Global leadership : Local application

Kerry Group Annual Report & Accounts
2007

KERRY

2007

at a glance

Sales revenue increased by 6.7% on a like-for-like basis to

€4.8 billion

EBITDA* a record

€500m

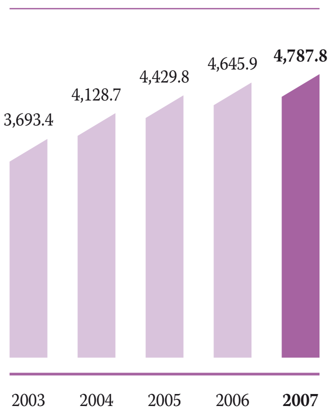
Final dividend per share up 11.2% to

13.9 cent

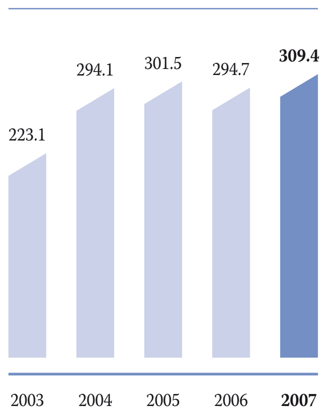
Free cash flow of

€257m

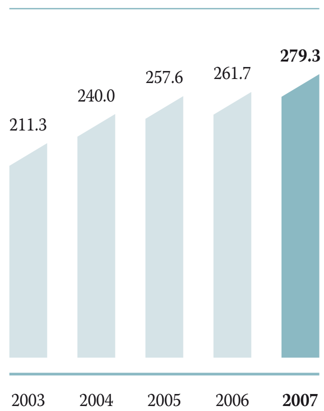
Revenue
(€ million)



Profit Before Taxation and Non-Trading Items
(€ million)



Cash (EBITDA*) Per Share
(cent)



Corporate Mission

Kerry Group will be

- a world leader in food ingredients and flavours serving the food and beverage industry, and
- a leading supplier of added value brands and customer branded foods to the Irish and UK markets.

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

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.

Trading profit up 7.4% on a like-for-like basis to

€401.1m

Adjusted EPS* up 7.4% to

143.8 cent

R&D investment increased to

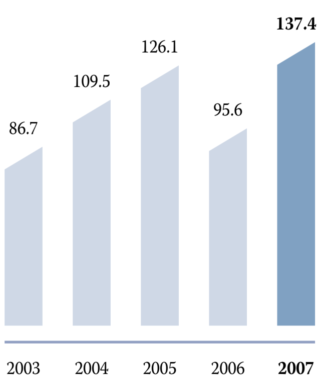
€145m

*Before intangible asset amortisation and non-trading items

Note: 2003 is presented under Irish/UK GAAP and has not been restated to IFRS

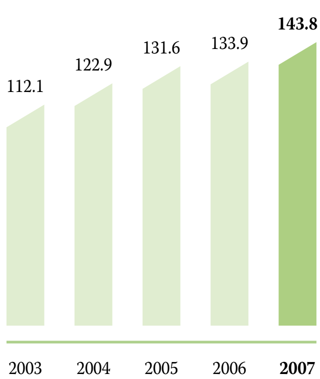
Earnings Per Share

After Intangible Asset Amortisation and Non-trading Items (cent)



Earnings Per Share

Before Intangible Asset Amortisation and Non-trading Items (cent)



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Chairman's Statement

Denis Buckley, Chairman

2007 has been another successful year for Kerry. The Group achieved a good all round business performance and good organic growth notwithstanding the inflationary input cost environment. Our solid performance against a background of sustained energy and raw material cost inflation is testament to Kerry's technological and marketing capabilities in responding to rapidly changing market dynamics and consumer trends. It also reflects the strengths of our valued customer partnerships in developing integrated solutions for sustained growth in global food and beverage markets.

Results

Like-for-like sales revenue grew by 6.7% to €4.8 billion. Earnings before finance costs, tax, non-trading items, depreciation and amortisation increased to a record €500m. Trading profit increased to €401.1m which represents like-for-like growth of 7.4% year-on-year. Adjusted earnings per share also increased by 7.4% to 143.8 cent.

Strategic Development

Kerry made good progress in 2007 in strengthening its ingredients and flavours technologies and in the further development of the Group's applications capabilities and enterprise sales platforms in global food and beverage markets. Good growth was achieved in all business regions and management's focus on business efficiency enhancement programmes also contributed significantly to our solid trading performance. Sustained growth was also achieved in the Group's consumer foods categories in the Irish and UK markets with a good response to innovation and continued investment in Kerry Foods' leading brands. Details of the performances of Group businesses in 2007 are given in the Chief Executive's Review and in the Business Reviews of this report.

Dividend

The Board recommends a final dividend of 13.9 cent per share, an increase of 11.2% on 2006. Together with the interim dividend of 6.1 cent per share, this raises the total dividend for the year to 20 cent per share, an increase of 11.1% on the previous year. The final dividend will be paid on 23 May 2008 to shareholders registered on the record date 18 April 2008.

Board and Management Changes

On 31 December 2007, Hugh Friel, who was Chief Executive of the Group since January 2002, retired as Chief Executive and Director of the Group and was succeeded by Chief Executive Designate Stan McCarthy. An Executive Director of the Group since 1999, Stan McCarthy was President and CEO of Kerry Ingredients Americas since 1996, having served in a number of senior management positions since joining the Kerry organisation through its Graduate Recruitment Programme in Ireland in 1976.

On behalf of the Board, I would like to pay tribute to Hugh Friel on his retirement in recognition of his enormous personal contribution to the development of the Kerry organisation. As part of the leadership team of Kerry since its establishment, Hugh's talent for business organisation and development has greatly contributed to Kerry's growth and success throughout global markets. He played a pivotal role in the Group's acquisition strategy and in its execution which has led to the successful multi-national food ingredients & flavours and consumer foods organisation that we have today.

Denis Cregan, who was also part of the leadership team of Kerry since its establishment, will step down as Deputy Chief Executive of the Group and as an Executive Director of the Company following the Annual General Meeting on 13 May 2008. Denis will remain with the Company on a contractual basis until the end of 2009 to assist the Chief Executive in alignment of the Group's global food ingredients, bio-science and flavours businesses.

Prospects

The Chief Executive's Review reports management's comments on the outlook and future prospects for the Group. I believe our focused strategy and successful business model will continue to deliver good organic growth in global ingredients and flavours markets and in our selected chilled foods' categories of the UK and Irish markets.

On behalf of the Board, I would like to thank all Group management and employees for their contribution to Kerry's successful performance in 2007.

Denis Buckley

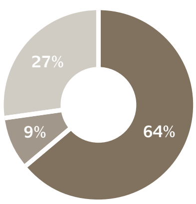
Denis Buckley, Chairman
25 February 2008

Chief Executive's Review

Stan McCarthy, Chief Executive

Kerry recorded a solid group-wide performance and good organic growth in 2007, a year when unprecedented raw material and energy related cost increases posed serious challenges for the global food and beverage industries. Working closely with our customers, Kerry successfully managed the inflationary input cost environment through prudent pricing actions and a range of supply chain efficiency improvements.

Group Revenue by Destination



Europe 64%
Asia Pacific 9%
Americas 27%

Analysis of Revenue and Trading Profit 2007

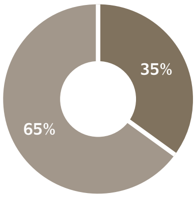
Revenue	Ingredients & Flavours	€3,310m
	Consumer Foods	€1,819m
Trading Profit	Ingredients & Flavours	€310m
	Consumer Foods	€119m

Strong market trends towards all-natural healthier ingredients and product labelling continue to create significant opportunities for Kerry's ingredients and flavour technologies. In 2007 the Group focused critical attention on aligning its global infrastructure, comprising ingredients, flavours and bio-science technologies and application teams, to best serve our customers and Kerry in growing their businesses. By leveraging the maximum synergies from this industry leading technological base, considerable progress has already been achieved in American markets. Work programmes have also commenced in EMEA and Asia-Pacific markets to maximise value through effective application of all Group technologies in a strategic approach to servicing customer needs and markets. In addition we have continued to invest in productivity advancements and in facility consolidations.

In the Group's selected consumer foods' categories in the UK and Irish markets, our brands have again performed very well – outperforming market growth rates in key convenience and food-to-go sectors. Significant investment in our brands and in product development has achieved good category positioning for Kerry and its customers.

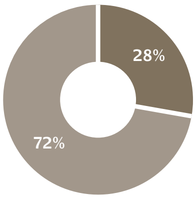
Group expenditure on research, development and applications increased to €145m in 2007. A strong innovation pipeline continued to support the successful commercialisation of new product concepts, recipes and consumer food and beverage offerings.

Revenue



Consumer Foods 35%
Ingredients & Flavours 65%

Trading Profit



Consumer Foods 28%
Ingredients & Flavours 72%

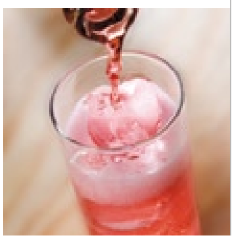
Results

Total Group sales revenue increased to €4.8 billion in 2007. This reflects like-for-like revenue growth of 6.7% when account is taken of acquisitions, business disposals and exchange rate effects.

Despite the prevailing currency and inflationary input cost environment, trading profit increased from €383.7m in 2006 to €401.1m reflecting like-for-like growth of 7.4% year-on-year. Kerry's success in working closely with its customers to manage the significant cost pressures and its focus on organisational change to maximise business efficiencies resulted in a 10 basis point improvement in the Group trading margin to 8.4%. Trading margins in the Group's ingredients and flavours businesses were held at 9.4% and margins in consumer foods advanced by 10 basis points to 6.6%.

Profit before tax increased by 35% to €298m. Group profit after taxation, finance charges and non-trading items increased by 38% to €246m. Adjusted earnings per share increased by 7.4% to 143.8 cent.

Kerry holds an unrivalled position as a leading ingredients and flavours supplier to the food and beverage industries globally and our consumer foods businesses in the UK and Ireland have successfully attained leading brand positioning and consumer preference.



Business Reviews

Ingredients & Flavours

Kerry is a world leader in food ingredients and flavours serving the food and beverage industry. In 2007 the division performed well in all regions delivering solid growth, offsetting the spike in raw material and energy related cost increases. Total sales revenue increased by 5.6% to €3,310m reflecting like-for-like growth of 7.8% when adjusted for currency translation, acquisitions and business disposals impact. On a like-for-like basis trading profits grew 7.6% to €310m, maintaining a trading margin of 9.4% despite the difficult cost environment.

In American ingredients and flavours markets sales revenue in 2007 grew to €1,310m which represents 7% like-for-like growth on the prior year level. European ingredients and flavours delivered good growth and maintained trading margins in 2007 against a background of substantial raw material cost inflation and an intensely competitive trading environment. Sales revenue increased to €1,339m, which reflects like-for-like growth of 4.6%. In Asia-Pacific markets the Group again achieved excellent results and strong regional market development in 2007. Sales revenue increased by 17.1% to €425m, reflecting like-for-like growth of 17.3%.

Denis Cregan
Deputy Chief Executive and CEO Kerry Ingredients

Flor Healy
CEO Kerry Foods

Brian Mehigan
Chief Financial Officer

Consumer Foods

Despite accelerating input cost inflation and a highly competitive UK and Irish market environment in 2007, the Group's consumer foods businesses delivered a robust performance, with strong brand and category growth year-on-year. Having divested primary meat processing operations at year-end 2006, sales revenue in 2007 at €1,819m reflects like-for-like growth of 5.6%. Trading profits increased to €119m which represents like-for-like growth of 6.4% year-on-year. Health and nutrition considerations increasingly transcend all food categories as consumers pursue a holistic approach to diet, lifestyle and health issues. Kerry Foods' focus on innovation and premiumisation in its branded and selected own label chilled growth categories contributed strongly to its successful performance in such a challenging environment in 2007.

Geographic Markets

Total Group sales revenue throughout European markets in 2007 grew by 5.3% on a like-for-like basis to €3,054m. In American markets, the Group's ingredients and flavours businesses increased sales revenue by 7% on a like-for-like basis to €1,310m. Sales revenue in Asia-Pacific markets increased by 17.3% on a like-for-like basis to €425m.

Finance

Earnings before finance costs, tax, non-trading items, depreciation and amortisation (EBITDA) increased to a record €500m. After allowing for an increase in working capital of €38m, capital expenditure of €89m (net of proceeds from asset disposals), finance payments of €79m and tax of €37m, free cash flow available to the Group was €257m. The consistent strong cash generation performance of the Group has delivered over €1.5 billion free cash in the last six year period.

Expenditure on Group acquisitions amounted to €79m (2006 : €113m). Net debt at year-end amounted to €1,279m compared to €1,194m at the end of 2006. Net debt to EBITDA increased slightly to 2.6 times (2006 : 2.5 times). Finance costs were €79.1m compared to the 2006 level of €76.9m, with EBITDA to net interest covered 6.1 times (2006 : 6.2 times). The Group used its share buy-back programme authorisation to purchase 10.8 million shares at a cost of €232m in 2007.

Future Prospects

Looking forward, our focused strategy, successful business model and strong management resource gives us full confidence in the Group's ability to deliver sustainable revenue and earnings growth in 2008 and beyond. Kerry holds an unrivalled position as a leading ingredients and flavours supplier to the food and beverage industries globally and our consumer foods businesses in the UK and Ireland have successfully attained leading brand positioning and consumer preference.

The Group has excellent prospects for business development by leveraging its competitive advantages through its industry leading technological, geographical and customer positioning. Top line growth will be enhanced by global implementation of a programme, already well advanced in American markets, to re-align the Group's ingredients, bio-science and flavours businesses around core technology platforms and application teams to best service customer requirements.

In Kerry's consumer foods businesses, continued investment in our brands and selected private label growth categories, coupled with active product development programmes, will continue to contribute good growth for the Group and its retail customers.

By capitalising on such opportunity and exploiting its strong financial and management resources, the Group plans to grow from its current €5 billion base to €10 billion through strong organic growth and value enhancing acquisitions in the next five to six years. The Group has made a good start to 2008 and expects to grow earnings for the full year to a range of 151 cent to 155 cent per share.

Stan McCarthy, Chief Executive
25 February 2008

Kerry has excellent prospects for business development by leveraging its industry-leading technological, geographical and customer positioning.

Kerry's on-going investment in its technology platforms, culinary resources and sensory services, optimising taste delivery and product innovation, continues to enhance the Group's customer partnerships with major food and beverage companies globally.

Business Review Ingredients & Flavours

Kerry is a world leader in food ingredients and flavours serving the food and beverage industry. In 2007 the division performed well in all regions delivering solid growth, offsetting the spike in raw material and energy related cost increases. Total sales revenue increased by 5.6% to €3,310m reflecting like-for-like growth of 7.8% when adjusted for currency translation, acquisitions and business disposals impact. On a like-for-like basis trading profits grew 7.6% to €310m, maintaining a trading margin of 9.4% despite the difficult cost environment.

In American ingredients and flavours markets sales revenue in 2007 grew to €1,310m which represents 7% like-for-like growth on the prior year level. Considerable progress was achieved in broadening Kerry's 'go-to-market' strategy to include all the Group's food and beverage ingredients, bio-science and flavours businesses operating in American markets. Through this more strategic approach to servicing customers and markets, significant opportunity exists to enhance development and growth through application of Kerry's unrivalled range of technologies. To-date this approach has contributed increased growth levels at major customer accounts. The work programme to align technologies and business infrastructure to facilitate enterprise wide selling will continue in 2008.

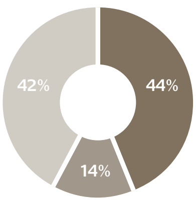
Kerry develops, manufactures and delivers technology-based ingredients, flavours and integrated solutions for the food and beverage industries globally.

Demand for natural, healthy foods with great taste continues to provide strong growth opportunities for Kerry's innovative ingredient systems in the ready-to-eat cereal and nutrition sectors. While growth in the nutritional bar market plateaued, synergies through Kerry technologies led to satisfactory growth in the category. In the bakery sector, assisted by the Custom Industries acquisition completed in 2006, Kerry grew market share through its sweet ingredient technologies, emulsifiers, enzymes and natural high-fibre ingredients. Sweet applications in the U.S. ice-cream market were adversely impacted by lower sectoral sales as a result of the significant increase in dairy raw material prices. In November, the Group acquired Can Pan Candy Inc, located in Mississauga, Canada, a manufacturer of confectionery inclusions and toppings. In December, the Group also acquired QA Products based in Elk Grove Village, Chicago. Both acquisitions strengthen Kerry's range of sweet ingredients technologies for the bakery and frozen desserts markets in North America.

Kerry's cheese and dairy, culinary and savoury flavours achieved good growth through complete sauces particularly in the chilled/frozen premium meals and meal components category. Successful market development has also been achieved in the soups and dressings segments.

In savoury systems and coatings, despite the spike in grain prices in 2007, Kerry grew sales volumes satisfactorily due to its industry leading application expertise, quality and customer service.

Ingredients & Flavours
Revenue by Destination



Europe 44%
Asia Pacific 14%
Americas 42%

Ingredients & Flavours	2007	2006
Revenue	€3,310m	€3,134m
Trading Profit	€310m	€293m

Seasonings also achieved positive growth through application in new product launches and growth in foodservice chain accounts. In November, the Group acquired Presco Food Seasonings based in Flemington, New Jersey – a supplier of customised premium seasonings and flavour products to the meat and snack industries including the natural and organic sectors.

Jet® smoothies and Da Vinci Gourmet coffee syrups achieved good growth through speciality coffee and club store channels. New coffee syrup lines and specialty beverage mixes were successfully custom developed for leading coffee house and restaurant chains. Golden Dipt® brand coatings faced significant margin challenges due to the surge in wheat costs. In the nutritional beverage sector, the aseptic beverages facility in St. Claire, Quebec continued to achieve good top-line growth. Soy protein and infant nutrition applications also provided good growth opportunities in 2007.

The continuing trends towards healthier food and beverage products drove growth for the Group's natural and organic flavour ranges, freeze dried fruit ingredients and flavour modulation systems in American markets. Innovative fresh citrus flavour products developed at the SunPure Centre of Excellence in Florida also achieved good results.

In Latin American markets Group businesses were also re-aligned into one business unit in 2007 to maximise business development opportunities through global and regional customer accounts. Functional dairy replacement systems achieved strong growth in South American markets due to the level of dairy raw material price increases. The rapid expansion of regional foodservice markets, particularly speciality coffee-house chains, has generated good opportunities for Kerry's beverage systems and technologies.

Kerry's yeast technologies also delivered high double digit growth in the cell nutrition sector in American markets in 2007. The cell nutrition laboratory facilities in New York were significantly expanded to provide for sectoral growth opportunities. A number of new protein based product ranges were successfully launched, including UltraPep Soy® – a unique technology advance in protein hydrolysates.

Notwithstanding a substantial increase in raw material costs, strong growth was achieved in the pharma sector through new product line introductions by Sheffield™ Pharma Excipients and the commencement of a global sales and marketing agreement.

Culinary applications again provided excellent growth opportunities for Kerry's range of ingredient and flavour technologies as consumers increasingly demand improved ingredient declarations and more authentic natural food tastes.

In American fragrance markets, Manheimer delivered good growth in home-environmental and personal care applications. New business gains were achieved through increased focus on development of natural and organic fragrances and creative perfumery.

European ingredients and flavours delivered good growth and maintained trading margins in 2007 against a background of substantial raw material cost inflation and an intensely competitive trading environment. Sales revenue increased to €1,339m, which reflects like-for-like growth of 4.6%.

Culinary applications again provided excellent growth opportunities for Kerry's range of ingredient and flavour technologies as consumers increasingly demand improved ingredient declarations and more authentic natural food tastes. Kerry's investment in culinary applications including natural stocks, bouillons, pastes and purees led to good market gains in the prepared foods, soups, pizza, sandwich and bakery sectors. Commercialisation of key R&D initiatives in coatings and savoury applications in chilled foods growth categories compensated for flat volumes in the frozen segment.

Significant progress was achieved in 2007 in European savoury markets through further supply chain initiatives and increased investment in production and development facilities to cater for market growth sectors. A new crumb line was commissioned at the Blendecques facility in France to enable the business to service customer requirements in France and the Benelux markets more efficiently.

Changing lifestyle, demographic, travel and leisure trends continue to increase consumer demand for more varied, tasteful, convenient, nutritional food and beverage products.

With heightened awareness of balanced dietary requirements and healthy lifestyles, Kerry technologies and product offerings are well positioned to lead innovation and development in response to changing consumer needs.



To facilitate product enhancement through advanced manufacturing technologies, a new coatings line was also established at the Gainsborough plant in the UK and the Broxburn facility in Scotland was closed. Phase 1 of an investment programme at the Olesnica site in Poland was also completed, expanding applications capabilities to meet growth requirements in Eastern European markets. To assist market development in Russia, a new Representative Office and applications facility was also established in Moscow. Kerry's performance in the European snack sector was satisfactory despite strong sectoral input cost pressures.

In the beverage sector, a new application facility was established in Almere, the Netherlands which, coupled with increased investment in research, has significantly strengthened Kerry's capability to support European customers in providing effective solutions to meet rapidly changing market requirements. Strong double digit growth was achieved with notable success in expanding the product portfolio into the wine sector, augmenting continued growth in the brewing industry. Production capacity at the Menstrie facility in Scotland was again increased to meet sectoral growth requirements. Mastertaste botanical flavour systems also achieved good growth in European beverage markets, in particular in the tea category.

The growth in consumer demand for natural products and health ingredient lines continues to provide favourable growth opportunities for the Group's enzymes facility located in Ireland, through assisting food processors in salt, sugar, fat and allergen reduction. Raw material cost pressures restricted revenue and profit growth through emulsifier applications in European markets in 2007. However successful product launches and good market development in the dairy and confectionery markets have established good platforms for growth.

The significant upturn in international dairy market conditions in 2007 led to a substantial increase in returns to milk producers and a good recovery in dairy processor margins. Increased global demand for dairy products coupled with low inventory levels contributed strongly to the market improvement and performance of Kerry's Irish milk processing operations. Further progress has been made in the development and commercialisation of dairy ingredients with specific flavour benefits. Progress was achieved in nutritional growth sectors by combining and gaining synergies from Kerry's protein and nutrition technologies. Through collaboration with the Group's Nutrition Technical Centre in Almere, Kerry Dairy Ingredients expanded its direct linkages with leading Research Institutes and successfully developed pre-clinical data and clinical studies to validate efficacy of ingredient systems.

Further progress has been made in the development and commercialisation of dairy ingredients with specific flavour benefits. Progress was achieved in nutritional growth sectors by combining and gaining synergies from Kerry's protein and nutrition technologies.

Kerry also recorded a considerable improvement in the performance of its sweet and fruit ingredients businesses in Europe. In chilled dairy markets good growth was achieved through fruit preparations, sauces and sweet inclusions into gourmet desserts. Premium fruit fillings achieved good progress in the confectionery and biscuit categories and also in confectionery and fruit sauce foodservice applications. Beverage applications including smoothies, flavoured syrups and sauces continued to provide excellent growth opportunities, particularly through food-to-go and foodservice channels. In the fruit inclusions sector, a strong innovation pipeline saw encouraging growth through dried infused fruit ranges for the ready-to-eat cereal and snack sectors. Strong organic growth was achieved in the European sweet ingredients markets, including the dairy and breakfast cereal markets where yoghurt coated cereals and cluster ingredients performed well. The acquisition of Titusfield Limited, located in the UK, during the year further strengthens Kerry's position as a leading provider of cereal extrusion products, inclusions and coatings for dairy and confectionery markets.

Kerry also continued to successfully develop its strategic partnerships with bio-pharma companies in Europe in 2007. This contributed to double digit growth in protein technologies for cell nutrition. An expanded product portfolio also assisted strong growth through excipient applications in European, Middle Eastern and African markets.

In Asia-Pacific markets the Group again achieved excellent results and strong regional market development in 2007. Sales revenue increased by 17.1% to €425m, reflecting like-for-like growth of 17.3%.

Asian markets continue to exhibit strong growth potential. In the healthy snack sector, Kerry technologies grew by 18% year-on-year outperforming market growth rates for functional ingredient systems. Culinary systems also provided good growth in line with demand for convenient meal solutions. Cheese and dairy flavours delivered strong growth particularly through prepared sauces for QSR markets. In December, Kerry acquired Singapore based Fountainhead Manufacturing, a speciality liquid sauce manufacturer of western and ethnic sauces, dips and dressings for QSR and foodservice applications. Due to the buoyancy of international dairy commodity markets in 2007, Kerry's technological strengths in development of functional dairy blends delivered high double digit growth. The strength of regional bakery, confectionery and dairy markets also provided good growth platforms for Kerry's emulsifier technologies. Expansion of the Esterol production facility is on-going to meet the regional growth in demand. As markets across the region continue to add value and adopt western style trends, Kerry's coatings and seasonings technologies are assisting meat processors in development of value-added products such as microwaveable, pre-marinade meats and ready meals.

The Group's branded speciality beverage products again made excellent progress in 2007 as the 'coffee culture' continues to develop in major population centres and global chains progress regional expansion strategies. Beverage applications grew strongly in Japan, Korea, Malaysia, the Philippines and in China as the market continues its rapid development ahead of the Beijing Olympic Games in 2008.

China saw strong growth through customised solutions for the ice-cream industry and through snack offerings for the fast-growing QSR sector. Incorporating speciality dairy proteins developed in Ireland, Kerry also achieved good growth in the nutritional sector in China with the successful launch of finished formulas. The Group's branded speciality beverage products again made excellent progress in 2007 as the 'coffee culture' continues to develop in major population centres and global chains progress regional expansion strategies. Beverage applications grew strongly in Japan, Korea, Malaysia, the Philippines and in China as the market continues its rapid development ahead of the Beijing Olympic Games in 2008. New product introductions in 2007 included a yoghurt frappease base incorporating Kerry's dairy technologies and a range of fruit teas utilising Mastertaste's unique freeze dried flavour technology. Kerry Bio-Science also achieved good growth through new brewing concepts and technology introductions into target customers within the region. The global applications capability of the beverage business unit was further enhanced with establishment of a new beverage application centre and expertise in Shanghai. In October, the Group also acquired Shanghai Vega Flavours and Fragrance to provide flavour development and manufacturing support for Kerry's regional and global customers in the dairy, beverage and confectionery sectors. Sheffield Pharma Ingredients also made good progress in Asia as leading global pharmaceutical companies continue to establish regional manufacturing bases.

In Australia and New Zealand, Kerry's total ingredients portfolio recorded double digit growth year-on-year. Beverage performed extremely well driven by continued expansion in distribution and penetration of Da Vinci branded syrups and sauces in both the independent café sector and key chain accounts. Continued growth of the ice blended beverage category resulted in further strong growth of fruit and dairy bases for smoothie and frappé applications. Seasonings and coatings also achieved double digit growth in the poultry and industrial food processing sectors. 2007 also saw the successful introduction of new technologies, including a range of cereal products targeted at the growing health and nutritional snack bar sectors and a composite range of wet culinary systems.

In the Australian bakery sector Kerry Pinnacle continued to adapt well to market changes with growth in the franchise bakery and the fast growing lifestyle bakery market. In July the Group acquired Melbourne based Sugar and Spice to assist in growing Kerry Pinnacle's market share in the lifestyle bakery segment by bringing a full range of donuts, cakes, profiteroles and slices to its broad customer base including supermarkets and shop chains.

Kerry has worldwide industry-leading capabilities to meet demands for high-protein, high-energy, tasty, naturally flavoured, functional, organic, wellness or indulgence products – while also meeting today's requirements for convenience and food safety.

Kerry Food's brands are household names in the UK and Irish markets. Our ability to respond creatively and effectively to consumer requirements continues to contribute significant mutual advantage to retailers and the Group's consumer foods businesses.

Business Review Consumer Foods

Kerry Foods is a leading supplier of added-value branded chilled foods and selected customer branded offerings in Ireland and the UK. Despite accelerating input cost inflation and a highly competitive UK and Irish market environment in 2007, the Group's consumer foods businesses delivered a robust performance, with strong brand and category growth year-on-year.

Having divested primary meat processing operations at year-end 2006, sales revenue in 2007 at €1,819m reflects like-for-like growth of 5.6%. Trading profits increased to €119m which represents like-for-like growth of 6.4% year-on-year. Health and nutrition considerations increasingly transcend all food categories as consumers pursue a holistic approach to diet, lifestyle and health issues. Kerry Foods' focus on innovation and premiumisation in its branded and selected own label chilled growth categories contributed strongly to its successful performance in such a challenging environment in 2007.

In Ireland the Denny brand, supported by the 'Home is where you make it' TV advertising campaign, delivered a good overall performance. While there was a slight decline in sausage sales relative to strong year earlier comparatives, Denny rashers again outperformed category growth levels driven by a focus on superior quality. Denny Cooked Meats consolidated its category leadership position, with overall growth of 17% year-on-year and significant growth from the Denny Eat Healthy and Denny Carved ranges. The Ballyfree brand, supported by a new advertising campaign, also outperformed white meat category growth rates for its cooked meats range.

2007 saw another year of strong growth in the food-to-go category in Ireland. Pre-packed and deli-made sandwich markets continued to grow, with significant investment by retailers in their deli offerings. Freshways continues to be the No.1 pre-packed sandwich brand in Ireland, in a market which grew by 7% year-on-year. All Freshways brand measures showed significant improvement in response to a major brand investment and advertising programme. In response to consumer demand for more variety and new flavours, a number of new Limited Edition sandwiches and wraps were launched in addition to an expanded range of premium Gourmet sandwiches. Freshways furthered its offerings from a sandwich brand to a food-to-go brand with the successful launches of its Heat 'n Eat range (microwavable hot sandwiches) and Freshways Fruit Pots (portable, single serve, fresh fruit to eat on the go).

Health and nutrition considerations increasingly transcend all food categories as consumers pursue a holistic approach to diet, lifestyle and health issues. Kerry Foods' focus on innovation and premiumisation in its branded and selected own label chilled growth categories contributed strongly to its successful performance in 2007.

Consumer Foods	2007	2006
Revenue	€1,819m	€1,819m
Trading Profit	€119m	€118m

Kerryfresh, the foodservice business segment of Kerry Foods in Ireland, made tremendous progress in 2007 establishing itself as the leading supplier of chilled foodservice ingredients and food-to-go concepts to delicatessens, coffee shops and sandwich bars. Double digit growth was achieved in this dynamic sector which has sustained high levels of investment by symbol groups and independent entrepreneurs.

In the fast growing chilled juice market in Ireland, the key activity for Kerry's Dawn brand was continued support and investment in Dawn Benefits – a range of functional juices launched in 2006. Supported by strong TV and Radio campaigns, the Dawn share of the functional juices segment grew from 9.9% to 19.2% year-on-year. 2007 also saw the launch of Dawn Smoothies in take home (1 litre) format and the re-launch of its range of impulse smoothies.

With the significant increase in dairy raw material pricing, the fresh milk product category in Ireland was extremely competitive. However supported by a new marketing campaign Dawn Omega Milk performed well.

In the Irish bottled water market, the key highlights for 2007 include the launch of Kerry Spring XTRA, an award winning flavoured functional water for children. Kerry Spring maintained its position as the overall leader in the Irish flavoured water market despite increased competition in the sector.

In the cheese and spreads categories of the Irish and UK markets, Kerry Foods again performed well in terms of brand growth and positioning – outperforming market growth rates in most segments. Due to the significant price increases in dairy commodities and edible oils, cost recovery remains a key on-going focus for the division. Kerry Foods saw strong growth in the cheese category with total brands achieving good volume growth. Low Low which has been Ireland's fastest growing dairy brand in recent years, continued its successful growth programme – reaching the No.2 position in cheese for the first time. Charleville Cheese consolidated its position as Ireland's No.1 cheese brand with good growth year-on-year. EasiSingles benefited from a significant brand repositioning programme in the processed cheese slices category. In Northern Ireland the Coleraine brand also extended its market leadership position.

Kerry Foods saw strong growth in the cheese category with total brands achieving good volume growth. Low Low which has been Ireland's fastest growing dairy brand in recent years, continued its successful growth programme – reaching the No.2 position in cheese for the first time. Charleville Cheese consolidated its position as Ireland's No.1 cheese brand with good growth year-on-year.

While the UK cheese snacking sector declined slightly in 2007, Cheestrings performed well – further re-enforcing its market positioning as a healthy convenience snack offering. In France, Ficello which is now stocked by all major retailers continued to progress its market development. In the QSR sector, Kerry continued to develop its cheese and UHT offerings in 2007 with strong double digit volume growth.

Low Low and Kerrymaid continued to make good progress in the Irish spreads category. A new Omega line was added to the Low Low brand prior to year-end. Golden Cow performed strongly re-enforcing its position as the No.1 butter brand in Northern Ireland. In the UK private label spreads category, Kerry Foods further consolidated its market leadership position with growth through premium offerings and a strong emphasis on category management.

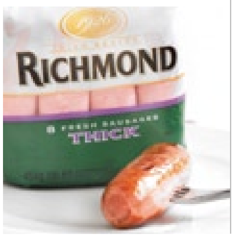
UK chilled food category growth continued to reflect consumer preference for more premium offers and on-the-go eating. The fresh sausage market again recorded strong value growth driven by continued trade up into more premium adult variants. Richmond remains the clear No.1 brand in the market with strong year-on-year growth in all formats. This performance was again assisted by significant brand investment and continuation of the highly effective 'Smile it's a Richmond' advertising campaign. Wall's remains the second largest brand in the UK where growth has been driven by double digit growth of Wall's Micro's. As the definitive brand choice

Freshways continues to make excellent progress towards its vision of being the number one fresh prepack food-to-go brand in Ireland. 2007 saw the successful launch of its Heat 'n Eat range (microwaveable hot sandwiches) and Freshways Fruit Pots (portable, single serve, fresh fruit to eat on the go.

Chilled ready meals saw another year of good growth in the UK market fuelled by a continued increase in the total number of households buying into the category and in frequency of purchase.

for premium consumers, Porkinson again achieved strong double digit annual growth. Against a background of continued decline in the frozen sausage segment, Richmond frozen again achieved satisfactory sales growth.

In 2007 Mattessons realised excellent growth through its major brand investment areas Fridge Raiders and Smoked Sausage. Fridge Raiders responded well to distribution increases and the launch of a new 'Chinese Spare Rib' variant. Turkey Rashers also showed encouraging growth in 2007 but sliced meats continued to be a very difficult UK market category. The decision by Mattessons to withdraw from unprofitable marketing activity and to focus its initiatives on the convenience sector has put the business in a stronger position for 2008.



Chilled ready meals saw another year of good growth in the UK market fuelled by a continued increase in the total number of households buying into the category and in frequency of purchase. Significant innovation also continues to broaden interest in the category where 'Healthily Balanced', British and Premium segments are showing the strongest growth. Kerry Foods 'Champneys' and 'The Food Doctor' healthy branded ranges entered their second year in the category, helping to drive the sectors' overall growth. The Bombay Brasserie Indian branded offering celebrated its 25th Anniversary with an expansion of the range and launch of a new marketing support programme.

UK chilled food category growth continued to reflect consumer preference for more premium offers and on-the-go eating. The fresh sausage market again recorded strong value growth driven by continued trade up into more premium adult variants. Richmond remains the clear No.1 brand in the market with strong year-on-year growth in all formats. Wall's remains the second largest brand in the UK where growth has been driven by double digit growth of Wall's Micro's.

While overall sales volumes in the UK frozen ready meals segment continued to decline year-on-year, the rate of decline slowed and the category achieved greater market stability and improved product pricing prior to year-end. Rye Valley Foods further consolidated its market leadership in the sector with the addition of licensing agreements for sale and manufacture of well established branded offerings.

The savoury pastry market showed satisfactory growth year-on-year. Kerry Foods outperformed subcategory growth rates through increased marketing support and new listings with key retailers. The new hot pie production line commissioned in March 2007 performed extremely well and was operating to full capacity by year-end.

Kerry Foods Direct to Store performed well in the UK convenience store sector. The business won important new customer listings and expanded its product range successfully in 2007. The Group's specialist foodservice business unit in the UK and Ireland also grew satisfactorily through distributor, pub, restaurant and coffee chain accounts.

Financial Review

The Financial Review provides an overview of the key influences on the Group's financial performance for the year ended 31 December 2007 and of the Group's financial position at that date. In addition, the following measures, which are considered key performance indicators of the Group's underlying performance, are also discussed:

– Adjusted earnings per share (EPS) growth
– Organic revenue growth
– Trading margin
– Free cash flow
– Return on investment

Accounting policies

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), applicable Irish law and the Listing Rules of the Irish and London Stock Exchanges. Details of the basis of preparation and the significant accounting policies of the Group are included in pages 48 to 53.

Analysis of results

Group revenue increased by 3.1% in 2007 to **€4.8bn** (2006: €4.6bn) while trading profit increased by 4.5% to **€401m** (2006: €384m). On a like-for-like basis this represents revenue growth of 6.7% and trading profit growth of 7.4%. Trading margin improved by 10 basis points to **8.4%** (2006: 8.3%) despite significant input cost inflation and currency headwinds. Adjusted EPS for the year was **143.8 cent**, representing an increase of 7.4% on 2006 adjusted EPS of 133.9 cent.

Revenue and operating profit

A comprehensive review of the revenue and operating profit for the Group's Ingredients & Flavours and Consumer Foods divisions is included in the Business Review on pages 8 to 21.

Non-trading items

During the year the Group continued the restructuring programme announced in September 2006. The net impact of restructuring activities, asset disposals and non-core business disposals in the Consolidated Income Statement was **€1.2m** (2006: (€59.2m)) after related tax. These activities had a positive net cash inflow (after related tax) of **€21.8m** (2006: €14.4m).

Finance costs

Finance costs for the year increased by €2.1m to **€79.1m** (2006: €76.9m), primarily as a result of the share buy back programme and higher interest rates. During 2007 the Group's average interest rate increased approximately 80 basis points to 6.1%, however strong cash flows generated by the business helped to mitigate this.

Taxation

The tax charge for the year, before non-trading items, increased by 11.7% to **€64.5m** (2006: €57.8m) which represents an effective tax rate of **20.8%** (2006: 19.6%). The increase in the effective tax rate is attributable to year-on-year changes in the geographical split of profits as well as changes in local statutory tax rates.

Dividends

The Board has proposed a final dividend of 13.9 cent per A ordinary share payable on 23 May 2008 to shareholders registered on the record date 18 April 2008. When combined with the interim dividend of 6.1 cent per share, the total dividend for the year increased by **11.1%** (2006: 12.5%).

Share buy back

The Group continued its share buy back programme during 2007 and acquired 10,841,400 shares at a cost of **€231.8m**. Since the start of the buyback programme in June 2006 the Group has acquired 13,641,400 shares at a cost of €280.3m.

Retirement benefits

The Group operates pension 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.

At 31 December 2007 the net deficit after deferred tax for all defined benefit schemes was **€76m** (2006: €122m).

Key performance indicators

Despite significant commodity cost inflation and the depreciation of the US dollar, the Group delivered a robust performance in 2007 with year-on-year improvement in all key performance indicators.

- **Adjusted EPS** growth is the year-on-year improvement in EPS before amortisation of intangible assets and non-trading items (net of related tax). In 2007 the Group's adjusted EPS increased by **7.4%** (2006: 1.7%). Commodity cost inflation, particularly in dairy, wheat and edible oils, combined with the weakening dollar, impacted performance. However the focus on cost recovery programmes along with the rationalisation of non-core activities has helped achieve another year of continued adjusted EPS growth.

- **Organic revenue growth**, which represents like-for-like growth after adjusting for acquisitions, disposals and the impact of foreign exchange translation was **6.7%** (2006: 3.6%). At divisional level, Ingredients & Flavours revenue grew **7.8%** (2006: 4.0%) organically while Consumer Foods' organic revenue growth was **5.6%** (2006: 1.5%). On a geographical basis, organic revenue growth by destination was **7.0%** (2006: 4.9%) in the Americas, **5.3%** (2006: 2.3%) in Europe and **17.3%** (2006: 10.1%) in Asia Pacific.

- **Trading margin** at Group level increased by 10 basis points to **8.4%** (2006: 8.3%). Management considers this a robust performance given the difficult trading environment experienced during 2007. Raw material inflation negatively impacted margin however this was offset through the benefits of growth and cost recovery programmes implemented during the year. Ingredients & Flavours margin at **9.4%** (2006: 9.4%) remained robust as successful cost recovery programmes, particularly in the Americas, offset the negative impact of rising input costs. Consumer Foods margin increased 10 basis points to **6.6%** (2005: 6.5%) as the benefits of its restructuring programme in particular came to fruition.

- **Free cash flow** is seen as an important indicator of the strength and quality of the business and the availability to the Group of funds for reinvestment or for return to the shareholder. In the period under review the Group achieved a free cash flow of **€257m** (2006: €241m), the fifth consecutive year with free cash flow in excess of €225m.

- **Return on investment** is measured by the Group in a number of ways however, primary among these, is the return on shareholders' equity. The return on average equity in 2007 was **14.0%** (2006: 13.8%).

Free cash flow

	2007 €m	2006 €m
EBITDA*	**500.1**	486.6
Increase in working capital	**(37.9)**	(46.4)
Net investment in non-current assets	**(88.6)**	(87.5)
Finance costs paid (net)	**(79.2)**	(76.6)
Income taxes paid	**(37.2)**	(35.0)
Free cash flow	**257.2**	241.1

*Earnings before finance costs, income taxes, depreciation (net), intangible asset amortisation and non-trading items (net of related tax).

Capital structure

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

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

At 31 December 2007 net debt was **€1,279m** (2006: €1,194m). Free cash flow of **€257m** (2006: €241m) was generated during the year and this was utilised as follows:

- Purchase of own shares of **€232m** (2006: €48m);
- Expenditure on acquisitions net of disposals including deferred consideration on prior year acquisitions of **€82m** (2006: €98m);
- Cash outflow on non-trading items of **€39m** (2006: €31m);
- Equity dividends paid of **€34m** (2006: €31m); and
- Proceeds received from the issue of shares of **€8m** (2006: €4m).

The net impact was an increase in borrowings of **€122m** (2006: decrease of €37m), which taken together with an exchange translation adjustment of **€66m** (2006: €50m) and a fair value movement on interest rate swaps of **(€29m)** (2006: (€6m)) resulted in an increase in net debt of **€85m** over 2006. The exchange translation adjustment in 2007 results primarily from borrowings denominated in US Dollars translated at a year end rate of 1.47 compared to 1.32 at the end of 2006.

Net debt is subject to seasonal fluctuations that can be up to 25% above year end debt levels. Group net debt peaked at just over €1,409m in July 2007.

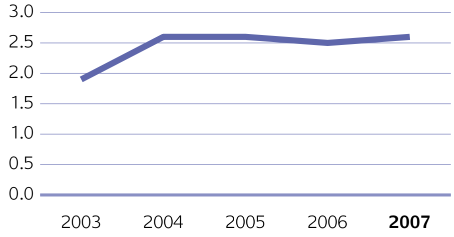
The majority of Group borrowings are subject to financial covenants calculated in accordance with lenders' facility agreements. Principal among these are:

- The ratio of net debt to EBITDA of a maximum 3.5 times; and
- EBITDA to net interest charge of a minimum 4.75 times.

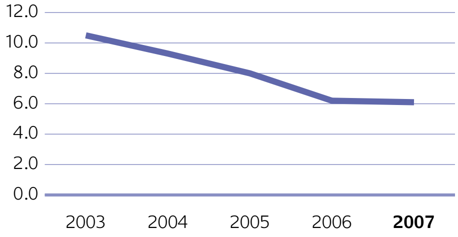
Group treasury monitors compliance with all financial covenants and at 31 December 2007 these ratios were as follows:

	2007 Times	2006 Times
Net debt: EBITDA*	**2.6**	2.5
EBITDA: Net interest*	**6.1**	6.2

Net Debt/EBITDA*



EBITDA/Net Interest*



*Calculated in accordance with lenders facility agreements.

Shareholders' equity decreased by €94m to **€1,229m** (2006: €1,323m) as the cancellation of shares relating to the share buyback offset profits generated and other reserve movements. The Group's shares traded in the range of €17.78 to €22.75 during the year and at 31 December 2007 market capitalisation was **€3.8bn** (2006: €3.5bn).

Full details of the Group's financial liabilities and cash and cash equivalents are disclosed in notes 17 and 28 to the financial statements and a full reconciliation of shareholders' equity is disclosed in note 23.

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 Group Internal Auditors. The Group operates a centralised treasury function, which manages the financial risks of the Group. The Group does not engage in speculative trading.

Further details relating to the Group's financial risks and its Financial Risk Management Programme are disclosed in note 28 to the financial statements.

Summary and financial outlook

The Group enjoyed a robust trading performance in the year ended 31 December 2007 with year-on-year improvement across all key performance indicators. With turnover of **€4.8bn**, trading profit of **€401m** and free cash flow of **€257m** the trading strength of the Group has never been stronger. The balance sheet is also in a healthy position and with a debt to EBITDA ratio of **2.6 times** is in a good position to finance the further growth plans of the organisation.

The Group looks forward to further financial growth and development in 2008.

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.

Corporate Social Responsibility

Kerry's mission is to be a responsible leader in the international food industry. The Group has worked systematically since its establishment to recognise its corporate social responsibilities. Our Corporate Mission statement provides a guiding framework for management and all employees in delivering Group Policy across all operations and worldwide activities.

Standards of Business Practice

Employees at all levels in the Group must adhere to Kerry's Standards of Business Practice and protect the Group's high reputation and integrity.

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.

Marketplace

Nutrition/Wellbeing

As a leading manufacturer and supplier of food ingredients and consumer food products, Kerry recognises the importance of nutrition for the health and wellbeing of consumers. We are committed to ensuring that our products can be consumed with confidence as part of a well-balanced diet. To this effect we have established four areas of priority which underline our commitment to consumers and support the key principles of a balanced diet, namely;

– Nutritional expertise and positive nutrition

– Consumer information

– Marketing

– Collaboration

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. The Kerry Group Nutritional Research Centre provides clinical research and expertise that enables the development of new products to meet consumers' changing health and nutritional needs. Our research centre also collaborates with external scientific and nutrition experts to assist in product innovation. Kerry has fostered a commitment to food research since its inception through experienced on-site technical and new product development personnel. In addition, regional technical centres staffed by industry-leading food science specialists have been established in all major geographical markets. In 2007, Group expenditure on research, development and application increased to €145m.

The Group is committed to a positive nutrition programme which ensures our consumers are consistently receiving healthier products in line with their changing health and nutrition needs. Independent experts evaluate this programme ensuring its objectives are achieved such as reductions in overall fat, salt and sugar, whilst also addressing the area of portion control.

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. We believe all products should carry clear, simple nutritional details that are consumer friendly. We support on-pack labelling based on the 8 major nutrients and the use of guideline daily amounts. We continue to review how best to display additional on-pack information in line with consumer research.

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

Kerry continues to work with relevant organisations and government bodies to promote the best possible solutions to questions of health and nutrition. We actively participate in food and nutrition groups, ensuring an industry-wide approach to diet and nutrition issues. We also believe in contributing to and co-operating with health organisations in supporting national health awareness campaigns.

Food Safety

Kerry aims to be the leader in our selected markets, excelling in product quality, product safety, technical and marketing creativity and service to our customers. This will be 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 and with industry and regulatory agencies to ensure we operate to the highest industry standards and levels of accreditation.

Group Quality Policy

Kerry is 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.

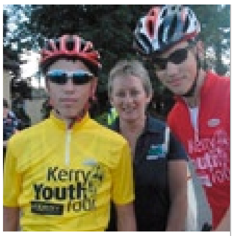
All employees in Kerry are responsible for understanding their internal and external customer's needs and developing work processes that achieve enhanced consumer value.

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;

- Managing the impact on the environment in a pro-active way through waste prevention and minimisation, re-use, recycling and ultimately safe disposal.
- Conserving energy, raw materials and natural resources throughout all Group operations.
- Adopting appropriate measures to manage environmental risks, including emergency response plans.
- Complying with all applicable environmental legislation/regulations and with accepted codes of good environmental practice.
- Taking account of the environment at all stages, including product development, manufacturing and distribution operations.
- Encouraging and where appropriate requiring suppliers and contractors to implement sustainable environmental policies and effective environmental management systems.
- Striving to continuously improve environmental performance in all aspects of the business.

Kerry has a proud record of supporting community initiatives and charitable causes. Right through its history from its origins in the co-operative sector, 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.



- 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.
- Putting in place the necessary structures and resources, including training and awareness programmes, to underpin this policy.

Workplace

Kerry Group's success has been built around the commitment, skills and creativity of the Group's employees. Retaining and developing their enthusiasm and determination to succeed is central to the Group's strategy for growth and development.

The diverse international structures within the Group require a dedication to communication and the exchange of ideas to facilitate creativity and effective knowledge management. We recognise our responsibilities in respect of the multicultural environments in which we operate. The Group is committed to the principle of equality and complies with all relevant equality and anti-discrimination legislation.

Kerry will continue to ensure excellence in management practice through the ongoing development of business aligned human resource systems and initiatives. The Group provides structured training and development programmes for employees through which they can enhance the skills, knowledge and capability necessary for further growth within the organisation.

Health and Safety

Effective management of health and safety is given the utmost priority by the Group. Our health and safety policy applied across all Kerry operations is targeted to develop shared attitudes, beliefs and workplace behavioural practices which instill in all employees a culture of best practice in health and safety.

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, 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.

In 2007, the Group commenced a unique international research initiative towards alleviating world hunger involving a three-way partnership between Concern (Ireland's largest humanitarian organisation working in the world's poorest countries), Kerry Group and the Washington-based International Food Policy Research Institute (IFPRI).

In 2007, the Group commenced a unique international research initiative towards alleviating world hunger involving a three-way partnership between Concern (Ireland's largest humanitarian organisation working in the world's poorest countries), Kerry Group and the Washington-based International Food Policy Research Institute (IFPRI). The aim of the three year research programme is to develop innovative policies and solutions that will ease hunger and malnutrition, which currently afflicts 900 million people globally. This initiative brings together Concern's experience in 30 of the world's most vulnerable countries with the commercial expertise of the Kerry Group, and the acknowledged capability of IFPRI, the world's leading authority on nutrition and food policy research. Kerry will contribute €500,000 towards the cost of this major research programme.

Financial History

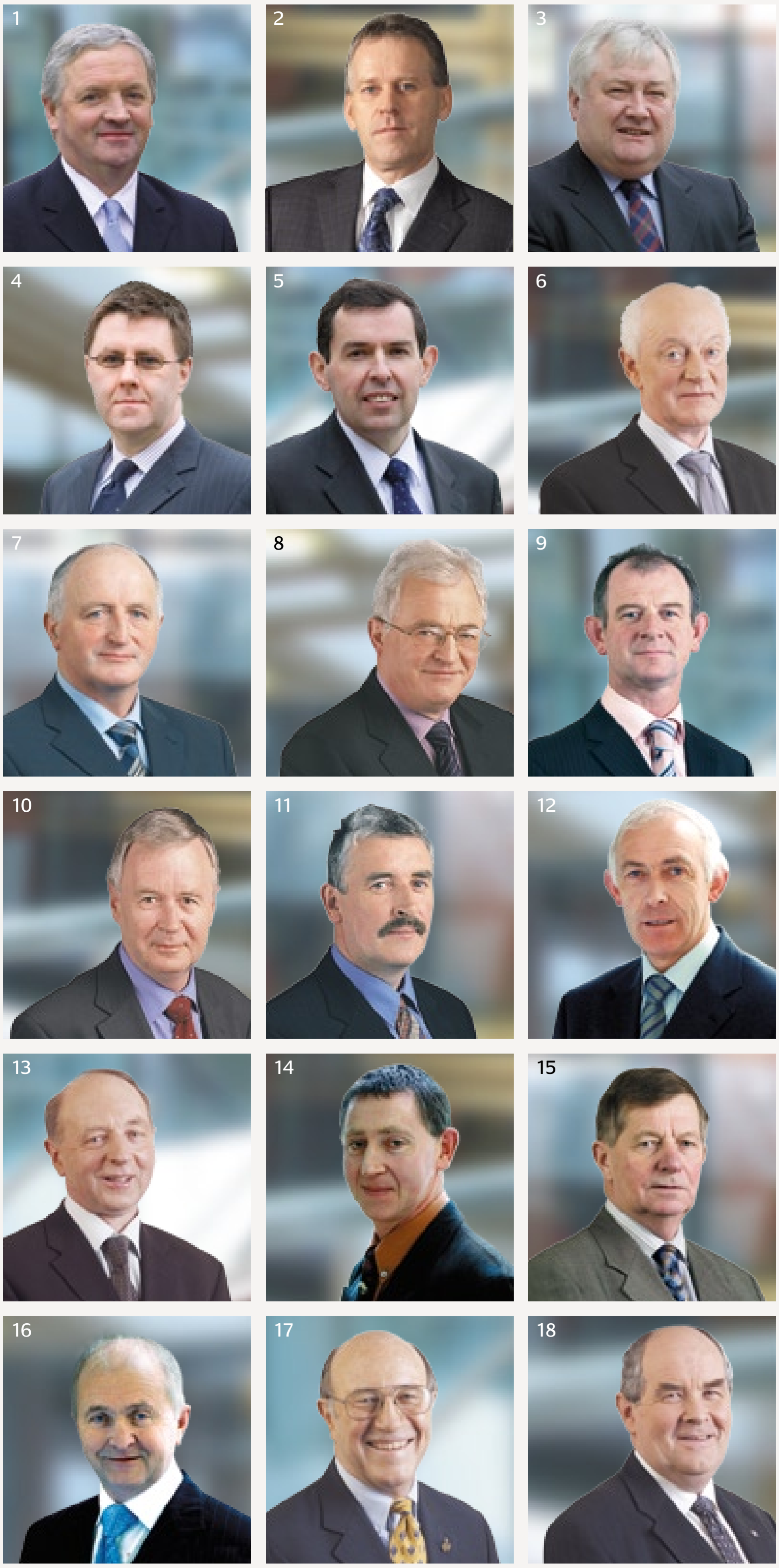
Kerry Group Consolidated Income Statement
10 Year History

	1998 €'000	1999 €'000	2000 €'000	2001 €'000	2002 €'000	2003 €'000	2004 €'000	2005 €'000	2006 €'000	**2007 €'000**
Revenue	2,200,001	2,456,352	2,621,913	3,002,781	3,754,808	3,693,410	4,128,736	4,429,777	4,645,920	**4,787,766**
Trading profit	173,379	203,614	233,747	260,445	305,410	308,519	355,780	380,213	383,688	**401,126**
Intangible asset amortisation	(9,573)	(12,103)	(15,364)	(23,367)	(41,401)	(48,103)	(9,822)	(10,331)	(12,093)	**(12,669)**
Operating profit before non-trading items	163,806	191,511	218,383	237,078	264,009	260,416	345,958	369,882	371,595	**388,457**
Finance costs	(44,744)	(42,309)	(45,680)	(47,644)	(50,238)	(37,356)	(51,815)	(68,353)	(76,930)	**(79,055)**
Profit before taxation and non-trading items	119,062	149,202	172,703	189,434	213,771	223,060	294,143	301,529	294,665	**309,402**
Income taxes	(30,740)	(44,298)	(51,641)	(58,330)	(66,465)	(62,980)	(74,919)	(65,695)	(57,753)	**(64,512)**
Profit after taxation and before non-trading items	88,322	104,904	121,062	131,104	147,306	160,080	219,224	235,834	236,912	**244,890**
Non-trading items (net of related tax)	112	(26,663)	450	2,030	(43,403)	897	(15,174)	42	(59,163)	**1,228**
Profit after taxation and attributable to equity shareholders	88,434	78,241	121,512	133,134	103,903	160,977	204,050	235,876	177,749	**246,118**
Adjusted earnings per ordinary share (cent)*	57.4	68.0	79.2	87.9	101.8	112.1	122.9	131.6	133.9	**143.8**

*Adjusted earnings per ordinary share before intangible asset amortisation and non-trading items (net of related tax).

Note: 1998 to 2003 are presented under Irish/UK GAAP and have not been restated to IFRS. All other years are as reported.

Directors and Other Information



Directors

1 Denis Buckley, *Chairman*
2 Stan McCarthy, *Chief Executive**
3 Denis Cregan, *Deputy Chief Executive**
4 Brian Mehigan, *Chief Financial Officer**
5 Flor Healy, *CEO Kerry Foods**
6 Patrick A. Barrett
7 Denis Carroll
8 Michael Dowling
9 Noel Greene
10 Kevin Kelly
11 Eugene McSweeney
12 James O'Connell
13 Desmond O'Connor
14 Michael O'Connor
15 Donal O'Donoghue
16 Gerard O'Hanlon
17 Michael J. Sullivan
18 Denis Wallis

all of Prince's Street, Tralee,
Co. Kerry, Ireland

**Executive*

Secretary and registered office

Brian Durran
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

Financial Statements

for the year ended 31 December 2007

Contents

Report of the Directors

The Directors submit their Annual Report together with the audited financial statements for the year ended 31 December 2007.

Principal activities

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

Listed on the Irish and London Stock Exchanges and operating a Level 1 American Depositary Receipt (ADR) Programme through the Bank of New York, USA, Kerry has 140 manufacturing facilities across five continents and provides over 10,000 food and ingredient products via its network of international sales and technical centres to a wide customer base in 140 countries.

Through a commitment to excellence, technological creativity, total quality, superior customer service and the wholehearted commitment of all employees, Kerry aims to continue to enhance its leadership position as a global food ingredients and flavours supplier and to further develop its consumer foods business in Ireland and the United Kingdom.

Results and dividends

The Directors are pleased to report profit attributable to equity shareholders of **€246.1m** for the year. Earnings per share (EPS) before intangible asset amortisation and non-trading items (net of related tax) increased **7.4%** over 2006 to **143.8** cent. Basic EPS for the year is reported at **137.4** cent (2006: 95.6 cent). Revenue for the year amounted to **€4.8 billion** (2006: €4.6 billion) an increase of **3.1%**. Further details of the results for the year are set out in the Consolidated Income Statement, in the related notes forming part of the financial statements and in the Business Review. The Group's key performance indicators are outlined in the Financial Review.

On 25 February 2008, the Directors recommended a final dividend totalling **€24.3m** in respect of the year ended 31 December 2007 (see note 8 to the financial statements). This dividend is in addition to the interim dividend paid to shareholders on 23 November 2007, which amounted to **€10.7m**.

The payment date for the final dividend will be 23 May 2008 to shareholders registered on the record date 18 April 2008. This dividend per share is an increase of **11.2%** over the final dividend paid on 25 May 2007.

Share capital

Details of the share capital are shown in note 21 of the financial statements. The authorised share capital of the Company is €35m divided into 280m A ordinary shares of 12.5 cent each, of which **174,689,635** shares were in issue at 31 December 2007.

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 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 in August 2008 and it is intended to seek shareholder approval for its renewal at the Annual General Meeting (AGM) to be held on 13 May 2008.

During the year, **769,275** share options were exercised under the Group's Executive Share Option Scheme. Further details are shown in note 24 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 2006 AGM, shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital. The Company exercised this authority and acquired 2,800,000 shares (1.5%) in June 2006 at a cost of €48.4m and 2,680,000 shares (1.4%) in April/May 2007 at a cost of €60.0m.

The authority was renewed at the 2007 AGM and in June 2007 the Company acquired 8,161,400 shares (4.5%) at a cost of €171.8m. During 2007 the total number of shares acquired was **10,841,400** at a cost of **€231.9m**. This authority will expire on 13 May 2008 but its renewal will be sought from shareholders at the Company's AGM to be held on that date.

The 2,800,000 shares acquired in 2006 were held as treasury shares until May 2007 when they were cancelled. All shares acquired in 2007 were cancelled immediately following their purchase.

Articles of Association

The Articles of Association empower the Board to appoint Directors but also require Directors to retire and submit themselves for re-election at the first AGM following their appointment. Specific rules regarding the re-election of Directors are referred to in the Corporate Governance Report on page 40.

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.

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. Save for the change of control provisions in those arrangements, the Company is not a party to any other significant agreements which contains such a provision.

Acquisitions

The Group completed a number of acquisitions during the year. The businesses acquired are described in the Chief Executive's Review and in note 27 to the financial statements.

Research and development

The Group is fully committed to ongoing technological innovation in all sectors of its business. To facilitate this development the Group has, and will continue, to invest in highly focused research and development centres of excellence. 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 **€145.2m** in 2007 (2006: €139.0m).

Employees

Kerry Group's success is built around the commitment, skills and creativity of the Group's employees. Retaining and developing their enthusiasm and determination to succeed is central to the Group's growth strategy in the years ahead.

The diverse international structures within the Group require a dedication to communication and the exchange of ideas to facilitate creativity and effective knowledge management.

Kerry will continue to ensure excellence in management practice through the ongoing development of business aligned human resource systems and initiatives. The Group provides structured training and development programmes for employees through which they can enhance the skills, knowledge and capability necessary for further growth within the organisation.

The Group is committed to the principle of equality and complies with all relevant equality and anti-discrimination legislation.

The average employment of the Group worldwide in 2007 was **22,398** (2006: 23,289).

Corporate social responsibility

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. This commitment is borne out by its continued investment in facilities, systems and processes that manage waste emissions, energy consumption and materials and packaging conservation. Through the adoption of best practice procurement policies, the Group recognises the requirement to source sustainable raw materials as it continuously seeks to enhance its role as a leading international food company and supplier of quality products to its valued customers. The Group is fully committed to environmental protection as a fundamental part of all business activities and continues to develop employees' knowledge regarding environmental responsibilities and best practice.

Future developments

Kerry Group is well positioned across global growth markets and its strong technology platforms will continue to lead innovation and category growth. The Group is satisfied that good organic growth rates are achievable into the future through application of its ingredients and flavours technologies in global food and beverage markets. In consumer foods categories the underlying strength of Kerry Foods' brands, its focus on product innovation and positioning in convenience growth categories, will ensure that the division continues to outperform market growth rates. The Group is well positioned to actively pursue strategic acquisition opportunities which will support top-line and earnings growth into the future.

Report of the Directors (continued)

Board of Directors

The Board consists of four executive and fourteen non-executive Directors. The current Directors are as listed on page 33.

Chairman

Mr. Denis Buckley (62) is Chairman of the Company and a member of the Remuneration and Nomination Committee. He is also Chairman of Irish Agricultural Wholesale Society Limited, Chairman of One Fifty One plc and is a director of IAWS Group plc.

Executive Directors

Mr. Stan McCarthy (50) was appointed Chief Executive of the Company with effect from 1 January 2008. He was formerly President and Chief Executive Officer (CEO) of Kerry Ingredients Americas and succeeds Mr. Hugh Friel (63) who retired on 31 December 2007. Mr. Friel served as Chief Executive for the past six years and had been with the Group since its formation.

Mr. Denis Cregan (61) is Deputy Chief Executive of the Company and has been with the Group since its formation. He is CEO of the Group's Ingredients Division. He is also Chairman of Kerry Airport plc.

Mr. Brian Mehigan, FCA, (46) is the Group's Chief Financial Officer.

Mr. Flor Healy (45) is CEO of Kerry Foods, the Group's Consumer Foods Division.

Non-executive Directors

Mr. Patrick A. Barrett (64) is a director of Kerry Co-operative Creameries Limited.

Mr. Denis Carroll (57) is a director of Kerry Co-operative Creameries Limited.

Mr. Michael Dowling (63) is a director of a number of private companies. He is a former Secretary General of the Department of Agriculture and Food in Ireland and is a visiting professor in the Faculty of Food Science and Technology at National University of Ireland, Cork. He is Chairman of the European Commission's conciliation body and head of Agri Strategy in Allied Irish Banks plc. He is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

Mr. Noel Greene (51) is a director of Kerry Co-operative Creameries Limited.

Mr. Kevin Kelly, FCA, (66) is Chairman of Schroeder Private Equity Funds plc, a director of Project Management Limited and a number of other private companies. He was formerly managing director of AIB Bank. He is Chairman of the Remuneration and Nomination Committee and a member of the Audit Committee.

Mr. Eugene McSweeney (51) is Chairman of Kerry Co-operative Creameries Limited and is a member of the Remuneration and Nomination Committee.

Mr. James O'Connell (60) is a director of Kerry Co-operative Creameries Limited.

Mr. Desmond O'Connor (59) is a director of National Cattle Breeding Centre Limited and is Vice-Chairman of Kerry Co-operative Creameries Limited. He is a member of the Audit Committee.

Mr. Michael O'Connor (49) is a director of Kerry Co-operative Creameries Limited.

Mr. Donal O'Donoghue (63) is a director of Kerry Co-operative Creameries Limited.

Mr. Gerard O'Hanlon (59) is a director of Kerry Co-operative Creameries Limited.

Mr. Michael J. Sullivan, JD, (68) served as the US Ambassador to Ireland from January 1999 to June 2001 and as Governor of the State of Wyoming between January 1987 and January 1995. He is a non-executive director of Allied Irish Banks plc, Sletten Construction Inc. and Cimarex Energy Inc. He is a member of the Bar, State of Wyoming.

Mr. Denis Wallis (58) is a director of Kerry Co-operative Creameries Limited and is a member of the Audit Committee.

Board changes

Mr. Hugh Friel, who was Chief Executive of the Group since January 2002 and part of the leadership team of Kerry since the establishment of the organisation, retired as Chief Executive and Director of the Group on 31 December 2007.

Chief Executive Designate Mr. Stan McCarthy succeeded Mr. Hugh Friel as Chief Executive on 1 January 2008. An executive Director of the Group since 1999, Mr. McCarthy was President and CEO of Kerry Ingredients Americas since 1996 having joined the organisation through its Graduate Recruitment Programme in Ireland in 1976.

Mr. Denis Cregan, who was also part of the leadership team of Kerry since its establishment, will step down as Deputy Chief Executive of the Group and as an executive Director of the Company following the AGM. Mr. Cregan will remain with the Company on a contractual basis until the end of 2009 to assist the Chief Executive in alignment of the Group's global food ingredients, bio-science and flavours businesses.

Election of Directors

In accordance with the provisions of the Combined Code on Corporate Governance the Chairman, Mr. Denis Buckley, Mr. Eugene McSweeney and Mr. Michael Dowling, being Directors who have each served a period in excess of nine years on the Board will retire at the next AGM, to be held on 13 May 2008, and are seeking re-election at that meeting.

Mr. Stan McCarthy, Mr. Patrick A. Barrett, Mr. Denis Carroll, Mr. Donal O'Donoghue and Mr. Denis Wallis will retire by rotation at the same meeting and, being eligible, are offering themselves for re-election.

The Board recommends the re-election of all Directors seeking re-election.

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, were as follows:

	31 December 2007 Number	31 December 2006 Number
Directors		
Patrick A. Barrett	**25,804**	22,656
Denis Buckley	**169,775**	157,019
Denis Carroll	**4,236**	3,653
Denis Cregan	**287,500**	287,500
Michael Dowling	**4,200**	4,200
Noel Greene	**4,299**	3,077
Flor Healy	**46,342**	37,277
Kevin Kelly	**23,200**	23,200
Stan McCarthy	**36,279**	36,279
Eugene McSweeney	**36,163**	30,956
Brian Mehigan	**40,000**	40,000
James O'Connell	**20,634**	16,935
Desmond O'Connor	**54,261**	46,040
Michael O'Connor	**7,663**	5,462
Donal O'Donoghue	**4,948**	3,039
Gerard O'Hanlon	**40,558**	33,142
Michael J. Sullivan	**–**	–
Denis Wallis	**3,567**	3,502
Company Secretary		
Brian Durran	**10,000**	10,000

The above holdings in A ordinary shares have not changed between 31 December 2007 and the date of this report.

Directors' and Company Secretary's interest in executive share option scheme

	Number of shares over which options are held				
	At beginning of year	**At end of year**	**Option price**	**Earliest exercisable date**	**Latest exercisable date**
Directors					
Stan McCarthy	–	**–**	–	–	–
Denis Cregan	200,000	**200,000**	€8.00	30 June 2000	1 October 2010
Brian Mehigan	–	**–**	–	–	–
Flor Healy	–	**–**	–	–	–
Company Secretary					
Brian Durran	20,900	**20,900**	€8.00	30 June 2000	1 October 2010

Report of the Directors (continued)

Directors' and Company Secretary's interest in long term incentive plan

The interests in shares awarded relate to the 2006 long term incentive plan (LTIP). These awards were made on 14 July 2006 and will vest on 30 June 2009. The share price on the date of grant was €15.90. The criteria under which these awards will vest in full are explained on pages 42 and 43 and in note 24 to the financial statements.

	Maximum share awards achievable
Directors	
Stan McCarthy	20,000
Denis Cregan	25,000
Brian Mehigan	20,000
Flor Healy	20,000
Company Secretary	
Brian Durran	3,000

All of the above awards were granted during 2006.

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)	41,567,612	23.8
AIM Funds Management Inc.	12,594,653	7.2
The Growth Fund of America, Inc.	8,965,824	5.1

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.

Statement of Directors' responsibilities

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. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 International Financial Reporting Standards as adopted by the European Union and comply with Irish statute comprising the Companies Acts, 1963 to 2006, the European Communities (Companies: Group Accounts) Regulations, 1992, Article 4 of the IAS Regulation and the Listing Rules of the Irish and London Stock Exchanges. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate governance

Kerry Group plc is committed to achieving high standards of corporate governance throughout the Group. The Board considers that it complies with the provisions of the Combined Code on Corporate Governance, except in relation to the requirement to appoint a senior independent Director, the reasons for which are detailed below.

The Board of Directors

The Board leads and maintains effective control over the Group's activities and comprises a non-executive Chairman, a Chief Executive, a Deputy Chief Executive, two other executive Directors and thirteen non-executive Directors.

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 General Meeting and to the Company's Memorandum and Articles of Association.

The Board has a formal schedule of matters specifically reserved to it for decision which includes approval of the overall Group strategic plan, annual budgets (revenue and capital), acquisitions and divestitures, financial risks management, treasury policies and major corporate activities. The division of duties between the Chairman and the Chief Executive is formally established, set out in writing and agreed by the Board. The Chairman ensures that all Directors have full and timely access to such information as they require to discharge their responsibilities fully and effectively – they receive monthly Group management financial statements and reports. Board papers are sent to each member in sufficient time before Board meetings. 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. Appropriate training and briefing is available to all Directors on appointment to the Board, with further training available subsequently as required.

The Board is of the opinion that the non-executive Directors as a group are of sufficient calibre and number to bring strength and independence to the Board and hence has not nominated any one non-executive Director to be a senior independent Director.

The non-executive Directors meet, at least annually, as a group without the executive Directors present. During such meetings, the non-executive Directors have the opportunity to discuss any issues and, at least annually, appraise the Chairman's performance.

Ten of the non-executive Directors of the Company are directors of KCC, which at the date of this report is the holder of 24% of the issued share capital of the Company. The shareholding of KCC in Kerry Group plc is a financial investment based on the expectation, similar to other shareholders, of a dividend income and capital appreciation. Notwithstanding that these Directors represent a significant shareholder, the Board has determined that they are independent in character and judgement.

The Chairman, Mr. Denis Buckley together with Mr. Eugene McSweeney and Mr. Michael Dowling, have each served on the Board for more than nine years from the date of their respective first elections as Directors. The Board has considered the knowledge, skills and experience of these Directors and believes each of them to be independent in character and judgement and to be of significant benefit to the Board.

The Board meets on a regular basis with specific meetings to consider the interim and full year results. It met on ten occasions during the year under review. Attendances at scheduled Board and Board Committee Meetings during the year ended 31 December 2007 were as follows:

	Board		Audit Committee		Remuneration & Nomination Committee	
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Patrick A. Barrett	10	10	–	–	–	–
Denis Buckley	10	10	–	–	3	3
Denis Carroll	10	10	–	–	–	–
Denis Cregan	10	8	–	–	–	–
Michael Dowling	10	9	4	4	3	3
Hugh Friel	10	10	–	–	–	–
Noel Greene	10	10	–	–	–	–
Flor Healy	10	10	–	–	–	–
Kevin Kelly	10	9	4	4	3	3
Stan McCarthy	10	9	–	–	–	–
Eugene McSweeney	10	10	–	–	3	3
Brian Mehigan	10	9	–	–	–	–
James O'Connell	10	10	–	–	–	–
Desmond O'Connor	10	10	4	4	–	–
Michael O'Connor	10	10	–	–	–	–
Donal O'Donoghue	10	10	–	-	–	–
Gerard O'Hanlon	10	10	–	–	–	–
Michael J. Sullivan	10	8	–	–	–	–
Denis Wallis	10	10	4	4	–	–

At a meeting in November 2007 the non-executive Board members, led by the Chairman, undertook a formal review of its own performance, its committees and individual Directors. In relation to the Board itself, performance evaluation was conducted through a review of a range of issues including Board composition, ability and effectiveness, its role and responsibilities, strategic development benchmarking and its financial control and risk management policies. A similar process was conducted for the evaluation of the Audit Committee and the Remuneration and Nomination Committee with additional focus given to the experience, expertise and knowledge of the committee members on the respective committees.

The Chairman appraised each of the non-executive Directors individually on issues such as independence, contribution and attendance at Board meetings, interaction with executive Directors, Company Secretary and senior management, their ability to communicate issues of importance and concern, their knowledge and effectiveness at meetings and the overall time spent and commitment to their role on the Board.

At the same meeting, the non-executive Directors formally appraised the performance of the Chairman, who was not present for this part of the meeting. The appraisal was in the same format as that used for the evaluation of the other non-executive Directors but where leadership, communication and agenda-setting skills were also addressed.

In accordance with the Articles of Association, all newly appointed Directors are subject to election by shareholders at the AGM following their appointment. Excluding any such newly appointed Directors and those Directors, if any, who are required to retire annually by virtue of having served more than nine years on the Board, one third of the Board is subject to re-election each year.

The Board has delegated authority to two committees of the Board on a number of specific matters as detailed below:

Audit Committee

The Audit Committee comprises Mr. Kevin Kelly, Mr. Desmond O'Connor, Mr. Denis Wallis and is chaired by Mr. Michael Dowling, all of whom are non-executive Directors. The Committee meets at least four times a year.

The main role and responsibilities of the Committee are set out in written terms of reference and are available from the Group's website and upon request.

The Committee reviews the arrangements in place that allow employees to raise any concerns about possible wrongdoings in financial reporting or other matters. If required it will ensure that appropriate investigation and follow up action is taken.

The Committee has agreed a process under which it reviews its own effectiveness and recommends any necessary changes to the Board.

The Committee monitors and reviews the effectiveness of the internal audit function.

The Audit Committee makes recommendations to the Board in relation to the appointment of the external auditors. Each year the Audit Committee meets with the external auditors and reviews their 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 reviews the external audit plan and the findings from the audit of the financial statements.

The Audit Committee has a process in place to ensure that the independence of the audit is not compromised, which includes monitoring the nature and extent of services provided by the external auditors through its annual review of fees paid to the external auditors for audit and non-audit services.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises Mr. Kevin Kelly (Chairman), Mr. Denis Buckley, Mr. Michael Dowling and Mr. Eugene McSweeney, all of whom are non-executive Directors. The Committee met on three occasions during the year under review.

The Remuneration and Nomination Committee has written terms of reference covering the authority delegated to it by the Board. The written terms of reference are available on the Group's website. The role of the Remuneration and Nomination Committee is twofold. The first role is to determine executive Directors' remuneration, which is reviewed annually. The Committee consults with the Group's Chief Executive in relation to executive Directors' remuneration and has access to internal and external professional advice as required. Decisions are made within agreed reference terms, with meetings held as required. Members of the Committee have no personal interest in the outcome of their decisions and give due regard to the interests of shareholders and the performance of the Company. The second role of the Committee relates to nomination responsibilities, which include considering the need for and the making of Board appointments, both executive and non-executive.

Remuneration

Remuneration policy

The Group's remuneration policy is to ensure that executive Directors' remuneration properly reflects their duties and responsibilities, and is sufficient to attract, retain and motivate people of the highest quality worldwide. Remuneration includes performance related elements designed to align Directors' interests with those of shareholders and to encourage performance at the highest levels. In setting remuneration levels, the Remuneration and Nomination 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. Full details of the Directors' remuneration are given on pages 41 and 42.

Executive Directors' remuneration comprises basic salary, participation in pension schemes, performance related incentive awards, share-based incentives and other benefits.

Executive Directors' basic salary
The Remuneration and Nomination Committee sets the basic salary and other benefits of each executive Director by reference to individual performance and external market data.

Pensions
The executive Directors participate in the Group's general pension scheme with contributions and pension benefits based on basic salary (performance related incentive awards are excluded).

Performance related incentive awards
Executive Directors participate in performance related annual bonus schemes, which are based on achieving predetermined earnings growth and other targets set by the Remuneration and Nomination Committee. The structure of the scheme is reviewed regularly to ensure that it develops in line with the Group's strategic goals.

Share-based incentives
a) Executive share option scheme
The Remuneration and Nomination Committee approves the terms, conditions and allocation of share options under the executive share option scheme to executive Directors and senior executives. While no share options have been granted since 2000, a total of **200,000** shares are held under option by the executive Directors at 31 December 2007 and the respective amounts are shown on page 37.

b) Long term incentive plan
The Remuneration and Nomination Committee approves the terms, conditions and allocation of awards under the Group's LTIP to executive Directors and senior executives. Details of executive Directors' LTIP interests are shown on page 38.

Other benefits
Other benefits relate primarily to motor vehicles.

Non-executive Directors' remuneration
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. Non-executive Directors do not participate in the Group's incentive plans, pension/superannuation arrangements or other elements of remuneration provided to the executive Directors.

Service contracts
The Group does not have any service contracts with its Directors.

Directors' remuneration
Disclosures regarding Directors' remuneration have been drawn up on an individual Director basis in accordance with the requirements of both the Combined Code and the Irish and London Stock Exchanges:

a) Executive Directors' remuneration

	Salaries 2007 €'000	**Performance related 2007 €'000**	**Benefits-in-kind 2007 €'000**	**Pensions 2007 €'000**	**Total 2007 €'000**	Total 2006 €'000
Hugh Friel	**740**	**623**	**37**	**–**	**1,400**	1,073
Stan McCarthy	**425**	**507**	**27**	**73**	**1,032**	846
Denis Cregan	**620**	**522**	**35**	**–**	**1,177**	855
Brian Mehigan	**440**	**333**	**22**	**97**	**892**	668
Flor Healy	**444**	**448**	**14**	**94**	**1,000**	669
	2,669	**2,433**	**135**	**264**	**5,501**	4,111

b) Executive Directors' benefits under defined benefit pension schemes

	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
Hugh Friel	–	463	–
Stan McCarthy	40	184	300
Denis Cregan	–	387	–
Brian Mehigan	10	164	82
Flor Healy	6	146	42
2007	**56**	**1,344**	**424**
2006	50	1,293	564

c) Non-executive Directors' remuneration

	Fees 2007 €	Fees 2006 €
Patrick A. Barrett	**36,935**	35,142
Denis Buckley	**200,000**	190,000
James V. Brosnan*	–	45,740
Denis Carroll	**36,935**	35,142
Walter Costelloe*	–	29,268
Michael Dowling	**105,500**	100,000
Noel Greene	**36,935**	35,142
Kevin Kelly	**105,500**	100,000
Eugene McSweeney	**52,907**	50,263
James O'Connell**	**36,935**	–
Desmond O'Connor	**52,000**	35,190
Michael O'Connor**	**36,935**	–
Donal O'Donoghue	**36,935**	35,142
Gerard O'Hanlon**	**36,935**	–
Roger Robbins*	–	32,205
Michael J. Sullivan	**70,000**	65,000
Denis Wallis	**52,603**	50,173
	897,055	838,407

**Retired during 2007*
***Appointed during 2007*

Non-executive Directors' remuneration consists of fees only. The total remuneration for all Directors in 2007 amounted to **€6,398,055** (2006: €4,949,407). There were no other emoluments paid to the executive or non-executive Directors other than as disclosed above.

Executive share option scheme

The Group has an executive share option scheme, the terms and conditions of which were approved by shareholders. In the past it was used to grant options under the scheme to key executives including executive Directors across the Group to encourage identification with shareholder interests. No options have been granted by the Company since 2000. Currently, approximately **100** executives worldwide hold outstanding options. Details of the options outstanding are presented in note 24 to the financial statements.

Long term incentive plan

The Group also operates an LTIP, the terms and conditions of which were approved by shareholders in 2006.

Under this plan, senior executives (including the executive Directors) were granted conditional awards over shares in the Company. The awards for the 2006 – 2008 performance period were granted during 2006.

Awards vest on 30 June 2009. The proportion of each award which vests will depend on the relative Total Shareholders Return (TSR) and the adjusted Earnings Per Share (EPS) performance of the Group.

Up to 50% of the award will vest according to the Group's TSR performance over the performance period measured against the TSR of a peer group of listed companies.

The remaining 50% of the award will vest according to the Group's adjusted EPS growth over the performance period compared with the increase in the Irish Consumer Price Index over the same period.

The Remuneration and Nomination Committee administer the LTIP and may vary the performance conditions for each grant of awards (including the peer group) provided they remain no less challenging and are aligned with the interests of shareholders.

Relations with shareholders

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

Although most shareholder contact is with the Chief Executive 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 presentations of interim and full year results and regular meetings of senior management with the Company's institutional investors. The Group's website (www.kerrygroup.com) enables a significant amount of published material, including results and presentations, to be readily accessible to all shareholders on demand. Regular communication is also entered into with individual shareholders on a wide range of issues through this medium.

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 Chairmen of the Audit Committee and the Remuneration and Nomination Committee, 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.

Accountability and audit

A statement relating to the Directors' responsibilities in respect of the preparation of the financial statements is set out on page 38 with the responsibilities of the Company's Independent Auditors outlined on page 46.

Going concern

The financial statements have been prepared on the going concern basis and, as required by the Combined Code, the Directors report that they have satisfied themselves 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 2008, 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.

Principal risks and uncertainties

Kerry Group operates in the dynamic and global food ingredients industry and in the consumer food industry in the UK and Ireland. As is the case with competitors in these industries the Group is exposed to many and varied risks and uncertainties which are managed in order to make a profitable return for shareholders. The risks are managed, both in the short and long term, utilising the standard management processes adopted in the businesses along with the Group internal control and risk management processes described in the next section.

The principal risks and uncertainties facing the Group are discussed below:

Commercial risks

The Group may experience loss of revenue growth momentum due to unforeseen events that impact brands, customers' brands, consumer dietary changes or food consumption patterns. The spread of the Group business and experience in numerous territories limits the concentration of these risks and allows mitigation through management actions.

Fluctuating raw material costs, 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 deploy senior managers and subject matter experts in such areas to manage and mitigate such risks and adopt strategies over time to improve the positioning of the businesses in this regard.

A sudden acceleration or slow down in the rate of innovation in significant markets can impact both ingredients and consumer foods businesses if the Group is not appropriately aligned. Investing a significant level of resources ensures the right technological response to each market.

In a given market, a slow rate of innovation or stagnation of consumer trends can lead to commoditisation of a particular category of ingredients. The Group supports customers drive for choice and market stimulation through new product development. Where this dynamic is absent for a period of time the impact on margins can be negative. Kerry Group works closely with customers and consumers to ensure awareness of trends occurring in the market place both positive and negative.

Other commercial risks can be considered under the heading of operational and technical compliance. These 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 indeed in relation to the potential outbreak of disease in an animal population or contamination in any particular food category. The 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 and disciplines to reduce the level of risk encountered to a minimal level.

Possibly the largest commercial risk is the Group executing a value destroying acquisition or large capital project. The Group has significant experience in this area within its management team and employs a thorough and disciplined approach to pre-acquisition due diligence and post-acquisition integration and restructuring. However the risk inherent in this area is very much to the fore in contemplating and managing such projects.

Financial risks
The geographic spread of the Group's business (across 19 countries of manufacture and 140 in terms of revenue) provides a number of challenges in relation to financial and market risks and uncertainties. These risks include ensuring finance is available to the Group to carry out its mission, treasury risks, foreign exchange risks, interest rate risks, credit rating risk and market risk in relation to employee retirement obligations. In addition risks such as inaccurate or delayed stock market reporting, internal control systems failure and IT systems failure could be considered under this heading. These risks and the Group's response to managing these risks are set out in detail in note 28 to the financial statements.

Human resources
The Group is critically aware that its performance in the short or longer term is only as good as the people that manage and run its operations. To this extent every effort is made to ensure optimal procedures and policies are in place to attract, train and retain the capabilities and skill levels appropriate to succeed in the Group's mission and business objectives.

Internal control

The Company, as required by the Irish and London Stock Exchanges, has complied with the Combined Code provisions on internal control, having established the procedures necessary to implement the guidance issued in the Turnbull Committee Report, and by reporting in accordance with that guidance.

The Board of Directors has overall responsibility for the Group's systems of internal control and risk management. It is also responsible for monitoring the effectiveness of these systems on an ongoing basis. The system of internal control provides 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 it produces, for both internal use and for publication.

The key elements of the system are as follows:

- The Board of Directors reviews and approves a detailed annual budget each year which is used for comparison with monthly management accounts throughout the year;
- The Board of Directors also approves all major strategic decisions. Responsibility for each business unit is passed to local management and is overseen by the respective business manager in line with Group responsibility structures;
- Written policies and procedures are issued centrally for all material functional areas and are approved by the executive Directors. Specific responsibility is allocated to individual managers to monitor compliance with these policies;
- The Group operates a centralised treasury function which manages the financial risks of the Group;
- The Group has a clearly defined process and information system for controlling capital expenditure including use of appropriate authorisation levels. The overall capital expenditure programme for the year is reviewed by the Board of Directors on an ongoing basis with specific projects being approved by the Board at each meeting;
- Business acquisition and disposal decisions are taken exclusively by the Board of Directors;
- The Group Finance Committee has responsibility for raising finance, reviewing foreign currency risk, making decisions on foreign currency and interest rate hedging and managing the Group's relationship with its finance providers; and

- A procedure is in place across the Group for the submission of periodic risk and control reports from management, through the Audit Committee, to the Board. These reports emanate from the Group's Risk Assessment and Reporting System which covers financial, operational, business and compliance risks.

The Directors have procedures in place to enable them to continually monitor the effectiveness of the system of internal controls. These procedures include:

- The operations of the Audit Committee whose function it is to approve audit plans and deal with significant control issues raised by the internal and external auditors;
- The Group's internal audit function which continually reviews the internal controls and systems in all businesses and makes recommendations for improvement and reports to the Audit Committee;
- The Group has a Corporate Compliance function to establish compliance policy and monitor compliance across the Group's countries of operation, carry out compliance reviews and share best practice among the compliance functions in the individual business units;
- As part of their normal audit procedures, the external auditors test the systems of internal control and report material weaknesses, if any, to the Audit Committee;
- The Board, through the Audit Committee, has completed an annual assessment of risk and controls. Internal audit has facilitated the Board in this assessment by preparing a consolidated Group Risk and Control Report for their review. In addition, as part of the monitoring process, the Audit Committee will immediately convene to deal with any significant control weaknesses reported by internal audit and management;
- Adherence to the policies outlined in the Group's procedures manual ensures all the key controls in the internal control system are complied with; and
- Any significant variance between the budget and the detailed monthly management accounts is investigated by management and remedial action is taken as necessary.

The Directors confirm that they have reviewed the effectiveness of the system of 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 on the Combined Code*.

Finally, 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 computerised accounting systems. The books of account are located at the Company's registered office.

Subsidiaries

The principal subsidiaries are listed in note 33 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.

Retirement benefits

Information in relation to the Group's retirement benefit schemes is given in note 19 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 2007.

Signed on behalf of the Board:

Denis Buckley

Denis Buckley, Chairman

Stan McCarthy

Stan McCarthy, Chief Executive

25 February 2008

Independent Auditors' Report to the Members of Kerry Group plc

We have audited the financial statements of Kerry Group plc for the year ended 31 December 2007 which comprise the Group Financial Statements including the Statement of Accounting Policies, the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Recognised Income and Expense, the Consolidated Reconciliation of Changes in Shareholders' Equity, the Consolidated Cash Flow Statement and the Company Financial Statements including the Company Balance Sheet, the Company Reconciliation of Changes in Shareholders' Equity, the Company Cash Flow Statement and the related notes 1 to 33. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors are responsible, as set out in the Statement of Directors' Responsibilities, for preparing the Annual Report, including the preparation of the Group Financial Statements and the Parent Company Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our responsibility, as independent auditors, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group Financial Statements and the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006, the European Communities (Companies: Group Accounts) Regulations, 1992 and Article 4 of the IAS Regulation. We also report to you whether in our opinion: proper books of account have been kept by the Company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Report of the Directors is consistent with the financial statements. In addition, we state whether we have obtained all information and explanations necessary for the purposes of our audit and whether the Company's balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding Directors' remuneration and Directors' transactions is not given and, where practicable, include such information in our report.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report and consider whether it is consistent with the financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review, the Business Review, the Financial Review, the Corporate Social Responsibility Report and the Report of the Directors. Our responsibilities do not extend to other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's and the Group's circumstances consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion;

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the affairs of the Group as at 31 December 2007 and of its profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and the European Communities (Companies: Group Accounts) Regulations, 1992 and Article 4 of the IAS Regulation;
- 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 2006, of the state of the Parent Company affairs as at 31 December 2007; and
- the Parent Company Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the Company. The Company's balance sheet is in agreement with the books of account.

In our opinion the information given in the Report of the Directors is consistent with the financial statements.

The net assets of the Company, as stated in the balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2007 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Company.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Deloitte & Touche House, Earlsfort Terrace, Dublin 2.

25 February 2008

Statement of Accounting Policies

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), applicable Irish law and the Listing Rules of the Irish and London Stock Exchanges. The Group financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The Group has elected to early adopt the 'International Financial Reporting Interpretations Committee (IFRIC) 11 IFRS 2 Group and Treasury Share Transactions'. IFRIC 11 is effective only for accounting periods beginning on or after 1 March 2007.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial asset investments and financial liabilities (including derivative financial instruments), which are held at fair value.

The consolidated financial statements contained herein are presented in Euro. The Group's individual subsidiaries main functional currencies are either Euro, US Dollar or Sterling.

IFRS does not define certain Income Statement headings. For clarity, the following are the definitions as applied by the Group:
- 'Trading profit' refers to the operating profit generated by the businesses before intangible asset amortisation and gains or losses generated from non-trading items.
- 'Non-trading items' refers to gains or losses on the disposal of non-current assets or businesses, plant closures and material acquisition or other restructuring costs.
- 'Operating profit' is profit before taxation and finance costs.

The Group makes this distinction to give a better understanding of the performance of the business.

Basis of consolidation

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. Control is achieved where the Company has the power to govern the financial and operating policies of an entity.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the date of their acquisition or up to the date of their disposal. All inter-group transactions and balances are eliminated in full on consolidation.

The purchase method of accounting is used for the acquisition of subsidiaries. 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 acquisition date, which is fair value less costs to sell. The cost of the acquisition is measured at the aggregate fair value of the consideration given and any directly attributable acquisition costs.

Revenue

Revenue represents the fair value of sales of goods to 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.

Segmental analysis

The Group's primary format for segmental reporting is business segments and the secondary format is geographical segments. The risks and returns of the Group's operations are primarily determined by the different products that the Group produces rather than the geographical location of the Group's operations.

The Group has two business segments, Ingredients & Flavours and Consumer Foods. Corporate activities, such as the cost of corporate stewardship, are reported along with the elimination of inter-group activities under the heading "Unallocated and Group Eliminations". Inter-segment pricing is determined on an arm's length basis.

Segment assets and liabilities consist of property, plant and equipment, goodwill and intangible assets and other assets and liabilities that can be reasonably allocated to the reported segment. Unallocated segment assets and liabilities mainly include current and deferred income tax balances together with financial assets and liabilities.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

The Group's geographical segments are Europe, Americas and Asia Pacific. The Group's geographical segments are determined by geographical location and similarity of economic environments.

Consumer Foods manufactures and sells in Ireland and the UK. Ingredients & Flavours manufactures in Europe, Americas and Asia Pacific and sells in 140 countries worldwide.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost comprises purchase price and other directly attributable costs. Freehold land is not depreciated. Depreciation on the remaining property, plant and equipment is calculated by charging equal annual instalments, to the Consolidated Income Statement, to write off the cost of assets over the period of their expected useful lives at the following annual rates:

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

Borrowing costs

Borrowing costs incurred for assets, which take a substantial period of time to construct, are capitalised 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.

Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met if 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 should be completed within one year from the date of classification.

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

Intangible assets

(a) Goodwill

Goodwill represents the difference between the cost of businesses acquired and the aggregate fair values of their identifiable net assets at the date of acquisition.

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 at that date. 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 of acquisition, goodwill is allocated, for the purpose of impairment testing, to one or more cash generating units (CGU). Goodwill is tested for impairment 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.

(b) Other intangible assets

Other intangible assets acquired as part of a business combination refers to brand related intangibles. These intangible assets are valued at their fair value at the date of acquisition. Intangible assets determined to have an indefinite useful life are not amortised and are subject to an annual impairment review. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. 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.

Intangible assets separately acquired including computer software, which is not an integral part of an item of computer hardware, are stated at cost less accumulated amortisation and any impairment losses. Cost comprises purchase price and other directly attributable costs. These intangible assets are amortised over their expected useful lives, which range from 3 to 6 years, by charging equal annual instalments to the Consolidated Income Statement.

Impairment of 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 for impairment and whenever there is an indication 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 business 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. 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 original carrying amount. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

Inventories
Inventories are valued at the lower of their weighted average cost or estimated net realisable value. Cost includes all expenditure incurred in the normal course of business in bringing the products to their present location and condition. Net realisable value is the estimated selling price of inventory on hand less all further costs to completion and all costs expected to be incurred in marketing, distribution and selling.

Trade and other receivables
Trade and other receivables are stated at amortised cost, which approximates fair value given the short term nature of these assets. A provision for doubtful trade receivables is created based on historical loss experience or where there is objective evidence that amounts are irrecoverable.

Trade and other payables
Trade and other payables are stated at amortised cost, which approximates fair value given the short term nature of these liabilities. Trade payables are non interest bearing.

Income taxes
The income taxes charge includes 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 to shareholders' equity. In this instance the income taxes are also charged or credited to 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 and any adjustments relating to prior years.

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 calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxes are recognised on all temporary differences in existence at the balance sheet date except as provided under IAS 12 'Income Taxes'. Deferred taxes are recognised on temporary differences that arise between the fair value and the tax base of identifiable net assets acquired in a business combination. Deferred tax assets are reviewed on an annual basis and are recognised to the extent that it is probable they will be recovered.

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

Retirement benefits
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.

The cost of providing benefits and the liabilities of defined benefit plans are determined using the projected unit credit method, with actuarial valuations for accounting purposes being carried out at each balance sheet date.

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

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

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

Development expenditure is assessed and capitalised as an internally generated intangible asset only if it meets all of the following criteria:
- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

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

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 an executive share option scheme and a long term incentive plan.

(a) Executive share option scheme
In accordance with IFRS 2 'Share-based Payment', as no new options have been granted under the executive share option scheme since 7 November 2002, there is no requirement to recognise any compensation cost in the consolidated financial statements.

(b) Long term incentive plan
The equity-settled share-based awards granted under this plan are measured at the fair value of the equity instruments at the date of grant. The fair value is measured using the Monte Carlo Pricing Model. It 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. 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 shareholders' equity.

Foreign currency
Foreign currency transactions are translated into local 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 for the year. The balance sheets of such subsidiaries are translated at rates of exchange ruling 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.

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.

Cash and cash equivalents
Cash and cash equivalents consists of cash at bank held by the Group and short term bank deposits with a maturity of 3 months or less and are shown under current assets on the Consolidated Balance Sheet. Bank overdrafts are shown within financial liabilities in current liabilities on the Consolidated Balance Sheet. The carrying amount of these assets and liabilities approximates to their fair value.

Financial asset investments
Group financial asset investments, classified as available-for-sale, are stated at their fair value at the balance sheet date. Movements in fair value are recorded in shareholders' equity until the asset is disposed of unless there is deemed to be an impairment on the original cost in which case the loss is taken directly to the Consolidated Income Statement. Upon disposal the fair value movement in shareholders' equity is transferred to the Consolidated Income Statement. Quoted market prices are used to determine the fair value of listed shares. Income from investments is recognised in the Consolidated Income Statement in the period in which it is received.

Investments in subsidiaries held by the Company are carried at cost.

Borrowings

Debt instruments are initially recorded at the proceeds received, net of transaction costs. Subsequently they are reported at amortised cost, except for hedged debt. Discounts between the net proceeds received and the principal value due on redemption are recognised as a finance cost in the Consolidated Income Statement. To the extent that debt instruments are hedged under qualifying fair value hedges, the hedged item is adjusted for changes in the fair value of the hedging instruments with changes arising recognised in the Consolidated Income Statement. The fair value of the hedged debt is primarily determined using the discounted cash flow basis.

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 overseas income 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. Regular assessment of the effectiveness of the hedging relationship is undertaken.

Fair value of financial instrument derivatives

The fair values of financial assets and financial instrument derivatives are determined as follows:

- The fair value of financial assets with standard terms and conditions, and traded on active liquid markets is determined with reference to quoted market prices, which are observable.
- The fair value of derivative instruments is calculated using discounted cash flow analysis based on the applicable yield curve 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.
- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves.

The Directors consider the carrying value of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values. In the case of derivative financial instruments their fair value has been recognised on the face of the Consolidated Balance Sheet.

Cash flow hedges

Where derivatives, including forward currency and forward commodity contracts and floating to fixed interest rate swaps are used, they are treated as cash flow hedges. Changes in the fair value of derivative financial instruments that are designated, and are effective, as hedges of future cash flows are recognised directly in shareholders' equity. Any ineffective portion of the hedge is recognised in the Consolidated Income Statement. When a firm commitment or forecasted transaction occurs and results in the recognition of an asset or a liability, then, at that time the associated gains or losses on the hedging instrument that had previously been recognised in shareholders' equity are recognised in the Consolidated Income Statement.

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

Certain derivatives which comply with the Group's financial risk management policies do not qualify for hedge accounting and are therefore classified as trading derivatives. In these cases the instrument is reported independently at fair value with any changes recognised in the Consolidated Income Statement.

Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported profits, assets and liabilities. Assumptions include, but are not limited to, the following areas:

(a) Impairment of goodwill and intangible assets

Determining whether goodwill or intangible assets are impaired requires an estimation of the value in use of the groups of CGU to which goodwill and intangible assets have been allocated. The key assumptions for the value in use calculations are discount rates, growth rates and expected changes in selling price and direct costs during the year.

(b) Retirement benefits obligation

The actuarial valuation of pension schemes' liabilities is based on various financial and demographic assumptions about the future including discount rates, inflation, salary increases, pension increases and mortality rates. 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 pension 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 pension schemes' liabilities can fluctuate significantly in the short or long term.

(c) Income taxes
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 until resolution has been reached with the relevant tax authority. When the final tax outcome for these items is different from amounts initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such a determination is made.

(d) Property, plant & equipment
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 an asset's expected life or its residual value would result in a reduced depreciation charge to the Consolidated Income Statement.

The useful lives of Group assets are determined by management at the time the assets are acquired and reviewed annually for appropriateness. The 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 have not resulted in material changes to the Group's depreciation charge.

New standards and interpretations

At the date of approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

- IFRS 8 — Operating Segments
- IFRS 3 (revised 2008) — Business Combinations
- IFRS 2 (amendment) — Share-based Payment
- IAS 1 — Presentation of Financial Statements
- IAS 23 — Borrowing Costs
- IFRIC 12 — Service Concession Arrangements
- IFRIC 13 — Customer Loyalty Programmes
- IFRIC 14 — IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group is currently assessing the impact of these standards and interpretations on the financial statements.

Consolidated Income Statement

for the year ended 31 December 2007

	Notes	Before Non-Trading Items 2007 €'000	Non-Trading Items 2007 €'000	Total 2007 €'000	2006 €'000
Revenue	*1*	**4,787,766**	**–**	**4,787,766**	4,645,920
Trading profit	*1*	**401,126**	**–**	**401,126**	383,688
Intangible asset amortisation	*11*	**(12,669)**	**–**	**(12,669)**	(12,093)
Non-trading items	*4*	**–**	**(11,113)**	**(11,113)**	(73,425)
Operating profit	*2*	**388,457**	**(11,113)**	**377,344**	298,170
Finance costs	*5*	**(79,055)**	**–**	**(79,055)**	(76,930)
Profit before taxation		**309,402**	**(11,113)**	**298,289**	221,240
Income taxes	*6*	**(64,512)**	**12,341**	**(52,171)**	(43,491)
Profit after taxation and attributable to equity shareholders		**244,890**	**1,228**	**246,118**	177,749
Earnings per ordinary share (cent)					
– basic	*9*			**137.4**	95.6
– diluted	*9*			**137.0**	95.2

The financial statements were approved by the Board of Directors on 25 February 2008 and signed on its behalf by:

Denis Buckley, Chairman
Stan McCarthy, Chief Executive

Consolidated Balance Sheet

as at 31 December 2007

	Notes	2007 €'000	2006 €'000
Non-current assets			
Property, plant and equipment	*10*	**990,747**	1,010,343
Intangible assets	*11*	**1,646,186**	1,684,756
Financial asset investments	*12*	**18,905**	19,866
Deferred tax assets	*6*	**3,361**	10,856
		2,659,199	2,725,821
Current assets			
Inventories	*13*	**526,364**	495,313
Trade and other receivables	*14*	**591,166**	597,073
Cash and cash equivalents	*17*	**185,669**	188,844
Financial assets	*17*	**3,746**	4,485
Assets classified as held for sale	*15*	**3,392**	2,696
		1,310,337	1,288,411
Total assets		**3,969,536**	4,014,232
Current liabilities			
Trade and other payables	*16*	**859,933**	836,550
Financial liabilities	*17*	**10,309**	27,261
Tax liabilities		**53,238**	51,909
Deferred income	*18*	**2,727**	2,726
		926,207	918,446
Non-current liabilities			
Financial liabilities	*17*	**1,454,797**	1,356,296
Retirement benefits obligation	*19*	**111,999**	180,269
Other non-current liabilities	*20*	**92,042**	87,368
Deferred tax liabilities	*6*	**137,527**	131,252
Deferred income	*18*	**17,677**	17,434
		1,814,042	1,772,619
Total liabilities		**2,740,249**	2,691,065
Net assets		**1,229,287**	1,323,167
Capital and reserves			
Share capital	*21*	**21,836**	23,445
Share premium account	*22*	**391,316**	383,341
Other reserves	*23*	**(83,961)**	(32,089)
Retained earnings – cancelled shares	*23*	**(280,292)**	–
– retained earnings	*23*	**1,180,388**	948,470
Shareholders' equity		**1,229,287**	1,323,167

The financial statements were approved by the Board of Directors on 25 February 2008 and signed on its behalf by:

Denis Buckley, Chairman
Stan McCarthy, Chief Executive

Company Balance Sheet

as at 31 December 2007

	Notes	2007 €'000	2006 €'000
Non-current assets			
Property, plant and equipment	*10*	**2,285**	2,470
Financial asset investments	*12*	**544,946**	544,946
		547,231	547,416
Current assets			
Trade and other receivables	*14*	**20,410**	28,719
Cash and cash equivalents		**1,017**	4,374
		21,427	33,093
Total assets		**568,658**	580,509
Current liabilities			
Trade and other payables	*16*	**6,806**	7,325
Deferred income	*18*	**18**	18
		6,824	7,343
Non-current liabilities			
Other non-current liabilities	*20*	**32,277**	42,459
Deferred income	*18*	**254**	272
		32,531	42,731
Total liabilities		**39,355**	50,074
Net assets		**529,303**	530,435
Capital and reserves			
Share capital	*21*	**21,836**	23,445
Share premium account	*22*	**391,316**	383,341
Other reserves	*23*	**4,960**	(46,837)
Retained earnings – cancelled shares	*23*	**(280,292)**	–
– retained earnings	*23*	**391,483**	170,486
Shareholders' equity		**529,303**	530,435

The financial statements were approved by the Board of Directors on 25 February 2008 and signed on its behalf by:

Denis Buckley, Chairman
Stan McCarthy, Chief Executive

Consolidated Statement of Recognised Income and Expense

for the year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Fair value movements on available-for-sale investments	12	**(4,470)**	7,424
Fair value movements on cash flow hedges		**(20,934)**	(2,608)
Exchange difference on translation of foreign operations	26	**(54,335)**	(13,389)
Actuarial gains on defined benefit pension schemes	19	**20,476**	61,924
Deferred tax on items taken directly to reserves	6	**(876)**	(12,251)
Net (expense)/income recognised directly in equity		**(60,139)**	41,100
Transfers			
Cash flow hedges to profit or loss from equity	28	**(8,534)**	160
Sale of available-for-sale investments	12	**(15,396)**	–
Profit for the year after taxation		**246,118**	177,749
Total recognised income and expense for the year attributable to equity shareholders		**162,049**	219,009

Consolidated Reconciliation of Changes in Shareholders' Equity

for the year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
At beginning of year		1,323,167	1,177,684
Total recognised income and expense for the year		**162,049**	219,009
Dividends paid	8	**(33,800)**	(30,757)
Purchase of shares	21	**(231,850)**	(48,442)
Long term incentive plan expense	23	**1,650**	1,265
Shares issued during year	23	**8,071**	4,408
At end of year		**1,229,287**	1,323,167

Company Reconciliation of Changes in Shareholders' Equity

for the year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
At beginning of year		530,435	520,790
Profit for the year after taxation	7	**254,797**	83,171
Dividends paid	8	**(33,800)**	(30,757)
Purchase of shares	21	**(231,850)**	(48,442)
Long term incentive plan expense	23	**1,650**	1,265
Shares issued during year	23	**8,071**	4,408
At end of year		**529,303**	530,435

Consolidated Cash Flow Statement

for the year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Operating activities			
Trading profit		**401,126**	383,688
Adjustments for:			
Depreciation (net)	*25*	**99,003**	102,923
Change in working capital	*25*	**(35,368)**	(45,893)
Exchange translation adjustment	*26*	**(2,506)**	(484)
Cash generated from operations		**462,255**	440,234
Income taxes paid		**(37,250)**	(35,056)
Interest received		**3,675**	2,006
Finance costs paid		**(82,849)**	(78,587)
Net cash from operating activities		**345,831**	328,597
Investing activities			
Purchase of non-current assets		**(140,390)**	(103,066)
Proceeds from the sale of non-current assets		**48,443**	13,886
Capital grants received	*18*	**3,379**	1,687
Purchase of subsidiary undertakings	*27*	**(78,958)**	(112,830)
Proceeds from disposal of businesses		**526**	17,118
Payment of deferred payables		**(3,592)**	(2,781)
Expenditure on restructuring costs		**(39,519)**	(30,903)
Consideration adjustment on previous acquisitions		**(64)**	(63)
Net cash used in investing activities		**(210,175)**	(216,952)
Financing activities			
Dividends paid	*8*	**(33,800)**	(30,757)
Purchase of shares	*21*	**(231,850)**	(48,442)
Issue of share capital	*23*	**8,071**	4,408
Net movement on bank borrowings		**123,516**	(4,958)
Increase/(decrease) in bank overdrafts		**5,943**	(1,694)
Net cash used in financing activities		**(128,120)**	(81,443)
Net increase in cash and cash equivalents		**7,536**	30,202
Cash and cash equivalents at beginning of year		188,844	163,903
Exchange translation adjustment on cash and cash equivalents	*26*	**(10,711)**	(5,261)
Cash and cash equivalents at end of year		**185,669**	188,844

Reconciliation of Net Cash Flow to Movement in Net Debt

for the year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Net increase in cash and cash equivalents		**7,536**	30,202
Cash (inflow)/outflow from debt financing		**(129,459)**	6,652
Changes in net debt resulting from cash flows		**(121,923)**	36,854
Fair value movement on interest rate swaps		**(29,016)**	(5,998)
Exchange translation adjustment on net debt	*26*	**66,316**	50,146
Movement in net debt in the year		**(84,623)**	81,002
Net debt at beginning of year		(1,194,356)	(1,275,358)
Net debt at end of year	*17*	**(1,278,979)**	(1,194,356)

Company Cash Flow Statement

for the year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Operating activities			
Trading profit		**253,945**	82,918
Adjustments for:			
Depreciation (net)	*25*	**167**	167
Change in working capital	*25*	**95**	(4,456)
Cash generated from operations		**254,207**	78,629
Interest received		**97**	104
Net cash from operating activities		**254,304**	78,733
Investing activities			
Payment of deferred payables		**(82)**	–
Net cash used in investing activities		**(82)**	–
Financing activities			
Dividends paid	*8*	**(33,800)**	(30,757)
Purchase of shares	*21*	**(231,850)**	(48,442)
Issue of share capital	*23*	**8,071**	4,408
Net cash used in financing activities		**(257,579)**	(74,791)
Net (decrease)/increase in cash and cash equivalents		**(3,357)**	3,942
Cash and cash equivalents at beginning of year		4,374	432
Cash and cash equivalents at end of year		**1,017**	4,374

Notes to the Financial Statements

for the year ended 31 December 2007

1. Analysis of results

By business segment:	2007 Ingredients & Flavours €'000	2007 Consumer Foods €'000	2007 Unallocated and Group Eliminations €'000	2007 Total €'000	2006 Ingredients & Flavours €'000	2006 Consumer Foods €'000	2006 Unallocated and Group Eliminations €'000	2006 Total €'000
Revenue	**3,309,629**	**1,819,295**	**(341,158)**	**4,787,766**	3,134,288	1,818,733	(307,101)	4,645,920
Trading profit	**310,416**	**119,314**	**(28,604)**	**401,126**	293,131	117,528	(26,971)	383,688
Intangible asset amortisation	**(10,079)**	**(1,512)**	**(1,078)**	**(12,669)**	(10,202)	(1,045)	(846)	(12,093)
Non-trading items	**(27,661)**	**(6,672)**	**23,220**	**(11,113)**	(25,544)	(47,881)	–	(73,425)
Operating profit	**272,676**	**111,130**	**(6,462)**	**377,344**	257,385	68,602	(27,817)	298,170
Finance costs				**(79,055)**				(76,930)
Profit before taxation				**298,289**				221,240
Income taxes				**(52,171)**				(43,491)
Profit after taxation and attributable to equity shareholders				**246,118**				177,749
Segment assets and liabilities								
Segment assets	**2,488,411**	**967,243**	**513,882**	**3,969,536**	2,449,392	1,060,691	504,149	4,014,232
Segment liabilities	**566,701**	**393,208**	**1,780,340**	**2,740,249**	564,118	452,173	1,674,774	2,691,065
Net assets	**1,921,710**	**574,035**	**(1,266,458)**	**1,229,287**	1,885,274	608,518	(1,170,625)	1,323,167
Other segmental information								
Property, plant and equipment additions	**100,648**	**21,298**	**–**	**121,946**	75,009	22,891	–	97,900
Intangible asset additions	**2,692**	**811**	**1,555**	**5,058**	1,872	–	1,279	3,151
Depreciation (net)	**66,006**	**32,412**	**585**	**99,003**	69,345	33,018	560	102,923

By geographic segment:	2007 Europe €'000	2007 Americas €'000	2007 Asia Pacific €'000	2007 Total €'000	2006 Europe €'000	2006 Americas €'000	2006 Asia Pacific €'000	2006 Total €'000
Revenue by location of customers	**3,053,603**	**1,309,609**	**424,554**	**4,787,766**	3,007,511	1,275,879	362,530	4,645,920
Segment assets by location	**2,712,630**	**1,031,350**	**225,556**	**3,969,536**	2,718,778	1,102,707	192,747	4,014,232
Property, plant and equipment additions	**57,188**	**50,868**	**13,890**	**121,946**	70,222	20,917	6,761	97,900
Intangible asset additions	**3,269**	**1,789**	**–**	**5,058**	1,538	1,597	16	3,151

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

2. Operating profit

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

	Notes	2007 €'000 Continuing operations	2006 €'000 Continuing operations
Revenue		**4,787,766**	4,645,920
Less operating costs:			
Raw materials and consumables		**2,764,600**	2,579,758
Other external charges		**417,698**	408,247
Staff costs	*3*	**890,190**	900,109
Depreciation of property, plant and equipment	*10*	**101,848**	108,826
Capital grants amortisation	*18*	**(2,845)**	(5,903)
Operating charges		**234,027**	249,495
Change in inventories of finished goods		**(18,878)**	21,700
Trading profit		**401,126**	383,688
Intangible asset amortisation	*11*	**12,669**	12,093
Non-trading items	*4*	**11,113**	73,425
Operating profit		**377,344**	298,170
And is stated after charging:			
Research and development costs		**145,236**	139,018
Auditors' remuneration – audit		**2,560**	2,528
– audit related		**178**	125
– non-audit		**2,045**	2,163
		4,783	4,816

Directors' emoluments

Directors' emoluments are set out in the Directors' remuneration section of the Report of the Directors on pages 41 and 42.

3. Staff numbers and costs

The average number of people employed by the Group was:

	2007 Number	2006 Number
Management	**517**	526
Administration	**1,862**	2,007
Production	**15,543**	16,273
Sales	**3,738**	3,839
Others	**738**	644
	22,398	23,289

3. Staff numbers and costs (continued)

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

	Notes	**2007 €'000**	2006 €'000
Wages and salaries		**769,393**	774,631
Social welfare		**85,252**	86,535
Pension costs	*19*	**35,545**	39,164
		890,190	900,330

Wages and salaries include a long term incentive plan expense of **€1,650,000** (2006: €1,265,000).

Pension costs above include an amount of **€nil** (2006: €221,000) which is recorded in finance costs.

4. Non-trading items

	Notes	**2007 €'000**	2006 €'000
Profit on sale of non-current assets		**35,585**	11,477
Loss on sale of businesses		**(2,197)**	(35,860)
Acquisition, plant closure and other restructuring costs		**(44,501)**	(49,042)
		(11,113)	(73,425)
Tax credit on non-trading items	*6*	**12,341**	14,262
		1,228	(59,163)

The profit on sale of non-current assets relates primarily to the sale of investments and properties, plant and equipment.

The loss on sale of businesses in 2007 relates primarily to the sale of a frozen vegetable business in the UK.

The loss on sale of businesses in 2006 relates substantially to the sale of the poultry businesses in Ireland and the UK, a chilled desserts business in the UK and small non-core Ingredients businesses in the US and Brazil.

The acquisition, plant closure and other restructuring costs relate to the restructuring of manufacturing plants in Europe, Americas and Asia Pacific and the integration of recent acquisitions. The costs are analysed as follows:

	Notes	**2007 €'000**	2006 €'000
Plant closure and relocation		**32,217**	22,552
Redundancies and contract compensation		**5,615**	7,534
Plant and other assets impaired	*10*	**4,982**	18,139
Other		**1,687**	817
		44,501	49,042

The non-trading items had a net cash inflow (after related tax) of **€21,791,000** (2006: €14,363,000).

5. Finance costs

	2007 €'000	2006 €'000
Interest payable	**82,730**	78,936
Interest receivable	**(3,675)**	(2,006)
	79,055	76,930

6. Income taxes

	Notes	2007 €'000	2006 €'000
Recognition in the Consolidated Income Statement			
Current tax expense		**41,727**	43,151
Adjustments to current tax in respect of prior years		**(2,038)**	(2,923)
Deferred tax relating to the origination and reversal of temporary differences		**12,482**	3,263
Income tax expense		**52,171**	43,491
Included in the above are the following tax credits on non-trading items:			
Current tax		**(4,723)**	(2,863)
Deferred tax		**(7,618)**	(11,399)
	4	**(12,341)**	(14,262)

In addition to the income tax expense included in the Consolidated Income Statement, a deferred tax charge primarily due to retirement benefits obligation and movements on cash flow hedges of **€876,000** (2006: €12,251,000) has been recognised in shareholders' equity.

The applicable tax rate of **21%** (2006: 22%) 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 tax rate is caused by changes in taxable profits by jurisdiction, as well as changes in local statutory tax rates.

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

	2007 €'000	2006 €'000
Profit before taxation	**298,289**	221,240
Applicable tax	**61,932**	49,228
Adjustments to current and deferred tax in respect of prior years	**(2,534)**	(2,719)
Income taxed at rates other than standard tax rates	**(2,272)**	(1,622)
Withholding taxes and other local taxes	**3,737**	4,295
Income not subject to tax	**(4,814)**	(4,090)
Other adjusting items	**(3,878)**	(1,601)
Income tax expense	**52,171**	43,491

Deductible temporary differences totaling **€57,700,000** (2006: €52,900,000), which consist mainly of tax losses forward have not been recognised. Unrecognised tax losses of **€14,500,000** (2006: €19,000,000) expire within 5 years and a further **€24,500,000** (2006: €15,500,000) expire within 9 years. All other tax losses may be carried forward indefinitely.

6. Income taxes (continued)

Temporary differences have not been recognised in respect of withholding taxes and other taxes that would be payable on the unremitted earnings of foreign subsidiaries, as such amounts are currently regarded as being permanently invested.

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

	Notes	Deferred Tax Assets €'000	Deferred Tax Liabilities €'000	Total €'000
At 1 January 2006		(12,115)	112,276	100,161
Consolidated Income Statement movement		(4,096)	7,359	3,263
Recognised in shareholders' equity during year		371	11,880	12,251
Related to businesses acquired/disposed		3,985	109	4,094
Exchange translation adjustment	*26*	999	(372)	627
At 31 December 2006		(10,856)	131,252	120,396
Consolidated Income Statement movement		**4,004**	**8,478**	**12,482**
Recognised in shareholders' equity during year		**2,454**	**(1,578)**	**876**
Related to businesses acquired/disposed		**495**	**86**	**581**
Exchange translation adjustment	*26*	**542**	**(711)**	**(169)**
At 31 December 2007		**(3,361)**	**137,527**	**134,166**

The following are the major deferred tax liabilities/(assets) recognised by the Group at 31 December:

	2007 €'000	2006 €'000
Property, plant and equipment	**65,157**	70,971
Intangible assets	**133,134**	131,023
Tax losses and credits	**(25,737)**	(18,762)
Retirement benefits obligation	**(35,287)**	(58,490)
Other temporary differences	**(3,101)**	(4,346)
	134,166	120,396

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

7. 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 profit and loss account 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 IFRS is **€254,797,000** (2006: €83,171,000).

8. Dividends

	2007 €'000	2006 €'000
Amounts recognised as distributions to equity shareholders in the year		
Final 2006 dividend of 12.50 cent per A ordinary share paid 25 May 2007		
(Final 2005 dividend: 11.00 cent per A ordinary share paid 26 May 2006)	**23,144**	20,597
Interim 2007 dividend of **6.10 cent** per A ordinary share paid 23 November 2007		
(Interim 2006 dividend: 5.50 cent per A ordinary share paid 24 November 2006)	**10,656**	10,160
	33,800	30,757

Since the year end the Board has proposed a final 2007 dividend of 13.90 cent per A ordinary share. The payment date for the final dividend will be 23 May 2008 to shareholders registered on the record date 18 April 2008. These consolidated financial statements do not reflect this dividend payable.

9. Earnings per ordinary share

	Notes	**EPS cent**	**2007 €'000**	EPS cent	2006 €'000
Basic earnings per share					
Profit after taxation and attributable to equity shareholders		**137.4**	**246,118**	95.6	177,749
Intangible asset amortisation	*11*	**7.1**	**12,669**	6.5	12,093
Non-trading items (net of related tax)	*4*	**(0.7)**	**(1,228)**	31.8	59,163
Adjusted earnings*		**143.8**	**257,559**	133.9	249,005
Diluted earnings per share					
Profit after taxation and attributable to equity shareholders		**137.0**	**246,118**	95.2	177,749
Adjusted earnings*		**143.4**	**257,559**	133.4	249,005

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

	Number of Shares 2007 000's	Number of Shares 2006 000's
Basic weighted average number of shares	**179,073**	185,949
Impact of executive share options outstanding	**545**	715
Diluted weighted average number of shares	**179,618**	186,664
Actual number of shares in issue	**174,690**	184,762

10. Property, plant and equipment

	Notes	Land and Buildings €'000	Plant, Machinery and Equipment €'000	Motor Vehicles €'000	Total €'000
Group:					
Cost					
At 1 January 2006		710,089	1,281,009	42,022	2,033,120
Businesses acquired		6,448	18,521	23	24,992
Additions		16,709	62,033	2,118	80,860
Construction in progress		–	17,040	–	17,040
Disposals/businesses disposed		(22,655)	(65,745)	(3,627)	(92,027)
Transferred to held for sale	*15*	(4,056)	(1,023)	(26)	(5,105)
Exchange translation adjustment	*26*	(11,023)	(20,489)	(92)	(31,604)
At 31 December 2006		695,512	1,291,346	40,418	2,027,276
Businesses acquired	*27*	**11,906**	**22,449**	**98**	**34,453**
Additions		**22,502**	**59,033**	**2,350**	**83,885**
Construction in progress		**11,771**	**26,290**	**–**	**38,061**
Disposals/businesses disposed		**(11,210)**	**(31,185)**	**(2,881)**	**(45,276)**
Transferred to held for sale	*15*	**(5,398)**	**(3,112)**	**–**	**(8,510)**
Exchange translation adjustment	*26*	**(32,225)**	**(61,205)**	**(446)**	**(93,876)**
At 31 December 2007		**692,858**	**1,303,616**	**39,539**	**2,036,013**
Accumulated depreciation and impairment					
At 1 January 2006		186,097	745,791	34,301	966,189
Businesses acquired		–	832	–	832
Charge during year		20,159	85,597	3,070	108,826
Disposals/businesses disposed		(8,656)	(52,696)	(3,172)	(64,524)
Impairments	*4*	7,272	10,867	–	18,139
Transferred to held for sale	*15*	(1,430)	(953)	(26)	(2,409)
Exchange translation adjustment	*26*	(3,129)	(6,950)	(41)	(10,120)
At 31 December 2006		200,313	782,488	34,132	1,016,933
Businesses acquired	*27*	**160**	**7,074**	**9**	**7,243**
Charge during year		**20,183**	**78,959**	**2,706**	**101,848**
Disposals/businesses disposed		**(5,899)**	**(24,022)**	**(2,781)**	**(32,702)**
Impairments	*4*	**2,997**	**1,985**	**–**	**4,982**
Transferred to held for sale	*15*	**(3,179)**	**(1,939)**	**–**	**(5,118)**
Exchange translation adjustment	*26*	**(9,481)**	**(38,048)**	**(391)**	**(47,920)**
At 31 December 2007		**205,094**	**806,497**	**33,675**	**1,045,266**
Net book value					
At 31 December 2006		495,199	508,858	6,286	1,010,343
At 31 December 2007		**487,764**	**497,119**	**5,864**	**990,747**

During the year, the Group recognised impairments in relation to the plant closures as described in note 4.

10. Property, plant and equipment (continued)

	Land and Buildings Total €'000
Company:	
Cost	
At beginning and end of 2007 and 2006	4,883
Accumulated depreciation	
At 1 January 2006	2,228
Charge during year	185
At 31 December 2006	2,413
Charge during year	**185**
At 31 December 2007	**2,598**
Net book value	
At 31 December 2006	2,470
At 31 December 2007	**2,285**

11. Intangible assets

	Notes	Goodwill €'000	Brand Related Intangibles €'000	Computer Software €'000	Total €'000
Group:					
Cost					
At 1 January 2006		1,295,261	375,410	9,137	1,679,808
Businesses acquired		61,703	28,522	–	90,225
Additions		–	–	3,151	3,151
Purchase adjustments		1,671	–	–	1,671
Disposals/businesses disposed		–	(463)	(40)	(503)
Exchange translation adjustment	*26*	(26,671)	(5,258)	(220)	(32,149)
At 31 December 2006		1,331,964	398,211	12,028	1,742,203
Businesses acquired	*27*	**32,130**	**15,359**	**41**	**47,530**
Additions		**–**	**150**	**4,908**	**5,058**
Purchase adjustments		**(178)**	**–**	**–**	**(178)**
Exchange translation adjustment	*26*	**(64,708)**	**(18,772)**	**(576)**	**(84,056)**
At 31 December 2007		**1,299,208**	**394,948**	**16,401**	**1,710,557**
Amortisation and impairment					
At 1 January 2006		–	42,645	3,796	46,441
Charge during year		–	10,085	2,008	12,093
Disposals/businesses disposed		–	(135)	(40)	(175)
Exchange translation adjustment	*26*	–	(835)	(77)	(912)
At 31 December 2006		–	51,760	5,687	57,447
Charge during year		**–**	**10,035**	**2,634**	**12,669**
Exchange translation adjustment	*26*	**–**	**(5,385)**	**(360)**	**(5,745)**
At 31 December 2007		**–**	**56,410**	**7,961**	**64,371**
Net book value					
At 31 December 2006		1,331,964	346,451	6,341	1,684,756
At 31 December 2007		**1,299,208**	**338,538**	**8,440**	**1,646,186**

Included in the cost of brand related intangibles are intangibles of **€305,288,000** (2006: €313,069,000) which have indefinite lives.

In arriving at the conclusion that these brand related intangibles have an indefinite life, the Directors consider Kerry Group is a technology business and expects to acquire, hold and support technology for an indefinite period. The Group supports this through investment in research and development.

There are no material internally generated brand related intangibles.

11. Intangible assets (continued)

Intangible assets acquired in a business combination are allocated to cash generating units (CGUs) that are expected to benefit from that business acquisition. A summary of the allocation of the carrying value of intangible assets by region within segment is as follows:

	2007 €'000	2006 €'000
Ingredients & Flavours		
Europe	**537,366**	551,822
Americas	**654,158**	661,410
Asia Pacific	**30,053**	19,973
Consumer Foods		
Europe	**424,609**	451,551
At end of year	**1,646,186**	1,684,756

The Group tests goodwill and indefinite life intangibles annually for impairment, or more frequently if there are indications they might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are discount rates, growth rates and expected changes to selling price and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Growth rates are based on applicable estimated industry growth rate forecasts, which range from 2% to 10%. Changes in selling price and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by the Board of Directors. The cash flows are extrapolated for 5 years based on applicable estimated growth rates with a terminal value included thereafter to extend the cash flows to perpetuity.

The Group's weighted average cost of capital is used to discount cash flow forecasts. No impairments arose in 2007 or 2006. A 1% increase in the discount rate would not have resulted in an impairment charge in 2007 or 2006.

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

12. Financial asset investments

	2007 €'000	2006 €'000
Group:		
Available-for-sale investments		
At beginning of year at fair value	19,866	12,442
Additions	**18,905**	–
Fair value movements	**(4,470)**	7,424
Disposals	**(15,396)**	–
At end of year at fair value	**18,905**	19,866

The available-for-sale investments represent investments in securities. These investments have no fixed maturity or coupon rate.

	2007 €'000	2006 €'000
Company:		
Investments in subsidiaries at cost		
At beginning and end of year	**544,946**	544,946

13. Inventories

	2007 €'000	2006 €'000
Group:		
Raw materials and consumables	**236,218**	222,395
Finished goods and goods for resale	**271,495**	252,617
Expense inventories	**18,651**	20,301
	526,364	495,313

14. Trade and other receivables

	Group 2007 €'000	Group 2006 €'000	Company 2007 €'000	Company 2006 €'000
Trade receivables due within one year	**538,219**	536,315	**–**	–
Other receivables and prepayments	**28,219**	39,156	**–**	–
VAT receivable	**20,877**	14,602	**–**	–
Trade receivables due after one year	**3,851**	7,000	**–**	–
Amounts due by Group companies	**–**	–	**20,410**	28,719
	591,166	597,073	**20,410**	28,719

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.

	Group 2007 €'000	Group 2006 €'000
Within terms	**414,758**	403,202
Past due not more than 1 month	**101,820**	107,130
Past due more than 1 month but less than 2 months	**11,831**	16,247
Past due more than 2 months but less than 3 months	**5,883**	4,943
Past due more than 3 months	**3,927**	4,793
Trade receivables, net	**538,219**	536,315

No significant impairment charge has been recorded in the Consolidated Income Statement in 2007 or 2006. The quality of past due not impaired trade and other receivables is considered good. The carrying amount of trade and other receivables approximates to their fair values.

There is no concentration of credit risk or currency risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers.

15. Assets classified as held for sale

	Notes	**2007 €'000**	2006 €'000
Group:			
Property, plant and equipment	*10*	**3,392**	2,696

In 2007, the Group has classified certain property, plant and equipment in the Americas and Europe as assets held for sale. The sales are expected to complete in 2008.

In 2006, the Group classified certain property, plant and equipment in the UK and Ireland as assets held for sale. The sales mainly completed in 2007.

16. Trade and other payables

	Group 2007 €'000	Group 2006 €'000	**Company 2007 €'000**	Company 2006 €'000
Trade payables	**701,156**	686,455	**–**	–
Other payables and accruals	**134,491**	122,191	**391**	828
Deferred payments on acquisition of subsidiaries	**9,219**	11,803	**6,415**	6,497
PAYE	**8,280**	9,264	**–**	–
Social security costs	**6,787**	6,837	**–**	–
	859,933	836,550	**6,806**	7,325

The carrying amount of trade and other payables approximates to their fair values.

The above balances are all due within 1 year.

17. Financial liabilities

The Group's treasury policy including management of derivatives and other financial instruments, is set out in note 28.

	2007 €'000	2006 €'000
Analysis of net financial liabilities		
Cash and cash equivalents	**(185,669)**	(188,844)
Financial assets: current	**(3,746)**	(4,485)
Financial liabilities: current	**10,309**	27,261
Financial liabilities: non-current	**1,454,797**	1,356,296
Total net financial liabilities	**1,275,691**	1,190,228

All Group borrowings are guaranteed by Kerry Group plc and its material asset holding companies through a cross-guarantee structure. All borrowings are unsecured.

The different categories of financial liabilities, which are net of the impact of applicable swaps are:

	2007 €'000	2006 €'000
Analysis of total net debt by category		
Cash and cash equivalents	**(185,669)**	(188,844)
Bank overdrafts	**6,457**	514
Bank loans	**930,952**	819,221
Senior notes	**492,225**	557,467
Derivative instruments in hedging relationships	**35,014**	5,998
Total net debt	**1,278,979**	1,194,356
Less: forward foreign exchange contracts	**(3,288)**	(4,128)
Total net financial liabilities	**1,275,691**	1,190,228

Summary of borrowing arrangements

(a) Bank loans
Bank loans comprise committed term loan facilities, committed revolving credit facilities, bilateral term loans and uncommitted demand facilities:
- Syndicate term loans with maturities ranging from 3 to 6 years;
- Syndicate revolving credit facilities maturing in 2 years;
- Bilateral term loans with maturities ranging from 1 to 4 years; and
- Demand facilities.

(b) Senior notes
In April 2003 the Group placed $650,000,000 of senior notes with US institutional investors in three tranches as follows:
- Tranche A maturing on 30 April 2010
- Tranche B maturing on 30 April 2013
- Tranche C maturing on 30 April 2015

Both the committed syndicate facilities and the senior notes have financial covenants attached to them. The Group was in full compliance with these covenants at 31 December 2007 and 2006.

18. Deferred income

	Notes	Group 2007 €'000	Group 2006 €'000	Company 2007 €'000	Company 2006 €'000
Capital grants					
At beginning of year		20,160	25,037	290	308
Businesses disposed		–	(809)	–	–
Grants received		**3,379**	1,687	–	–
Amortised during year	*2*	**(2,845)**	(5,903)	**(18)**	(18)
Exchange translation adjustment	*26*	**(290)**	148	–	–
At end of year		**20,404**	20,160	**272**	290
Analysed as:					
Current liabilities		**2,727**	2,726	**18**	18
Non-current liabilities		**17,677**	17,434	**254**	272
		20,404	20,160	**272**	290

There are no material unfulfilled conditions or other contingencies attaching to capital grants received.

19. Retirement benefits obligation

The Group operates pension 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.

(a) Defined contribution plans
The amount recognised as an expense in the Consolidated Income Statement for defined contribution plans for the year was **€13,737,000** (2006: €12,931,000).

(b) Defined benefit plans
The Group operates defined benefit pension schemes in a number of countries in which it operates, primarily in Ireland, the UK, the US, Canada and the Netherlands. The defined benefit plans operated by the Group primarily include final salary pension plans but also include post-retirement medical benefit plans in respect of a number of its US and Canadian employees.

The values used in this disclosure 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 at 31 December 2007 using the projected unit credit method. All assets in the schemes have been measured at their fair value at the balance sheet date.

Full actuarial valuations for funding purposes are carried out for the Group's pension plans at least on a triennial basis. The actuarial reports are not available for public inspection.

(i) Recognition in the Consolidated Income Statement

	2007		2006	
	Pension €'000	**Post-Retirement €'000**	Pension €'000	Post-Retirement €'000
Current service cost	**25,152**	**670**	25,441	571
Past service cost	**215**	**–**	–	–
Expected return on pension schemes' assets	**(48,946)**	**–**	(41,162)	–
Interest on schemes' liabilities	**44,032**	**685**	40,642	741
Total defined benefit pension costs	**20,453**	**1,355**	24,921	1,312

The above pension costs are included in staff costs in note 3. In 2006, the expected return on pension schemes' assets and interest on schemes' liabilities were recorded in finance costs, net €221,000.

19. Retirement benefits obligation (continued)

(ii) Recognition in the Consolidated Statement of Recognised Income and Expense

	2007		2006	
	Pension €'000	Post-Retirement €'000	Pension €'000	Post-Retirement €'000
Actual return less expected return on pension schemes' assets	(41,330)	–	4,761	–
Experience gains on schemes' liabilities	1,105	1,957	3,563	1,352
Changes in assumptions underlying the present value of the schemes' liabilities*	57,839	905	52,258	(10)
Actuarial gains recognised in the Consolidated Statement of Recognised Income and Expense	17,614	2,862	60,582	1,342
Cumulative amount of actuarial gains/(losses) recognised in the Consolidated Statement of Recognised Income and Expense	8,045	2,566	(9,569)	(296)
Actual return on schemes' assets for the year	7,616	N/A	45,923	N/A

*In 2007, the main changes in assumptions underlying the present value of the schemes' liabilities were an increase in discount rates in the various schemes which were offset by increases in long term inflation expectations (and consequent increases in salary rate and pension increase rate expectations) in Ireland and the UK and improvements in members' expected longevity across a number of pension schemes. The main changes in assumptions in 2006 were an increase in discount rates across the pension schemes and increases in inflation and salary increase assumptions in the UK.

(iii) Amounts recognised in the Consolidated Balance Sheet and reconciliations for defined benefit plans

The movements in the defined benefit schemes' obligation during the year were:

	Notes	2007		2006	
		Pension €'000	Post-Retirement €'000	Pension €'000	Post-Retirement €'000
Present value of schemes' liabilities at beginning of year		(855,198)	(11,905)	(846,366)	(13,783)
Current service cost		(25,152)	(670)	(25,441)	(571)
Past service cost		(2,800)	–	–	–
Interest cost		(44,032)	(685)	(40,642)	(741)
Contributions by employees		(10,116)	(63)	(10,535)	(69)
Benefits paid		21,111	346	20,286	399
Actuarial gain		58,944	2,862	55,821	1,342
Impact of businesses acquired/disposed and other movements		3,187	–	(4,998)	–
Exchange translation adjustment	26	48,325	1,265	(3,323)	1,518
Present value of schemes' liabilities at end of year		(805,731)	(8,850)	(855,198)	(11,905)
Present value of schemes' liabilities at end of year that relates to:					
Wholly unfunded plans		(2,836)	(8,850)	(4,147)	(11,905)
Wholly or partly funded plans		(802,895)	–	(851,051)	–
		(805,731)	(8,850)	(855,198)	(11,905)

19. Retirement benefits obligation (continued)

The movements in the schemes' assets during the year were:

		2007		2006	
			Post-		Post-
		Pension	**Retirement**	Pension	Retirement
	Notes	**€'000**	**€'000**	€'000	€'000
Fair value of assets in plans at beginning of year		686,834	–	611,046	–
Expected return on plan assets		**48,946**	–	41,162	–
Contributions by employer		**52,625**	**283**	37,221	330
Contributions by employees		**10,116**	**63**	10,535	69
Benefits paid		**(21,111)**	**(346)**	(20,286)	(399)
Actuarial (loss)/gain		**(41,330)**	–	4,761	–
Impact of businesses acquired/disposed and other movements		**(3,347)**	–	181	–
Exchange translation adjustment	*26*	**(32,736)**	–	2,214	–
Fair value of assets in plans at end of year		**699,997**	–	686,834	–

The fair values of each of the categories of the pension schemes' assets at 31 December were as follows:

	2007	2006
	Pension	Pension
	€'000	€'000
Equities	**468,870**	476,685
Bonds	**181,282**	159,916
Property	**18,637**	16,634
Others including cash	**31,208**	33,599
Total fair value of pension schemes' assets	**699,997**	686,834

The schemes' assets are invested with professional investment managers or in insurance contracts and investments in the Group's own financial instruments, if any, are solely at the discretion of the investment managers concerned.

During the year ending 31 December 2008, the Group expects to contribute approximately €54,000,000 to its defined benefit plans and directly to plan participants of its unfunded defined benefit plans.

The Group's net defined benefit pension schemes' deficit which has been recognised in the Consolidated Balance Sheet, was as follows:

	2007		2006	
		Post-		Post-
	Pension	**Retirement**	Pension	Retirement
	€'000	**€'000**	€'000	€'000
Present value of schemes' liabilities	**(805,731)**	**(8,850)**	(855,198)	(11,905)
Fair value of assets in plans	**699,997**	–	686,834	–
Net deficit	**(105,734)**	**(8,850)**	(168,364)	(11,905)
Unrecognised past service cost	**2,585**	–	–	–
Net recognised deficit in plans before deferred tax	**(103,149)**	**(8,850)**	(168,364)	(11,905)
Net related deferred tax asset	**32,503**	**3,608**	53,261	4,861
Net recognised deficit in plans after deferred tax at end of year	**(70,646)**	**(5,242)**	(115,103)	(7,044)

19. Retirement benefits obligation (continued)

(iv) Financial and demographic assumptions
The principal financial assumptions used by the Group's actuaries in order to calculate the pension schemes' liabilities at 31 December, which have been shown in range format to reflect the differing assumptions in each scheme, were as follows:

	2007 **%**	2006 %
Inflation assumption	**2.00 - 3.10**	2.00 - 2.80
Rate of increase in salaries	**3.00 - 4.10**	3.00 - 3.80
Rate of increase for pensions in payment and deferred pensions	**2.00 - 3.10**	0.00 - 2.80
Rate used to discount schemes' liabilities	**5.50 - 6.50**	4.80 - 5.75

The expected rates of return for each of the categories of schemes' assets are determined based on current market long term expectations for such rates and input from investment advisors. The rates of return on equities and property are based on current long term government bond yields (approximating risk free rates) plus an appropriate risk premium. The long term rates of return on bond and cash investments are set in line with market yields currently available at the balance sheet date. The overall expected rate of return for each scheme is calculated by weighting the expected return on each category of asset by the anticipated balance in that asset category during the year in accordance with the scheme's investment strategy. The long term rates of return on each class of the pension schemes' assets expected at 31 December, shown as a range to reflect the differing returns in each scheme, were as follows:

	2007 **%**	2006 %
Equities	**7.50 - 8.20**	6.80 - 8.55
Bonds	**4.00 - 5.25**	3.70 - 4.80
Property	**7.20**	7.00
Others including cash	**3.40 - 8.75**	2.00 - 8.00
Overall expected return on pension schemes' assets	**4.00 - 7.35**	4.00 - 7.65

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, which has been shown in range format to reflect the differing assumptions in each scheme, is as follows:

	2007 **Years**	2006 Years
Male	**17 - 19**	15 - 19
Female	**20 - 22**	19 - 22

There are inherent uncertainties surrounding the financial and demographic assumptions adopted by the Group. As an indication of the impact of changes in actuarial assumptions, a 25 basis point increase in discount rates would reduce the pension schemes' liabilities by approximately 5%.

19. Retirement benefits obligation (continued)

(v) Amounts for the current and 3 previous years at 31 December are as follows:

	2007 €'000	2006 €'000	2005 €'000	2004 €'000
Defined benefit pension schemes				
Present value of schemes' liabilities	**(805,731)**	(855,198)	(846,366)	(669,582)
Fair value of plans' assets	**699,997**	686,834	611,046	480,046
Net deficit in defined benefit pension plans	**(105,734)**	(168,364)	(235,320)	(189,536)
Experience gains/(losses) on schemes' liabilities	**1,105**	3,563	594	(4,285)
Experience (losses)/gains on schemes' assets	**(41,330)**	4,761	51,657	16,375
Post-retirement medical benefit schemes				
Present value of schemes' liabilities	**(8,850)**	(11,905)	(13,783)	(9,726)
Experience gains/(losses) on schemes' liabilities	**1,957**	1,352	(46)	518

As permitted by the transitional provisions of the 'Amendment to International Accounting Standard (IAS) 19 Employee Benefits', issued in December 2004, the disclosures above are determined prospectively from the year ended 31 December 2004.

20. Other non-current liabilities

	Group 2007 €'000	Group 2006 €'000	**Company 2007 €'000**	Company 2006 €'000
Other payables and accruals	**83,534**	83,293	**–**	–
Deferred payments on acquisition of subsidiaries	**8,508**	4,075	**–**	–
Amounts due to Group companies	**–**	–	**32,277**	42,459
	92,042	87,368	**32,277**	42,459

The above balances are all due within 1 to 5 years except for **€808,000** (2006: €nil) of deferred payments on acquisition of subsidiaries which is due after 5 years.

21. Share capital

	2007 €'000	2006 €'000
Group and Company:		
Authorised		
280,000,000 A ordinary shares (2006: 280,000,000 A ordinary shares) of 12.50 cent each	**35,000**	35,000
Allotted, called-up and fully paid		
At beginning of year (A ordinary shares of 12.50 cent each)	23,445	23,399
Shares issued during year	**96**	46
Shares cancelled during year	**(1,705)**	–
At end of year (A ordinary shares of 12.50 cent each)	**21,836**	23,445

The Company has one class of ordinary share which carries no right to fixed income.

Shares issued during year
During 2007, **378,000** A ordinary shares, each with a nominal value of 12.50 cent, were issued at €8.00 per share to executives in the Group under the executive share option scheme. **240,000** A ordinary shares, each with a nominal value of 12.50 cent, were issued at €12.57 per share to executives in the Group under the executive share option scheme. Also, **151,275** A ordinary shares, each with a nominal value of 12.50 cent, were issued at €13.42 per share to executives in the Group under the executive share option scheme.

Share buy back programme
At the 2006 Annual General Meeting, shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital. The Company exercised this authority and acquired 2,800,000 shares (1.5%) in June 2006 at a cost of €48,442,000 and 2,680,000 shares (1.4%) in April/May 2007 at a cost of €60,047,000.

A new authority was passed at the 2007 Annual General Meeting and in June 2007 the Company acquired 8,161,400 shares (4.5%) at a cost of €171,803,000. During 2007 the total number of shares acquired was **10,841,400** at a cost of **€231,850,000**.

All shares acquired were A ordinary shares with a nominal value of 12.50 cent. The 2,800,000 shares acquired in 2006 were held as treasury shares until May 2007 when they were cancelled. All shares acquired in 2007 were cancelled immediately following their purchase.

All purchases were in accordance with the Company's general authority to repurchase securities as approved at the 2007 and 2006 Annual General Meetings of the Company and in accordance with the Listing Rules of the Irish Stock Exchange and the Listing Rules of the UK Listing Authority.

The total number of shares in issue at 31 December 2007 was **174,689,635** (2006: 184,761,760).

22. Share premium

	Notes	2007 €'000	2006 €'000
Group and Company:			
At beginning of year		383,341	378,979
Shares issued during year	*21*	**7,975**	4,362
At end of year		**391,316**	383,341

23. Reconciliation of movements in shareholders' equity

	Share Capital €'000	Share Premium €'000	Other Reserves €'000	Retained Earnings €'000	Total €'000
Group:					
At 1 January 2006	23,399	378,979	23,501	751,805	1,177,684
Total recognised income and expense for year	–	–	(8,413)	227,422	219,009
Dividends paid	–	–	–	(30,757)	(30,757)
Purchase of treasury shares	–	–	(48,442)	–	(48,442)
Long term incentive plan expense	–	–	1,265	–	1,265
Shares issued during year	46	4,362	–	–	4,408
At 31 December 2006	23,445	383,341	(32,089)	948,470	1,323,167
Total recognised income and expense for year	**–**	**–**	**(103,669)**	**265,718**	**162,049**
Dividends paid	**–**	**–**	**–**	**(33,800)**	**(33,800)**
Purchase and cancellation of shares	**(1,355)**	**–**	**1,355**	**(231,850)**	**(231,850)**
Cancellation of treasury shares	**(350)**	**–**	**48,792**	**(48,442)**	**–**
Long term incentive plan expense	**–**	**–**	**1,650**	**–**	**1,650**
Shares issued during year	**96**	**7,975**	**–**	**–**	**8,071**
At 31 December 2007	**21,836**	**391,316**	**(83,961)**	**900,096**	**1,229,287**

Other Reserves comprise the following:

	Capital Redemption Reserve €'000	Capital Conversion Reserve Fund €'000	Treasury Share Reserve €'000	Long Term Incentive Plan Reserve €'000	Available-for-sale Investment Reserve €'000	Translation Reserve €'000	Hedging Reserve €'000	Total €'000
At 1 January 2006	–	340	–	–	12,442	10,146	573	23,501
Total recognised income and expense for year	–	–	–	–	7,424	(13,389)	(2,448)	(8,413)
Purchase of treasury shares	–	–	(48,442)	–	–	–	–	(48,442)
Long term incentive plan expense	–	–	–	1,265	–	–	–	1,265
At 31 December 2006	–	340	(48,442)	1,265	19,866	(3,243)	(1,875)	(32,089)
Total recognised income and expense for year	**–**	**–**	**–**	**–**	**(19,866)**	**(54,335)**	**(29,468)**	**(103,669)**
Purchase and cancellation of shares	**1,355**	**–**	**–**	**–**	**–**	**–**	**–**	**1,355**
Cancellation of treasury shares	**350**	**–**	**48,442**	**–**	**–**	**–**	**–**	**48,792**
Long term incentive plan expense	**–**	**–**	**–**	**1,650**	**–**	**–**	**–**	**1,650**
At 31 December 2007	**1,705**	**340**	**–**	**2,915**	**–**	**(57,578)**	**(31,343)**	**(83,961)**

Notes to the Financial Statements (continued)

for the year ended 31 December 2007

23. Reconciliation of movements in shareholders' equity (continued)

	Share Capital €'000	Share Premium €'000	Other Reserves €'000	Retained Earnings €'000	Total €'000
Company:					
At 1 January 2006	23,399	378,979	340	118,072	520,790
Profit for the year after taxation	–	–	–	83,171	83,171
Dividends paid	–	–	–	(30,757)	(30,757)
Purchase of treasury shares	–	–	(48,442)	–	(48,442)
Long term incentive plan expense	–	–	1,265	–	1,265
Shares issued during year	46	4,362	–	–	4,408
At 31 December 2006	23,445	383,341	(46,837)	170,486	530,435
Profit for the year after taxation	–	–	–	**254,797**	**254,797**
Dividends paid	–	–	–	**(33,800)**	**(33,800)**
Purchase and cancellation of shares	**(1,355)**	–	**1,355**	**(231,850)**	**(231,850)**
Cancellation of treasury shares	**(350)**	–	**48,792**	**(48,442)**	–
Long term incentive plan expense	–	–	**1,650**	–	**1,650**
Shares issued during year	**96**	**7,975**	–	–	**8,071**
At 31 December 2007	**21,836**	**391,316**	**4,960**	**111,191**	**529,303**

Other Reserves comprise the following:

	Capital Redemption Reserve €'000	Capital Conversion Reserve Fund €'000	Treasury Share Reserve €'000	Long Term Incentive Plan Reserve €'000	Total €'000
At 1 January 2006	–	340	–	–	340
Purchase of treasury shares	–	–	(48,442)	–	(48,442)
Long term incentive plan expense	–	–	–	1,265	1,265
At 31 December 2006	–	340	(48,442)	1,265	(46,837)
Purchase and cancellation of shares	**1,355**	–	–	–	**1,355**
Cancellation of treasury shares	**350**	–	**48,442**	–	**48,792**
Long term incentive plan expense	–	–	–	**1,650**	**1,650**
At 31 December 2007	**1,705**	**340**	–	**2,915**	**4,960**

24. Share-based payments

(a) Executive share option scheme

	Notes	**2007** Number of Share Options	**2007** Weighted Average Exercise Price €	2006 Number of Share Options	2006 Weighted Average Exercise Price €
Outstanding at beginning of year		1,558,085	10.71	1,924,335	10.97
Exercised during year	*21*	**(769,275)**	**10.49**	(366,250)	12.04
Forfeited during year		**(57,000)**	**13.23**	–	–
Outstanding and exercisable at end of year		**731,810**	**10.75**	1,558,085	10.71

24. Share-based payments (continued)

Details of the executive share option scheme are given in the Report of the Directors. Options are exercisable at a price equal to the average quoted market price of the Company's shares at the date of grant. The earliest exercisable date for all share options was 30 June 2000 and the latest exercisable date is 1 October 2010.

The exercise price range for options outstanding at the end of the year is **€8.00 - €13.42** (2006: €8.00 - €13.42). The remaining average contractual life of the options is **2.25 years** (2006: 2.42 years).

(b) Long term incentive plan
During 2006 the Group introduced a long term incentive plan (LTIP), under which grants were made to executive Directors and senior executives. An award under this scheme will vest at the end of a period of 3 years from the grant date. The proportion of each award which vests will depend on the Total Shareholder Return (TSR) and Earnings Per Share (EPS) performance of the Group during a 3 year period ("the performance period"). The performance period commences at the beginning of the year in which the award is granted.

Up to 50% of the shares subject to an award 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 subject to an award will vest according to the Group's adjusted EPS growth compared with the increase in the Irish Consumer Price Index during the performance period. An award will 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 changes during the year is presented below:

	2007 Number of Share Awards	2006 Number of Share Awards
Outstanding at beginning of year	1,215,500	–
Granted during year	–	1,215,500
Forfeited during year	**(80,000)**	–
Outstanding at end of year	**1,135,500**	1,215,500
Exercisable at end of year	**–**	–
Weighted average remaining contractual life	**6.55 years**	7.43 years

The fair value of the award granted was calculated using the Monte Carlo Pricing Model. The weighted average fair value of the award at the grant date was €6.24. The key assumptions used in the model were as follows:

	At grant date
Share price at grant date	**€15.90**
Exercise price per share	**12.5 cent**
Expected volatility	**16.3%**
Expected life	**3 years**
Risk free rate	**3.6%**
Expected dividend yield	**1.0%**
Expected forfeiture rate	**5.0%**

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 years.

The Group recognised an expense of **€1,650,000** (2006: €1,265,000) 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.

25. Analysis of cash flow components

The components of net cash flow from operating activities can be analysed as follows:

	Notes	Group 2007 €'000	Group 2006 €'000	Company 2007 €'000	Company 2006 €'000
Depreciation (net)					
Depreciation	*10*	**101,848**	108,826	**185**	185
Capital grants amortisation	*18*	**(2,845)**	(5,903)	**(18)**	(18)
		99,003	102,923	**167**	167
Change in working capital					
(Increase)/decrease in inventories		**(45,180)**	20,756	**–**	–
(Increase)/decrease in trade and other receivables		**(10,600)**	(48,854)	**9,064**	5,608
Increase/(decrease) in trade and other payables		**18,762**	(19,060)	**(10,619)**	(11,329)
Long term incentive plan expense	*24*	**1,650**	1,265	**1,650**	1,265
		(35,368)	(45,893)	**95**	(4,456)

26. Effect of exchange translation adjustments

	Notes	2007 €'000	2006 €'000
Group:			
Decrease in assets			
Non-current assets			
Property, plant and equipment	*10*	**(45,956)**	(21,484)
Intangible assets	*11*	**(78,311)**	(31,237)
Deferred tax assets	*6*	**(542)**	(999)
Current assets			
Inventories		**(22,398)**	(17,957)
Trade and other receivables		**(27,825)**	(11,246)
Cash and cash equivalents		**(10,711)**	(5,261)
Decrease/(increase) in liabilities			
Current liabilities			
Trade and other payables		**37,564**	18,273
Financial liabilities		**7,202**	10,088
Tax liabilities		**3,193**	30
Deferred income	*18*	**290**	(148)
Non-current liabilities			
Financial liabilities		**69,825**	45,319
Retirement benefits obligation	*19*	**16,854**	409
Other non-current liabilities		**(1,725)**	936
Deferred tax liabilities	*6*	**711**	372
Retained earnings		**(2,506)**	(484)
		(54,335)	(13,389)

The above exchange translation adjustments arise on the retranslation of the Group's opening net investment in its foreign currency subsidiaries.

27. Businesses acquired

During 2007, the Group completed a number of bolt-on acquisitions all of which were 100% acquired. No individual acquisition cost in excess of €25,000,000 and the total consideration for all acquisitions amounted to **€84,923,000** analysed as follows:

	Notes	Acquiree's Carrying Amount Before Combination 2007 €000	Fair Value Adjustment: Revaluations 2007 €000	Fair Value Adjustment: Alignment of Accounting Policies 2007 €000	Fair Value 2007 €000
Net assets acquired:					
Non-current assets					
Property, plant and equipment	*10*	28,406	(1,196)	–	**27,210**
Brand related intangibles	*11*	2,148	13,211	–	**15,359**
Computer software	*11*	41	–	–	**41**
Current assets					
Inventories		9,621	–	(605)	**9,016**
Trade and other receivables		8,725	–	(117)	**8,608**
Current liabilities					
Trade and other payables		(4,989)	–	(642)	**(5,631)**
Non-current liabilities					
Deferred tax liabilities		–	(1,275)	–	**(1,275)**
Other non-current liabilities		(415)	(120)	–	**(535)**
		43,537	10,620	(1,364)	**52,793**
Goodwill	*11*				**32,130**
Total consideration					**84,923**
Purchase consideration:					
Cash					**78,024**
Deferred payments					**5,965**
Acquisition expenses					**934**
					84,923

The acquisition method of accounting has been used to consolidate the businesses acquired in 2007 in the Group's financial statements. Since the valuation of the fair value of assets and liabilities recently acquired is still in progress, the above values are determined provisionally. The cash discharged figure above includes **€942,000** of net debt taken over at the date of acquisition.

The goodwill is attributable to the expected profitability of the acquired businesses and the synergies expected to arise within the Group after the acquisition.

The principal acquisitions completed during 2007 are summarised as follows:

In April 2007, the Group acquired Titusfield Ltd. Based in the UK, the company produces cereal extrusion products, mini-baked inclusions and coatings for cereals, biscuits and confectionery, for the sports, lifestyle and related markets.

In July 2007, the Group acquired the business and assets of Sugar & Spice. Located in Melbourne, Australia, the company manufactures frozen doughs and mixes for the in-store bakery market in Australia.

In October 2007, the Group acquired the business and assets of Shanghai Vega Flavours & Fragrance. The business manufactures flavours for dairy, beverage and confectionery products sold in the Chinese market.

In November 2007, the Group acquired Presco Food Seasonings Inc. Located in the US, Presco is a leading regional supplier of customised premium food seasonings and flavour products. Also in November 2007, the Group acquired Can Pan Candy Inc, located in Canada. The company manufactures confectionery toppings and inclusions.

In December 2007, the Group acquired the business and assets of Fountainhead Manufacturing, located in Singapore. Fountainhead produces branded foodservice and own label products for supermarket chains through its core technology in wet sauces. The Group also acquired QA Products Inc. in December 2007. Located in the US, the company is a leading producer of confectionery toppings and inclusions for bakery, confectionery, dairy and snack creations.

28. Financial instruments

Capital risk management

The financing structure of the Group is managed in order to maximise 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 and Company consists of financial liabilities, cash and cash equivalents and equity attributable to equity holders of the parent Company, comprising issued capital, reserves and retained earnings as disclosed in note 23.

This policy is managed by setting debt to earnings before interest, taxes, depreciation and amortisation (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. Group net debt peaked at just over €1,409,000,000 in July 2007.

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:

	2007 Times	2006 Times
Net debt: EBITDA	**2.6**	2.5
EBITDA: Net interest	**6.1**	6.2

Categories of financial instruments:

	2007 €'000	2006 €'000
Financial assets		
Derivative instruments in designated hedge accounting relationships	**3,746**	4,485
Cash and cash equivalents	**185,669**	188,844
Available-for-sale financial assets	**18,905**	19,866
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	**35,472**	6,355
Financial liabilities at amortised cost	**1,447,361**	1,393,080

28. Financial instruments (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 Auditors. The Group operates a centralised treasury function, which manages the financial risks of the Group and Company. These risks include foreign currency risk, interest rate risk, credit risk and liquidity risk.

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 counter-party 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.

(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.

The table below shows the Group's currency exposures which consists of those transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the Consolidated Income Statement. These exposures comprise the monetary assets and liabilities of the Group not denominated in the operating (or functional) currency of the operating unit involved, other than certain borrowings which are borrowed in the same currency as the investment in the overseas operation. At 31 December these exposures were as follows:

	Net Foreign Currency Monetary Assets/(Liabilities) in €'000							
	2007				2006			
	Euro	**Sterling**	**US Dollar**	**Other**	Euro	Sterling	US Dollar	Other
Functional currency of Group operation								
Euro	**–**	**6,912**	**4,936**	**(1,420)**	–	7,091	2,283	(2,436)
Sterling	**(90)**	**–**	**7,650**	**(745)**	(2,452)	–	7,214	(862)
US Dollar	**267**	**191**	**–**	**(4)**	(513)	52	–	1,476
Other	**3,436**	**418**	**4,047**	**104**	7,077	(78)	12,683	(105)
Total	**3,613**	**7,521**	**16,633**	**(2,065)**	4,112	7,065	22,180	(1,927)

The amounts shown in the above table take into account the effect of forward contracts entered into to manage currency exposures. At 31 December 2007 the Group also held open various foreign currency forward contracts that were taken out to hedge expected future sales and purchases.

The Group does not hedge translation exposure on the retranslation of the profits of foreign currency subsidiaries on the basis they are not intended to be repatriated.

28. Financial instruments (continued)

Forward foreign exchange contracts
The Group's activities expose it to risks of changes in foreign currency exchange rates in relation to overseas income. The Group uses foreign exchange forward contracts to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

An amount of **€8,534,000** (2006: €160,000) has been transferred to other external charges in the Consolidated Income Statement in respect of forward foreign exchange contracts that matured in the year. There were no transactions during 2007 and 2006 which were designated as hedges and did not occur nor are there hedges on forecast transactions that are no longer expected to occur.

Gains and losses in shareholders' equity on forward foreign exchange contracts at 31 December 2007 of **€3,275,000** will be released to the Consolidated Income Statement within 3 months of the balance sheet date. The gains and losses in shareholders' equity on forward foreign exchange contracts at 31 December 2006 were released to the Consolidated Income Statement in 2007 as follows: €1,500,000 within 3 months; €2,158,000 within 3 to 6 months; and €470,000 in 6 to 12 months. All forward contracts relate to sales revenue made in their respective currencies. At 31 December 2007, the fair value of forward currency contracts was **€3,288,000** (2006: €4,128,000).

At 31 December 2007 there has been no ineffectiveness recognised in the Consolidated Income Statement from foreign currency cash flow hedges.

(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 and forward rate agreements to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

The Group's exposure to interest rates on financial assets and liabilities are detailed in the table below.

	Floating Rate Debt €'000	Fixed Rate Debt €'000	Total €'000
Interest rate profile of financial liabilities excluding related derivatives			
Euro	**68,217**	**391,300**	**459,517**
Sterling	**198,128**	**–**	**198,128**
US Dollar	**28,875**	**455,782**	**484,657**
Others	**101,663**	**–**	**101,663**
At 31 December 2007	**396,883**	**847,082**	**1,243,965**
Euro	168,717	200,000	368,717
Sterling	249,428	–	249,428
US Dollar	43,180	424,242	467,422
Others	102,791	–	102,791
At 31 December 2006	564,116	624,242	1,188,358

The weighted average interest rate for fixed borrowings was **4.72%** (2006: 5.80%) and the weighted average period for which the rate was fixed was **2.1 years** (2006: 3.5 years).

The floating rate financial liabilities are at rates which fluctuate mainly based upon LIBOR and comprise bank borrowings and other financial liabilities bearing interest rates fixed in advance for periods ranging from 1 to 6 months. At the year end **31%** (2006: 48%) of 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 2008 the net finance charge of the Group before tax could increase by 6%.

The weighted average period to maturity of other non-interest bearing financial liabilities was **2.8 years** (2006: 2.9 years).

28. Financial instruments (continued)

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 and forward rate agreements to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair values.

Under interest rate swap contracts, 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 interest rate and pays fixed interest rate on swaps at 31 December:

	Average Interest Rate		**Fair Value**		**Notional Principal**	
	2007 %	2006 %	**2007 €'000**	2006 €'000	**2007 €'000**	2006 €'000
Interest rate swap contracts						
less than 1 year	**4.35**	–	**(458)**	–	**191,300**	–
1 - 2 years	**3.83**	–	**6,423**	–	**295,328**	–
2 - 5 years	**5.44**	4.87	**29,049**	5,998	**340,136**	578,788
Total			**35,014**	5,998		

The interest rate swaps settle on a 6-monthly basis, the difference between the floating rate due to be received and the fixed rate to be paid are settled on a net basis.

At 31 December 2007 an amount of **€432,000** (2006: €nil) has been recognised in the Consolidated Income Statement in relation to hedge ineffectiveness recognised in interest rate swap cash flow hedges during the year. All hedges are deemed to be highly effective on a prospective and retrospective basis.

(iii) Liquidity risk management

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 other capital markets. It is Group policy to ensure that:

- sufficient facilities are available to cover its gross forecast debt by 1.25 times; and
- 75% of total facilities available are committed.

Both targets were met at 31 December 2007 and 2006.

Funding is sourced from banks via syndicated and bilateral arrangements and from institutional investors.

The Group aims to ensure that a minimum of 70% of gross debt matures after more than 3 years and 40% matures after more than 5 years. At 31 December 2007 the actual maturity percentages were **68%** (2006: 95%) and **47%** (2006: 44%) respectively.

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 2007 the Group had a portfolio of undrawn committed bank facilities which amounted to **€198,339,000** (2006: €317,241,000), and a portfolio of undrawn standby facilities amounting to **€351,599,000** (2006: €379,567,000). The undrawn committed facilities consist primarily of the revolving credit facility with an average maturity of **2 years** (2006: 3 years).

28. Financial instruments (continued)

The following table details the Group's maturity and interest rate risk profile for non-derivative financial liabilities. The table shows the earliest date at which the Group can be required to repay and takes into account the impact of interest rate swaps on the exposure to changes in interest rates.

	On demand €'000	Up to 1 year €'000	1 - 5 years €'000	> 5 years €'000	Total €'000
Deferred payments on acquisition	**–**	**9,219**	**7,700**	**808**	**17,727**
Floating rate debt	**70**	**10,239**	**452,394**	**119,849**	**582,552**
Fixed rate debt	**–**	**–**	**296,441**	**550,641**	**847,082**
At 31 December 2007	**70**	**19,458**	**756,535**	**671,298**	**1,447,361**
Deferred payments on acquisition	–	11,803	4,075	–	15,878
Floating rate debt	949	3,228	519,702	229,081	752,960
Fixed rate debt	–	22,727	222,727	378,788	624,242
At 31 December 2006	949	37,758	746,504	607,869	1,393,080

The following table details the Group's non-derivative financial assets all of which are available on demand and have no fixed interest return:

	2007 €'000	2006 €'000
Cash and cash equivalents	**185,669**	188,844
Available-for-sale financial assets	**18,905**	19,866
At end of year	**204,574**	208,710

(iv) Credit risk management
Cash deposits and other financial instruments give rise to credit risk on the amounts due from counter-parties. 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 the year end all cash, short-term deposits and other liquid investments had a maturity of less than 3 months. The Group is of the opinion that the likelihood of default by a counter-party leading to material loss is minimal.

The Group's exposure to its counterparties is continuously monitored and the aggregate value of transactions entered into is spread amongst approved counter-parties.

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.

29. Contingent liabilities

	2007 €'000	2006 €'000
Company:		
(a) Guarantees in respect of borrowings of subsidiaries	**1,429,635**	1,383,200

(b) 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 33, 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 2007 or any amended financial period incorporating the said financial year.

The Company has given similar indemnities in relation to its subsidiaries in the Netherlands, as set out in note 33.

The Company does not expect any material loss to arise from these guarantees.

30. Other financial commitments

	2007 €'000	2006 €'000
Group:		
(a) Commitments for the acquisition of property, plant and equipment at 31 December for which no provision has been made in the accounts is as follows:		
Commitments for the acquisition of property, plant and equipment in respect of contracts placed	**15,999**	12,467
Expenditure for the acquisition of property, plant and equipment authorised by the Directors but not contracted for at the year end	**68,881**	51,042
	84,880	63,509

	2007 €'000	2006 €'000
(b) At the balance sheet date the Group had commitments under non-cancellable operating leases which fall due as follows:		
Within 1 year	**24,428**	25,849
Within 2 to 5 years	**53,931**	55,753
After 5 years	**32,676**	38,008
	111,035	119,610

The operating lease charges during 2007 amounted to **€26,277,000** (2006: €29,237,000).

The Group leases various buildings, plant and machinery and motor vehicles under non-operating lease arrangements. The leases have various terms, escalation clauses and renewal rights.

31. Related party transactions

(a) Related party transactions; transactions with key management personnel
Key management personnel of Kerry Group plc are deemed to be the Board of Directors as they are responsible for planning, directing and controlling the activities of the Group.

(b) Related party transactions; 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 **€1,469,000** (2006: €783,000) and **€384,000** (2006: €300,000) respectively. The trading balance outstanding to the Group at the year end was **€57,000** (2006: €58,000).

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.

32. Events after the balance sheet date

Other than the proposal of a final dividend (see note 8) there have been no significant events, outside the ordinary course of business, affecting the Group since 31 December 2007.

33. Principal subsidiaries

Company Name	Nature of Business	Country	Registered Office
Ballysimon Warehousing Limited	Ingredients	Ireland	1
Castleisland Cattle Breeding Society Limited	Agribusiness	Ireland	1
Charleville Research Limited	Services	Ireland	1
Dawn Dairies Limited	Foods	Ireland	1
Duffy Meats Limited	Foods	Ireland	1
Dynaboo Limited	Foods	Ireland	1
Fambee Limited	Foods	Ireland	1
Freshways Limited	Foods	Ireland	1
Glenealy Farms (Turkeys) Limited	Foods	Ireland	1
Golden Vale Clare Limited	Investment	Ireland	1
Golden Vale Dairies Limited	Agribusiness	Ireland	1
Golden Vale Farms Limited	Agribusiness	Ireland	1
Golden Vale Food Products Limited	Ingredients	Ireland	1
Golden Vale Foods	Foods	Ireland	1
Golden Vale Holdings Limited	Investment	Ireland	1
Golden Vale Investments Limited	Investment	Ireland	1
Golden Vale Limerick Limited	Foods	Ireland	1
Golden Vale Limited	Investment	Ireland	1
Golden Vale Sales Limited	Ingredients	Ireland	1
Henry Denny & Sons (Ireland) Limited	Foods	Ireland	1
Irish Cold Stores Limited	Foods	Ireland	1
Javee Limited	Foods	Ireland	1
Kerry Agribusiness Holdings Limited	Investment	Ireland	1
Kerry Agribusiness Trading Limited	Agribusiness	Ireland	1
Kerry Creameries Limited	Agribusiness	Ireland	1
Kerry Farm Supplies Limited	Agribusiness	Ireland	1
Kerry Food Ingredients (Cork) Limited	Ingredients	Ireland	1
Kerry Group Financial Services	Services	Ireland	1
Kerry Group Services International Limited	Services	Ireland	1
Kerry Group Services Limited	Services	Ireland	1
Kerry Holdings (Ireland) Limited	Investment	Ireland	1
Kerry Ingredients (Ireland) Limited	Ingredients	Ireland	1
Kerry Ingredients Holdings (Ireland) Limited	Investment	Ireland	1
Kerry Ingredients Trading Limited	Ingredients	Ireland	1
Kerry Treasury Services Limited	Services	Ireland	1
Kerrykreem Limited	Ingredients	Ireland	1
National Food Ingredients Limited	Ingredients	Ireland	1
National Rusks Limited	Ingredients	Ireland	1
Pixundo Limited	Foods	Ireland	1
Plassey Holdings Limited	Investment	Ireland	1
Plassey Investments	Investment	Ireland	1
Platters Food Company Limited	Foods	Ireland	1
Princemark Holdings Limited	Services	Ireland	1
Quandu Limited	Foods	Ireland	1
Rye Developments Limited	Services	Ireland	1
Rye Valley Foods Limited	Foods	Ireland	1
Snowcream (Midlands) Limited	Foods	Ireland	1
Trundu Limited	Foods	Ireland	1
William Blake Limited	Ingredients	Ireland	1
Henry Denny & Sons (NI) Limited	Foods	UK	2
Dairy Produce Packers Limited	Ingredients	UK	3
Golden Cow Dairies Limited	Foods	UK	3
Golden Vale (NI) Limited	Investment	UK	3
Leckpatrick Dairies Limited	Foods	UK	3
Leckpatrick Holdings Limited	Investment	UK	3
Diversity Foods Limited	Foods	UK	4
Kerry Foods Limited	Foods	UK	4
Kerry Holdings (U.K.) Limited	Investment	UK	4
Kerry Savoury Foods Limited	Foods	UK	4
Noon Group Limited	Foods	UK	4

33. Principal subsidiaries (continued)

Company Name	Nature of Business	Country	Registered Office
Kerry Foods Distribution Limited	Foods	UK	4
Dairyborn Foods Limited	Foods	UK	5
Cereal Innovations Limited	Ingredients	UK	6
Dale Country Foods Limited	Ingredients	UK	6
EBI Foods Limited	Ingredients	UK	6
Kerry Ingredients (UK) Limited	Ingredients	UK	6
Kerry Ingredients Holdings (U.K.) Limited	Investment	UK	6
Gordon Jopling (Foods) Limited	Ingredients	UK	6
Titusfield Limited	Ingredients	UK	6
Gova Finance B.V.	Investment	Netherlands	7
Kerry Group B.V.	Investment	Netherlands	7
Kerry Bio-Science B.V.	Ingredients	Netherlands	7
Kerry Ingredients B.V.	Ingredients	Netherlands	8
Kerry Foods France Sarl	Ingredients	France	9
Kerry Ingredients France S.A.S.	Ingredients	France	10
Kerry Ingredients Holdings (France) S.A.	Investment	France	10
Kerry Savoury Ingredients France S.A.S.	Ingredients	France	11
Kerry Ingredients GmbH.	Ingredients	Germany	12
Kerry Foods GmbH.	Investment	Germany	12
Kerry Ingredients (Denmark) A/S	Ingredients	Denmark	13
Kerry Ingredients Italia S.p.A.	Ingredients	Italy	14
Mastertaste S.p.A.	Ingredients	Italy	15
Kerry Polska Sp. z.o.o.	Ingredients	Poland	16
Kerry Hungaria KFT.	Ingredients	Hungary	17
Kerry Ingredients Australia Pty. Limited	Ingredients	Australia	18
Kerry Ingredients (NZ) Limited	Ingredients	New Zealand	19
Flavurence Corporation	Ingredients	USA	20
Geneva Flavors Inc.	Ingredients	USA	20
Guernsey Bel, Inc.	Ingredients	USA	20
GB Seasonings Inc.	Ingredients	USA	20
Kerry Biofunctional Ingredients Inc.	Ingredients	USA	20
Kerry Holding Co.	Investment	USA	20
Kerry Inc.	Ingredients	USA	20
Mastertaste Holding Co.	Investment	USA	20
Nuvex Ingredients Inc.	Ingredients	USA	20
Hickory Specialties, Inc.	Ingredients	USA	21
Jana's Classics, Inc.	Ingredients	USA	22
Oregon Chai, Inc.	Ingredients	USA	22
Stearns & Lehman, Inc.	Ingredients	USA	23
Presco Food Seasonings, Inc.	Ingredients	USA	24
QA Products, Inc.	Ingredients	USA	25
Kerry (Canada) Inc.	Ingredients	Canada	26
Kerry (Quebec) Inc.	Ingredients	Canada	27
Rector Foods Limited	Ingredients	Canada	28
Nutrisens Inc.	Ingredients	Canada	29
Can-Pan Candy Inc.	Ingredients	Canada	30
Kerry Ingredients (de Mexico) S.A. de C.V.	Ingredients	Mexico	31
Kerry do Brasil Ltda.	Ingredients	Brazil	32
Kerry Bio-Science Egypt Misr L.L.	Ingredients	Egypt	33
Kerry Ingredients South Africa (Pty) Limited	Ingredients	South Africa	34
Kerry Ingredients (Thailand) Limited	Ingredients	Thailand	35
Kerry Food Ingredients (Philippines), Inc.	Ingredients	Philippines	36
Kerry Food Ingredients (Cebu), Inc.	Ingredients	Philippines	37
Kerry Ingredients (S) Pte Limited	Ingredients	Singapore	38
Kerry Ingredients (M) Sdn. Bhd.	Ingredients	Malaysia	39
Kerry Japan Kabushiki Kaisha	Ingredients	Japan	40
Kerry Food Ingredients (Hangzhou) Company Limited	Ingredients	China	41
Kerry Ingredients Trading (Shanghai) Limited	Ingredients	China	42
Kerry Limited Liability Company	Ingredients	Russia	43
Kerry El Salvador S.A. de C.V.	Ingredients	El Salvador	44

33. Principal subsidiaries (continued)

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.

Registered Office

1 Prince's Street, Tralee, Co. Kerry, Ireland.
2 6 Corcrain Road, Portadown, Craigavon, Co. Armagh, BT62 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 Eaton Green Road, Luton, Bedfordshire, LU2 9XF, England.
6 Equinox South, Great Park Road, Bradley Stoke, Bristol BS32 4QL, England.
7 Veluwezoom 62, 1327 AH Almere, The Netherlands.
8 Swaardvenstraat 41 5048 AV Tilburg, Industrial Zone 3782, P.O. Box 5066, 5004 EB Tilburg, The Netherlands.
9 Les Monestiers, 84400 Gargas, France.
10 Quartier Salignan, 84400 Apt en Provence, France.
11 26 Rue Jacques Prevert, 59650 Villeneuve d'Ascq, France.
12 Hauptstrasse 22, 63924 Kleinheubach, Germany.
13 Toftegardsvej 3, DK-5620, Glamsbjerg, Denmark.
14 Via Capitani di Mozzo 12/16, 24030 Mozzo (Bergamo), Italy.
15 Via Fossata 114, 10147, Torino, Italy.
16 25-558 Kielce, Ul. Zagnanska 97a, Poland.
17 H-1106 Budapest, Fehér út 10, Hungary.
18 No 8 Holker Street, Newington, NSW 2127, Australia.
19 11-13 Bell Avenue, Otahuhu, Auckland, New Zealand.
20 2711 Centerville Road, Wilmington, DE 19808, USA.
21 2908 Poston Avenue, Nashville, TN 37203, USA.
22 285 Liberty Street NE, Salem, OR 97301, USA.
23 50 West Broad Street, Columbus, OH 43215, USA.
24 7 St. Paul Street, Suite 1660, Baltimore, MD 21202, USA.
25 2711 Centerville Road, Wilmington, DE 19808, USA.
26 55 King Street West, Toronto-Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario, M5K 1N6, Canada.
27 615 Jack Ross Ave., P.O. Box 968, Woodstock, Ontario, N4S 8A4, Canada.
28 66 Wellington Street, Toronto-Dominion Bank Tower, Toronto, Ontario, M5K 1N6, Canada.
29 1 Place du Commerce, Suite 403, Verdun, Quebec, H3E 1A2, Canada.
30 Suite 800, 1 First Canadian Place, Toronto, Ontario, M5X 1A2, Canada.
31 Carr. Panamericana, Salamanca Km 11.2, 36660 Irapuato, Guanajuato, Mexico.
32 Rua Cristiano Alves da Silva, 15 - Parque Jussara - Tres Coracoes - MG - Brazil.
33 31 Imam Ali St, Ismailia Sq, Heliopolis, Cairo, Egypt.
34 Unit 24 Sancroy Commercial Park, Die Agora Road, Croydon, Gauteng, South Africa.
35 No 618, Moo 4, Bangpoo Industrial Estate, Praksa Sub District, Muang District, Samutprakarn Province, Thailand.
36 GF/SFB#1, Mactan Economic Zone 1, Lapulapu City, Cebu, Philippines.
37 P. Suico St., Tabok, Mandaue City, Cebu, Philippines.
38 6 Shenton Way #28-09 DBS Building Tower Two, Singapore 068809.
39 Suite 15.03, Level 15, Menara MAA, No. 15, Jalan Dato' Abdullah Tahir, 80300 Johor Bahru, Johor, Malaysia.
40 7-2, 1chome, Azabudai, Minato-ku, Tokyo, Japan.
41 68 Xing Fu Road, HEDA Xia Sha District, Hangzhou 310018, China.
42 2 Zhongnan Road, Xingmao Building, Room 248, Wai Gao Qiao, Shanghai, China.
43 Ul. Tverskaya 16/2, Moscow 125009, Russia.
44 Calle la Reforma y Av. Manuel Enrique Araujo # 1-4 Centro Comercial San Benito, Planta Baja, Col. San Benito, San Salvador, El Salvador.

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