliation below.

Rationalisation volumes

This represents volumes exited by the Group due to significant restructuring of production across the Group's manufacturing sites. A full reconciliation to reported revenue growth is detailed in the revenue reconciliation below.

Revenue Reconciliation

	Continuing volume growth	Price decreases	Transaction currency	Rationalisation volumes	Like-for-like growth	Translation currency	Acquisitions / Disposals	Reported revenue growth
Ingredients & Flavours	3.4%	(0.5%)	(0.1%)	(1.2%)	**1.6%**	(1.7%)	0.3%	**0.2%**
Consumer Foods	(0.7%)	(0.6%)	0.1%	(1.8%)	**(3.0%)**	2.5%	(5.3%)	**(5.8%)**
Group	2.4%	(0.5%)	(0.1%)	(1.4%)	**0.4%**	(0.5%)	(1.3%)	**(1.4%)**

2. EBITDA

EBITDA represents earnings before finance income and costs, income taxes, depreciation (net), intangible asset amortisation and non-trading items.

3. Trading Profit

Trading Profit refers to the operating profit generated by the businesses before intangible asset amortisation and gains or losses generated from non-trading items. Trading Profit represents operating profit before specific items that are considered to hinder comparison of the trading performance of the Group's businesses, either year-on-year or with other businesses.

4. Non-trading Items

Non-trading items refers to gains or losses on the disposal of businesses, disposal of assets (non-current assets and assets classified as held for sale), costs in preparation of disposal of assets, material acquisition transaction costs and material acquisition integration and restructuring costs. It is determined by management that each of these items relate to events or circumstances that are non-recurring in nature.

5. Operating profit

Operating profit is profit before income taxes, finance income and finance costs.

6. Other external charges

Other external charges primarily refers to selling, general and administrative expenses.

7. Other operating charges

Other operating charges primarily refers to manufacturing and warehousing costs.

8. Adjusted Earnings Per Share

In addition to the basic and diluted earnings per share, an adjusted earnings per share is also provided as it is considered more reflective of the Group's underlying trading performance. Adjusted earnings is profit after taxation before brand related intangible asset amortisation and non-trading items (net of related tax). These items are excluded in order to assist in the understanding of underlying earnings.

	2014 EPS cent	2013 EPS cent
Basic earnings per share	**273.0**	48.0
Brand related intangible asset amortisation	**8.2**	9.4
Non-trading items (net of related tax)	**(2.3)**	200.5
Adjusted earnings per share	**278.9**	257.9

A full reconciliation of this calculation is provided within note 9 of the consolidated financial statements.

9. Free Cash Flow

Free Cash Flow is seen as an important indicator of the strength and quality of the business and of the availability to the Group of funds for reinvestment or for return to shareholders. Movement in average working capital is used when calculating free cash flow as management believes this provides a more accurate measure of the increase or decrease in working capital needed to support the business over the course of the year rather than at two distinct points in time. Movement in average working capital measures more accurately fluctuations caused by seasonality and other timing factors. Below is a reconciliation of free cash flow to the nearest IFRS measure which is 'Net cash from operating activities'.

	2014 €'m	2013 €'m
Net cash from operating activities	**469.0**	459.2
Difference between movement in average working capital and movement in year end working capital	**20.1**	24.6
Expenditure on acquisition integration and restructuring costs	**74.5**	104.8
Purchase of assets	**(274.1)**	(190.2)
Proceeds from the sale of property, plant and equipment	**15.9**	12.8
Capital grants received	**0.8**	0.7
Exchange translation adjustment	**(3.3)**	0.2
Free cash flow	**302.9**	412.1

10. Net debt:EBITDA ratio

The net debt:EBITDA ratio disclosed is calculated using an adjusted EBITDA and an adjusted net debt value to adjust for the impact of non-trading items and acquisitions net of disposals undertaken in the year. As outlined on page 124, this ratio is calculated in accordance with lender's facility agreements and these agreements specifically adjust for these items from the calculation.

11. Return on Average Equity (ROAE)

This measure is defined as profit after tax before non-trading items (net of tax) and brand related intangible asset amortisation expressed as a percentage of average equity. Average equity is calculated by taking the average of the opening and closing shareholders' funds over a 12 month period plus an additional €528m relating to goodwill written off to reserves pre conversion to IFRS.

12. Return on Average Capital Employed (ROACE)

This measure is defined as profit after tax before non-trading items (net of tax), brand related intangible asset amortisation and finance income and costs / Average Capital Employed. Average capital employed is calculated by taking the average of the opening and closing shareholder's funds and net debt over a 12 month period plus an additional €528m relating to goodwill written off to reserves pre conversion to IFRS.

13. Cash Flow Return on Investment (CFROI)

CFROI is calculated as free cash flow before finance costs (net) expressed as a percentage of average capital employed. Average capital employed for the CFROI calculation is the same as that used for ROACE.

14. Total Shareholder Return (TSR)

TSR is defined as the total return of a share to an investor (capital gain plus dividends).

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